

RESEARCH ARTICLE

DOI: 10.47703/ejbs.v4i66.197



Imputed Insurance in the Republic of Kazakhstan: Problems, Solutions and Development Prospects

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For citation: Kaderova, N.N.,
Dosmanbetova, M.S., &
Leshchinskaya, S.D. (2022)
Imputed Insurance in the
Republic of Kazakhstan:
Problems, Solutions and
Development Prospects. Eurasian
Journal of Economic and
Business Studies, 66(4), 86-104.

Conflict of interest: author(s)
declare that there is no conflict of
interest.

EJBS

Abstract

The global insurance market, including the market of Kazakhstan, is in constant development and change due to instability in geopolitics, global and national economy. The most important effective tool in a market economy in the process of risk management is insurance. In any country, insurance is a guarantee of the development of its economic level, and financial and national well-being. It ensures the stable development of financial and entrepreneurial activities. In Kazakhstan, the production and non-production spheres are subject to an increased threat of the impact of natural disasters and technological disasters, which indicates a significant potential role of insurance, both at the micro and macroeconomic level. It is worth noting that, despite the growth, the insurance market is more developed, Kazakhstan lags behind developed countries. Kazakhstan needs to increase the percentage of the contribution of insurance assets to the GDP structure. The main priority in the field of insurance today for Kazakhstan is to achieve self-regulation of the insurance system, which implies minimal state participation in the insurance process. In this regard, new subspecies of insurance in the class of voluntary insurance are being introduced and developed in the country. Kazakhstan's market is dynamically developing, but little is covered and researched. This article discusses the main problems hindering the development of the insurance market and, in particular, the development of imputed insurance in Kazakhstan, provides a number of recommendations to eliminate these problems and proposals for further development of the insurance market.

Keywords: Imputed Insurance, Compulsory Insurance, Insurance Market, Insurance Business, Insurance Premiums And Payments, Business

SCSTI: 06.73.65

JEL Code: B4, D60, I3, R1

1. INTRODUCTION

In the modern world, the insurance sector is one of the most critical sectors of the economy, which ensures the stable development of financial and entrepreneurial activities. Insurance helps the state not only to develop the economic level of the country but also to preserve the achieved financial and national well-being. In a market economy, insurance has become the most crucial effective tool in the risk management process. Kazakhstan is characterized by increased vulnerability of the production and non-production spheres to the impact of natural disasters and technological disasters. Consequently, the potential role of insurance on a micro and macro-economic scale is huge.

Kazakhstan's market is dynamically developing, but little is covered and researched. Today, the sphere of entrepreneurship and business is expanding in Kazakhstan, which increases commercial, financial, economic and other risks that have become a daily reality for thousands of businessmen. Based on these realities, Kazakhstan strives to maximize the use and expansion of insurance opportunities and introduction into the life of every citizen of the country, developing the insurance culture of the population of Kazakhstan. Today, the main priority in the insurance sector for Kazakhstan is to achieve self-regulation of the insurance system, which implies minimal state participation in the insurance process. In this regard, new subspecies of insurance in the class of voluntary insurance are being introduced and developed in the country. To date, there is the emergence and development of a new for the post-Soviet space - imputed insurance, which will minimize the participation of the state, increase self-regulation of insurance in the Republic of Kazakhstan and provide a more informed approach to the insurance of citizens of the country. The introduction of imputed insurance in Kazakhstan will allow the parties to the insurance contract to provide flexible insurance terms that meet the interests of the client, improve insurance products and define a clear list of risks.

Imputed insurance has already been successfully introduced and is widespread in European countries such as France, Germany, and Austria. In Kazakhstan, imputed insurance is currently mandatory for such fields of activity as customs brokers, lawyers, bailiffs, and legal consultants. The insurance field in the Republic of Kazakhstan is a little-studied area. The topic of compulsory insurance in the Republic of Kazakhstan is sufficiently covered and researched, unlike imputed insurance, which was introduced only in 2018 and has not been studied practically to date. When studying scientific papers on insurance, the greatest attention was paid to the works of domestic and Russian specialists in connection with the similarity of the insurance system. Among the domestic authors who pay great attention to insurance in their works, it is necessary to single out such scientists as G.A. Kochkina, K.K. Zhurikov. The following authors made a great contribution from foreign and Russian authors: K.A. Naiko, Zh.V. Puzanova, M.A. Trifonova, A.P. Arkhipov, A.E. Dvoretzkaya, S.B. Bogoyavlensky, G.D. Alekseevich, P.S. Sergeevna, S.Yu. Yanova, Zh.V. Pisarenko, N.P. Kuznetsova.

The scientific works of the previously mentioned authors served as fundamental points of support during the writing of the work, as well as guides for understanding and scientific analysis of the theoretical foundations and practical aspects of the insurance sector in the economy. At the same time, it is necessary to note the presence and low

knowledge of imputed insurance in the Republic of Kazakhstan. This situation develops since imputed insurance was introduced not so long ago and is now at the stage of studying and adapting to the conditions of the economy of Kazakhstan. Therefore, the study of imputed insurance is of great relevance in the insurance sector today.

The purpose of the study is to analyze the development of the compulsory and imputed insurance market in the Republic of Kazakhstan, search for problem areas and develop recommendations for the further introduction of new types of imputed insurance, taking into account foreign experience. The elements of the scientific novelty of the study consist in revealing the essence of imputed insurance within the framework of the experience of the Republic of Kazakhstan and identifying its advantages compared with compulsory insurance. The results of research work in the future can be applied in practice by insurance companies of the Republic of Kazakhstan for their further development and strategic decision-making.

In the modern world, the insurance sector is one of the most critical sectors of the economy, which ensures the stable development of financial and entrepreneurial activities. Insurance helps the state not only to develop the economic level of the country but also to preserve the achieved financial and national well-being. The most important effective tool in a market economy in risk management is insurance. In any country, insurance is a guarantee of the development of its economic level, and financial and national well-being. It ensures the stable development of financial and entrepreneurial activities.

