



THE RUSSIAN ASSOCIATION OF MOTOR INSURERS





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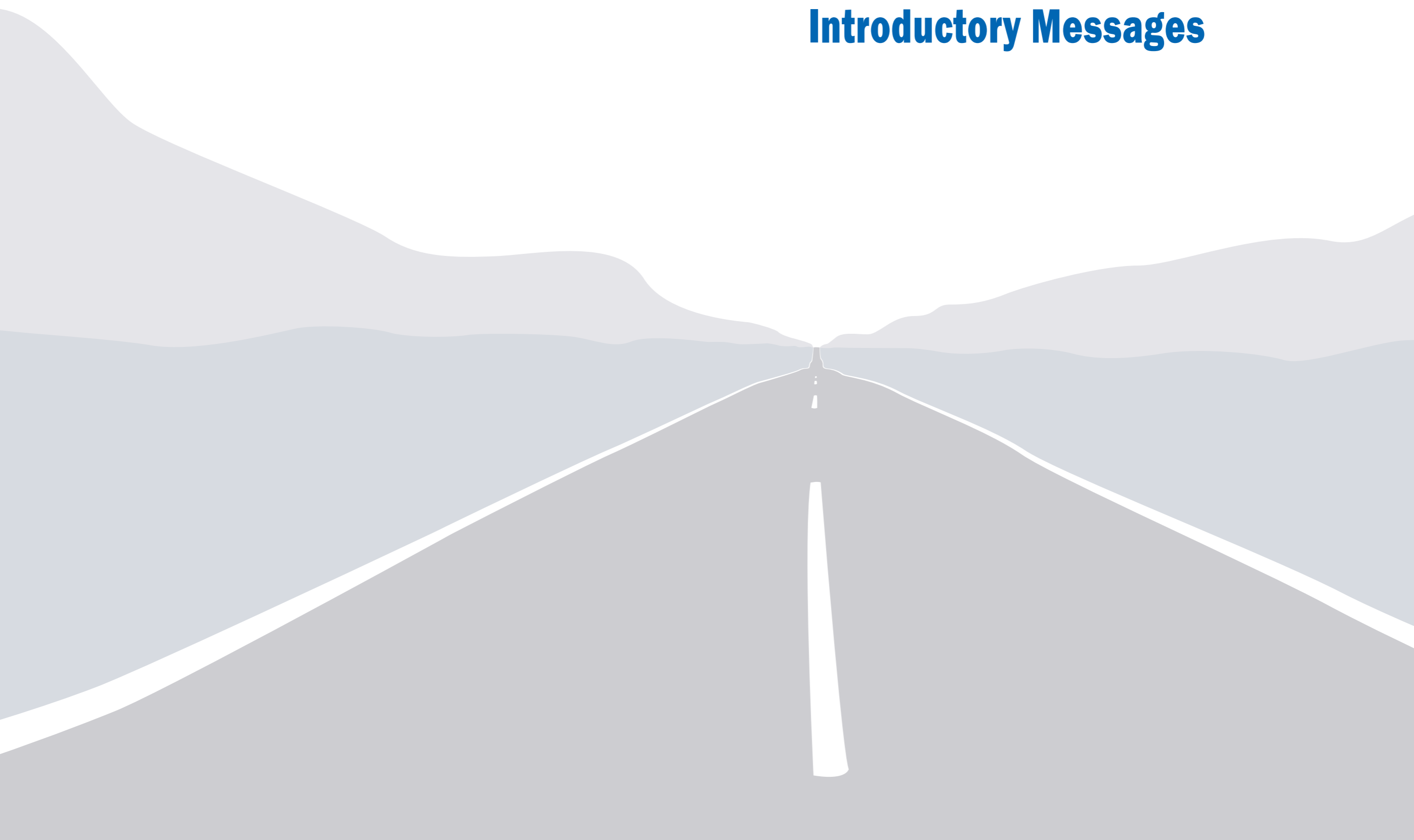
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Introductory Messages





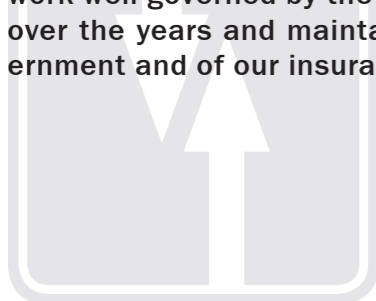
**Foreword by A. S. Kigim,
President of the
Russian Association of
Motor Insurers**

I am pleased to introduce the 2008 Annual Report of the Russian Association of Motor Insurers. Last year, the insurance industry undertook a colossal amount of work to prepare for changes in the CMTPL insurance system. I would like to remind you that our member companies had been given the task to make all the necessary preparations during 2008 for Russia to enter the International Green Card system and for introducing the system of direct settlement of claims in Russia and simplified reporting of road accidents.

The insurance industry successfully achieved the task it had been given!

