State of personal insurance in the Kyrgyz Republic at the present stage of development in the conditions of the COVID-19 pandemic

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Abstract. The article discusses the current state of personal insurance in the Kyrgyz Republic, which is a very significant financial instrument for maintaining the stability of the welfare of the country's population. The legislative definition of the concepts of insurance activity, the insurer, the insured, the contract of personal insurance, the grounds for concluding a contract of personal insurance are being studied. The classification of types of personal insurance according to various criteria is given. Life insurance services provided by individual insurance companies of the republic are considered. The dynamics of insurance premiums and insurance payments of several leading insurance companies in Kyrgyzstan in recent years in the context of the ongoing financial and economic crisis caused by the COVID-19 pandemic are analyzed. In the current period, insurance companies have demonstrated an increase in the volume of insurance premiums and insurance payments for personal insurance. At the same time, the development of life insurance (accumulative) remains at a low level. For further progressive movement of this segment of insurance, it is necessary to implement several key tasks.

1 Introduction

A rather significant financial tool for preserving the stability of the welfare of the population of the country is personal insurance, where the insured person is trying to prevent the financial difficulties that are bound to arise for the person or his relatives in the event of deteriorating health, disability or even death. At the same time, life or death, as a form of existence, cannot be evaluated objectively. Therefore, in personal insurance there cannot be an objectively expressed interest, although there must always be some connection between the losses that the insured or the beneficiary may suffer and the insurance amount.

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The study of the current state of personal insurance in the Kyrgyz Republic, especially in the context of the ongoing financial and economic crisis caused by the COVID-19 pandemic, is relevant for the reason that the property interests of citizens related to health, life, ability to work, and pensions are the objects of insurance. In this regard, it is important to analyze the activities of major insurance companies to provide personal insurance services in the last period, the degree of influence of the coronavirus crisis on the dynamics of insurance premiums and insurance payments, identify problems and directions of further development of personal insurance in the country.

2 Materials and methods

The study was conducted using the tools of both economic and legal sciences. Special scientific methods of cognition, such as formal-dogmatic, the method of aggregation, the method of statistical analysis – allowed identifying individual elements of the study, comparing them with each other, and forming the necessary conclusions.

Thus, the Civil Code of the Kyrgyz Republic (hereinafter – CC KR) states that insurance in the country is carried out based on property or personal insurance contracts concluded by a citizen or a legal entity (insured) with an insurance company (insurer) [1]. In cases where the law imposes on the persons specified therein the obligation to insure as insurers the life, health, or property of other persons or civil liability to other persons at their own expense or the expense of interested persons (compulsory insurance), the insurance shall be effected by concluding contracts following the CC KR rules.

According to Art. 926 of the CC KR (Part 2), according to the contract of personal insurance one party (insurer) undertakes for the payment stipulated by the contract (insurance premium), paid by the other party (insured) to pay a lump sum (insurance amount) or pay it out periodically in case of causing harm to life or health of the insured person which may be the insured himself or other named in the contract, reaching a certain age or onset of the insured person's death [1].

The notions of the insurer and insured are defined in the Law of KR "On Organization of Insurance in the Kyrgyz Republic" (hereinafter – the Law on Insurance) [2]. Thus, the insurer is a legal entity established in the legal form prescribed by this Law, to carry out insurance activities and obtained a license for insurance activities in the Kyrgyz Republic in a prescribed manner" [2]. At the same time, insurance activity is understood as "the activity of organizations having a license to provide services to individuals and legal entities for a premium, the subject of which is contractually specified responsibilities of the insurer in the event of an unknown event, with the distribution of risk among a large number of persons exposed to similar risk, calculated based on the principle of large number calculation" [2].

The right to receive the sum insured belongs to the person in whose favor the contract is concluded. As pointed out by some researchers, insurance amounts are the value of incurred material losses or damages that cannot be objectively expressed but are determined following the wishes of the insured based on his material capabilities [3]. The rules of the relevant chapter of the CC KR on insurance compensation shall apply to the relations connected with the right to receive and with the payment of the insurance amount under the contract of personal insurance, except for the provisions which are directly related to the insurance compensation under the contract of property insurance.

