

## Insurance market: Results and Trends of 2020 and 1Q2021

Insurance market in Uzbekistan remains one of the most attractive for investment purposes, given the current market situation and planned reforms. The total collected premiums per capita have increased by 28.8% (CAGR) over the past 10 years, while the ratio of premiums to GDP increased from 0.22% in 2010 to 0.37% in 2020, which remains low and has good growth potential. For comparison: in Kazakhstan, the share of insurance in GDP is about 0.82%, and in Russia - about 1.44%.

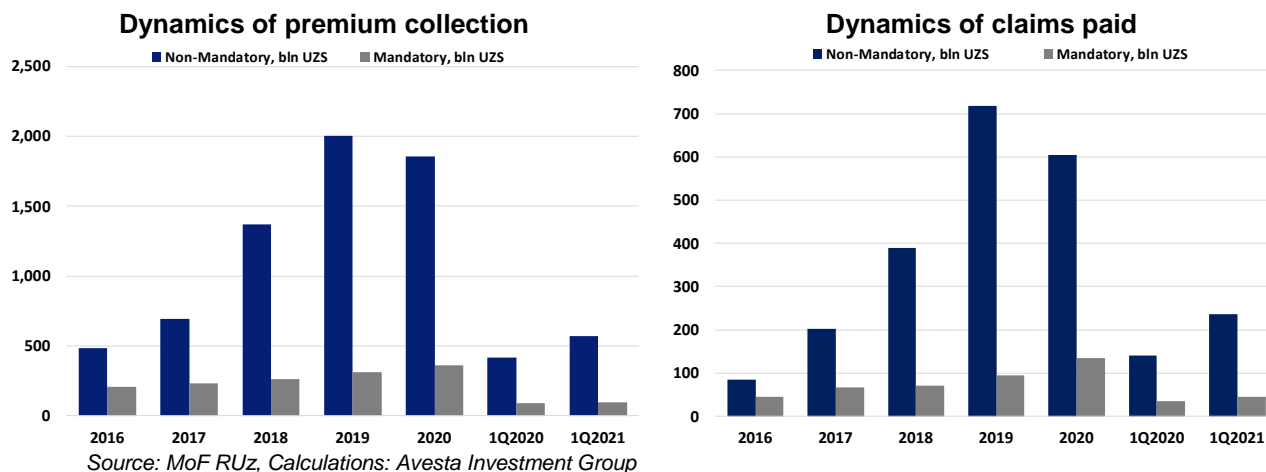
In 2020, collected premiums amounted 2,213 billion UZS or by 4.3% lower than in 2019, mainly due to significant decrease in life insurance collections by 43%. However, in 1Q2021 premiums collected comparing to last year increased by 33% and amounted 669.3 billion UZS. About 84.5% of premiums collected in 2020 were from general insurance, while in 1Q2021 – 81.2%. Major part of premiums in 2020 comes to non-mandatory part - 1,852 billion UZS (7.4% decrease) while mandatory part increased by 15.1% and reached 360.9 billion UZS.

