



Technical Assistance Report

Project Number: 48037-001
Policy and Advisory Technical Assistance (PATA)
October 2014

Republic of Kazakhstan: Enhancing Insurance Market Efficiency and Outreach (Cofinanced by the Financial Sector Development Partnership Special Fund)

This document is being disclosed to the public in accordance with ADB's Public Communications Policy 2011.

Asian Development Bank

CURRENCY EQUIVALENTS

(as of 12 September 2014)

Currency unit	–	tenge (T)
T1.00	=	\$0.00549
\$1.00	=	T182.01

ABBREVIATIONS

ADB	–	Asian Development Bank
IAIS	–	International Association of Insurance Supervisors
ICP	–	insurance core principle
NBK	–	National Bank of Kazakhstan
TA	–	technical assistance

NOTE

In this report “\$” refers to US dollars.

Vice-President	W. Zhang, Operations 1
Director General	K. Gerhaeusser, Central and West Asia Department (CWRD)
Director	B. Wilkinson, Public Management, Financial Sector, and Trade Division, CWRD
Team leader	I. Martinez, Private Sector Development Specialist, CWRD
Team members	A. K. Chatterjee, Principal Financial Sector Specialist, Office of Regional Economic Integration M. Etrata, Associate Project Analyst, CWRD M. Yabut, Operations Assistant, CWRD
Peer reviewer	H. Aoki, Senior Financial Sector Specialist, Southeast Asia Department

In preparing any country program or strategy, financing any project, or by making any designation of or reference to a particular territory or geographic area in this document, the Asian Development Bank does not intend to make any judgments as to the legal or other status of any territory or area.

CONTENTS

	Page
POLICY AND ADVISORY TECHNICAL ASSISTANCE AT A GLANCE	
I. INTRODUCTION	1
II. ISSUES	1
III. THE POLICY AND ADVISORY TECHNICAL ASSISTANCE	3
A. Impact and Outcome	3
B. Methodology and Key Activities	3
C. Cost and Financing	4
D. Implementation Arrangements	4
IV. THE PRESIDENT'S DECISION	5
APPENDIXES	
1. Design and Monitoring Framework	6
2. Cost Estimates and Financing Plan	9
3. Outline Terms of Reference for Consultants	10

POLICY AND ADVISORY TECHNICAL ASSISTANCE AT A GLANCE

1. Basic Data		Project Number: 48037-001	
Project Name	Enhancing Insurance Market Efficiency and Outreach	Department /Division	CWRD/CWPF
Country Borrower	Kazakhstan NA	Executing Agency	The National Bank of Kazakhstan
2. Sector		ADB Financing (\$ million)	
✓ Finance	Insurance and contractual savings		0.80
		Total	0.80
3. Strategic Agenda		Climate Change Information	
Inclusive economic growth (IEG)	Pillar 3: Extreme deprivation prevented and effects of shocks reduced (Social Protection)	Climate Change impact on the Project	Low
4. Drivers of Change		Gender Equity and Mainstreaming	
Governance and capacity development (GCD)	Organizational development	No gender elements (NGE)	✓
Partnerships (PAR)	Bilateral institutions (not client government) Official cofinancing		
Private sector development (PSD)	Conducive policy and institutional environment		
5. Poverty Targeting		Location Impact	
Project directly targets poverty	No	Nation-wide	High
6. TA Category:	B		
7. Safeguard Categorization	Not Applicable		
8. Financing			
Modality and Sources		Amount (\$ million)	
ADB		0.80	
Sovereign Policy and advisory technical assistance: Technical Assistance Special Fund		0.30	
Sovereign Policy and advisory technical assistance: Financial Sector Development Partnership Special Fund		0.50	
Cofinancing		0.00	
None		0.00	
Counterpart		0.00	
None		0.00	
Total		0.80	
9. Effective Development Cooperation			
Use of country procurement systems	No		
Use of country public financial management systems	No		

