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Competitive opportunities of the insurance market of the Republic of Kazakhstan in the conditions of integration

In modern conditions development of the insurance sector of economy of Kazakhstan is connected with integration processes. The insurance market can't develop beyond the laws of integration policy of member-countries of the Eurasian Economic Union. The main objective of integration is creation of the effective and competitive uniform insurance market of the EEU capable to react to various financial challenges and threats. The competitiveness of the insurance market provides its financial and investment potential. Potential for development of insurance branch, certainly, is defined by its macroeconomic and microeconomic conditions. In this regard the analysis of competitive opportunities of the Kazakhstan insurance market in the conditions of integration is relevant. In the scientific article on the basis of research of practical aspects the analysis of the level of development of the Kazakhstan insurance market is carried out, current trends of its development are revealed. Results from the analysis show that ensuring competitiveness of the domestic insurance market requires acceptance of a number of effective measures. Further development of the insurance market will depend in many respects on support of the state of integration processes of insurers, the organization of effective management of risks, the effective scheme of reinsurance policy, improvement of business processes of insurance companies, active introduction of new insurance services and products.

Keywords: insurance, insurance market, insurance premiums, insurance companies, insurance services, competitiveness, EEU.

Effective functioning of the insurance market is one of inherent factors of forward development of domestic economy. The insurance role constantly increases, insurance reduces risks in all spheres of economic activity, guarantees saving income and accumulation, provides an opportunity to use available funds of insurance fund as an additional source of investment.

Assessing the current economic situation in the insurance market of Kazakhstan, in general much can be said about tendencies of positive development. The modern insurance market of Kazakhstan is characterized by growth of volumes of operations, rise of the new directions of insurance activity, sharpening of competition and strengthening of foreign insurers' attention to a situation with insurance business in Kazakhstan.

However after crisis of 2007–2009 and economic contraction since 2014 to 2015 slowdown in rate of growth of the insurance market as a result of decrease in volumes of crediting by banks, decrease in the output of goods and services is noted. Major factors of decrease in volume of receipts of insurance premiums:

- decrease in level of real income and purchasing power of the population;
- cut in expenditure on insurance by the enterprises and banks as a result of weakening of financial standing;
- decrease in interest of the population in insurance considering the above-noted factors.

The domestic insurance market needs to be ready to more serious competitive tests due to the creation of the Uniform Economic union, being added into the WTO. Strong insurers will have opportunity to move to the new horizons of development, to the new markets. In the context of participation of Kazakhstan in EEU and the Customs union, it is expected that after passing of a certain transition period, conditions for foreign and local insurance companies will become identical. Capacity of the insurance market considerably will increase, will appear a possibility of direct access to rendering insurance services in the adjacent states. The Kazakhstan insurance companies should increase competitive advantages in respect of capitalization, technical and technological equipment, advance of services, it is necessary to make a maximum efforts to be competitive in the markets of services. In Kazakhstan the tendency of low interest of the population in use of insurance products for the purpose of minimization of financial losses from unforeseen events remains. For example, if in the developed countries the share of insurance premiums to size of GDP reaches 8-12 %, then in Kazakhstan the share of the insurance sector in economy remains still extremely low. For the last few years the share of insurance premiums doesn't exceed an indicator of 0,60-0,80 % of GDP. The volume of

insurance premiums per capita hasn't exceeded 100 dollars. And, despite the dynamic growth of assets, their relation to GDP remains at quite low level - no more than 1,9 %.

Reduction of volumes of insurance in general results from decrease in business activity, decrease in volumes of crediting by banks, the output of goods and services and thereby, confirms the insufficient level of coverage of the population insurance. The continuing financial crisis, the happened devaluation of national currency, increase in the rate of inflation were reflected in an economic situation of the country in general, therefore there was a decrease in level of insurance premiums. The main share of insurance premiums is occupied by voluntary property insurance (37-47 % of the total amount of insurance premiums). On the second place on receipt of insurance premiums - voluntary personal insurance (28-40 %). On obligatory insurance of insurance premiums 22-26 % are collected.

Legal entities remain leaders of development of voluntary property insurance. At the same time it can be noted that the most part of awards on voluntary insurance of property of an individual are the share of mortgage insurance. Thus, this form of insurance has voluntary and compulsory character. The largest proportion in voluntary property insurance occupies insurance of property (from 16 to 21,5 %).

