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## **COMPARATIVE ANALYSIS OF INSURANCE MARKETS: KAZAKHSTAN AND THE EUROPEAN UNION**

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This year, insurance companies continue to operate in the face of deteriorating macroeconomic situation in the country. The slowdown in economic growth, entrance of asignificant number of foreign representatives to Kazakhstan market, and the fall of welfare has affected the volume of Kazakhstan's insurance market. In this connection it is necessary to determine the positions from which the changes should be considered and take appropriate measures to influence the situation.

The purpose of this article is a comparison of the insurance market of Kazakhstan and the EU. In this regard, we consider the characteristics of Kazakh and European insurance market through the analysis of the key indicators of their activities. It discloses the fundamental differences that led to the conclusion of inappropriate following the European pace of the development and the full integration of measures aimed at this segment. Moreover, due to the necessity the researchtakesinto account national characteristics to maximize the potential of the insurance sector of Kazakhstan.

Besides being considered young, Kazakhstan insurance market still has a number of features, which should be the basis of its development strategy.

Features of our state of the insurance market can be illustrated by the following indicators:

1. According to the forecasts of experts the volume of the insurance market does not exceed 204 billion tenge in 2015. The forecast is based on the negative dynamics of I quarter when premiums rose by only 1%. The current situation on the market can be considered as a temporary stage. Insurance, as a segment of the economy, is necessary for its general condition. It would be expected that the economic growth of the insurance market will grow accordingly. However, despite the economic, social and political transformations of the last 10-15 years, the share of insurance premiums to GDP remained stable and is lower, according to various estimates, 1-2%. This criterion corresponds to parameters of Lebanon, Brazil, Colombia - countries with emerging economies and the lack of social protection. An important tool is the security investment. In 2015insurers' investments were amounted to 120.8 billiontenge. The investment portfolio of insurers for 29% consists of cash and deposits. In fact, this money, which lie at the box office and insurance companies with banks at interest below inflation. It turns out that Kazakhstan's insurers do not use the opportunity to participate in the stock market and investing in the economy. Thus, at the current stage of development, Kazakhstan is characterized by a small insurance role as an institutional investor.

2. Sustainable economic growth requires long-term investments that the insurance industry can achieve through long-term illiquid liabilities and life insurance premiums. Life insurance is one of the few segments of the insurance market, showing a steady increase. Total insurance premiums in life insurance increased and amounted to 18.1 billion tenge in 2015. This type of insurance is a long term, so there is a possibility of long-term investment of these funds. However, the share of life insurance in the total insurance market remains small and is 7.4%.

Insufficient level of insurance culture of the majority of consumers of insurance services significantly limits the use and development of insurance protection mechanisms, that is mainly due to features and conditions of formation of market economy in Kazakhstan[1].

In connection with the accession of the Republic of Kazakhstan to the World Trade Organization and the obligations assumed, "Strategy of development of insurance activities" sets the task to harmonize the conduct of insurance business with international practice. In cooperation with the European Union it results in active process of integration of individual segments of the insurance market to international standards and recommendations. Reference to international practice can be seen in every direction: the adoption of the insurance legislation, monitoring and supervision, improving the practice of insurers, the development of agricultural insurance system, the formation of insurance reserves and other requirements to the financial stability of insurers - all should be carried out taking into account the international insurance experience. It seems that the EU and Kazakhstan have a general similarity in the formation insurance markets. However, development directions and goals are different. The development of the insurance industry of the Republic of Kazakhstan is aimed at encouraging voluntary insurance, increase the attractiveness of insurance for citizens, as well as strengthening the role of the insurance market at the international level. The EU member countries are mainly solved these problems, so their future course is aimed at promoting regional integration, harmonization of insurance legislation and strengthening of the Common European insurance market (CEIM).

As Kazakhstan's insurance market, the CEIM has its own characteristics. Based on the key indicators of its activity:

1. Over the last three years there is a slight decrease in the number of insurance companies operating in Europe to 4860 organizations. The main factor for this decline was the reduction in the number of insurance companies of the largest markets CEIM due to high competition.

2. In 2015 Europe's economy has grown and is expected to continue to grow after the recession and stagnation of the past few years. By increasing premiums by 3.5% the volume of the insurance market also increased and amounted to 1 169 billion euro.

3. In 2015 the European life insurance premiums increased by 5.5% compared to 2014. Even in times of economic instability, Europe's population gets insurance policies to protect what is important to them. This is reflected in the steady stream

of prizes. Contributions into life insurance, which accounted for 61% of all premiums CEIM, in 2015 amounted to 714 billion euro. Life insurance in the EU is the most common and strategically important type of insurance.[2]

Analysis of Kazakhstan's insurance market and the Single Insurance Market in Europe based on key indicators showed differences in the conduct of insurance business. The volume of the Common European insurance market is significantly more than that of the insurance market of Kazakhstan. In the EU a key type of insurance that provides growth and development of not only the industry but also the economy as a whole, is a life insurance. In Kazakhstan, even in conditions of continuous growth of this type of insurance, it has no significant share in the volume of the insurance market and no significant effect on the economy. This explains the fact that CEIM and Kazakh insurance sector play different roles in national economies. Insurance, due to the possibility of extensive investment activity, is a strategically important sector of the EU economy, while Kazakhstan only gets it in the way of development. Kazakhstan's insurance market is in the process of formation, as compared to the mature markets of the EU, which takes a new stage of strengthening their positions due to the financial and legal restructuring[3].

To summing up, I want to note that the distrust of the insurance companies is one of the main reasons for the unpopularity of life insurance in our country. After all, this insurance product is significantly different from other property and obligatory types of insurance, as often treaties SJ concluded a long-term (over 1 year), and, in addition to the insurance cover can be used as an investment tool. The uncertainty of many people in the financial stability of insurance companies has led to a lack of interest in long-term investments in life insurance.

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