On the first of January 2009, twelve Russian insurance companies began to issue Green Card insurance policies. With these policies, Russian drivers can now drive in 44 countries. On the first of March 2009, the system of direct settlement of road accidents and simplified reporting of road accidents came into force.

However, the introduction of all these changes to the CMTPL system will continue to place severe demands on the industry, not least because insurance companies are working in difficult economic times. I would like to express a wish that we all can come through these difficult times with a minimum of losses and can adapt quickly to new standards. I hope that we can enter a new stage of our development, with reliable support from modern IT systems and databases, with our work well governed by the rules of professional conduct which we have developed over the years and maintaining the trust and respect of our partners in the government and of our insurance clients.



**A. P. Koval, President of
the All-Russian Insurance
Association and Deputy
of the State Duma**



The task given to RAMI in 2005 of bringing in by 2008 a system of direct settlement of claims and the European Protocol was successfully achieved on time. This, I must say, is a notable achievement. RAMI worked with government bodies and with the State Duma during 2007 and 2008 to ensure that all the necessary documentation was in place so that the new system could commence.

Today the most important challenge facing the insurance industry and the government is to make sure that our clients and victims of road accidents reap the full benefits of the new system and if new documents need to be approved to meet this challenge, then this should be done as quickly as possible. The aim of all legislation is to protect the interests of our citizens and of the country. But this can only be done if all the necessary conditions are in place to allow business to perform the tasks it has been assigned and to succeed financially.

New challenges are appearing. There is a danger that all the achievements over almost twenty years in developing the Russian insurance market will be lost. The crisis will identify our weaknesses and we need to take all the necessary steps to solve the current problems and to ensure that a similar situation does not arise again in the future.

I wish you every success.



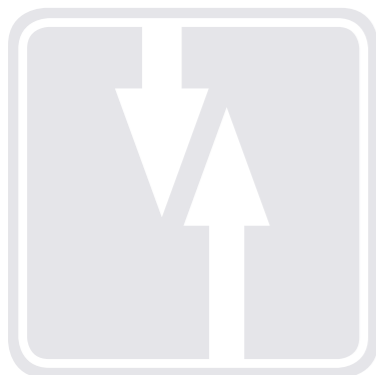


A. L. Savatyugin, Director of the Department of Financial Policy, Ministry of Finance of the Russian Federation

I would like to take this opportunity to congratulate both insurers with another successful year of operation of the system of CMTPL insurance and their professional organisation - the Russian Association of Motor Insurers — for its success in carrying out its work.

It has to be admitted that 2008 was not an easy year. RAMI and its members have laboured long and hard to produce changes in the law and in the rules of professional conduct required for the introduction of direct settlement of claims and in order to join the International Green Card system.

The Ministry of Finance of the Russian Federation and RAMI worked closely together throughout the whole year to draft changes in Federal legislation within the time frame set. I do not want to underestimate the importance of this work and hope that it will continue next year, so that we can continue to make a positive contribution to increasing the level of service to the clients of the insurance industry.



I. V. Lomakin-Rumyantsev, Head of the Federal Service for Insurance Supervision



2009 will not be an easy year for insurance companies that are carrying on CMTPL insurance. The financial crisis in the world economy will lead to difficult times for insurance companies which are part of the financial system. The Russian Association of Motor Insurers has carried out a large amount of work to ensure that the financial obligations of its members are fulfilled. Experience gained last year has ensured that this system is now more effective and in the current difficult circumstances, the system will come under further testing.

In 2008, the Russian Association of Motor Insurers took an active part in many projects, giving valuable help to the Federal Service for Insurance Supervision in its work. Much was achieved in protecting the interests of the clients of insurance companies and of the bona fide members of the insurance market.

I believe that the high standards of work achieved in the process of carrying on CMTPL can be successfully transferred to other classes of insurance.





E. S. Moskvichev, Deputy Minister of Transport of the Russian Federation

Transport is a key sector which has a huge influence both on economy and on society as a whole. The importance of the role it plays in the economic development of Russia, in the improvement in communications, in encouraging economic growth and increasing the standard of living of the population is likely only to increase.

The transport system provides the framework for economic growth, for increasing the competitiveness of the economy and improving the quality of people's lives. It is the task of the Ministry of Transport of the Russian Federation to develop the laws and regulations that govern transport and to carry out other practical work that leads to the development of transport industry, improvements in the road system and growth in the insurance system.

Motor third party liability insurance is an effective mechanism for protecting all those who use the roads in the event that they suffer from the effects of a traffic accident.

This can be demonstrated by studying the results of the five and a half years during which CMTPL insurance has been a legal requirement. Seven million accident victims have received 163 billion roubles in compensation. Of course, problems have arisen and will continue to do so given the large number of people involved. RAMI has the task of solving these problems, working closely with governmental bodies.

The effective way in which co-operation between state bodies and a professional industry organisation has led to the drafting of legislation and to the introduction of other practical measures relating to CMTPL insurance is something that could be well copied in other sectors of the economy.