A contract of personal insurance shall be considered concluded in favor of the insured person unless another person is named in the contract as the beneficiary. In the event of the death of an insured person under a contract in which no other beneficiary is named, the heirs of the insured person become the beneficiaries.

A contract of personal insurance in favor of a person who is not an insured person, including in favor of an insured person who is not an insured person, may be concluded
only with the written consent of the insured person. In the absence of such consent, the contract may be declared invalid at the suit of the insured, and in the case of the death of this person – at the suit of his heirs.

Classification of types of personal insurance is carried out according to various criteria. Thus, based on the analysis of scientific and specialized literature we can highlight the following (Fig. 1).

**Fig. 1.** Classification of types of personal insurance according to certain criteria. Compiled by the author according to [3].

### 3 Results and discussion

Currently, in the Kyrgyz Republic, there are such types of personal (voluntary) insurance as life insurance (accumulative); life insurance for up to one year; accident and illness insurance; medical insurance.

From 2020 to the present the development of the financial and economic crisis caused by the COVID-19 pandemic, which, naturally, has left its separate imprint on the
functioning of all economic sectors took place. At the same time, the insurance industry shows good results in terms of personal insurance.

Thus, according to the Financial Market Regulation and Supervision Service under the Ministry of Economy and Commerce of the Kyrgyz Republic in 2021 the top five leaders in insurance premiums from personal insurance are [4]:

- "Zdorovye" CJSC IC – 81,355.9 KGS thousand;
- "ATN-Polis" CJSC IC – 43,169.5 KGS thousand;
- "Jubilee Kyrgyzstan Insurance Company" CJSC – 36,168.6 KGS thousand;
- "NSK" CJSC IC – 35,331.7 KGS thousand;
- "Insurance Company A PLUS" CJSC – 24,666.8 KGS thousand.

In the current period, relative to the chain period of 2020, "Zdorovye" CJSC IC increased the volume of insurance premiums by 89.6%, or 38,453.3 KGS thousand; "ATN-Polis" CJSC IC – by 54.9%, or 15,303.1 KGS thousand; "Jubilee Kyrgyzstan Insurance Company" CJSC IC – by 61.7%, or 13,802.3 KGS thousand; "NSK" CJSC IC – by 3.7 times, or 25,786.7 KGS thousand; "Insurance Company A PLUS" CJSC – by 28.5%, or 5,470.2 KGS thousand.

It should be said that in 2021 such insurance companies as: "Zdorovye" CJSC IC, "Dordoi strakhovanie" CJSC IC, "Mega Insurance Group" CJSC, "Ali Garant" CJSC IC, "GSO" OJSC did not cede insurance premiums received.

The following domestic insurance organizations showed the highest rates of insurance payments in personal insurance for 2021:

- "ATN-Polis" CJSC IC – 20,226.5 KGS thousand
- "A PLUS" CJSC IC – 18,548.8 KGS thousand;
- "Zdorovye" CJSC IC – 13,175.8 KGS thousand;
- "NSK" CJSC – 11,177.8 KGS thousand
- "Jubilee Kyrgyzstan Insurance Company" CJSC – 9,304.9 KGS thousand [4].

It should be noted that among the leaders of 2021 on indicators of insurance payments, compared to the previous year 2020: "ATN-Polis" CJSC IC – by 34.3% or by 5,168.0 KGS thousand; "NSK" CJSC – 2.3 times or by 6,411.5 KGS thousand; "Jubilee Kyrgyzstan Insurance Company" CJSC – 2.0 times or by 4,710.4 KGS thousand. We believe that the significant increase in insurance benefits is directly related to the coronavirus infection.

In recent years, only one domestic insurance organization – "Kyrgyzstan" CJSC IC – was engaged in accumulative life insurance. In 2020, another company – "Jubilee Kyrgyzstan Insurance Company" CJSC – joined this activity (Table 1).