Kazakhstan is characterized by the increased vulnerability of production and non-production spheres to the impact of natural and technological disasters. Consequently, the potential role of insurance on a micro and macro-economic scale is huge. In Kazakhstan, the production and non-production spheres are subject to an increased threat of the impact of natural disasters and technological disasters, which indicates a significant potential role of insurance, both at the micro and macroeconomic level. Kazakhstan's market is dynamically developing, but little is covered and researched. Today, the sphere of entrepreneurship and business is expanding in Kazakhstan, which increases commercial, financial, economic and other risks that have become a daily reality for thousands of businessmen. Based on these realities, Kazakhstan strives to maximize the use and expansion of insurance opportunities and introduction into the life of every citizen of the country, developing the insurance culture of the population of Kazakhstan. Today, the main priority in the insurance sector for Kazakhstan is to achieve self-regulation of the insurance system, which implies minimal state participation in the insurance process. In this regard, new subspecies of insurance in the class of voluntary insurance are being introduced and developed in the country.

To date, there is the emergence and development of a new for the post-Soviet space - imputed insurance, which will minimize the participation of the state, increase self-regulation of insurance in the Republic of Kazakhstan and provide a more informed approach to the insurance of citizens of the country. The introduction of imputed insurance in Kazakhstan will allow the parties to the insurance contract to provide flexible insurance conditions that meet the interests of the client, and improve insurance.

2. LITERATURE REVIEW

Insurance is classified into two categories: objects of insurance and forms of insurance. Classification by forms of insurance divides this concept into two: mandatory and voluntary. Compulsory insurance is introduced at the state level to guarantee the protection of specific categories of citizens from socially significant risks. That is, the initiator is the state and is regulated by the legislation of the Republic of Kazakhstan. This type of insurance can cover highly severe risks to ensure their distribution to the maximum possible number of economic entities (Orlanyuk-Malitskaya, 2020).

According to the Law of the Republic of Kazakhstan, "On Insurance Activity", imputed insurance is also allocated, which is not considered a separate class of insurance. It is a type of compulsory insurance in which the requirement for compulsory insurance, types and minimum conditions of insurance (including the object of insurance, insurance risks and minimum amounts of insurance) are established by legislative acts of the Republic of Kazakhstan. Other conditions and insurance procedures are determined by the agreement of the parties. Imputed insurance is carried out within one or several insurance classes specified in paragraph 3 of Article 6 of this Law (Paragraph Information System, 2022).

Orlanyuk-Malitskaya & Yanova (2020) note the peculiarity of imputed insurance in the form of the flexibility of the terms of the insurance contract. This suggests that insurance coverage, risk pricing and some other terms of the insurance contract remain the subject of agreement between the insurer and the policyholder.

Arkhipov (2021) defines imputed insurance as insurance mandatory for the policyholder under the law or the conditions of his admission to the activity but not mandatory for the insurer and not considered mandatory in the statistical reporting of insurers. Imputed insurance is the least developed and studied. Some authors call it mandatory-contractual or voluntary-compulsory. In the explanatory dictionary, the word "impute" implies obliging to do something. The concept of "Imputed" can be defined as put into an obligation, made mandatory for fulfillment (Kuznetsova, 1998). Based on this, imputed insurance can be understood as a combination of compulsory and voluntary insurance conditions simultaneously. This insurance may have the following characteristics. For the policyholder to start activities in certain areas of activity defined by the legislation, he needs to obtain a certain admission. A number of conditions are defined in the insurance contract between the policyholder and the insurer. It is typical for areas of activity that have a high level of risk or high social significance. From this, it can be concluded that the terms of the insurance contract will be defined in the contract in an accessible form, but they will have certain restrictions. In accordance with the legislation, the contract must necessarily contain the following elements: the object of insurance, the list of risks assumed by the insurance company and the amount of the insured and the term of the contract. Thus, imputed insurance is mandatory for the policyholder, but it is drawn up in a voluntary form and the conditions are determined between the policyholder and the insurer individually.

Dvoreckaja (2016), under imputed insurance, implies compulsory liability insurance of owners of hazardous facilities, insurance of state property, the liability of tenants, and carriers. She believes that the development of imputed insurance indicates a positive

trend in the insurance sector. It is reflected in a rapid reaction to changing business needs, the growth of insurance culture and the literacy of citizens by insurance companies.

They explore common hypotheses related to the rejection of politics and credit activity by studying two options jointly and considering the multidimensional nature of the decision-making process. Findings suggest households tend to surrender their cash value policies when longer-term financial needs arise. Temporary needs are more likely addressed with loans, which keep the policy in force, and consistent with rational household decision-making (Cole & Fier, 2021).

Jędrzychowska (2022) offers new life insurance (a separate policy or as an extension option) that would help the household to return to regular work after the death of one of the household members.

To date, imputed insurance in the Republic of Kazakhstan is mandatory for customs brokers, lawyers, private bailiffs, and legal consultants. For example, the latter are insured if they incorrectly issued or even lost the client's documents. In other words, imputed insurance protects consumers and customers from the professional mistakes of representatives of those industries where the state has introduced this type of insurance. According to Oleg Khanin, Chairman of the Board of JSC Insurance Company Kommesk-Omir, imputed insurance, on the one hand, removes the financial burden from the state and increases the responsibility of business entities by regulating civil law relations. On the other hand, it protects the population in case of emergencies by paying compensation to victims (Kursiv Media, 2021).

In conclusion of the review, all researchers in this field note that imputed insurance has been quite widely developed abroad. Kazakhstan is at an initial stage, although it has certain advantages compared to compulsory insurance. This study is devoted to studying the practice of imputed insurance in Kazakhstan, identifying problems hindering this development and developing recommendations for their solution, considering foreign experience. In addition, this study hypothesized whether the lockdown of 2020 and significant events of 2022, such as the January strikes, Russia's special military operation on the territory of Ukraine and the subsequent sanctions, affected the activities of insurance companies in Kazakhstan.