As a further point, I would like to announce that the Ministry of Transport of the Russian Federation has begun to draft a Federal law making it compulsory for all public transport organisations to purchase policies of passenger liability insurance.

I would like to thank RAMI for its active and constructive help in working toward increasing the safety of transportation.

V. N. Kiryanov, Senior State Inspector for Road Safety, Lieutenant-General of the Militia



The State Inspectorate for Road Safety and the Russian Association of Motor Insurers (RAMI) both have a deep interest in improving road safety in the Russian Federation. I am pleased that in both RAMI and its member insurance companies the state has reliable partners who fully understand how important it is to prevent lives being lost in road accidents.

On 1 March 2009, the law introducing simplified reporting of road accidents came into force. Drivers do not have to summon a police officer to record the details of a road accident and instead are able to complete the documentation themselves which can then be given to the insurance company.

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It is pleasing that Russian insurance companies are ready to introduce the latest technologies which will reduce some of the burden currently carried by the Inspectorate and allow it to concentrate on preventing drivers from breaking the traffic rules and thus reduce the number of road accidents.

Of course, it will take time for people to become used to the new situation. In this transitional period, the co-operation between RAMI and state bodies needs to be even stronger in order to protect the legal rights and interests of all road users.

RAMI puts much effort in providing explanatory material encouraging drivers, pedestrians and passengers of different ages to observe the rules that govern behaviour on the country's roads.

The important role that the insurance industry has played in another area should also be noted. In June 2008, an automated system for recording breaches by drivers in traffic rules using photographic evidence began operating: this was made possible by the fact that RAMI had carried out research into how similar systems operate in Europe.



At the present time, improving road safety is a high priority for the government:

- new laws have been passed to increase penalties for breaking the traffic rules;
- at both Federal and regional levels, programmes to improve road safety are being carried out and a wide range of measures is being introduced to improve the training of young drivers.

I am certain that insurers will continue to pay particular attention to supporting the difficult struggle against accidents on our Russian roads and will remain as one of the most valued partners of the State Inspectorate for Road Safety in this important work.

A. V. Popova, State Secretary, Deputy Minister of Economic Development of the Russian Federation

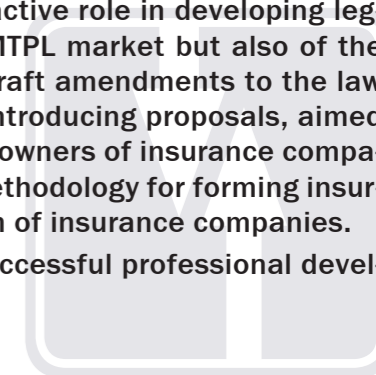
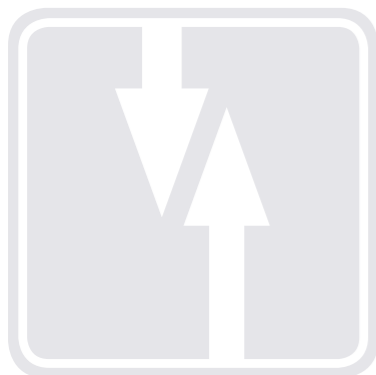


The Russian insurance market is one of the most dynamic sectors of the economy and has huge potential. Last year, it was demonstrated that interest in insurance, especially liability insurance, has grown in many industries and amongst the general public and this has been reflected in the production of a number of draft laws, and in the planning of future strategies. This shows that our businesses and our citizens are beginning to see that insurance companies, by protecting the interests of their clients, can be worthy partners in their day to day activities.

The insurance industry must put a high value on the trust it has established and must try not to fail to meet the expectations of the government, of the business community and of society as a whole. Of course, in difficult conditions the growth of the insurance industry will slow down, but this will be temporary and should be treated as a test for a young industry. Insurance companies need to reconsider their current methods of operating their business and the government should bring in new regulations, which on the one hand will create for insurance companies a more comfortable environment in which they can develop their business whilst on the other hand, will ensure that all companies in the market have a high level of reliability through increasing financial strength and solvency.

The Russian Association of Motor Insurers plays an active role in developing legislation to support the development not only of the CMTPL market but also of the insurance market as a whole. The Association helped draft amendments to the law relating to the bankruptcy of insurance companies, in introducing proposals, aimed at increasing the level of responsibility of directors and owners of insurance companies. Another proposed amendment is to change the methodology for forming insurance reserves in order to increase the financial strength of insurance companies.

I would like to wish RAMI and its members further successful professional development.





**A. A. Soldatov, Deputy
Minister of Telecoms and
Mass Communications of
the Russian Federation**



I would like to express my full confidence in the fact that the professional organisation that represents motor insurers will continue to play its creative role in the process of developing federal informational resources for CMTPL insurance.

The Russian Association of Motor Insurers plays an active and incisive role in the development of IT resources for the insurance industry and in organising the exchange of information using electronic documentation with the support of many governmental bodies. In performing this role, the Association is careful to ensure data security and pays close attention to the problem of protecting personal data.

