



## Kazakhstan: Southeast Europe and Central Asia Catastrophe Risk Insurance Facility (P152230)

EUROPE AND CENTRAL ASIA | Kazakhstan | Finance, Competitiveness and Innovation Global Practice |  
Global Environment Project | Investment Project Financing | FY 2016 | Seq No: 5 | ARCHIVED on 24-Mar-2019 | ISR36398 |

Implementing Agencies: Europa Re, Europa Re

## Key Dates

## Key Project Dates

Bank Approval Date: 08-Apr-2016

Effectiveness Date: 25-May-2016

Planned Mid Term Review Date: 13-Sep-2019

Actual Mid-Term Review Date: --

Original Closing Date: 31-Dec-2019

Revised Closing Date: 31-Dec-2019

## Project Development Objectives

Project Development Objective (from Project Appraisal Document)

The Project Development Objective (PDO) is to assist Kazakhstan with developing a modern catastrophe insurance market infrastructure that will support the launch of affordable, innovative catastrophe insurance products covering the risks of weather extremes. The proposed project activities support GEF's focus on climate change and more specifically, GEF's objectives on climate change adaptation. By increasing access to sound catastrophe and weather risk insurance products for millions of people in Kazakhstan, SEECA CRIF is also in line with the GEF strategy on adaptation. By supporting proper catastrophe risk management and risk transfer, SEECA CRIF reduces economic losses at both local and national levels from extreme weather related events, thereby reducing economic vulnerability and contributing toward increased climate resilience at the national level. SEECA CRIF activities are also cross-cutting and collaborative, ensuring the engagement of major stakeholders in Kazakhstan, including the Ministry of Economic Development and Planning, the National Bank, and the Insurance Association. Moreover, because much of the technical work will be focused on establishing complex catastrophe insurance infrastructure and systems, stakeholders will gain the requisite skills and knowledge to better understand catastrophe risk and effectively adapt to such risks and climate change. Furthermore, public awareness of climate change and the benefits of catastrophe and weather risk insurance will be raised through information campaigns and the public discussion of the new Law on Compulsory Catastrophe Insurance, resulting in increased demand for catastrophe and weather risk insurance products. The project also aims to provide national and local governments as well as private individuals with the up-to-date actionable information on the risk of natural disasters faced the communities and certain segments of national economy. The information will be delivered to the decision makers in the form of workshops, risk maps and through interactive education tools available on-line. Although the project has been designed specifically for Kazakhstan, it can be easily replicated in other countries of the region that are adversely affected by climate change through the extension of insurance market infrastructure and insurance services to be developed for Kazakhstan to other markets of the region.

Has the Project Development Objective been changed since Board Approval of the Project Objective?

No

## Components

Name

Funding of technical assistance to expand SEE CRIF program to Kazakhstan.:(Cost \$5.00 M)

## Overall Ratings

Name	Previous Rating	Current Rating
Progress towards achievement of PDO	● Satisfactory	● Satisfactory



Overall Implementation Progress (IP)	● Satisfactory	● Satisfactory
Overall Risk Rating	● Moderate	● Moderate

## Implementation Status and Key Decisions

Over the last 6 months period the project is being on track under successful implementation by Europa RE, the project implementation agency and a specialty catastrophe insurer, with a continued steady progress and some positive outcomes being achieved. The disbursement has reached US\$3.16 million, or about 63 percent of the total grant. The current status of project implementation by Europa Re is rated as satisfactory. The Bank carried out technical, procurement and financial supervision of the project and the following progress has been made:

*Agriculture insurance pilot project:* In Spring 2018, a highly innovative credit risk default insurance product has been implemented to insure agricultural commodity producers' loans against risks of default under loan agreements in case of lower average regional yields. A pilot project has been implemented for borrowers of Agrarian Credit Corporation JSC (ACC). However, the product, when it was originally launched, did not have adequate IT support and the wording of the contract had to be renegotiated with the ACC. Europa Re, therefore, has provided extensive capacity building activities to the agents (staff of Oil Insurance Company (OIC) across 5 biggest branches in the country), which had to be trained as well and the local insurance partner needed to change its business processes to be able to sell the product. To date, about 10,000 ha of crops have been covered with the insurance. The local office of Europa Re is currently in the middle of the sales season and it is expected to see more uptake in the next month.