3. METHODOLOGY

The methodological basis in the study includes dialectical theoretical and empirical methods. They include abstract-logical, system-structural, and economic-mathematical approaches to study. In particular, the methods of bibliographic research, situation research, statistical and economic-mathematical methods, comparative analysis, and the method of induction were used. The presentation consists of the initial definition of the basic concepts and the subsequent disclosure of the basics of the organization and functioning of compulsory and imputed insurance in Kazakhstan. It allows understanding of the patterns and current trends in the development of insurance relations.

The country's insurance market was analysed over the past five years, during which a stable growth of assets and profits of the insurance sector was revealed, while it is possible to note a more rapid growth of the life insurance industry in comparison with the general insurance industry.

The demand for insurance services and the size of the insurance premium per capita in Kazakhstan were analyzed at a low level. However, the indicators are growing slowly every year. The analysis of the volume of insurance premiums in the market over the past five years has shown the dynamics of growth. However, the dynamics of insurance payments is not stable. The volume of insurance premiums and payments for compulsory and imputed insurance in the whole market of the Republic of Kazakhstan was analyzed in dynamics.

The foreign practice of imputed insurance was analyzed. After reviewing the Republic of Kazakhstan insurance market, a regression analysis was carried out. It revealed a relationship between the performance indicator and factors that presumably affect the total amount of incoming premiums for compulsory, including imputed insurance. Consequently, they have the greatest impact on the growth of the insurance market in the Republic of Kazakhstan, which in turn increases the percentage of the contribution of the country's insurance market assets.

The analysis was carried out for the period from 2004 to 2021. For the analysis, several factors were assumed that can significantly affect the receipt of premiums: the number of insurance companies operating in Kazakhstan, the size of the MCI, and the number of citizens over 18 years old. The amount of the MCI affects insurance premiums since the calculation of compulsory insurance of civil liability of the car owner (OGPO) begins with 1.9 MCI. In addition, for the following mandatory types of insurance, such as environmental insurance and insurance of hazardous objects, the amount of the insurance premium is calculated in the MCI. For environmental insurance, the indicator is 65,000 MCI, and for insurance of hazardous facilities – from 75,000 MCI to 300,000 MCI. Accordingly, with the growth of the MCI, premiums for compulsory insurance also grow.

For a more in-depth study of imputed insurance, the authors analyzed the practice of using some of its types over the past three years in JSC IC NOMAD Insurance. An analysis of the financial situation of the company was made. The volume of incoming insurance premiums for compulsory and imputed insurance, as well as for their individual types, was analyzed, and the reasons that influenced the dynamics of these indicators were identified. The provisions and conclusions are illustrated by statistical data presented in diagrams with links to scientific literature and regulatory legal acts.

4. FINDINGS AND DISCUSSION

To date, the Government of the Republic of Kazakhstan is striving to minimize mandatory types of insurance in favor of imputed insurance. Compulsory insurance is regulated by law and obliges citizens of the country to ensure a particular liability or property. In imputed insurance, legislative regulation and state participation, as a result, are minimized. Minimizing state participation in the insurance sector will lead to increased competition between insurance companies and increase awareness and awareness of citizens in the insurance sector.

Imputed insurance is also beneficial from the point of view of risks. Unlike mandatory types of imputed insurance, insurers independently set tariffs and have the right to refuse to conclude an insurance contract. On an imputed basis, organizers of mass events and owners of crowded places can ensure professional responsibility; doctors and medical

workers, generally can ensure professional responsibility. Imputed insurance is also possible in intermediary activities in various industries – covering the liability of insurance and travel agents, real estate agencies, etc. This also includes professional liability insurance for services, entertainment and catering. The state is interested in increasing the financial responsibility of entrepreneurs who, in the event of major risks, such as fire or collapse of facilities, could independently cover the losses of victims.

The global insurance market, including Kazakhstan's market, is constantly changing due to instability in geopolitics, global and national economy. These changes, first of all, force insurers and all market participants to change. In Kazakhstan, modern legislation is unstable and subject to periodic amendments, changes and additions. As it was revealed earlier, the state is currently striving to minimize its participation in the insurance sector, which will certainly cause several amendments to the legislation.

The amendments will be related to the development of imputed insurance, which is new for Kazakhstan, but already well-known and widely used in developed countries. A characteristic feature of developed countries is the rejection of compulsory insurance in favor of compulsory contractual insurance for the protection of citizens. Mandatory - contractual is similar to imputed insurance. At the same time, the main motive for such a transition by the governments of developed countries is to strengthen the insurance protection of citizens and not the development of insurance organizations.

It can be concluded that insurance in world practice is an important sector of national economies. The funds accumulated through insurance serve as a source of large investments. The insurance business has reached the highest level of development in the USA, Germany, and France. In many ways, the introduction of the European Union helps the development of the insurance sector in European countries. In contrast, developed countries manage to fit the general rules into the framework of the peculiarities of the national economy and the mentality of the country. A distinctive feature and one of the confirming factors of the high level of development of the insurance culture of the EU countries is the widely developed imputed insurance. It indicates a high insurance culture of the country's population and the literacy of citizens. In 2022, 27 insurance (reinsurance) companies are operating in the Kazakhstan insurance market, 9 of which specialize in life insurance, and 18 carry out general insurance. Thus, 67% of insurance market companies are companies operating in general insurance, 33% of companies specialize in life insurance.

In the last five years, there has been a stable dynamic of asset growth in the insurance sector of the country. Despite the difficult period during the pandemic, Kazakhstan's insurance sector continues to show stable growth. Thus, there was observed an increase of 23% in 2021. The total amount of assets at the beginning of 2022 exceeded 1.8 trillion tenge or 2.35% of the country's GDP. It is essential to note the more rapid growth of the life insurance industry compared to the general insurance industry. Retained earnings at the beginning of 2022 amounted to 114.3 billion tenge.