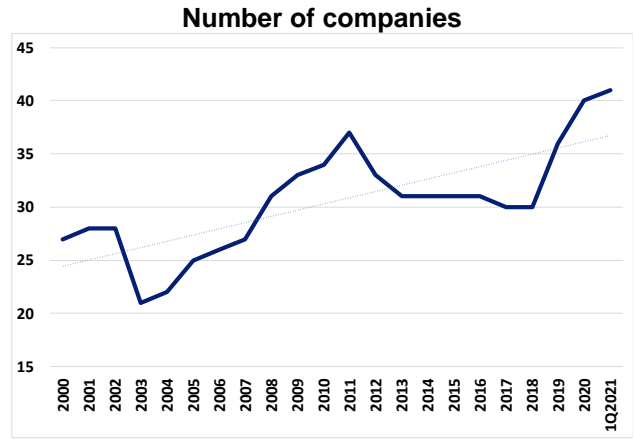
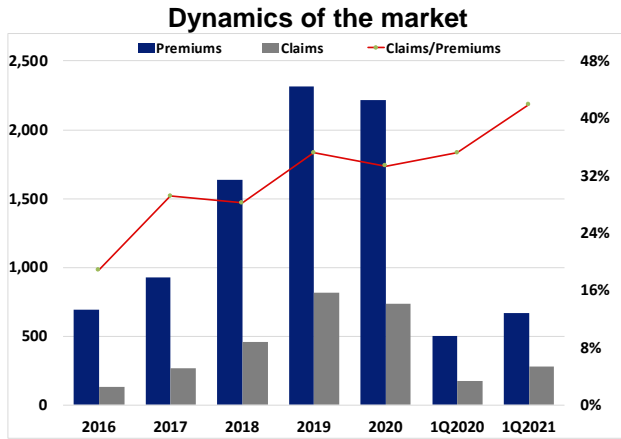
In 2020, paid claims reached 737.6 billion UZS which is 9% less than in 2019, while in 1Q2021 claims equaled to 280.7 billion UZS, 42.8% less than in 1Q2020. About 42% of claims in 1Q2021 is for general insurance, while in 2020 it was 57%. Major part of claims comes to non-mandatory part which makes 81.9% of total claim in 2020, while in 1Q2021 – 84.1%.

The total number of companies operating in the insurance market as of April 2021 was 41, of which 8 are life insurance companies.

In 2020, the Ministry of Finance issued general insurance licenses to Sharq-Sug'urta LLC, Semurg Insurance JV LLC, Aria Sug'urta Tashkloti LLC, Trust-Insurance LLC and Omad Sug'urta LLC. It is believed that Aria Sug'urta is part of the Akfa Group of companies.

In 1Q2021, Ministry of Finance issued the insurance license for Azimuth Insurance Company, 100% owned by ICA Group Limited, which is believed to be shareholder of Insurance Company of Afghanistan.





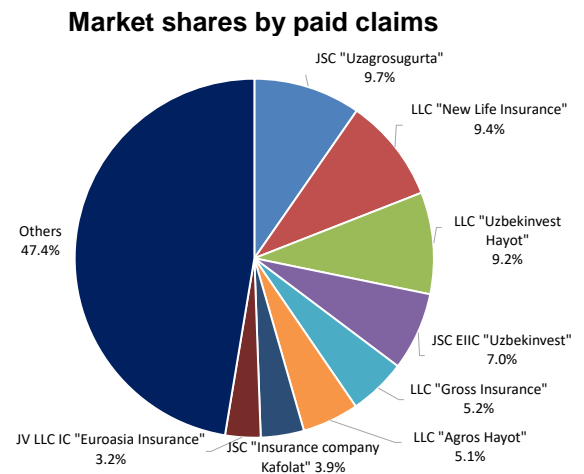
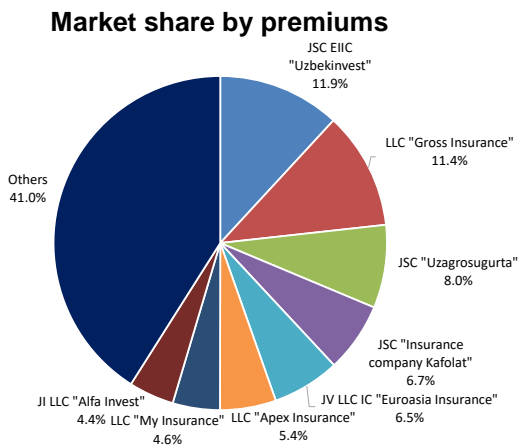
Source: MoF Ruz, Calculations: Avesta Investment Group

The average ratio of paid claims to premiums in the market in 1Q2021 set a new high and amounted to 41.9%, while in 2020 and 1Q2020 it was 33.3% and 35.2%, respectively.