*EReagro application:* The platform is being tested both, internally and by the insurance partner sales agents. Regional Sales Offices have been engaged into testing as well OIC staff.

*Potential new insurance programs in preparation are being discussed to cover risks of BankCenterCredit's property pool against earthquakes.*

*CATMonitor.* The platform was launched in Kazakhstan earlier in April 2018. It is currently in its full operation aimed to provide education and raise disaster risk awareness (earthquake risk) among the general public.

## Risks

### Systematic Operations Risk-rating Tool

Risk Category	Rating at Approval	Previous Rating	Current Rating
Political and Governance	● Moderate	● Moderate	● Moderate
Macroeconomic	● Moderate	● Moderate	● Moderate
Sector Strategies and Policies	● Moderate	● Moderate	● Moderate
Technical Design of Project or Program	● Moderate	● Moderate	● Moderate
Institutional Capacity for Implementation and Sustainability	● Low	● Low	● Low
Fiduciary	● Low	● Low	● Low
Environment and Social	● Low	● Low	● Low
Stakeholders	● Moderate	● Moderate	● Moderate
Other	● Moderate	● Moderate	● Moderate
Overall	● Moderate	● Moderate	● Moderate

## Results

### PDO Indicators by Objectives / Outcomes



Assist Kazakhstan with developing a modern catastrophe insurance market infrastructure				
►Insurance market infrastructure made available for use to local insurance companies in support of catastrophe risk insurance products. (Number) (Number, Custom)				
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	0.00	1.00	1.00	2.00
Date	21-Apr-2016	09-May-2018	20-Mar-2019	31-Dec-2019
Comments:	In May 2018, one local SECA CRIF project partner insurance company launched sales of weather risk credit default product developed under the project. The sales were carried out using the web-based underwriting platform, weather risk data and pricing algorithms developed under the SECA CRIF project. We expect at least 2-3 more local insurers to join the program before the end of 2019.			
Consumers are more aware of disaster risks and the mitigating role of insurance				
►CatMonitor - a web-based disaster risk information tool for homeowners is launched (Yes/No, Custom)				
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	No	Yes	Yes	Yes
Date	21-Apr-2016	03-Apr-2018	03-Apr-2018	31-Dec-2019
Comments:	The indicator measures the success of project in providing local homeowners with actionable and scientifically proven information about the vulnerability of their dwellings to EQ risk.			
TA is provided to government/NBK in developing enabling insurance regulatory framework for cat risk				
►Completion of TA (Yes/No, Custom)				
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	No	Yes	Yes	Yes
Date	01-Dec-2015	24-Jul-2018	24-Jul-2018	31-Dec-2018
Comments:	The indicator measures the success of the project in assisting the local insurance market regulator - the National Bank of Kazakhstan - with examples of best international regulatory practices for catastrophe insurance risk, assessment of the current local regulatory and market practices, and recommendations on how the regulations can be improved.			

### Intermediate Results Indicators by Components

Funding of technical assistance to expand SEE CRIF program to Kazakhstan.				
►Catastrophe risk insurance products are offered online.(Yes/No) (Yes/No, Custom)				
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	No	No	Yes	Yes
Date	21-Apr-2016	11-Sep-2018	20-Mar-2019	31-Dec-2019
Comments:	The indicator measures whether products developed by ERE can be purchased by interested consumers online.			



