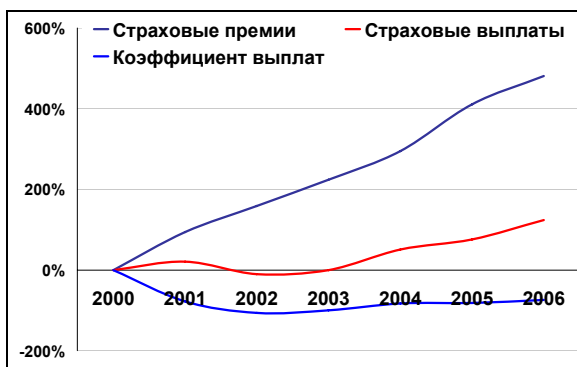


Insurance market of Uzbekistan: Results and tendencies of 2006 and I quarter of 2007

2006 became successful year for economy of Uzbekistan. Real GDP growth has made 7.3%; foreign trade turnover has exceeded 10 billion US dollars, while positive trade balance has reached 2 billion US dollars. A number of contracts and agreements have been signed in the sphere of oil and gas, metallurgy, mining industry, textile and in many other sectors of economy. Financial segments of the country have also shown positive results. First of all it is important to pay close attention to sharp increase in securities market, in particular the turnover in the secondary market, which has rose by 3.5 times in comparison with the similar parameter of 2005. Considerable growth has shown the banking sector which increased the aggregate assets by 27.9%, from the beginning of 2006.

At the same time with other sectors the insurance market of Uzbekistan has also experienced substantial growth. The volume of received premiums from companies has increased by 13.7%. Lower rate of growth in this sector in comparison with above listed ones can be explained by insufficient popularity and provision of insurance services in population, while in other world countries this sector is considered as the most attractive, profitable and sharply developing branch of economy. Development in retail insurance sector of Uzbekistan is expected for next few years, whereas higher rates of growth are already coming. At the present moment the biggest portion of insurance premiums are received from big companies which insure their luxury properties, equipment, machineries, exporting goods and etc. These companies include SJSC «Uzbekiston havo yullari», SJSC «Uzbekiston temir yullari», Almalik MIC, Navoi MIC, NHC «Uzbekneftegaz», textile and cotton proceeding enterprises and so on.

Dynamics of change in indicators of insurance market, in % from 2000



Source: страховой надзор РУз, Medias
Calculations: Avesta Investment Group

The basic part of received premiums belongs to agreements on voluntary property insurance which is about 73.5%. Among other types of voluntary insurances there are liability insurance – 13.6% and personal insurance – 7.5%. The share of compulsory insurance is continuously decreasing, and in the last year it diminished to 5.5%, while according to I quarter results of 2006 it was 7.8%.

Structure of received premiums on types of insurances

	1Q06	1H06	2006	1Q07
Voluntary	92.2%	92.0%	94.5%	95.0%
Compulsory	7.8%	8.0%	5.5%	5.0%

According to results of 2006, insurance companies of Uzbekistan has received premiums in amount of 48.5 billion UZS, and paid out 6.2 billion UZS. Accordingly the ratio of payments has made 12.8%. According to results of I quarter of 2007, considerable growth in volume of premiums has been observed received by insurance companies – by 70% up to 19.7 billion UZS. On unchanged or close parameters to current indicator of growth in volume of insurance premiums it can be expected that according to results of present year this indicator can exceed 75 billion UZS. It is important to mention that for three months of 2007 the sum of insurance payments has increased slightly by 2% and reached 1.5 billion UZS, and decreased the payment ratio to 7.6%. This tells about considerable efficiency of insurance companies, and plus tax privileges makes it more attractive assets in investment purposes in the republic.

Main indicators of insurance market, in million UZS

Year	Volume of insurance premiums	Volume of insurance liabilities	Volume of insurance payments	Ratio of payments
2000	8 349.4	1 720 609	2 425.3	0.29
2001	16 236.8	2 229 426	3 292.5	0.20
2002	21 606.3	3 226 296	2 452.1	0.11
2003	27 064.5	4 619 108	2 721.9	0.10
2004	32 964.7	18 157 266	4 114.9	0.12
2005	42 655.2	18 997 356	4 775.3	0.11
2006	48 500		6 200	0.13

The biggest portion of payments has been carried out by companies «Uzagrosugurta» - 47,7% from total volume, UNIC «Uzbekinvest» - 25%, SJSIC «Kafolat» - 6,2% and Asia Inshurans - 3,5%.