I. INTRODUCTION

1. In 2013, the Government of Kazakhstan asked the Asian Development Bank (ADB) to provide policy advice to develop the insurance subsector. Several teleconferences during December 2013–April 2014 confirmed the scope of the technical assistance (TA), which is included in the country operations business plan, 2014–2016.¹ Support for the subsector was prioritized during the discussions concerning the new partnership framework agreement.² During the 9–11 April 2014 fact-finding mission, the National Bank of Kazakhstan (NBK), the government's executing agency, confirmed with ADB the proposed impact, outcome, outputs, implementation arrangements, cost, financing arrangements, and terms of reference.³ The design and monitoring framework is in Appendix 1.

II. ISSUES

2. In 2013, Kazakhstan had an insurance market penetration of 0.8% of the country's gross domestic product, which is low compared with the global average of 6.3% and emerging markets average of 3.0%. Insurance spending per capita is also low—in 2013, the insurance density rate equaled \$101 per capita, compared with the global average of \$652.⁴ Most insurance activity is limited to urban areas, concentrated around Astana and Almaty. Although the subsector is small, it has been growing significantly, with total assets of T521 billion (\$3.4 billion) in 2013. Premiums reached T253 billion (\$1.4 billion) in 2013, a 20% increase from the end of 2012. Premium growth is associated with the government's health and pension reforms and a growing economy that has boosted per capita incomes and insurance demand.

3. The country has 34 licensed insurance companies (including 7 life insurers) and 14 registered insurance brokers. The subsector is moderately concentrated, with the three largest companies holding 40% of assets. These insurers, however, are very small by international standards, and unable to benefit from economies of scale.⁵ Two of the insurers are state-owned. Foreign insurers are practically nonexistent, with two insurers recently leaving the market. Due to their small market capitalization, insurance funds are insufficient to underwrite and they retain significant proportions of large corporate risk on their balance sheets. As a result, almost 90% of the corporate risk is reinsured outside Kazakhstan.

4. Nonlife insurance dominates, with over 50% of the gross premium coming from voluntary nonlife insurance (including close to 20% from property insurance, which dominates the nonlife segment). Compulsory insurance includes motor third party liability and worker's accident insurance, and represents less than 25% of the gross written premium. Life insurance is relatively new and underdeveloped, contributing 25% of gross written premium. Creating attractive life insurance products has been a major challenge, as high inflation has reduced real returns on investments. Inflation was 18.8% in 2007 but fell to a historically low 5.1% in 2012, increasing slightly to 5.8% in 2013—a level where consumers can be expected to increase their demand for savings and insurance products. Demand for retirement annuity products has been growing. However, the relatively new life insurers have limited market experience to support

¹ ADB. 2013. *Country Operations Business Plan: Kazakhstan, 2014–2016*. Manila.

² The Government of Kazakhstan signed a partnership framework agreement with ADB on 2 May 2014 to effectively combine funds from the National Sovereign Wealth Fund with ADB resources to help meet 2030 national development goals.

³ The TA first appeared in the business opportunities section of ADB's website on 11 August 2014.

⁴ Swiss Reinsurance Company. 2014. *World Insurance in 2013: Steering Towards Recovery*. Sigma 3. Zurich.

⁵ Many are captive insurance companies, established with the specific objective of insuring risks emanating from their parent group. Sometimes they also insure the risks of the group's customers.

their mortality and underwriting assumptions and to build reserves. As a result, life insurers may underestimate insurance risks in their pursuit of short-term profitability. The life insurance subsector is forecast to continue growing.