Today the Association is becoming even more important in carrying out its social role. By improving the way in which data is collected, processed and stored, and by setting up channels of communication with governmental bodies, it is possible to identify insurance fraud in the sphere of CMTPL insurance and in doing so gives the general public more confidence that their legal rights and interests will be protected.

On 1 March 2009, the law permitting the simplified reporting of road accidents came into force. It would have been impossible to do this, had not the Russian Association of Motor Insurers put into place all the measures necessary to utilise the latest IT technologies so that the Association can communicate with its member insurance companies.

I would like to highlight the constructive approach that the Association demonstrated in its work in developing the strategic plan for introducing an IT system to support CMTPL insurance. Thanks to the positive work performed by governmental bodies and by the Russian Association of Motor Insurers, the strategic plan now reflects all the key principles governing on the one hand the requirements of the government to receive data concerning CMTPL insurance and on the other hand the protection of the commercial data of insurance companies and of the personal data relating to the general public.



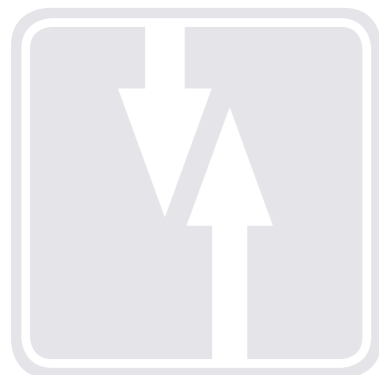


**Ulf Blomgren,
President,
Council of Bureaux,
Managing Organisation
of the International
Motor Insurance Card
System**

The Council of Bureaux welcomes RAMI as its 45th member!

This process has taken some years to finalise and the transfer of knowledge has been extensive including projects, conferences and study trips. We anticipate that all these activities will be beneficial to the smooth circulation of motor vehicles as regards international traffic and to the victims of international road accidents.

The Russian market is a large one and is rapidly increasing. RAMI will be an integrated part of the well functioning Green Card System and we look forward to co-operating with you.



**Bernard Spitz,
Chairman, Fédération
Française des Sociétés
d'Assurances (FFSA)**



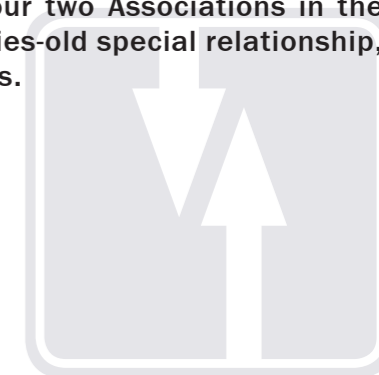
It is with great pleasure that I welcome this opportunity to express the French Federation of Insurance Companies' very best wishes to the Russian Association of Motor Insurers in their 2008 Annual Report.

The relations between RAMI and FFSA date back to 2004, when RAMI sent delegations abroad, including to France, to research best practices in road safety and insurance management.

FFSA were happy to receive a number of Russian insurers delegations, as well as representatives of the Russian Ministries of Economy and Finance, of the Interior, of the Regulatory Authorities, etc. Our first of several visits to Moscow took place in 2006, in which we were asked to present our expertise in management of material damages and accident claims. Every time, we were impressed by the quality and dedication of the RAMI teams.

On 1 January 2009 Russia joined the Green Card System, and on 1 April 2009, the Accident Statement and Direct Settlement systems were implemented, a remarkable achievement in this timeframe, thanks to RAMI's hard work and commitment.

We hope to maintain and develop links between our two Associations in the future, in the tradition of France's and Russia's centuries-old special relationship, and I personally look forward to furthering our contacts.





Compulsory Motor Third Party Liability Insurance. 2008 in Figures



Vehicle ownership and accident frequency

The growth in vehicle ownership and motor accident frequency are two of the most important factors that influence the development of the compulsory motor third party (CMTPL) insurance market.

Last year in the Russian Federation, the number of vehicles on the road continued to grow strongly. Up to 2008, accident frequency had been increasing. However, during 2008 the absolute number of road accidents which involved bodily injury reduced and the total number of persons injured in accidents also reduced.

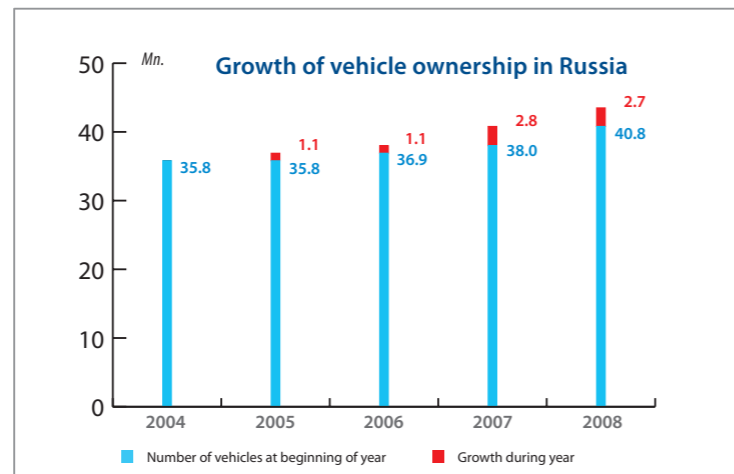
Table 1 and Figure 1 set out the statistics for motor vehicle ownership in Russia for the years 2004 – 2008¹.