<b>►Online claims management system is launched.(Yes/No) (Yes/No, Custom)</b>				
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	No	No	Yes	Yes
Date	21-Apr-2016	07-Feb-2018	20-Mar-2019	30-Sep-2019
<b>►Insurance premium of basic catastrophe insurance products are affordable for a good risk consumer. (Percentage, Custom)</b>				
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	7.00	1.50	2.00	1.50
Date	21-Apr-2016	11-May-2018	01-Mar-2019	30-Sep-2019
Comments:	The premium rates for the credit default insurance products for a low risk consumer vary between 1.5-3 percent of sum insured.			
<b>►Online automated sales, underwriting and pricing system is launched.(Yes/No) (Yes/No, Custom)</b>				
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	No	No	Yes	Yes
Date	21-Apr-2016	07-Feb-2018	20-Mar-2019	30-Sep-2019
Comments:	The online automated sales, underwriting and pricing system has been already but has not been launched yet. Its launch is expected in the spring 2019.			
<b>►Cat risk insurance products developed under the project are available through local insurance industry in Kazakhstan.(Yes/No) (Yes/No, Custom)</b>				
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	No	Yes	Yes	Yes
Date	21-Apr-2016	11-Sep-2018	20-Mar-2019	31-Dec-2019
<b>►Number and type of new cat risk insurance products developed. (Number) (Number, Custom)</b>				
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	0.00	2.00	2.00	2.00
Date	21-Apr-2016	07-Feb-2018	20-Mar-2019	30-Sep-2019
<b>►Insurance agents in the market offer catastrophe risk insurance developed under SECA CRIF project. (Yes/No, Custom)</b>				
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	No	No	Yes	Yes
Date	21-Apr-2016	11-Sep-2018	20-Mar-2019	31-Dec-2019
Comments:	Under the pilot the products have been sold to consumers directly by the local partner insurance company without using the services of intermediaries. However, in 2019, to expand the sales of products, it is envisaged that insurance agents will be widely used.			
<b>►Number of women insured against natural disasters as % of total insured.(Percentage) (Percentage, Custom)</b>				



	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	0.00	0.00	0.00	50.00
Date	21-Apr-2016	07-Feb-2018	07-Feb-2018	30-Sep-2019
<b>►Appropriate legislation and risk-based regulatory framework for catastrophe risk products is developed.(Yes/No) (Yes/No, Custom)</b>				
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	No	Yes	Yes	Yes
Date	21-Apr-2016	04-May-2018	20-Mar-2019	31-Dec-2019
<b>►Number of insurance companies selling catastrophe insurance products through insurance market infrastructure developed under the project.(Number) (Number, Custom)</b>				
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	0.00	1.00	1.00	2.00
Date	21-Apr-2016	09-May-2018	20-Mar-2019	31-Dec-2019
<b>►CatMonitor custom-tailored for Kazakhstan is made available online and regularly maintained.(Yes/No) (Yes/No, Custom)</b>				
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	No	Yes	Yes	Yes
Date	21-Apr-2016	11-Sep-2018	20-Mar-2019	30-Sep-2019
Comments:	The CatMonitor has been successfully launched and is now available for use in Russian and English from Europa Re website.			
<b>►Actuarial and probabilistic risk models in support of product pricing have been developed.(Yes/No) (Yes/No, Custom)</b>				
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	No	Yes	Yes	Yes
Date	21-Apr-2016	07-Feb-2018	07-Feb-2018	30-Sep-2019
<b>►Demand boosting measures have been carried out as a result of technical assistance provided to government/insurance regulator under the project. (Number) (Yes/No, Custom)</b>				
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	No	No	Yes	Yes
Date	21-Apr-2016	11-Sep-2018	20-Mar-2019	31-Dec-2019
Comments:	The indicator measures any actions carried out directly under the SECA CRIF project or by project partners (such as government or insurance companies) to boost the demand for insurance products developed under the project.			