5. Despite Kazakhstan's vulnerability to earthquakes and floods, residential property is not insured against natural disasters. Catastrophic insurance does not exist and most insurers have no reliable quantitative estimates of their peak risk exposure, leaving them financially vulnerable to catastrophic events. Few insurance companies buy catastrophe excess-of-loss reinsurance protection, leaving them vulnerable to substantial losses if a reinsurer defaults. The introduction of a law on mandatory property insurance against all natural and man-made catastrophes is currently under discussion, and is a priority product for the government.⁶

6. Reinsurance activity remains a key concern for the regulator given the significant share of reinsurance that takes place outside of Kazakhstan and the difficulty of monitoring these activities. Without large local reinsurance companies, most risks are ceded to reinsurers outside of the country (mainly Russian and European companies).⁷ In many cases, the primary insurer cedes all, or virtually all, of the risk of loss to a reinsurer who also controls the underwriting and/or claim-handling process (fronting process). Similarly, Kazakhstan insurers accept inward reinsurance premiums from foreign companies on a reciprocal basis. Since foreign reinsurers are not licensed or monitored by Kazakh regulators, concerns focus on reinsurance placements with or from institutions with low credit quality and without adequate transparency. The supervisor lacks the capacity and resources to monitor ceding company transactions, particularly for risks being reinsured through entities in offshore jurisdictions.⁸ New regulations were introduced in 2012 to increase domestic risk retention. As of 1 October 2013, only 25.2% of the insurance premium was ceded by way of reinsurance to foreign insurers and reinsurers. Rating requirements have also been increased for the placement of risk with foreign reinsurers.⁹ The new requirements encourage domestic insurers to work with large reinsurers and increase the domestic share of reinsurance, but concerns remain.

7. NBK is responsible for insurance regulation and supervision. Most of the regulations are modeled on European Union directives. Consolidation of the insurance industry is under way, including tightening the prudential regulatory regime. Kazakhstan's participation in a customs union with Belarus and the Russian Federation, as well as the ratification of the protocol on the creation of a single insurance market for the Eurasian Economic Community member countries, are driving forces for harmonization of insurance legislation and unification of insurance markets by 2019. Protocols and procedures for cross-border supervision of branches, subsidiaries, and insurance intermediaries through supervisory colleges are likely to be established.¹⁰ This will

⁶ The World Bank is in discussions with the government to provide some support for risk definition, data collection, and modeling for a number of risks.

⁷ As of October 2012, over 80% of risks were ceded to foreign reinsurers (NBK. 2013. *Financial Stability Report*. Almaty). High risks in the oil and gas subsector, energy sector, and mining in Kazakhstan, which have the largest share of collected insurance premiums, cannot be insured by domestic reinsurance companies because of their insufficient solvency. For those risks, reinsurance by foreign companies with good financial soundness and solvency is needed.

⁸ The ceding company is an insurance company that passes part or all of its risks from its insurance policy portfolio to a reinsurance firm.

⁹ In cases where the rating of a foreign reinsurer is lower than A, the domestic insurance company has to first exhaust local capacity by offering the risk to 10 local reinsurers and the balance, if not fully placed, can be placed with a foreign insurer.

¹⁰ In general, "supervisory colleges" refer to multilateral working groups of relevant supervisors formed for the collective purpose of enhancing effective consolidated supervision of an international insurance group on an ongoing basis.

help avoid the unintended consequences of regulatory arbitrage, while preserving the stability of the insurance market.

8. The Financial Sector Development Strategy 2020 (approval expected at the end of 2014) includes key strategic directions for developing the insurance subsector. The document highlights, among others, the need to (i) improve the industry's capitalization and stability through phased introduction of the Solvency II supervisory approach,¹¹ (ii) improve the efficiency of reinsurance, (iii) streamline the list of compulsory schemes, and (iv) increase the availability of statistical insurance data and actuarial capacities to ensure adequate reserves.