Table 1

	2004	2005	2006	2007	2008
Number of vehicles on the road (millions)	35.8	36.9	38	40.8	43.5
Growth (millions)		1.1	1.1	2.8	2.7
Growth (%)	1.4	3.1	3.0	7.4	6.6

Last year in the Russian Federation, the number of vehicles on the road continued to grow strongly

Fig. 1



The rate of growth in vehicle ownership grew between 2004 and 2007, from 1.4% in 2004 to 7.4% in 2007. In 2008 the growth continued, although the annual growth at 6.6% was less than the previous year. The actual number of new vehicles in each of the two last years was practically the same at between 2.7 to 2.8 million new vehicles each year.

¹ Data from Department for Road Safety, Ministry of the Interior of the Russian Federation

Fig. 2

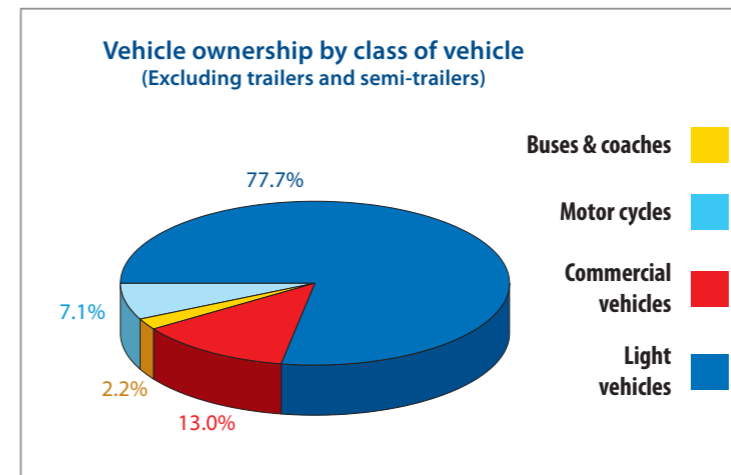


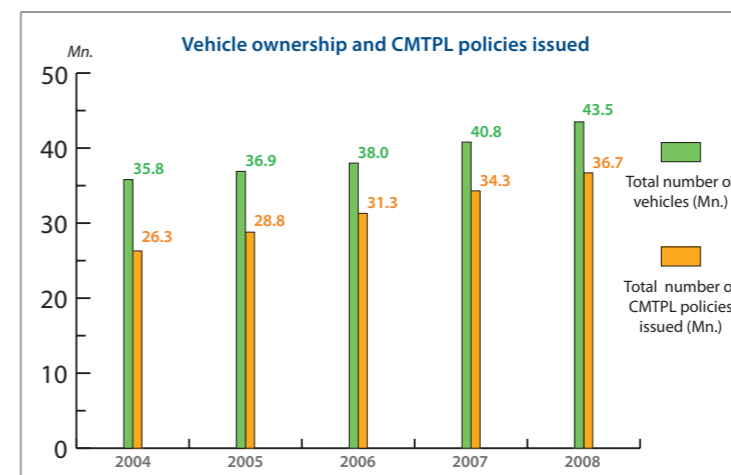
Figure 2 breaks down the total number of vehicles on the Russian roads into the different vehicle classes².

In 2008 there were no substantial changes in the breakdown between vehicle classes. The share of light vehicles in the total increased slightly (from 76% to 77.7%) whilst the share of goods vehicles slightly reduced (from 13.4% to 13%). The share of buses was all but unchanged (from 2.3% to 2.2%), whilst the share of motorcycles reduced from 8.4% to 7.1%. In actual numbers, light vehicles grew by 8.9% during 2008, whilst the number of goods vehicles increased by 3.5% and buses by 1.3%. The number of motor cycles on the roads reduced by 9.2%.

The growth in vehicle ownership led to a growth in the number of CMTPL insurance policies issued. In 2008, the total number of vehicles in Russia was 43.5 million and 36.7 million CMTPL policies were issued.