The demand of the population for insurance services in Kazakhstan is relatively low, but the indicators are growing at a slow pace every year. The insurance premium per capita at the beginning of 2022 amounted to 36,574 tenge, the ratio of insurance premiums to GDP was 0.9%. The ROA index was 7.1%, and the ROE was 16.8% (The Agency of the Republic of Kazakhstan for Regulation and Development of Financial

Market, 2022). In terms of insurance premiums in the insurance market as a whole, growth dynamics has been observed over the past five years, but in terms of insurance payments, the dynamics could be more stable. The growth of insurance premiums in the country must be caused by a significant increase in demand for products that are not only compulsory but also voluntary insurance. The demand for life insurance has increased almost two times. This dynamic is caused by an increase in demand for urgent life insurance, as well as the introduction of new voluntary savings products (Ranking.kz, 2021).

Compulsory insurance, including imputed insurance, has seen an increase in the number of insurance premiums over the past three years, although less rapid than voluntary insurance (see Figure 1).

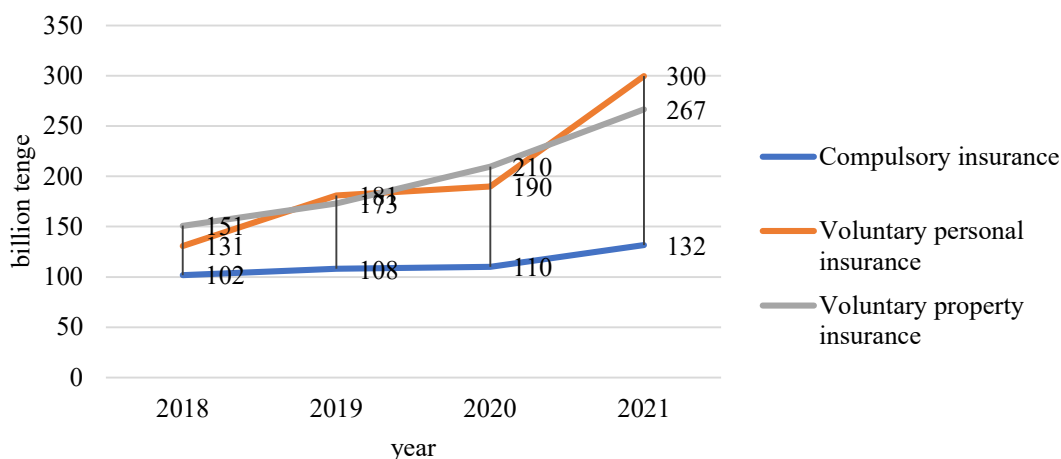


FIGURE 1. Dynamics of insurance premiums in the market of the Republic of Kazakhstan for 2019-2021, billion tenge.

Note: compiled by the authors according to the ARRR

Thus, in 2021, the increase in compulsory insurance amounted to 19.82%, while the share of compulsory insurance premiums for 2021 was 18.87%.

Among insurance payments, there can be noticed an increase until 2019 and a decrease in 2020 and 2021. This decrease is due to the pandemic and, as a result, a drop in insurance companies' payments for a number of insurance classes, such as insurance for tourists, cargo and production. The decrease is also due to the lockdown, the ban on movement in the country, and the non-use of personal transport of citizens. However, based on the above data, Kazakhstan's insurance market has resisted and adjusted to the new conditions. During the pandemic, insurance companies began a rapidly transitioning to digitalization, which became their priority for the following years. The insurance sector has adjusted to modern realities. Managers of insurance companies are creating new products in the medical field, such as insurance against coronavirus, critical illness, and telemedicine. Innovations can also be introduced into insurance programs against interruption in production, cyber risks, and financial losses. Rapid digitalization will be the key to further development of the insurance sector.

Compulsory insurance payments in 2021 increased by 9.6 billion tenge or 27.7%

compared to the previous year, while their share in the total volume of payments in the market amounted to 34.94% (see Figure 2).

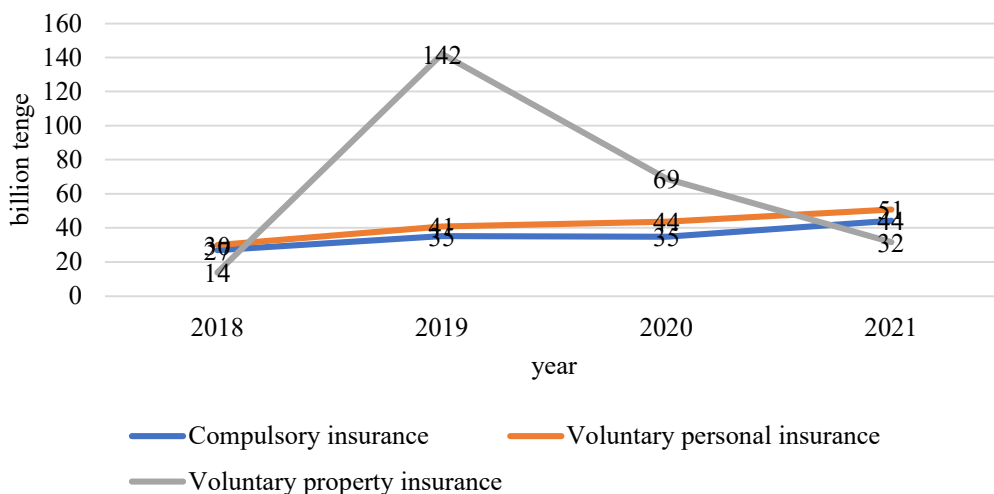


FIGURE 2. Dynamics of insurance payments on the market of the Republic of Kazakhstan for 2019-2021, billion tenge.