9. The insurance subsector has growth potential but faces several major challenges. Constraints include (i) fragmented market structure, with many insurers not having the critical size to build adequate risk pools, underwrite contracts, and innovate; (ii) weaknesses in regulation and supervisory capacity, and in consumer protection, which undermine confidence and trust, and the sound development of the market; (iii) grossly underdeveloped life insurance subsector, dominated by annuities; (iv) catastrophic insurance, which is rarely sold or reinsured for the risks taken; (v) limited availability of professionally qualified staff, including in insurance companies; and (vi) limited development of other segments of the finance sector allowing for long-term investments, which results in insurance companies having difficulty finding profitable placements for their funds. Key development issues to be addressed by the TA include enhancing the regulatory framework and the capacity of the insurance supervisor and market participants.¹²

10. Greater penetration of insurance services is fundamental to diversifying the Kazakh finance sector, improving capital allocation and increasing the resilience of the finance sector to economic shocks and uncertainty. Insurance growth will help with long-term financing for areas such as infrastructure. Through a better allocation and management of risks, a sound insurance subsector will help increase economic and social welfare, by protecting individuals from risk and uncertainty. It improves the ability for risk-taking, further encouraging entrepreneurial decisions and longer-term larger investments, which stimulate economic growth.

III. THE POLICY AND ADVISORY TECHNICAL ASSISTANCE

A. Impact and Outcome

11. The impact will be greater outreach of insurance achieved, as measured by insurance penetration and insurance density. The outcome will be a strengthened policy and regulatory framework for insurance supervision and product design, with NBK adopting at least three of the proposed changes for the regulatory framework by 2016.

B. Methodology and Key Activities

12. **Output 1: Risk-based supervision strengthened.** The TA will assist in drafting regulations and related monitoring tools to strengthen the use of a risk-based supervision approach to ensure more efficient use of supervisory capacity.

¹¹ Solvency II is a European Directive to harmonize the European Union insurance regulation. It is considered world-leading standards. Regulation focuses mainly on three areas: (i) new set of minimum capital requirements and valuation techniques to reduce risk of insolvency, (ii) requirements for governance and risk management and effective insurance supervision, and (iii) disclosure and transparency requirements.

¹² Under the partnership framework agreement, ADB, the government, and NBK are discussing additional work in the insurance subsector to address the remaining constraints.

13. **Output 2: Reinsurance, and group and cross-border supervision improved.** The TA will review regulatory and market practices related to reinsurance and other forms of risk transfer, and group and cross-border supervision. The TA will help draft and revise regulations and legal acts aligned with international standards, and establish protocols to cooperate and exchange information with other national supervisors. The TA will also support drafting of the application for NBK to become a signatory of the International Association of Insurance Supervisors multilateral memorandum of understanding.¹³

14. **Output 3: National Bank of Kazakhstan staff capacity to regulate and supervise the insurance subsector improved.** The TA will support training and workshops to strengthen skills in prudential supervision (off-site and on-site) with specific reference to solvency, reinsurance (including dealing with entities in offshore jurisdictions), cross-border supervision of insurance and reinsurance entities and intermediaries, investments, and measures against money laundering and the financing of terrorism. The TA will assist in developing manuals and guidelines for these areas, including risk indicators and early warning systems.

15. **Output 4: Actuarial database for insurance product design strengthened.** The TA will provide assistance to improve the regulatory model for compulsory insurance products, review premiums, assess the appropriateness of statistical databases, and provide recommendations based on international best practice. The TA will provide support to the Society of Actuaries of Kazakhstan to update mortality and disability tables.

16. Key assumptions include (i) the demand for insurance products will increase in line with increased quality of the insurance subsector; (ii) the government remains committed to insurance reforms and implements reforms prioritized to improve market development; and (iii) regulators, insurance companies, and other key stakeholders interact regularly to discuss market developments. Risks include concerns that deterioration of the external or macroeconomic environment may delay reforms and public interest in insurance.

C. Cost and Financing

17. The TA is estimated to cost \$940,000, of which \$300,000 will be financed on a grant basis by ADB's Technical Assistance Special Fund (TASF-other sources) and \$500,000 will be financed on a grant basis by the Financial Sector Development Partnership Special Fund.¹⁴ The government will provide counterpart support in the form of counterpart staff, office space, venues for workshops, translation, logistics support, and other in-kind contributions. The cost estimates and financing plan are in Appendix 2.

