



INDUSTRIAL COMMITTEES



# INSURANCE & PENSIONS COMMITTEE



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**RUSSIAN PENSION MARKET**

The Russian pension industry in 2021 continued to consolidate. During 2021 that last foreign owned pension fund was sold to a state-owned banking group. The predominance of state-owned pension funds on the Russian market is posing considerable challenges to multinationals operating in Russia when it comes to operating corporate pension plans for their employees in Russia, as several of such state-owned pension funds are currently listed on EU and/or US sanctions lists. In order to foster more private sector investment and a more diverse investor base in the pension market there is an urgent need to make the operating environment for pension funds more attractive for investment.

**RECOMMENDATIONS**

Several steps could be taken to improve the business model of pension funds:

- › Lift restrictions on Russian pension funds to engage in other commercial activities, which would allow funds to distribute other financial products such as insurance to its extensive client bases, which would allow funds to establish new revenue streams.
- › Lift regulatory requirements for pension funds to send physical letter to millions of clients in case of certain corporate governance events or for regular reporting. These mailings are expensive and seem largely out of place in the context of Russia's exemplary digital transformation in key areas of its economy.
- › Amend/remove requirements for pension fund to keep an insurance reserve, which would considerably reduce the

costs of operating corporate pension plans for funds and its clients.

- › Extend state guarantees to pension fund assets, similar to the state guarantees for bank deposits.

It is our understanding that some of the above initiatives are currently being considered by the Russian government and State Duma and we are hopeful that they will eventually be adopted.

**LIFE INSURANCE**

The active development of life insurance, including life insurance with the insured person's participation in the insurer's investment income, entails a growth in the number of complaints about the deception of insured physical persons regarding the terms and conditions of insurance contracts, especially with regard to investment income. In response, the Government is adopting various laws and regulations related to the terms and conditions of life insurance which are aimed at the protection of citizens' rights, which often contradict regulations and go beyond a regulator's authority. A prohibition has been established with regard to the conclusion of life insurance with the insured person's participation in the insurer's investment income by parties not qualified as investors, which contradicts the provisions of the Civil Code of the Russian Federation on the public nature of life insurance contracts. Attempts to regulate the protection of insured physical persons' rights by regulatory means without amending the Civil Code or to develop specialized laws lead to the introduction into bylaws of such terms as "an insurance product with an investment component" and "life insurance with an investment component" that are not used in civil laws and do not provide for differences between types of life insurance. Only a law, but not a regulator's bylaw, may be used

as a basis for establishing material terms and conditions of insurance contracts (insurance and redemption amounts; material circumstances influencing the level of risk, etc.). In the absence of consensus regarding fundamental legal and economic categories, regulatory activities are followed by legislative ideas, e.g. consideration of the “unit-linked life insurance” concept.

## RECOMMENDATIONS

- › Any amendments related to the terms and conditions of insurance contracts regarding the introduction of new types of insurance should be adopted as a part of a law, but not a bylaw, as they require the amendment of the Civil Code and the Law On Organization of Insurance in the Russian Federation. The regulator should focus on information support and ensuring transparency, and monitoring sales channels and practices, but not insurance contracts.

## ESG IN INSURANCE

The role of insurance in risk management, sustainable development, and green transition to a low-carbon economy is de-

termined in the recommendations of international organizations (IAIC, PSI), and can be seen in the best practices of foreign insurers. Russia is currently at the initial state of discussing so-called “sustainable insurance” and the respective practices.

## RECOMMENDATIONS

- › The Committee is ready to offer an open discussion platform of the best foreign ESG practices in the field of insurance, the modeling of climate-related risks and their consequences, and, to a considerable extent, pollution insurance as a tool for financial support in compensating damages caused to the environment.



[More information on the Committee page](#)