Note: compiled by the authors according to the ARRR

In general, in 2021, there is a drop in insurance payments by 16.01% compared to the previous year, with an amount of 126.8 billion tenge against 147.1 billion tenge in 2020. A decrease in insurance payments leads to an increase in the profitability of the sector. Also, the reduction of insurance payments leads to the strengthening of the financial stability of companies and their solvency.

It should be noted that although among the indicators of the total assets of the insurance sector, premiums, and equity, there is an increase in the penetration level, as mentioned earlier, but it is quite low. The population has a distrust of insurance. According to data from rating agencies, in 2021 the share of gross insurance premium in Kazakhstan's GDP was about 0.2%, while in Europe with developed economies, this figure is up to 13% (Centras kommesk, 2022). The reasons for this are people's distrust of insurance, since insurance contracts are concluded for a long-term period. Also, the reason is the low level of income of the population and uncertainty about financial stability in the near future, and high inflation. An important reason is also the financial illiteracy of the majority of the country's population and the poor awareness of the insurance programs offered.

Kazakhstan needs to increase the percentage of the contribution of insurance assets to the GDP structure. In developed countries, this level exceeds 5%. For example, in South Korea, this figure is 11%, in Germany – 6%. In Kazakhstan, by the end of 2021, this indicator was only 2.3%, although the dynamics of its growth was observed. So in 2020, this indicator was 2.1%, and in 2019 – 1.9% (FinReview, 2022). To increase the level of this indicator, domestic insurance companies need to expand the list of services offered. So imputed insurance can become one of the tools to increase the interest and involvement of the population in insurance. Kazakhstan's accession to the World Trade

Organization in 2015 also contributed to the development of the insurance market, which opened up access to foreign investments for domestic insurance companies.

At the conclusion of the review of the Republic of Kazakhstan insurance market, a regression analysis was carried out, which revealed a relationship between the performance indicator and factors that presumably affect the total amount of incoming premiums for mandatory, including imputed insurance. Consequently, they have the greatest impact on the growth of the insurance market in the Republic of Kazakhstan, which in turn increases the percentage of the contribution of the country's insurance market assets.

The analysis was carried out for the period from 2004 to 2021. For the analysis, several factors were assumed that can significantly affect the receipt of premiums: the number of insurance companies operating in Kazakhstan, the size of the MCI, the number of citizens over 18 years old.

The amount of the MCI affects insurance premiums since the calculation of compulsory insurance of civil liability of the car owner (OGPO) begins with 1.9 MCI. Also, for the following mandatory types of insurance, such as environmental insurance and insurance of hazardous objects, the amount of the insurance premium is calculated in the MCI. For environmental insurance, the indicator is 65,000 MCI, for insurance of hazardous facilities – from 75,000 MCI to 300,000 MCI. Accordingly, with the growth of the MCI, premiums for compulsory insurance also grow.

It was assumed that there was a connection between the population of the country over the age of 18 and the volume of incoming premiums. Since citizens who have reached this age will undoubtedly face insurance at work, in the presence of movable and immovable property and when travelling abroad.

Thus, a multiple regression was constructed to determine the influence of each factor individually, and their cumulative effect on the indicator.

Based on the calculated pair correlation coefficients, it can be concluded that the indicator taken as X1 - citizens of Kazakhstan over 18 years of age has an average direct correlation.

Indicator X2 – the number of insurance companies has an inverse average correlation. That is, the more insurance companies there are in the insurance market of Kazakhstan, the smaller the amount of premiums collected.

The indicator X3 – the size of the MCI has a high direct correlation with the resulting factor. The multicollinearity between factors X1 and X3 was eliminated. There was conducted regression analysis between the resulting indicator and variables X2 and X3. It was revealed that the most significant indicator that has the greatest impact on the amount of premiums collected in the compulsory insurance market of Kazakhstan is the size of the MCI.

For a more in-depth study of imputed insurance, the authors analyzed the practice of using some of its types over the past three years in JSC IC NOMAD Insurance (AO SK NOMAD Insurance, 2022). JSC "NOMAD Insurance Insurance Company" has been operating in the insurance market of Kazakhstan for the 18th year and is one of the leaders in this industry. The company ranks third in the general insurance market. At the end of 2021, the International Rating agency S&P Global Ratings upgraded the financial and credit ratings of the insurance company to "BB" on an international scale.

From 2019 to 2021, the growth rate of the balance sheet currency was observed in NOMAD Insurance IC JSC, which indicates the positive dynamics of the company's development. Thus, in 2021, compared to 2020, the balance sheet currency increased by 11.7% and amounted to 36,695.6 million tenge. In addition, the company has high profitability indicators in the insurance market, which indicates its efficient operation. NOMAD Insurance IC JSC provides 13 types of imputed insurance services in two classes: professional liability insurance and civil liability insurance. The class "Professional liability insurance" includes the following types of services: insurance of civil liability (GPO) of appraisers; insurance of GPO of grain receiving enterprises to holders of grain receipts; insurance of GPO of private bailiffs; insurance of professional liability of lawyers; insurance of professional liability of legal consultants; insurance of GPO of owners of temporary storage warehouses (customs warehouses); insurance of GPOs of medical institutions. The class "Civil liability insurance" includes several types of services, but only the following services are fully introduced and offered by the company: insurance of civil liability of the copyright holder of the intellectual property object (trademark); insurance of civil liability for environmental damage (AO SK NOMAD Insurance, 2022).

The dynamics of incoming premiums of the company, both for compulsory insurance and imputed, declined in 2020. The reason for this was the pandemic, lockdown, and as a consequence, the lack of any demand for some types of insurance - for example, insurance for tour operators, travel agents and tourists (see Figure 3). In 2021, the situation levelled off.