D. Implementation Arrangements

18. The TA will be implemented from December 2014 to November 2016. NBK will be the executing agency and will appoint a TA coordinator. ADB's Public Management, Financial Sector and Trade Division of the Central and West Asia Department will administer the TA. The TA will require 34 person-months of consulting services—three international consultants for a

¹³ The International Association of Insurance Supervisors multilateral memorandum of understanding establishes a formal basis for cooperation and information exchange among the signatory jurisdictions regarding the supervision of insurance and reinsurance companies and insurance groups where cross-border aspects arise. This includes requesting and providing information on operation of insurance companies supervised by all signatory authorities having legitimate interests.

¹⁴ To be disbursed on a front-loading basis. Established by ADB. Financing partner: the Government of Luxembourg.

total of 12 person-months, and two national consultants for 22 person-months. The consultants will be recruited as individual consultants in accordance with ADB's Guidelines on the Use of Consultants (2013, as amended from time to time). ADB will engage a team of individual consultants rather than a firm as this will facilitate (i) faster mobilization of consultants, (ii) greater ADB staff control in selecting and managing individual consultants, and (iii) greater flexibility in engaging experts specializing in international regulatory best practices on insurance. The consultants will have expertise in insurance regulation and supervision, and actuarial work. The consultants' terms of reference are in Appendix 3. Disbursements will be made in accordance with ADB's *Technical Assistance Disbursement Handbook* (2010, as amended from time to time).

19. The TA activities will be monitored through regular consultations, including inception and review missions, and tripartite meetings with relevant stakeholders. Activities will also be monitored through periodic reporting from consultants, including monitoring of outputs, activities, and indicators listed in the design and monitoring framework. Consultant reports will be presented in workshops and seminars organized for the validation of findings. Reports will be made available on the ADB website and published, if warranted. An evaluation of performance and outcomes will be carried out at the end of the TA and reflected in a TA completion report.

IV. THE PRESIDENT'S DECISION

20. The President, acting under the authority delegated by the Board, has approved the provision of technical assistance not exceeding the equivalent of \$800,000 on a grant basis to the Government of Kazakhstan for Enhancing Insurance Market Efficiency and Outreach, and hereby reports this action to the Board.

DESIGN AND MONITORING FRAMEWORK

Design Summary	Performance Targets and Indicators with Baselines	Data Sources and Reporting Mechanisms	Assumptions and Risks
<p>Impact Greater outreach of insurance achieved</p>	<p>Insurance penetration increased to 1.2% of gross domestic product by 2019 (baseline 2013: 0.8%) Insurance density increased to \$120 per capita by 2019 (baseline 2013: \$101)</p>	<p>NBK annual reports Insurance company reports Sigma World Insurance Report (Swiss Re)</p>	<p>Assumption Demand for insurance products will increase in line with increased quality of insurance subsector. Risk The external or macroeconomic environment deteriorates, delaying reforms and public interest in insurance.</p>
<p>Outcome Strengthened policy and regulatory framework for insurance supervision and product design</p>	<p>NBK adopted at least three of the proposed regulatory changes by November 2016</p>	<p>NBK policy and regulatory documents</p>	<p>Assumption The government remains committed to continuing its insurance reforms.</p>
<p>Outputs 1. Risk-based supervision strengthened</p>	<p>Assessment of regulatory and market practices for risk-based supervision finalized by July 2015 Draft regulations on risk-based supervision, prepared by December 2015 Manual for risk-based supervision disseminated by May 2016</p>	<p>NBK report on the observance of standards and codes IAIS reports on the observance of standards and codes NBK draft resolutions Consultant reports</p>	<p>Assumption Public regulators, insurance companies, and other key stakeholders interact regularly to discuss market developments.</p>
<p>2. Reinsurance, and group and cross-border supervision improved</p>	<p>Two thematic assessments on regulatory and market practices of reinsurance activities and group and cross-border supervision finalized by September 2015 Draft regulations on reinsurance and cross-border supervision prepared by March 2016 Guidelines on reinsurance and cross-border supervision disseminated by September 2016</p>	<p>Consultant reports NBK draft resolutions</p>	