On voluntary personal insurance life insurance and annuity insurance is in the lead. The branch of life insurance is dynamically developing segment of the domestic insurance market. Nevertheless, legislative changes on restriction of volume of a lump sum at signing of the contracts of annuity insurance and also increase in the minimum cost of retirement annuity have considerably influenced reduction of sales volumes of retirement annuities.

The set of macroeconomic and microeconomic factors, conditions of economic integration and consequence of financial crisis influence the development of insurance branch of the Republic of Kazakhstan. In these conditions the role and the place of the national insurance market in integration association in a certain measure depends on its ability to function effectively, be competitive. Therefore today assessment of development of the insurance market of Kazakhstan for the purpose of determination of prospect of its competitiveness is relevant. Criteria for evaluation of the competitive sphere and competitive opportunities of insurance companies should be chosen, proceeding from objective macroeconomic indicators taking into account the influence of microeconomic level of activity of insurance companies.

For studying of development of the insurance market of Kazakhstan, its features and the directions of development we have conducted the sociological research by a questionnaire method which has provided an opportunity to reveal the insurance interests of the population concerning development of insurance in the conditions of integration interaction.

Survey was conducted among 500 respondents of the Karaganda region aged from 20 up to 60 years. Results of the conducted sociological survey are given in Table.

Table

Results of survey «Insurer 2018: identification of insurance interests»

1	2
Social status of respondents:	%
Working	77
Another	23
Coverage level insurance:	%
Insured	27
Uninsured	73
Level of credibility to insurance companies:	%
Completely	26
Incompletely	65
Don't trust	9
The reasons interfering insurance development:	%
Mistrust to insurance companies	47
Lack of information on insurance services	24
Lack of financial resources	17
Lack of guarantees from the state	12

Continuation of Table

1	2
Reasons of insurance of interests:	%
Protection against risks	45
Form of saving	8
Requirements of the contract for the transaction	13
Requirements of the law	34
Level of consumption of insurance services in types of insurance:	%
Obligatory	60
Voluntary property	21
Voluntary personal	19
Competition level in the market of insurance services of Kazakhstan:	%
Reliability of insurance company	42
Insurance tariff	15
Speed and qualities of losses settlement	32
Brand of insurance company	11
Level of satisfaction of execution of obligations with insurance companies:	%
Completely	31
Incompletely	45
Dissatisfied	24
Competition level in the market of insurance services of Kazakhstan	%
Developed	38
Underdeveloped	32
Missing	30
Level of awareness on functioning of EEU%	
Completely	30
Incompletely	45
Unacquainted	25
Level of knowledge of the population of a new insurance product development (insurance of civil responsibility of owners of vehicles) within integration merging of EEU %	
Completely	28
Incompletely	52
Unacquainted	20
Probability of the next events / effects from the entry of Kazakhstan into EEU	%
Any noticeable influence on the Kazakhstan insurance sector is improbable	30
Replacement from the market of domestic insurance companies, loss of sovereignty of branch	16
Strengthening of the competition and reduction of prices of insurance products	17
Decrease in profitability of insurance companies	19
Leaving of some companies from the market	18

Note. It is made on the basis of survey.

On the basis of a sociological research we have revealed the following:

- among the interviewed respondents only 27 % and generally on obligatory types of insurance (60 %) are insured;
- level of full confidence to insurance companies is 26 %, don't trust completely — 65 %, don't trust — 9 %;
- 28 % of respondents are informed on new insurance products, 52 % — know partially, 20 %-don't know about new insurance products;
- according to respondents, the main reasons constraining insurance development are: mistrust to insurance companies — 47 %, lack of information on insurance services — 24 %, lack of material resources — 17 %, lack of guarantees from the state — 15 %;

– 31 % of respondents are satisfied with quality of services, 45 % are partially satisfied, 24 % aren't satisfied;

– the level of awareness on functioning of the Eurasian Economic Union was 30 %, 45 % are informed not completely, 25 % don't know about functioning of the Eurasian Economic Union;

– the level of knowledge of the population of a new insurance product within integration merging of EEU was 28 %, 52 % aren't informed, 20 % don't know about new insurance products;

– probability of the next events / effects from the entry of Kazakhstan into EEU. 30 % consider that any noticeable phenomenon on the Kazakhstan insurance sector is improbable, 16 % have chosen option replacement from the market of domestic insurance companies, loss of sovereignty of branch, 17 % - strengthening of the competition and reduction of prices of insurance products, 19 % - decrease in profitability of insurance companies, 18 % - leaving of some companies from the market.