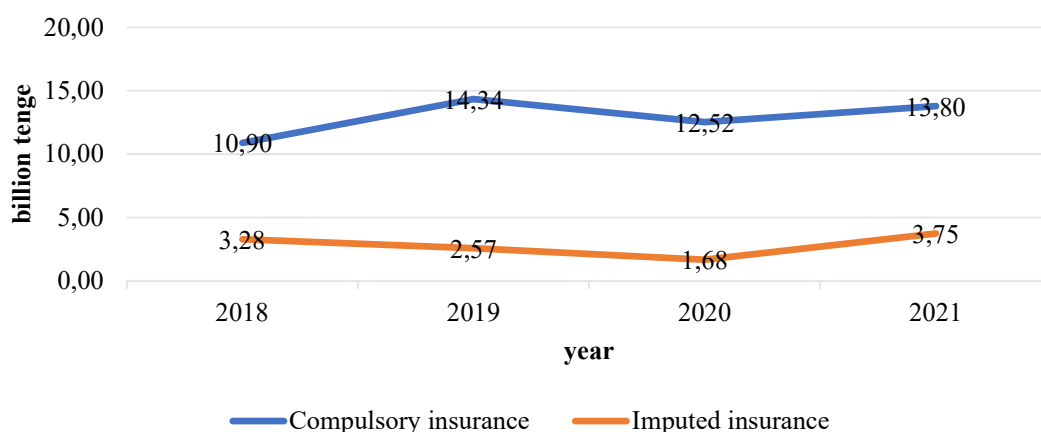


FIGURE 3. Dynamics of premiums for mandatory and imputed insurance classes of JSC IC NOMAD Insurance, million tenge.

Note: compiled by the authors according to JSC IC NOMAD Insurance

Thus, compulsory insurance saw an increase of 1,281.5 million tenge in 2021 compared to the previous year, as citizens of Kazakhstan resumed trips abroad. According to imputed insurance, the growth occurred by 2,070 million tenge in 2021. From 2018 to 2020, the dynamics of a decrease in premiums for imputed insurance was noticed, as the underwriting department of the company decided to reduce the number of contracts and narrow the portfolio of GPO insurance. In 2021, the company again signed

several major contracts on civil liability, which caused an increase in premiums in 2021 for imputed insurance. This dynamics of the development of these insurance classes is positive and indicates the development and increase in demand for insurance services in this company.

There is a stable dynamic of growth in premiums for professional liability insurance. In 2021, an increase of 10.79% was observed (see Figure 4).

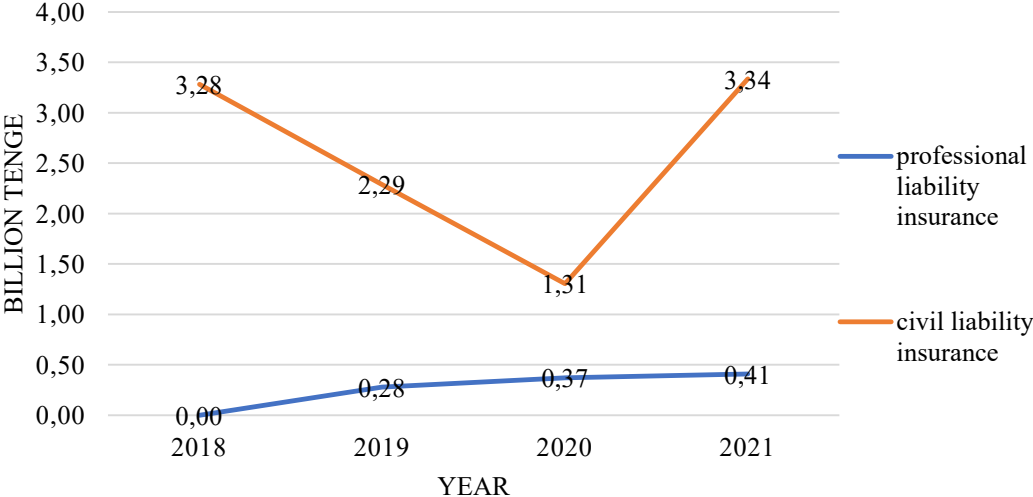


FIGURE 4. Dynamics of premiums for imputed insurance of JSC NOMAD Insurance Company, million tenge.

Note: compiled by the authors according to JSC IC NOMAD Insurance

The dynamics of decline from 2018 to 2019 have been observed for the insurance of GPO products. This is due to the internal policy of the company and, therefore, the decline in this portfolio.

In 2021, there is an increase of 2,030.1 million tenge, which is explained by the conclusion of large new contracts by the company for this portfolio. In 2022, the underwriting department again plans to refrain from concluding new contracts for this portfolio.

In general, there is an increase in demand for imputed insurance services. The company has a general dynamic of a decrease in insurance payments in 2021 compared to the previous year by 433 million tenge, which is a positive factor for it (see Figure 5).

However, payments for imputed insurance are growing, and a decrease has been noticed only for the mandatory insurance class. This may mean that the company needs to take a more careful approach to developing conditions when concluding contracts for imputed insurance, which is a new product.

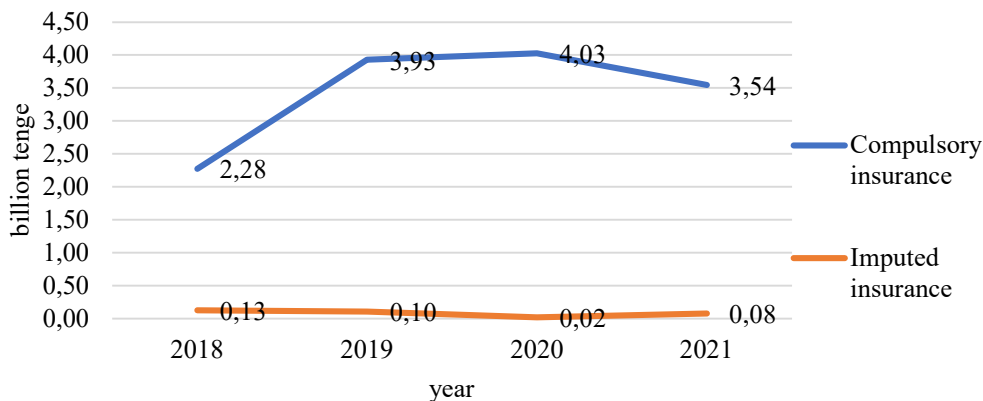


FIGURE 5. Dynamics of payments for mandatory and imputed insurance classes of JSC IC NOMAD Insurance, million tenge.