Design Summary	Performance Targets and Indicators with Baselines	Data Sources and Reporting Mechanisms	Assumptions and Risks
3. NBK staff capacity to regulate and supervise the insurance subsector improved	At least 80% of NBK staff assigned to insurance supervision trained by October 2016 (baseline: 0) 80% of participants deemed training and knowledge products to be useful by October 2016 (baseline: 0)	Consultant reports (including post-training assessment reports)	
4. Actuarial database for insurance product design strengthened	Actuarial assessment of mandatory lines of insurance finalized by August 2015 Updated mortality table finalized by December 2015 Updated disability table finalized by December 2015 At least 80% of actuaries registered with the Society of Actuaries of Kazakhstan trained by March 2016	NBK endorsement of updated mortality table NBK reports Consultant reports Consultant reports	
Activities with Milestones 1. Risk-based supervision strengthened 1.1 Recruit and mobilize consultants (by January 2015) 1.2 Assess existing policy and regulatory framework and compliance with international standards (by July 2015) 1.3 Present recommendations on revisions to regulatory framework to NBK and other stakeholders (by September 2015) 1.4 Assist in drafting revised regulations and legal acts (by December 2015) 1.5 Prepare a risk-based supervision manual (by May 2016) 2. Reinsurance, and group and cross-border supervision improved 2.1 Assess compliance with relevant insurance core principles and standards, and identify gaps (by September 2015) 2.2 Assist in drafting and reviewing regulations (by March 2016) 2.3 Prepare guidelines for reinsurance, and cross-border supervision (by September 2016) 2.4 Support establishment of protocols to cooperate and exchange information (by March 2016) 2.5 Assist in completing and submitting application form to IAIS (by May 2016) 3. NBK staff capacity to regulate and supervise the insurance subsector improved 3.1 Conduct a needs assessment for training for NBK staff and insurance market participants in areas related to risk-based supervision, risk transfer, and group and cross-border supervision (by September 2015)		Inputs ADB Technical Assistance Special Fund (TASF-other sources): \$300,000 Financial Sector Development Partnership Special Fund: \$500,000 Note: The government will provide counterpart support in the form of counterpart staff, office space, meeting venues for workshops, translation, logistics support, and other in-kind contributions.	

<p>3.2 Design a capacity-building plan (including external training with regulators in other jurisdictions) for NBK staff (by October 2015)</p> <p>3.3 Prepare training materials and manuals, deliver training, and conduct a post-training survey (by October 2016)</p> <p>4. Actuarial database for insurance product design strengthened</p> <p>4.1 Review premiums for compulsory insurance lines, assess appropriateness of databases, and provide recommendations (by August 2015)</p> <p>4.2 Revise mortality and disability table (by December 2015)</p> <p>4.3 Review existing risk assessment practices and recommend improvements to develop voluntary products (by December 2015)</p> <p>4.4 Train actuaries (by March 2016)</p>	
--	--

ADB = Asian Development Bank, IAIS = International Association of Insurance Supervisors, NBK = National Bank of Kazakhstan, TASF = Technical Assistance Special Fund.

Source: Asian Development Bank.

