

INSURANCE MARKET IN MONGOLIA

BRNO 2016

I will divide my presentation into 2 parts:

- Concept of Insurance**
- Insurance market in Mongolia**

PART 1: CONCEPT OF INSURANCE

What is insurance?

Insurance is a form of risk management in which the insured transfers the cost of potential loss to another entity in exchange for monetary compensation known as the premium.

WHAT ARE THE PRINCIPLES OF INSURANCE?

There are six main principles.

- 1. Utmost Good Faith**
- 2. Indemnity**
- 3. Subrogation**
- 4. Contribution**
- 5. Insurable Interest**
- 6. Proximate Cause**

INSURANCE COMPANIES:

Insurance companies maybe classified into two groups:

- 1. Life Insurance Companies**
- 2. Non-life Insurance Companies**

INSURANCE PRODUCTS:

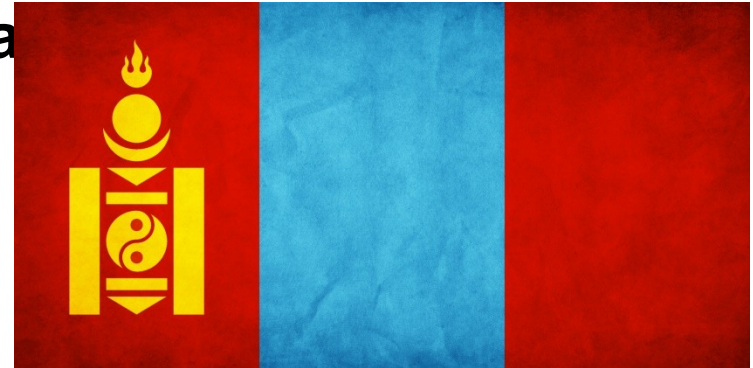
There are various types of insurance. But in general there are two main types of insurance, namely life insurance and non-life insurance products.

Life Insurance products are life insurance, annuities, and pensions products etc.

Non-life insurance products are home insurance, health insurance, travel insurance etc.

PART 2: INSURANCE MARKET IN MONGOLIA

Before presenting current insurance market in Mongolia, let me give you brief information about Mongolia:



- **Mongolia is a landlocked country located between Russia and China in East Asia.**
- **Mongolia has a population of 3 million people.**
- **It has area of 1,564,116 km² or 18th biggest country in the world.**
- **It has GDP per capita of 4055 USD in 2014 according to the World Bank.**

In Mongolia, financial institutions including insurance companies are regulated by the Financial Regulatory Commission of Mongolia.

This commission is the sole authority to grant license for companies to operate in the insurance market.

Information given in this essay is based on the Report of Insurance Sector in the 2nd Quarter of 2016, published in August 2016 by the Financial Regulatory Commission of Mongolia. I used the official exchange rate on 28.10.2016 /1 CZK = 95.92 MNT/ of the central bank of Mongolia, Mongol bank, to convert Mongolian national currency, tugrug /MNT/, into Czech currency, koruna /CZK/.

INSURANCE COMPANIES:

In the 2nd quarter of 2016, there operated 17 companies in total, including:

Regular or non-life insurance company – 15

Long-term or life insurance company – 1 /"National Life Insurance" LLC/

Reinsurance company – 1 /"Agricultural Reinsurance" LLC/

Total assets of the insurance companies at 30.06.2016 were 201.4 billion MNT or 2.1 billion CZK:

Non-life insurance companies /15/ - 161.8 billion MNT or 1.687 billion CZK

Life insurance company /1/ - 7.4 billion MNT or 77.0 million CZK

Reinsurance company /1/ - 32.2 billion MNT or 336.0 million CZK

INSURANCE PRODUCTS:

Insurance companies offer various types of insurance products to individuals and entities. Insurance products offered by the insurance companies can be divided into voluntary and mandatory. Voluntary insurance products are property insurance, vehicle insurance, shipment insurance, financial insurance, health insurance etc.

Mandatory insurance provided by the insurance companies is called the Mandatory insurance of driver's responsibility, which is required by the Law on Driver's Insurance of Mongolia.

The insurance companies concluded insurance contracts or insurance policies with 598116 individuals and entities in the 2nd quarter of 2016:

Premium income – 61.1 billion MNT or 637 million CZK

Of premium income, property insurance, mandatory insurance of driver's responsibility, vehicle insurance, and other insurances account for 32.3%, 27.1%, 13.3%, and 27.3% respectively.

Compensation – 16.4 billion MNT or 171 million CZK

Of compensation paid to policy holders, mandatory insurance of driver's responsibility, vehicle insurance, and other insurances account for 44.8%, 23%, and 32.2% respectively.

NON-LIFE INSURANCE COMPANIES:

In the 2nd quarter of 2016, 15 companies provided non-life insurance products in the insurance market. These companies offer insurance products such as property insurance, vehicle insurance, shipment insurance, mandatory insurance of driver's responsibility etc.

In the 2nd quarter of 2016:

Premium income – 60.5 billion MNT or 630.8 million CZK

99.03% of the total premium income collected in the defined period.

Compensation – 15.9 billion MNT or 166.3 million CZK

97.3% of the total compensation paid in the defined period.

LIFE INSURANCE COMPANY:

In Mongolia, only one company is providing life insurance products in the insurance market.

This company is “National Life Insurance” LLC, and has been operating in the insurance market since 2008.

“National Life Insurance” LLC offers insurance products such as health insurance, life insurance, pension insurance, and savings insurance.

In the 2nd quarter of 2016:

Premium income – 595 million MNT or 6.2 million CZK

0.97% of the total premium income collected in the defined period.

Compensation – 450 million MNT or 4.7 million CZK

2.7% of the total compensation paid in the defined period.

VOLUNTARY INSURANCE PRODUCTS:

Voluntary insurance products are as its name suggests the products which are voluntary. So you are not required by law to get any of the products offered by the insurance companies.

These insurance products include health insurance, property insurance, vehicle insurance, and financial insurance etc.

In the 2nd quarter of 2016:

Premium income – 44.6 billion MNT or 465 million CZK

72.9% of the total premium income collected in the defined period.

Compensation – 9.1 billion MNT or 95 million CZK

55.2% of the total compensation paid in the defined period.

MANDATORY INSURANCE PRODUCT:

This mandatory insurance is called the Mandatory insurance of driver's responsibility, and it is applicable to drivers who own vehicles only. This mandatory insurance is governed by the Law on Driver's Insurance⁷, which was passed by the Mongolian Government in October 2011, and has been in force since 01 January, 2012.

In article 5.1 of Chapter 5 in the Law on Driver's Insurance of Mongolia, it is stipulated:

“Every vehicle owner shall be insured.”

So it means every driver who owns a vehicle must be insured, and insurance premium is collected based on the type of vehicle.

15 non-life insurance companies offered this insurance product to drivers.

In the 2nd quarter of 2016:

Premium income – 16.5 billion MNT or 172 million CZK

27.1% of the total premium income collected in the defined period. In the 2nd quarter of 2016, 331512 insurance contracts or policies were concluded.

Compensation – 7.3 billion MNT or 76 million CZK

44.8% of the total compensation paid in the defined period. Compensation was paid to 16109 incidents.



THANK YOU FOR YOUR ATTENTION.