**Table 1.** Insurance premiums of life insurance companies (accumulated) in the Kyrgyz Republic for 2018-2021, KGS.

<table>
<thead>
<tr>
<th>Insurance company name</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
<th>2021 in % to 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>&quot;Kyrgyzstan&quot; CJSC IC</td>
<td>21982.0</td>
<td>20522.9</td>
<td>24460.0</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>&quot;Jubilee Kyrgyzstan Insurance Company&quot; CJSC</td>
<td>-</td>
<td>-</td>
<td>92073.3</td>
<td>472143.8</td>
<td>-</td>
</tr>
</tbody>
</table>

Compiled from data of the Financial Market Regulation and Supervision Service under the Ministry of Economy and Commerce of the KR [4].

As shown in Table 1, for 2018-2020 life insurance premiums of "Kyrgyzstan" CJSC IC increased by 11.3% or 2478.0 KGS. However, in 2021 this insurer did not provide services for the type of insurance in question (for unknown reasons).

At the same time, "Jubilee Kyrgyzstan Insurance Company" CJSC immediately attracted insurance premiums in this area 5.1 times more in 2021, or 380 KGS thousand, than in the previous period in 2020, leading the emerging rating.
Let us present the insurance products offered by these insurance companies to their customers.

Thus, "Jubilee Kyrgyzstan Insurance Company" CJSC has the following types of endowment insurance:
- Children's educational plan;
- The Optimal Plan;
- Savings Plan.

In this case, the insured determines the amount insured, the insurance plan, and the periods of premiums. The term of insurance is from 10 to 20 years.

For example, the "Children's Education Plan" program provides an opportunity to accumulate the necessary material by the time your child enters a higher education institution. In this case, in case of adverse circumstances insurance coverage is provided for the risks of loss of life or permanent disability of the parent, so that the family will receive the planned amount to pay for the education of children, i.e., one can save money for the education of children and all this time the life of the insured will be insured (Table 2).

<table>
<thead>
<tr>
<th>Program duration</th>
<th>1st installment (25% of the insured amount)</th>
<th>2nd installment (25% of the insured amount)</th>
<th>3rd installment (50% of the insured amount)</th>
</tr>
</thead>
<tbody>
<tr>
<td>12 years</td>
<td>end of year 4</td>
<td>end of year 8</td>
<td>end of year 12</td>
</tr>
<tr>
<td>15 years</td>
<td>end of year 5</td>
<td>end of year 10</td>
<td>end of year 15</td>
</tr>
<tr>
<td>18 years</td>
<td>end of year 6</td>
<td>end of year 12</td>
<td>end of year 18</td>
</tr>
</tbody>
</table>

Compiled from the official website of "Jubilee Kyrgyzstan Insurance Company" CJSC [5].

Insured risks:
- death of the insured person (an individual aged 18-53) – 100% of the insurance amount;
- survivorship of the insured person (an individual aged 18-53) before the date of expiry of the policy – 100% of the insurance amount;

Supplemental insurance coverage:
- groups I and II disability as a result of an accident – 100% of the insurance amount;
- death as a result of an accident – 100% of the insurance amount.

"Kyrgyzzstan" Insurance Company provides the following life insurance programs: "Life is wonderful!", "Life goes on!", as well as "Carefree Life! = "Life is Beautiful!" + "Life Continues!" – mixed life insurance.

The "Life is Beautiful!" program allows saving money for a variety of strategic purposes. The age of the insured – from 18 to 65 years (not older than 70 years at the time of the contract expiration), the age of the insured – from 20 to 61 years (not older than 66 years at the contract expiration), and the insured may be the insured person. The term of the insurance contract is 5 years. The amount of insurance amount is set based on the needs of the insured and the contract terms. Insurance premiums can be paid in a lump sum or annually. The "Life goes on!" program is financial protection in case of the death of the insured person for any reason. The age of the insured – from 18 to 65 years (not older than 70 years at the time of the contract expiration), the age of the insured – from 20 to 61 years (not older than 66 years at the contract expiration), and the insured may be the insured person. The term of the insurance contract is 5 years.