COST ESTIMATES AND FINANCING PLAN
(\$'000)

Item	Amount
A. Asian Development Bank^a	
1. Consultants	
a. Remuneration and per diem	
i. International consultants	105.0
ii. National consultants	55.0
b. International and local travel	35.0
c. Reports and communications	8.0
2. Training, seminars, and conferences	
a. Facilitators	20.0
b. Training program	25.0
3. Miscellaneous administration and support costs (editing, translation, and printing of knowledge products)	19.0
4. Contingencies	33.0
Subtotal (A)	300.0
B. Financial Sector Development Partnership Special Fund^b	
1. Consultants	
a. Remuneration and per diem	
i. International consultants	208.0
ii. National consultants	66.0
b. International and local travel	53.0
c. Reports and communications	20.0
2. Training, seminars, and conferences	
a. Facilitators	20.0
b. Training program	25.0
3. Miscellaneous administration and support costs (editing, translation, and printing of knowledge products)	25.0
4. Contingencies	83.0
Subtotal (B)	500.0
Total	800.0

Note: The technical assistance (TA) is estimated to cost \$940,000, of which contributions from the Asian Development Bank (ADB) and the Financial Sector Development Partnership Special Fund are presented in the table above. The government will provide counterpart support in the form of counterpart staff, office space, meeting venues for workshops, translation, logistics support, and other in-kind contributions. The value of government contribution is estimated to account for 15% of the total TA cost.

^a Financed by ADB's Technical Assistance Special Fund (TASF-other sources).

^b Established by ADB. Financing partner: the Government of Luxembourg. To be disbursed on a front-loading basis. Source: Asian Development Bank estimates.

OUTLINE TERMS OF REFERENCE FOR CONSULTANTS

1. The technical assistance (TA) will require 34 person-months of consulting services—three international consultants for a total of 12 person-months, and two national consultants for 22 person-months. The consultants will be recruited as individual consultants in accordance with the Guidelines on the Use of Consultants (2013, as amended from time to time) of the Asian Development Bank (ADB). The team of individual consultants must have strong writing and communication skills, ability to train counterparts both on-the-job and in seminar settings, and work well with teams. The consultants will be required to provide deliverables consistent with the design and monitoring framework activities, outputs, and delivery dates. Precise work timelines will be defined at inception, documented in the final inception report, and agreed with the executing agency and ADB. All reports will be prepared in English and Russian or Kazakh language. International consultants will be responsible for the quality of the English versions, and national consultants will be responsible for the quality of the Russian or Kazakh translations.

A. International Consultants

1. Insurance Regulation Specialist—Solvency (3 person-months, intermittent)

2. The specialist should have a postgraduate degree in economics or finance, or equivalent, with 12 years of international experience in insurance regulation and supervision (legal qualifications are desirable). The expert must have sound experience in (i) insurance supervision (prudential and market conduct); (ii) knowledge about how sanctions should be structured to enforce corrective actions, treatment of insolvent legal entities, and policyholder protection in any windups or market exits; and (iii) assessments of compliance with insurance core principles (ICPs) of the International Association of Insurance Supervisors (IAIS). Working experience in developing countries, preferably in Central and West Asia, is an advantage.

3. The specialist will (i) carry out a rapid assessment of compliance with IAIS ICPs (policy, regulatory, and supervisory) focusing on risk-based solvency and market conduct, and prepare a report identifying gaps and providing recommendations for improvement, including capacity-building needs;¹ (ii) conduct stakeholder consultations, including the National Bank of Kazakhstan (NBK) and industry representatives; (iii) assist NBK in drafting regulations, legal acts, and supervision manuals, as required; (iv) develop training materials for insurance supervisors on the subject matter, deliver training, and identify other resource persons, if needed; (v) participate in and present findings and recommendations at workshops with stakeholders; and (vi) prepare a final report describing gaps identified, recommendations, training results, and proposals for next steps, including other capacity-building needs.