In 2020, the life insurance segment decreased both in terms of premiums and claims paid by 43% and 40%, while in 2018-2019 the life insurance segment was actively developing. The main reason for the slowdown is tough quarantine measures that paralyzed almost all segments of the economy in the second quarter of 2020.

The market leader in terms of collected premiums is JSC EIIC "Uzbekinvest", which occupies about 11.9% of the market by premiums. While in terms of paid claims it takes fourth place occupying 7% of market. Uzbekinvest has claims to premiums ratio at 25.3% while market average is 22.3% in the sector of general insurance.

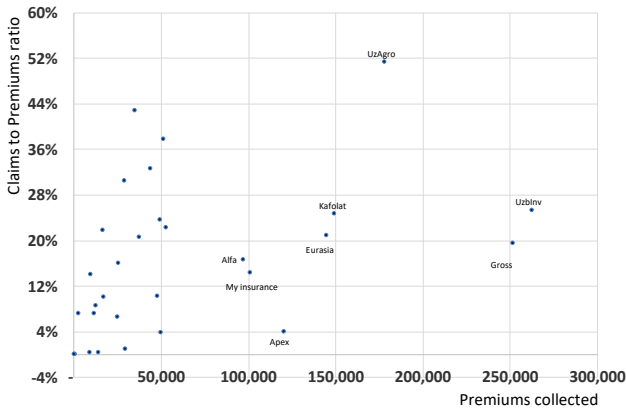
It should be noted that JSC "Uzagrosugurta" takes 8% of market by premiums while by paid claims occupies 9.7%. Claims to premiums is highest in the sector of general insurance – 51.2%.



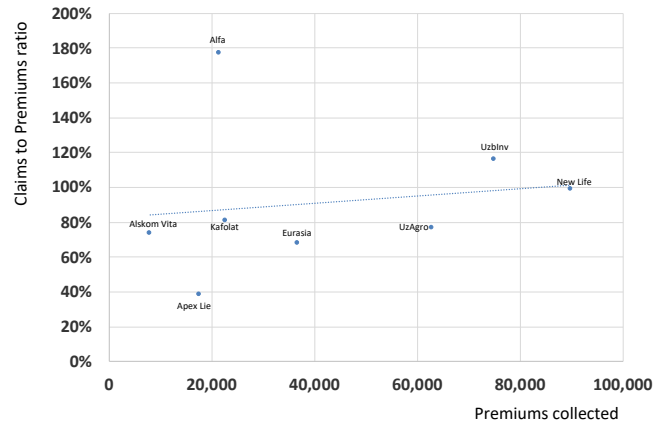
Source: MoF Ruz, Calculations: Avesta Investment Group

The market leader in life insurance is New Life Insurance LLC by both premiums and paid claims. New Life Insurance has a ratio of claims to premiums at 98.9%, while the market average is 95.1%. The largest ratio of claims to premiums for life insurance - 177.2%, belongs to LLC "Insurance company Alfa-Invest".