Figure 3 shows the relationship between the growth in

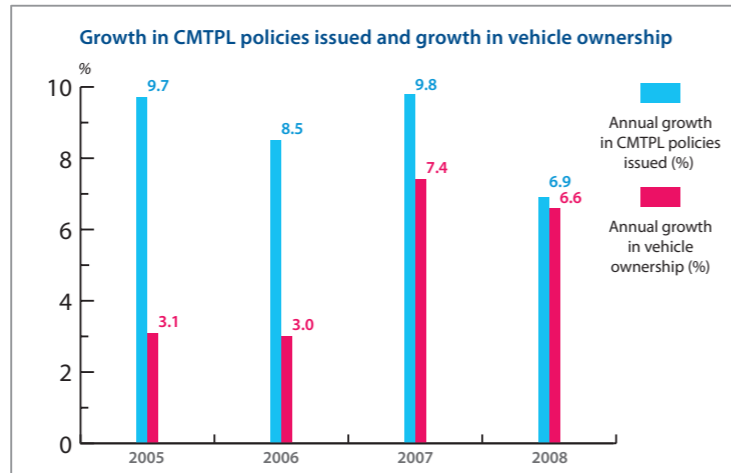
Fig. 3a



The rate of growth in vehicle ownership grew between 2004 and 2007, from 1.4% in 2004 to 7.4% in 2007

² Data from Department for Road Safety, Ministry of the Interior of the Russian Federation

Fig. 3b



vehicle numbers and the number of CMTPL insurance policies issued.

The rate of growth in vehicle numbers and the rate of growth in CMTPL insurance policies issued are progressively converging. In 2005, the number of CMTPL insurance policies issued grew by 9.7% whilst vehicle numbers grew by 3.1%. In 2008, the corresponding figures were 6.9% and 6.6% respectively.

Up until 2008, there was an increasing trend in accident frequency and in the number of people killed or injured on the roads. This led to an increase in the number of claims made under CMTPL insurance policies. In 2007, there were 233,000 accidents on Russia's roads.

Table 2 sets out the statistics for road accidents that involved bodily injury in the period 2004 – 2008³.

Table 2

	2004	2005	2006	2007	2008
Number of accidents (,000)	208.6	223.3	229.1	233.8	218.3
Growth (,000)	4.3	14.7	5.8	4.7	-15.5
Growth (%)	2.1	7.0	2.6	2.1	-6.6

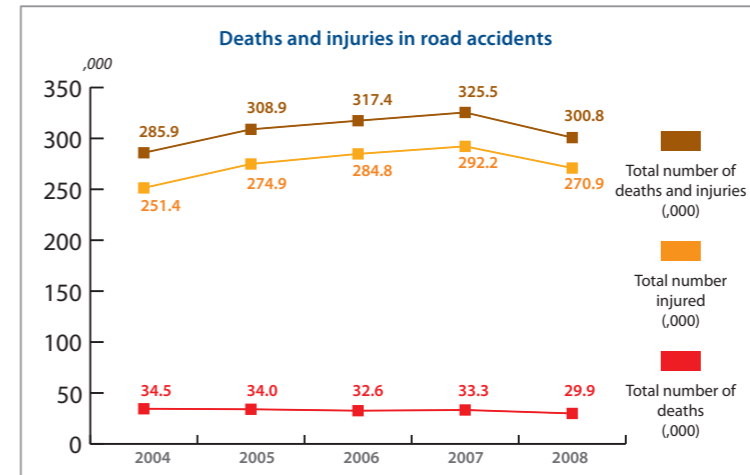
The successful implementation of the Governmental programme to reduce the number of road accidents is the main cause of the decrease in the number of accidents involving death or bodily injuries. In 2008, there were 218,300 road accidents causing injuries a reduction of 6.6% over the previous year.

The number of people killed or injured in road accidents also fell by 7.6%, from 325,500 in 2007 to 300,800 in 2008. The number of deaths from road accidents reduced by 10.2% and the number suffering injuries also fell by 7.3%.

³ Data from Department for Road Safety, Ministry of the Interior of the Russian Federation

Figure 4 sets out the statistics relating to deaths and injuries on the roads between 2004 and 2008⁴.

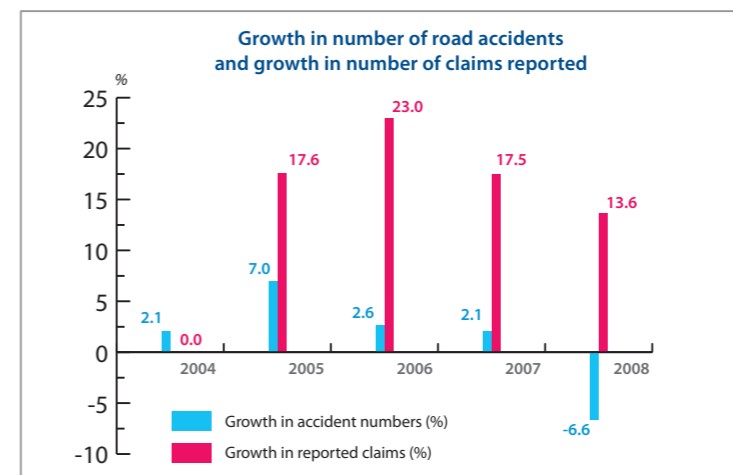
Fig. 4



However, despite the fact that the number of people killed or injured in road accidents has reduced, the number of CMTPL insurance claims continues to rise (Figure 5). This fact can be explained in the first place by the growth in the number of accidents where only damage to vehicles was involved. In addition, there has been an increase in the propensity of accident victims to make claims under the CMTPL insurance scheme.