Note: compiled by the authors according to JSC IC NOMAD Insurance

In 2021, the company noticed a decrease in the amount of payments for professional liability insurance by 8.3 million tenge and an increase in civil liability insurance by 61.9 million tenge (see Figure 6).

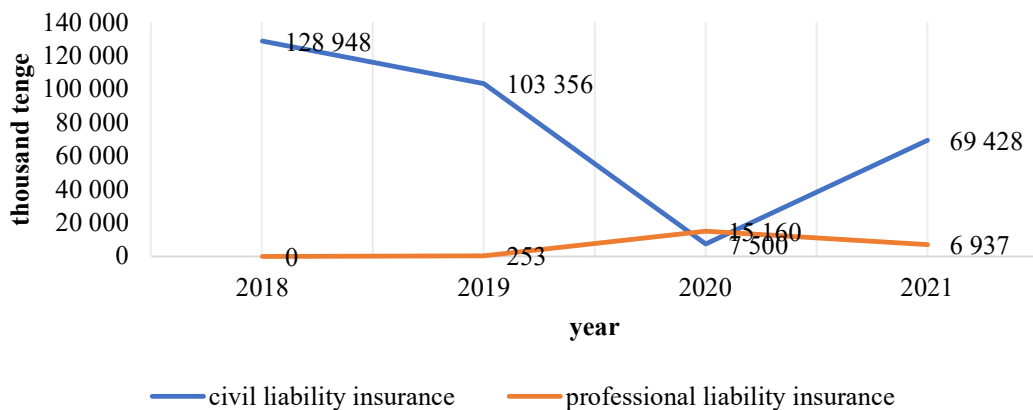


FIGURE 6. Dynamics of payments on imputed insurance of JSC IC NOMAD Insurance, million tenge.

Note: compiled by the authors according to JSC IC NOMAD Insurance

In general, there is an increase of 53.7 million tenge in this class of insurance, which is not exactly a positive development dynamic for the company. On the other hand, these dynamics may indicate an increase in demand for imputed insurance and an increase in the volume of insurance contracts of the company.

It should be noted that in 2020 and 2021, due to the implementation of a proper underwriting policy that helps to eliminate negative risks for the company, there is a dynamic of a decrease in the payout ratio for the company, which indicates the effective operation of NOMAD Insurance IC JSC. So, in 2021, compared to 2020, the payout ratio decreased by 6.87 percentage points and amounted to 15.31%.

In general, NOMAD Insurance is a stable, dynamically developing company that supports and invests in economically important sectors of the state. It is important to note the company's innovative approach in the following forms. The promotion of imputed insurance, development and implementation of various types of services for this class of insurance. The creation of an innovative program that develops the insurance sector in Kazakhstan and helps the population to get additional income.

In Kazakhstan's legislation, as noted above, the concept of "imputed insurance" was first mentioned in 2018. However, at that time, there were no clear procedures for the registration of contracts for this type of insurance. In 2021, a package of amendments was introduced regarding cases when any state bodies decide to introduce new types of imputed insurance in a particular field of activity. Formalizing some parameters will help to exclude errors that could later cause additional disputes (Kursiv Media, 2021).

Any new types of imputed insurance stimulating the insurance market and introduce new flows of insurance premiums, stimulate the work of the investment portfolio. Today, a big problem in Kazakhstan is the insecurity of medical workers. According to statistics, about 600-800 cases are initiated annually for improper performance of professional duties in relation to medical workers under Articles 317-323 of the Criminal Code of the Republic of Kazakhstan. Criminal cases are often initiated against specialists of surgeons, obstetricians-gynecologists, traumatologists and anesthesiologists, who constantly have the risk of a fatal outcome of the patient in their work process. According to the Medical and Pharmaceutical Control Committee of the Ministry of Health data for the period from 2018 to 2020, 12% of more than 12 thousand appeals were recognized as justified by individuals. Thus, the number of initiated cases is increasing every year, while the percentage of appeals recognized as justified is not growing. Over 8.8 million tenge was paid in favor of patients during this period. Facts of unfair criminal prosecution for medical errors often occur (Paragraph Information System, 2021).

Often, these criminal cases end with the payment of significant amounts of material compensation by a medical institution or by a medical professional himself. At the current salary level of medical workers of state medical institutions, they are not able to financially compensate a large amount of damage. In order to solve this issue, the process of introducing GPO insurance for medical workers is underway. It is planned that all state medical institutions will have to put money into the budget for liability insurance of medical workers: all doctors, surgeons, nurses, etc. medical personnel. Within the framework of this type of imputed insurance, a pre-trial settlement of the conflict is expected with the involvement of independent experts and compensation for harm to the life and health of a citizen in the absence of direct intent on the part of a medical professional. Regulation of the insurance system for this type of imputed insurance is planned to be delegated to the Medical and Pharmaceutical Control Committee (Pharmaceutical Review of Kazakhstan, 2021).

In the international practice of many EU and US countries, unique imputed insurance products have been introduced, which could be used in the practice of Kazakhstan. Thus, in international practice, imputed insurance of civil liability for damage from oil pollution is used, which provides for financial guarantees in case of civil liability for damage from the pollution of tanker ships carrying over 2000 tons of oil or petroleum products as cargo (Bank of Russia, 2021).