**General insurance market map 2020**



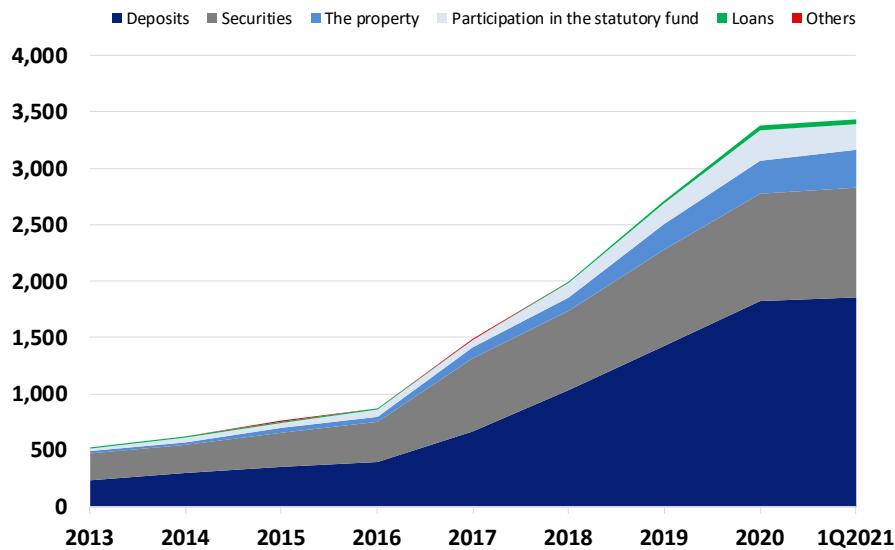
**Life insurance market map 2020**



Source: MoF RUz, Calculations: Avesta Investment Group

Total investment portfolio of insurance companies reached 3,382.7 billion UZS and increased by 24.7% with highest share (53.7%) and growth rate (+27.7%) of bank deposits, followed by investments into different types of securities (28.3% of total amount), which increased only by 13%. Investment into property increased by 23.8%, but share in total amount still remain low (about 8.4%).

**Investment portfolio of insurers, billion UZS**



Source: MoF RUz, Calculations: Avesta Investment Group

**State health insurance (new model)**

According to the document on the basis of the recommendations of the World Health Organization, a pilot project is being implemented to introduce a new model for organizing the health care system and mechanisms for state health insurance.

From December 1, 2020, the State Health Insurance Fund (hereinafter “Fund”) was formed and from July 1, 2021, new healthcare model is implementing in the Syrdarya region. Within the framework of the pilot project, the following procedure is established:

- State budget funds allocated to finance institutions of the health care system of the Syrdarya region (except for investments allocated for targeted programs, the development of science and research, vaccination, etc.), are gradually transferred to separate personal treasury accounts of the Fund and are indicated in one line in the classification of expenses;
- The Fund finances the activities of medical organizations by concluding agreements with them. At the same time, part of the funds allocated to hospitals at the district (city) and regional level in the amount of at least 10% is determined based on the number of treated cases and the amount of work performed;
- non-state medical organizations can also be involved in the provision of medical services on the basis of a guaranteed package;
- The Fund constantly monitors the efficiency and effectiveness of allocated budget funds;
- determination of the guaranteed package, assessment of the quality of the medical care provided and its monitoring and control in accordance with the approved standards is carried out by the Ministry of Health.

The concept defines the main directions of implementation and testing as an experiment of the state health insurance system in the provision of state-guaranteed medical care and its financing. Approbation is provided for the period from July 1, 2021 to the end of 2022 in the Syrdarya region, from 2023 - the phased implementation of its positive results in other regions of the republic.

### Insurance companies

Out of 41 insurance companies, 7 are joint stock companies. Only 5 of them are listed at the RSE "Tashkent". Among the listed insurance companies, Alskom (ALSM), Kapital Sug'urta (KASU), Kafolat (KFLT) and Uzagrosugurta (UZAS) are available for investment. Universal Sug'urta (UNSU) is also listed on RSE, but it is difficult to buy shares there. Uzbekinvest and Ingo-Uzbekistan are not listed on the RSE stock exchange and are not available for purchase.

#### Listed/possible for investment insurance companies

Company	Ticker	Premiums (2020) in mln UZS	Quotation price, in UZS	P/E	P/B
JSC "Uzagrosugurta"	UZAS	178,203	3,456	11.51	1.70
JSC "Insurance company Kafolat"	KFLT	149,363	2.11	82.40	1.40
JSC "Capital Sug'urta"	KASU	49,432	1.2	58.37	0.87
JSC "Alskom"	ALSM	44,109	1,400	183.81	0.57

During February 2021, the quotation price of common shares of the Universal Sug'urta (UNSU) increased from 1.05 to 20 UZS with a nominal price of 0.01 UZS. At the same time, only 109 transactions were made with these shares for less than 3 million UZS. In this regard, the exchange suspended trading.

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