## Data on Financial Performance

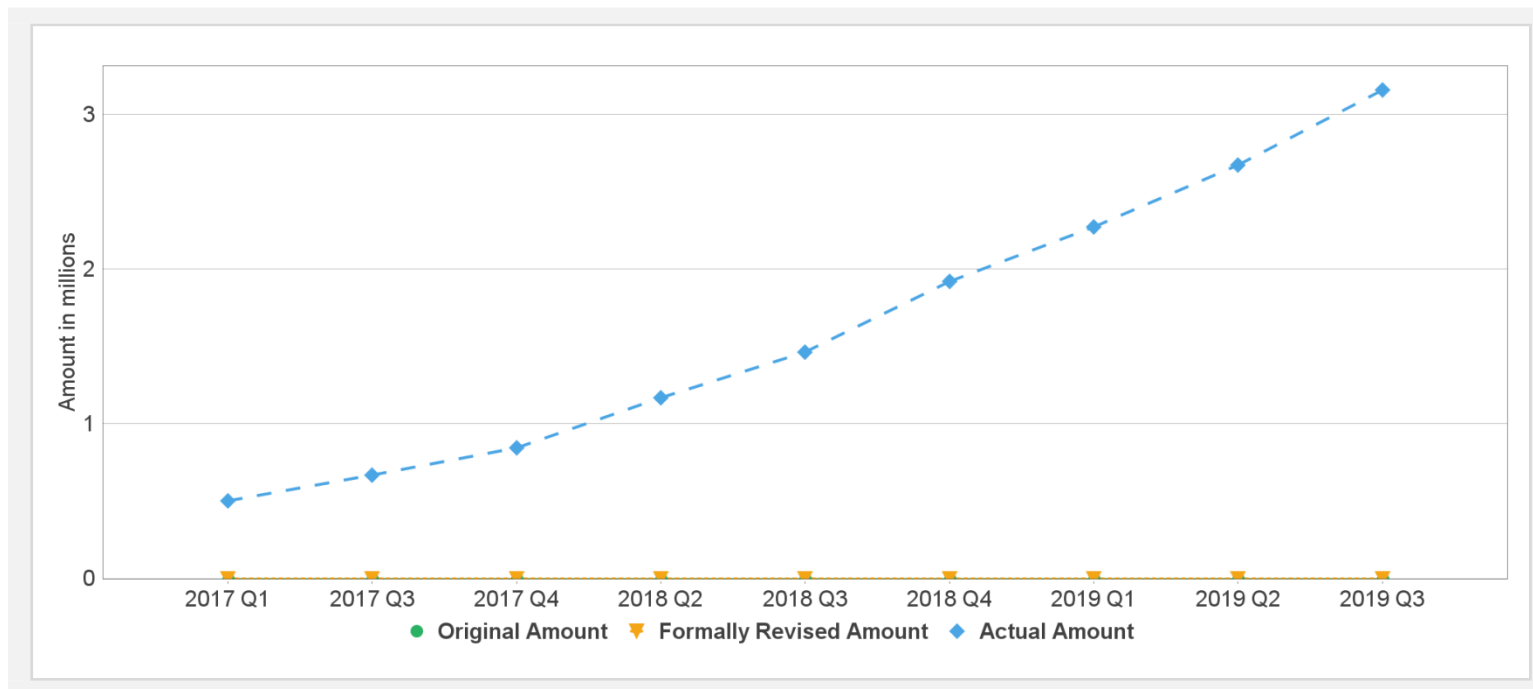
### Disbursements (by loan)

Project	Loan/Credit/TF	Status	Currency	Original	Revised	Cancelled	Disbursed	Undisbursed	% Disbursed
P152230	TF-A1934	Effective	USD	5.00	5.00	0.00	3.16	1.84	63%

### Key Dates (by loan)

Project	Loan/Credit/TF	Status	Approval Date	Signing Date	Effectiveness Date	Orig. Closing Date	Rev. Closing Date
P152230	TF-A1934	Effective	20-Apr-2016	20-Apr-2016	25-May-2016	31-Dec-2019	31-Dec-2019

### Cumulative Disbursements



### Restructuring History

There has been no restructuring to date.

### Related Project(s)

There are no related projects.