According to estimations of Avesta Investment Group specialists, based on several sources of information provided by controlling bodies, as well as Media sources, and data from companies themselves, the structure of the market according to received premiums can be presented as following:

	01.10.2006	2006	1 st Q 2006	1 st Q 2007
Uzbekinvest	24	23,7	23	43
Uzagrosugurta	22	19,4	21	15.2
Standard Insurance Group	11,9	17,2	12.5	4.7
UVT Inshurans	14,4	14,4	19.6	14.5
Kafolat	7,5	6,9	7.4	5.2
ALSKOM	2,5	3,2	1.3	1.2
Asia Inshurans	2,9	2,4	1.9	3.9
UzAIG	2,3	1,8	--	--
Alfa Invest	1,8	1,4	--	--
Uzbekinvest hayot	1,3	1,3	--	--
Kapital Sugurta	1.04	1.1	0.7	2.1
Transinshuranse	--	--	0.3	1.4
Asko-Vostok	--	--	0.6	1.3

Source: *страховой надзор РУз, Medias*
 Calculations: Avesta Investment Group

It is necessary continuously decreasing share of «Uzagrosugurta», «UVT Inshurans» and «Kafolat», as well as increasing share of IC «Kapital Sugurta». Also, considerable increase in shares has shown re-insurance company «Transishuranse». Among the first five leading position, according to results of 2006, there are IC «SIG»,

the payment ration of which is almost zero, at the same time when other leader have higher indicators in given parameter.

Among important event happened in analyzing period, we can mention the carry of additional issues of shares by insurance companies IC «Madad» and JSCIC «Kafolat».

Issue «Madad» has been approved at meeting of shareholders taken place in December 2006, when the decision on issuing additional 1,4 million common registered stocks with face-value 700 UZS for a total sum 98 million UZS has been accepted. This issue has been registered on 28th of March 2007, at ЦКК ФРБЦ РУз.

The charter capital of insurance company makes 1.12 billion UZS. In future it is planned to increase the size of the charter fund up to the level of capitalization of banks which will allow to increase scale of insurance operations, financial stability and competitiveness.

During the purchasing process of shares, shareholders of a society have an advantage. It is supposed to direct the means received as a result of placement of shares on further development of the company.

SJSC «Kafolat» in 2006 has started accommodation of the sixth issue of shares with a cumulative face-value 775 million UZS. 28.9% of this issue have been realized to shareholders on the closed subscription due to the added dividends on results of 2005, and other part became a subject to realization on the open subscription. Accommodation of additional issue of shares will allow to increase the capital capital of the company in 1.6 times up to 2 billion UZS.

As for the end of 2006, the general charter capital of the insurance companies has made 66.7 million US dollar and 15.8 billion UZS.

Starting from 1st of April 2006, the insurance companies are released from payment of profit taxes and uniform tax payments for the period of 3 years according to the Decision of the President of Uzbekistan accepted in March, 2006.

Also, starting from 2007. the profit tax instead of the operated tax to the income is applied to the insurance organizations.

The rate of the profit tax is established at a rate of 10%. The rate of income tax for the Uzbek insurance companies is 12%. The government is going to keep the operating order of granting of privileges for the insurance companies according to decisions of the country leaders.

The significant potential of the market consists in low penetration of this type of services among legal entities and, in a greater degree of the population. Besides some types of compulsory insurance, it is rather widespread life and health insurances, however, the specialized companies on various branches of economy (an agriculture, the international transportations, a railway transportation, etc.) are engaged in it.

It is necessary to note that the given sector is rather attractive to the foreign companies because of high potential of insurance sector in the country, a low level of insurance of such categories as the responsibility before the third parties, financial risks, autoinsurance, etc. Besides, significant share holdings of large insurers are offered such as 34.6% shares of SJSC "Uzagrosugurta" - to the second-largest insurance company in the country. The capital fund of the company makes about 2 million US dollar.

Among examples of realization of share holdings of the companies in insurance sector to foreign investors, we can note accommodation of 8% shares of the insurance company "Kapital Sugurta" among foreign investment funds. Investment-consulting company Avesta Investment Group has acted as an exclusive agent on accommodation of the given share holding.

More detailed information about the insurance market of Uzbekistan, and also results of privatization in Uzbekistan and other spheres of a national economy can be found from the analytical reports of Analytical department Avesta Investment Group on a regular basis placed on a site - [http:// www.avestagroup.com](http://www.avestagroup.com).

Contact information

Avesta Investment Group (CJSC)

License of CSM for Investment advisor №1012

Legal Address: 25, Amir Temur str., 100000
Tashkent, Uzbekistan Republic
Postal address: 107a, Amir Temur str., 100084
Tashkent, Uzbekistan Republic
Tel: +998 (71) 138-5750
Tel/fax: +998 (71) 138-5751
E-mail: info@avestagroup.com
Internet: <http://www.avestagroup.com>

Depository Avesta Trust (LLC)

License of CSM for Securities custodian №1053, registry holder №1054 and nominal securities holder №1055

Tel: +998 (71) 138-5752
Tel/fax: +998 (71) 138-5751
E-mail: trust@avestagroup.com
Internet: <http://trust.avestagroup.com>

Brokerage house Avesta Securities™ (Avesta Sekurities LLC)

License of CSM for Securities №1133

Tel: +998 (71) 138-5752
Tel/fax: +998 (71) 138-5751
E-mail: securities@avestagroup.com

Avesta Research

Tel: +998 (71) 138-5750
Tel/Fax: +998 (71) 138-5751
E-mail: research@avestagroup.com
Internet: <http://research.avestagroup.com>

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