2. Insurance Regulation Specialist, Reinsurance and Cross-Border Supervision (5 person-months, intermittent)

4. The expert should have a postgraduate degree in economics, finance, or equivalent, with about 12 years of international experience in the respective field of expertise. The specialist must have (i) excellent technical knowledge of insurance risk management, prudential regulation, supervision, and policy issues related to the insurance subsector; (ii) good knowledge of the work related to the reinsurance market and supervision; (iii) familiarity with work related to the common assessment framework; (iv) experience in

¹ The consultant may draw on the Financial Sector Assessment Program findings, and validate conclusions and recommendations.

supervising insurers as stand-alone legal entities as well as on a group basis; (v) knowledge of how to cooperate with other national supervisors to monitor related financial developments, and manage cross-border crises; develop memorandum of understanding between supervisory authorities; and combat fraud, money laundering, and the financing of terrorism; and (vi) experience in carrying out assessments of compliance with the IAIS ICPs. Work experience in developing countries, preferably in Central and West Asia, is an advantage.

5. The expert will (i) review existing regulations and market practices regarding reinsurance, and group and cross-border supervision and information exchange (including cross-border coordination and countering fraud, money laundering, and the financing of terrorism), and prepare a report identifying gaps and providing recommendations for improvement, including capacity-building needs; (ii) assist NBK in drafting regulations, legal acts, and supervision manuals consistent with international standards and best practices, as required; (iii) present findings and recommendations in workshops with stakeholders; (iv) assist in preparing an application for NBK to become signatory of the IAIS multilateral memorandum of understanding; (v) develop training materials for insurance supervisors on the subject matter; (vi) deliver training programs and identify other resource persons, if needed; and (vii) prepare a final report describing gaps identified, recommendations, training results, and proposals for next steps.

3. Actuary (4 person-months, intermittent)

6. The actuary should be a member of an internationally accredited actuarial body, and have at least 15 years of relevant work experience and extensive knowledge of compulsory lines of insurance, including designing and evaluation products. Work experience in developing countries, preferably in Central and West Asia, is an advantage.

7. The actuary will (i) review current premiums for compulsory insurance lines, assess appropriateness of statistical databases, and provide recommendations for expanding outreach; (ii) assist the Society of Actuaries of Kazakhstan in updating mortality and disability tables, and reassess premium rates; (iii) review current risk assessment practices and recommend improvements according to international best practices for similar products; (iv) where feasible, recommend a phased transition of compulsory products, by assisting in the development of voluntary tailor-made insurance products; and (v) assess capacity of local actuaries and train local actuaries to implement recommendations.

B. National Consultants

1. Insurance Specialist and Project Coordinator (12 person-months, intermittent)

8. The specialist should have a degree in economics, finance, or a related discipline; and at least 5 years of professional experience in project administration, preferably in finance sector work. The specialist must have working experience in the insurance market in Kazakhstan and sufficient knowledge of relevant stakeholders. The specialist should have good organizational and networking skills.

9. The specialist will (i) work closely with the team of consultants and ADB to implement TA activities; (ii) provide local context to the project, in particular for the insurance industry assessment; (iii) collect data and information and undertake research as required, ensuring it is in the English language; (iv) manage meeting schedules for country visits; (v) assist in organizing training and workshops; (vi) participate in team discussions and, if requested, lead

focus group discussions; (vii) provide inputs to reports prepared under the TA and translation assistance, including quality control of translations; and (viii) perform other tasks as reasonably required.

2. Insurance Regulation Specialist (10 person-months, intermittent)

10. The specialist should have a degree in law, economics, finance, or a related discipline, preferably a master's degree or comparable, and at least 7 years of professional experience in insurance. The specialist should have working experience in the insurance market in Kazakhstan and sufficient knowledge of relevant stakeholders in the market.

11. The specialist will (i) work closely with the team of consultants and ADB to implement TA activities; (ii) provide local context to the project, in particular regarding the legal and regulatory framework of the insurance market; (iii) assist in drafting regulations, legal acts, and operations manuals; (iv) collect data and information, and undertake research as required, ensuring it is in the English language; (v) participate in team discussions and missions; (vi) provide inputs to reports prepared under the TA and translation assistance, including quality control of translations; and (vii) perform other tasks as reasonably required.