Despite the fact that the number of people killed or injured in road accidents has reduced, the number of CMTPL insurance claims continues to rise

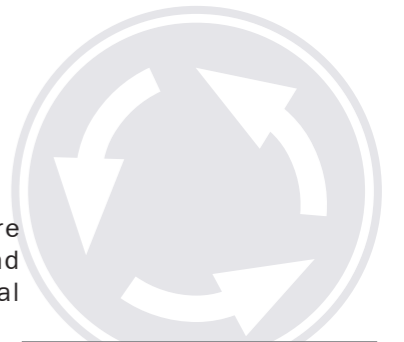
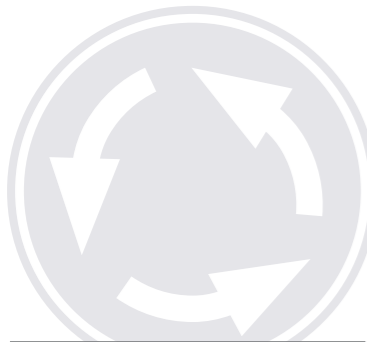
Fig. 5



The CMTPL insurance market

Between 1 July 2003 and 31 December 2008 more than 170 million CMTPL insurance policies were issued and more than 7 million claims were settled, paying out in total more than 163 billion roubles.

⁴ Data from Department for Road Safety, Ministry of the Interior of the Russian Federation

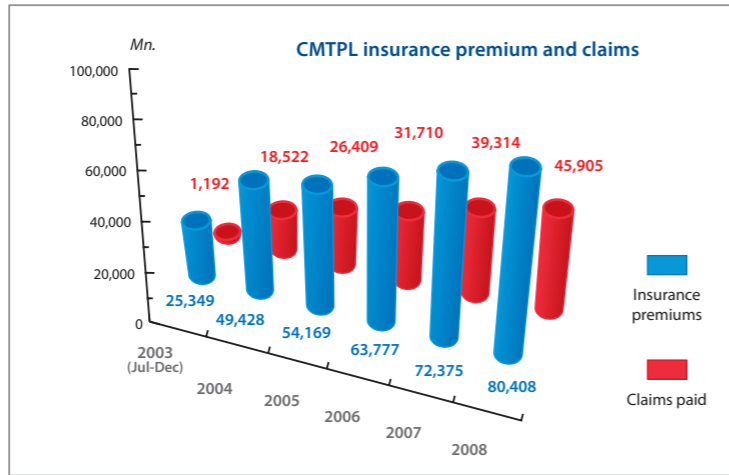


In 2008:

- 36.7 million policies were issued;
- total premiums amounted to 80.4 billion roubles;
- 1,980,000 claims for compensation were made;
- 1,880,000 claims were settled;
- total compensation payments amounted to 45.9 billion Roubles.

Figure 6 illustrates the growth over time of premiums and claims payments.

Fig. 6



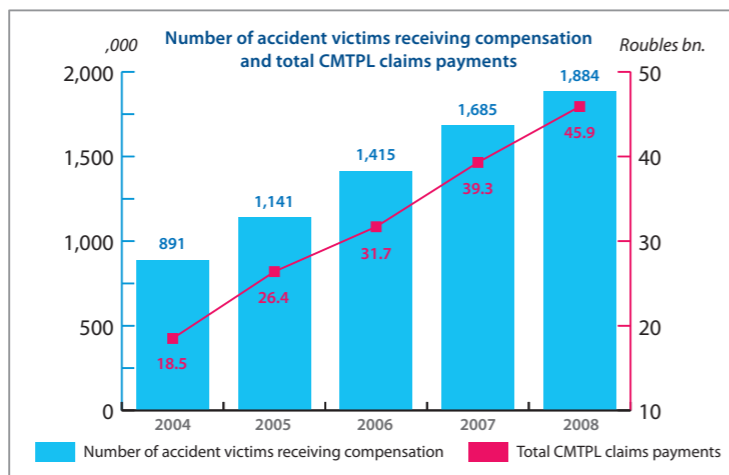
More than 7 million claims were settled, paying out in total more than 163 billion roubles

Figure 6 shows that in 2008, there was a growth in premium of 11% over 2007 and claims payments grew by 17%. In other words claims payments grew 1.5 times faster than premiums.

During 2008, the ratio between premiums received and claims paid was 57.1% which is a worsening of this indicator of approximately 5.1%.