Results of a research are confirmation of those problems which exist in the insurance market of Kazakhstan today. As it is noted in the report of Association of insurers of Kazakhstan following the results of activity for 2017, the following factors belong to weaknesses of development of the national insurance market:

– low level of credibility of the population to insurance companies, low interest in insurance, especially to life insurance, there are more potential insurers who trust the money to banks;

– limitation of the offered services in voluntary personal insurance, including long-term and accumulative life insurance, lack of economic incentives for participation of the population in long-term personal insurance;

– misunderstanding of the essence of insurance by public authorities, lack of the state support on many questions of insurance activity (the relation of judicial authorities, mistrust to insurance of the state enterprises, organizations, etc.);

– low capitalization of insurance companies, poor quality of management of insurance companies of own risks, low level of insurance management, insurance marketing; low quality of services and service in insurance companies;

– insufficient level of incomesolvency of the population;

– limited circle of reliable financial investment instruments;

– low insurance culture of the population of certain insurance intermediaries and insurers;

– high level of the general and administrative expenses;

– low level of development of voluntary agency products [1].

As it is noted above, one of the reasons influencing development of insurance in our country is the low level of insurance culture. Process of development of decisions on its overcoming is necessary for understanding of this problem, at the same time it is important to distinguish and correlate a concept of financial literacy and financial culture. It is accepted to understand a financial literacy of organizations, first of all, knowledge of the structure of the financial market, the financial organizations, financial instruments, services, etc. The financial literacy can be referred to the category of economic categories. In world practice of a research in the field of development of financial literacy show that the financial literacy is directly connected with the general level of education. The more general level of education of the population, the more people have knowledge and in the field of finance. Now the educational level of the population in the Republic of Kazakhstan is comparable with education level in the countries with the developed retail insurance. But as the international experience shows, and our country is an example, the financial literacy doesn't guarantee development of consumption of difficult financial services — services of insurance, investment programs, derivatives, etc. [2; 73].

In the western countries mass and rational use by the population of difficult financial services is provided, first of all, with professional insurance intermediaries in the conditions of the free price competition. On shoulders of intermediaries the main work on development at the population of skills of rational use of financial services lays down. Actually financial culture is a set of financial literacy and existence of skills of use of financial services.

Now in the Republic of Kazakhstan other situation is observed. Sale of insurance products by means of insurance brokers is carried out in small volume and to corporate sector generally, the big share of sales of insurance is carried out by means of the insurance agent and directly by the insurer. According to the recruiting service «Head Hunter» not all insurance agents have skills of implementation of intermediary activity. Delay of rates of penetration of insurance services is connected with a technique of sales. Not everyone is

able to master a profession in general: the good agent has to know professionally insurance products, to be sociable, to predict needs of the client, to be able to choose for the clients what suits them best of all. The lack of insurance agents leads to the fact that sometimes insurance companies forcedly recruit agents, not paying attention to their professional suitability. After short-term training many insurance agents inadequately perform the work, then the confidence not only to the agent, even to all branch thereby is undermined. Besides, the subject of fraud and overestimate of commissions is inseparably concerned the insurance agents. According to the experts, development of an agency channel in the insurance market directly depends on his regulation - fixing of agents to one insurance company or to permit the work with several insurance companies on condition of independent professional certification. Because many insurers prefer not to invest in the long-term relations with agents, and entice them with higher share of commissions. Migration of agency networks from one insurers to others is extremely widespread in Kazakhstan, there is an urgent need in regulation of activity of agents and agency network. Except agents in the insurance market as it was described above, other intermediaries - insurance brokers carry out activity. But broker activity in Kazakhstan hasn't gained the due development. Nevertheless, unlike the agent the insurance broker has the high level of professionalism, representing the interests of the client [3].

The reason of low insurance culture of the population is explained by the fact that insurance companies pay not enough attention to questions of knowledge of the population of results of the activity, don't provide necessary information on the existing and new types of insurance. Work on formation of consumer demand for insurance services, broad explanation through media of basic rights of consumers of insurance services, etc. is insufficiently studied and carried out.

Existence of low financial culture as a result leads to low level of demand. Nevertheless, insufficient demand for insurance services is followed not only the low financial culture of the population, but also to consciousness distrust of the insurance companies connected with negative experience - falling of system of the Gosstrakh and loss of accumulation.