Under the above life insurance programs, the insured or beneficiary receives benefits under the following conditions (Table 3).

Table 3. Terms of insurance payments under life insurance programs of "Kyrgyzstan" CJSC IC.
"Life is Beautiful!" program

<table>
<thead>
<tr>
<th>Risks</th>
<th>Payments</th>
</tr>
</thead>
<tbody>
<tr>
<td>living to the end of the insurance period</td>
<td>100% of the insurance amount</td>
</tr>
</tbody>
</table>

"Life goes on!" program

<table>
<thead>
<tr>
<th>Risks</th>
<th>Payments</th>
</tr>
</thead>
<tbody>
<tr>
<td>death of the insured person for any reason</td>
<td>100% of the insurance amount</td>
</tr>
</tbody>
</table>

Compiled from the official website of “Kyrgyzstan” CJSC IC [5].

At the same time, death, as a result, is not recognized as an insured event:
- of all kinds of hostilities, civil unrest, strikes, nuclear explosions, or exposure to radiation;
- committing or attempting to commit acts for which criminal proceedings have been instituted against the insured;
- as a result of intentional self-inflicted bodily injury by the Insured;
- as a result of accidents due to mental or severe nervous disorders;
- due to hypertension (stroke); epileptic seizures, if the insured suffered from them before entering into the insurance contract;
- AIDS or HIV infection;
- driving any vehicle without the right to drive it, as well as under the influence of alcohol and/or drugs;
- identification of an illness (chronic, congenital, critical, and incurable) that the insured person had before the conclusion of the insurance policy, etc. [7].

It should be noted that the activity of only two insurance companies of the republic in the field of life insurance indicates certain difficulties in the development of this sector of the insurance industry. Here we can agree with the opinion of researchers N.I. Akylbekova and M.A. Dzhenalieva, together with other problems of insurance, highlight the lack of reliable financial instruments for long-term placement of insurance reserves, the low level of public confidence in insurance organizations, the low level of insurance culture, the lack of necessary and sufficient experience of management of insurance funds [7].

4 Conclusion

Analysis of the current state of personal insurance in the Kyrgyz Republic demonstrates that the latter is practically at the very beginning of its development, although the domestic insurance market has existed for quite some time. In recent years we can note certain positive dynamics in the activity of national insurance companies in this sector. [10]

Unfortunately, long-term life insurance in Kyrgyzstan, as a factor of financial protection for citizens of the country, a reliable tool for accumulating funds for strategically important purposes, as well as the most important source of long-term investment resources, is significantly behind the other areas of the insurance industry in its development, while having significant potential. The current insurance legislation does not provide residual incentives to expand the scale of long-term life insurance, and the low level of public confidence in domestic financial institutions, the weakness of the domestic stock market, and other factors do not allow counting on a rapid expansion of the capacity of this market, especially when it comes to long-term investment resources.

In this regard, we believe that for the further progressive movement of this segment of insurance should implement the following tasks:
- improve national legislation on the insurance market, especially in terms of life insurance [8];
- develop a concept for improving the regulation of investment life insurance [8,9];
- improve the level of financial literacy and insurance culture through various marketing activities, introducing a short course on financial literacy in school programs, and making adjustments in the programs of higher education institutions; [10,11]
- promote life insurance at the state level using social advertising; [12]
- form favorable conditions stimulating the interest of the population of the republic in obtaining life insurance services, including through the improvement of the taxation system;
- expand the range of life insurance services, and create new, simpler, and more accessible insurance services, including through the development of Internet insurance and digital technology. [13]

In conclusion, it can be noted that the indicators of personal insurance of a number of leading insurance companies in Kyrgyzstan's COVID-19 pandemic have not had their negative impact, which, however, does not relieve the state from taking effective measures to support domestic insurers.

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