For many years, the scientific community has been discussing the introduction of compulsory civil liability insurance for gun owners in the United States (Bank of Russia, 2021). The introduction of such insurance helps to ensure compensation for damage caused to third parties and reduce violence with the use of weapons. This is because the high insurance rates set by the insurance company for potentially unreliable customers will allow such persons to restrict access to weapons. It should be noted that the insurance market of America ranks second in terms of penetration into the country's economy, which indicates a high level of education of citizens in the field of insurance. In Japan, there are such types of imputed insurance as insurance by the owner of the warehouse of the property taken for storage against fire, insurance of liability of insurance brokers as an alternative to a cash deposit in a particular bank account. Imputed liability insurance of cyclists for damage caused to third parties is unique in international practice. In Russia, at the end of 2021, there were 61 types of imputed insurance.

By the end of 2021, the most relevant topic in the financial market is digitalization. So it was this innovation in the field of insurance that allowed citizens of the Republic of Kazakhstan to receive insurance services during the hard lockdown of 2020. Insurers' investments in digitalization not only helped mitigate the negative impact of the pandemic on the growth rate of the industry, but also opened access to new opportunities (Forbes Kazakhstan, 2021). Thus, the insurance market of Kazakhstan has turned the pandemic into a digital breakthrough in the financial market of Kazakhstan. Digitalization has great advantages in reducing the cost of attracting new customers, a better and faster risk assessment process, and the possibility of instant direct contact with consumers of the service. It is expected that in 2022 the owners of vehicles will be able to settle the insured event under the compulsory insurance contract entirely online.

The year 2022 began with global changes in Kazakhstan and the world. These changes have particularly affected the financial sector of the country and affected the insurance sector. The impact of significant events in 2022, such as the January strikes and Russia's special military operation on the territory of Ukraine, was analyzed. Protests and riots in Kazakhstan in January 2022 were classified in the insurance sector as an act of terrorism. The analysis revealed a slight impact of the January events on the state of insurance companies in Kazakhstan. Thus, these riots did not have a negative impact on the state of NOMAD Insurance JSC, since 95% of the insured property was insured under the classic insurance package, which did not include cases of acts of terrorism and strikes. The number of companies that were paid insurance compensation included: shopping center "Promenade"; JSC "TechnodomOperator", which was paid more than 400 million tenge - this company concluded an agreement on an expanded package of insurance coverage, including an act of terrorism.

If the January events did not significantly affect the stability of insurance companies, then the global situation between Ukraine and Russia has a strong impact on the insurance market of Kazakhstan, and on the implementation of prudential standards by insurance companies in the country. This is due to a decrease in the international rating of companies (Western and Russian), where Kazakh insurance companies reinsure risks. Western companies refused to accept risks after the sanctions were imposed and to make payments on already accepted risks for insurance companies associated with the sanctions lists of America and the European Union. According to the order of the National

Bank of the Republic of Kazakhstan, insurance companies are delayed in solving the current situation's problem until September 2022.

5. CONCLUSIONS

An analysis of the country's insurance sector over the past 3 years was carried out, during which a trend in the development of the insurance sector in Kazakhstan was noticed. There was a rather low demand for insurance services among the population of Kazakhstan, but there is a tendency for the indicator to grow. The reasons for the low demand for insurance services are people's distrust of insurance since insurance contracts are concluded over a long-term period. Also, the reason is the low level of income of the population and uncertainty about financial stability soon, high inflation. An important reason is the financial illiteracy of most of the country's population and people's poor awareness of the insurance programs offered. It was revealed that Kazakhstan needs to increase the percentage of the contribution of insurance assets to the GDP structure. Domestic insurance companies need to expand the list of services offered to increase this level. Imputed insurance was proposed as one of the tools to increase the interest and involvement of the population in insurance.

During the study, it was revealed that the current issue for Kazakhstan is the transition from compulsory insurance to imputed insurance. In general, practice shows that such a transition positively affects the insurance sector of Kazakhstan since imputed insurance is regulated by the market and satisfies all sides of this process. To date, the insurance culture in the country is not yet so developed that the population voluntarily resorted to insurance. That is why voluntary insurance today is a small segment of insurance. The state prefers the development of imputed insurance because citizens of Kazakhstan face with an area regulated by imputed insurance. They are obliged to resort to insurance but have the right to do so on convenient and favorable terms for them.

Resorting to the expansion and introduction of the list of new types of imputed insurance, the state seeks to minimize its participation in the insurance sector, and this naturally leads to a number of amendments to the legislation. Thus, in the course of the study, the following suggestions were derived:

- Regarding the development of the entire insurance market, it is necessary to continue the process of digitalization of insurance services, which will reduce the cost of attracting new customers, assess risks more quickly and efficiently, instantly make direct contact with consumers of services, which in the future will help mitigate the negative impact of a possible pandemic and generally open access to new opportunities.

- The National Bank of the Republic of Kazakhstan needs to analyze in more detail the political risks associated with the financial segment of the country with its structures, those related to sanctions that may be imposed on companies of other countries where Kazakhstani companies reinsure their risks. Although it should be noted that this is not a market factor since the rating of insurance companies in countries subject to sanctions is artificially lowered, and it is difficult to predict.

- As for the further development of imputed insurance in the Republic of Kazakhstan, it is necessary to develop and improve legislative acts with a clear list of procedures for the execution of contracts for new types of imputed insurance. Develop a clear procedure

for concluding an imputed insurance contract. Develop a standard contract with the listed minimum requirements for a particular type of imputed insurance;

- To introduce the following types of imputed insurance into the practice of the Kazakhstan insurance market: insurance of GPOs of medical workers, insurance of civil liability for damage from oil pollution, insurance of civil liability of gun owners, liability insurance of shopping and entertainment centers, liability insurance of organizers of mass events;

Implementing these proposals will contribute to the further development of the insurance market, including the development of imputed insurance in Kazakhstan. In turn, it will develop the country's insurance culture by expanding the list of services offered by the insurance campaigns of the Republic of Kazakhstan. As a result, these changes will increase the percentage of the introduction of insurance assets into the GDP structure.

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