Low demand for insurance services is in misunderstanding of an essence of the insurance product, as the insurance product rather difficult, unlike other services or goods, at the time of acquisition an insurance product is intangible, specific. Also there are fears among the population that the companies in case of a loss occurrence will refuse to pay, that is, it is possible to find evasion from payment in the insurance contract.

The following reason exerting negative impact on development of the insurance market of RK is the low investment potential of insurance companies. Investment activities of the RK insurance companies is influenced by the following factors: backwardness of the stock market, limited set of financial instruments of investment; limitation of long-term resources, low capitalization of insurance companies, a small amount of the investors making investments in the insurance sector, noncompetitive rates of accumulative insurance fee in comparison with bank deposits.

Successful or unsuccessful investment activities of insurance company exerts serious impact on an opportunity and living conditions of the company in the market of insurance services for a number of reasons:

First, investment activities defines a possibility of providing insurance services due to ensuring formation of a sufficient insurance reserve. It concerns those types of insurance where the planned profitability from investments is considered when calculating tariffs (life insurance) or obligations of the insurer are expressed in units differs from monetary units in which insurance reserves are formed.

Secondly, well organized investment activities provides quality of the provided services, and, therefore, the market position of the insurer as it influences the size of an insurance tariff as due to receiving investment income it is possible to reduce the prices of insurance services, of the actual performance of obligations of the insurer determined, first of all, by speed of insurance payments.

Thirdly, investment gives the chance to owners of insurance company to develop the business and to operate independently. This aspect is caused by the fact that due to investment of insurance reserves there is an accumulation of means for implementation of financial prudential standards of the regulator in the conditions of gradual increase in requirements to the size of authorized, own capitals and other own means without attraction of external investments.

The backwardness of investment activities of the insurance market of Kazakhstan is in insufficient development of personal insurance in particular of long-term life insurance. In the countries with the developed market economy long-term life insurance increases the investment potential as insurance companies through long-term types raise funds in economy for rather long period of time and effectively contributes to the development of system of investments in the country.

In this case the state has to have special strategic interest. First, the problem of research of means for the solution of implementation of these or those programs is of paramount importance, this type of insurance allows raising additional resources for their decision. Secondly, it compensates deficiency of the state social guarantees, thereby reduces a certain load of the state budget, reducing costs of the state of social security of citizens, social support from unforeseen expenses, losses of mass character. Thirdly, development of personal insurance leads to formation of new jobs. In Kazakhstan there is also a problem of outflow of insurance premiums abroad. Even after the adopted resolution in deduction of a share of reinsurance in the territory of the country, the problem remained unresolved. In structure of reinsurance the external reinsurance which is characterized by big outflow of insurance premiums continues to prevail. And according to the adopted provision external insurance has increased to the European countries, because of the rating of the overcautious person influencing capital loading. In this case, it is necessary to consider the risks of reinsurance connected with an unstable economic situation in the world and the country [4].

Existence of above-mentioned problems is in low capitalization of the insurance sector. In view of this, large risks of oil and gas, power, mining, space, bank branches can't be insured by the domestic insurance sector.

In operating conditions of the uniform economic union for increase in competitiveness of the national insurance market overcoming these problems is a priority. Due to the existence above the listed problems respondents aren't interested in integration interaction [5; 213]. However, as practice shows, liberalization of the markets is favorable first of all to consumers of services.

Domestic experts predict interest in the insurance market of Russian insurers at whom tariffs are 15-20 % lower. It should be noted that, according to the Russian experts, Kazakhstan needs to lift limits of high rating to the foreign reinsurance companies that in turn will provide them free access to the reinsurance market [6; 86]. In case of cancellation of restriction it is necessary to expect decrease in a share of reinsurance of the domestic market. In general, it is necessary to select two scenarios of development of the insurance market with arrival not only the Russian insurers.

Scenario 1. Formation of the competitive insurance market before arrival of branches of the foreign companies. At the legislative level it is necessary to create essential preferences for domestic insurance companies. In this case leaders will be national insurers.

Scenario 2. Gradual replacement from the market of the national insurers who haven't managed to increase own competitiveness. According to the second scenario the market share of foreigners will fluctuate from 60 to 70 %, and in top ten of the insurance market the foreign companies will prevail. Though a limiting factor in arrival of the foreign companies is the weak capacity of the domestic insurance market that will increase selectivity of an entrance on the market.

Thus, for prevention of the second scenario it is necessary to develop competitive advantages to activity of the domestic insurance market in comparison with partners in the Eurasian market which can be reflected, first of all, in application of modern methods of world practice, in particular:

- ensuring high level of the organization of risk management insurance companies that allows to minimize possible manifestations of risks, threats and uncertainty;
- formation of the effective scheme of the reinsurance policy directed to increase in the Kazakhstan maintenance of monetary resources from insurance activity within the country due to use of reinsurance capacities of participants of the uniform market;
- observance of prudential standards and norms of insurance companies, regarding the size of authorized, own capitals, a margin of solvency and other indicators, to relevant requirements of world economy;
- development of new social types of obligatory insurance, expansion of the sphere of cross-border opportunities of insurance.

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Қазақстан Республикасының интеграциялық жағдайында сақтандыру нарығының бәсекелі мүмкіндіктері

Қазіргі жағдайда Қазақстан экономикасының сақтандыру секторын дамыту интеграциялық процестермен байланысты. Сақтандыру нарығы Еуразиялық экономикалық одақ қатысушы-елдердің интеграциялық саясатының заңдарынан тыс дами алмайды. Интеграцияның негізгі міндеті әртүрлі қаржылық қиындықтарға және қауіп-қатерлерге жауап беретін ЕАЭО тиімді және бәсекеге қабілетті бірыңғай сақтандыру нарығын құру болып табылады. Сақтандыру нарығының бәсекеге қабілеттілігі оның қаржылық және инвестициялық әлеуетін қамтамасыз етеді. Сақтандыру саласының даму әлеуеті, әрине, оның макроэкономикалық және микроэкономикалық жағдайларымен анықталады. Осыған байланысты интеграция жағдайында қазақстандық сақтандыру нарығының бәсекеге қабілеттілігін талдау маңызды болып табылады. Мақалада тәжірибелік аспектілерді зерттеу негізінде Қазақстанның сақтандыру нарығының даму деңгейіне талдау жүргізіліп, оны дамытудың заманауи үрдістері анықталды. Талдаудың нәтижелері отандық сақтандыру нарығының бәсекеге қабілеттілігін қамтамасыз ету үшін бірқатар тиімді шаралар қабылдау қажет екендігін көрсетеді. Сақтандыру нарығының одан әрі дамуы негізінен сақтандырушылардың интеграциялану үдерістерін мемлекеттік қолдауға, тәуекелдерді тиімді басқаруды ұйымдастыруға, қайта сақтандыру саясатының тиімді схемасы, сақтандыру компанияларының бизнес-үдерістерін жетілдіруге, жаңа сақтандыру қызметтерін және өнімдерін белсенді енгізуге байланысты болады.

Кілт сөздер: сақтандыру, сақтандыру нарығы, сақтандыру сыйақылары, сақтандыру компаниялары, сақтандыру қызметтері, бәсекеге қабілеттілік, ЕАЭО.

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Конкурентные возможности страхового рынка Республики Казахстан в условиях интеграции

В современных условиях развитие страхового сектора экономики Казахстана связано с интеграционными процессами. Страховой рынок не может развиваться вне законов политики интеграции стран участниц Евразийского экономического союза. Основной задачей интеграции является создание эффективного и конкурентоспособного единого страхового рынка ЕАЭС, способного реагировать на различные финансовые вызовы и угрозы. Конкурентоспособность страхового рынка обеспечивает его финансовый и инвестиционный потенциал. Потенциал для развития страховой отрасли, безусловно, определяется ее макроэкономическими и микроэкономическими условиями. В этой связи актуальным является анализ конкурентных возможностей казахстанского страхового рынка в условиях интеграции. В статье на основе исследования практических аспектов проведен анализ уровня развития страхового рынка Казахстана, выявлены современные тенденции его развития. Результаты анализа показывают, что для обеспечения конкурентоспособности отечественного страхового рынка необходимо принятие ряда действенных мер. Дальнейшее развитие страхового рынка во многом будет зависеть от поддержки государства процессов интеграции страховщиков, организации эффективного управления рисками, действенной схемы перестраховочной политики, совершенствования бизнес-процессов страховых компаний, активного внедрения новых страховых услуг и продуктов.

Ключевые слова: страхование, страховой рынок, страховые премии, страховые компании, страховые услуги, конкурентоспособность, ЕАЭС.

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