In 2008, there was an increase in both the amount of

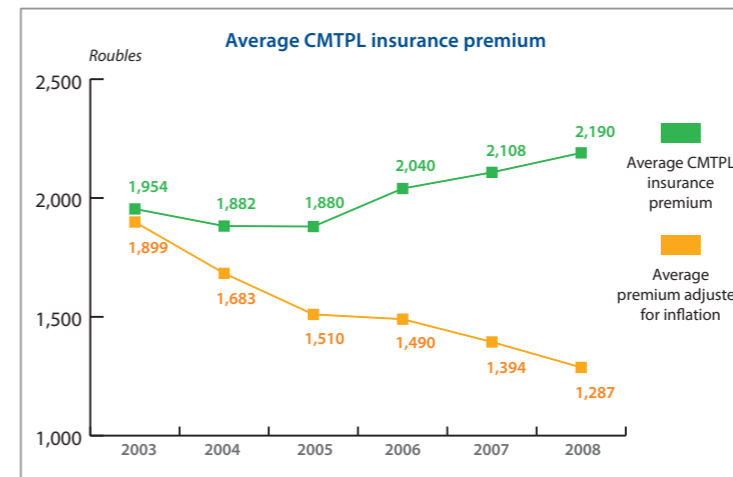
Fig. 7



claims paid and in the number of accidents resulting in a claim for compensation (Figure 7). Thus, last year, insurance companies handled 1,980,000 claims for compensation, an increase of 14% over 2007. In contrast, the number of policies issued rose by only 7%.

In the period between the introduction of the CMTPL insurance scheme and the end of 2008, average premium increased from 1,880 roubles to 2,190 roubles. However, if inflation during this period is taken into account, the result is a fall in the inflation adjusted average premium of 32% (Figure 8).

Fig. 8



If inflation is taken into account, the result is a fall in the inflation adjusted average premium of 32%

The average CMTPL insurance claim payment continues to rise and in 2008, it amounted to 24,362 roubles which is 4.4% higher than in 2007 (Figure 9).

Fig. 9

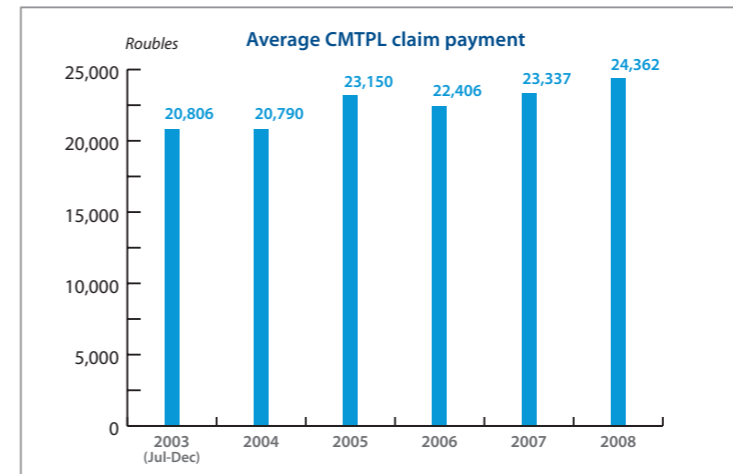


Figure 10 sets out the breakdown of CMTPL claims payments made by insurance companies between the leading administrative regions of Russia.

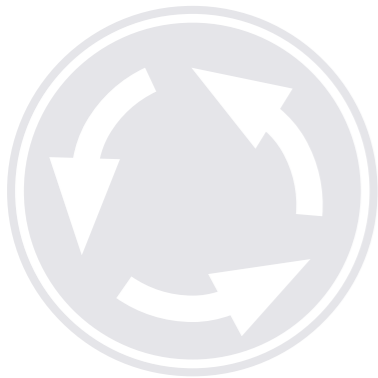
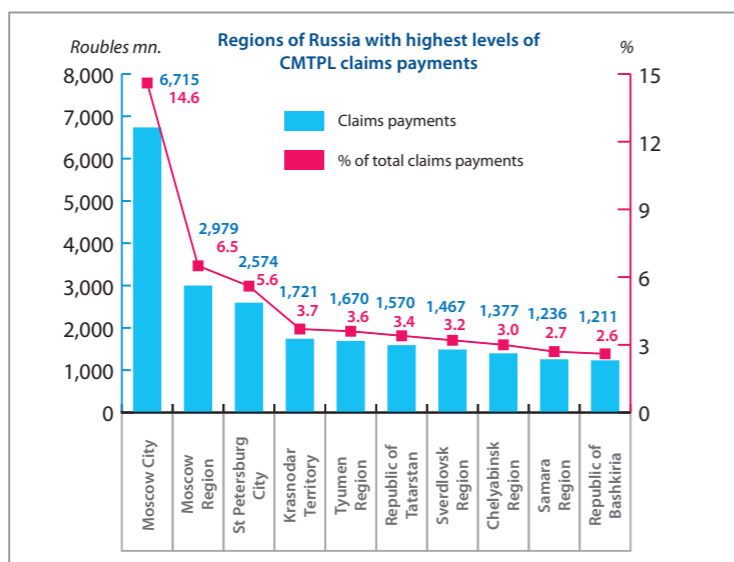


Fig. 10



In 2008, the region with the greatest CMTPL claims volume was Moscow city, where 6,715,000,000 roubles were paid out (14.6% of total claims payments in the whole country). The Moscow Region was second in the amounts of claims payments made: claims totalling 2,979,000,000 roubles were settled (6.5% of the total). Third was St Petersburg, where payments of 2,574,000,000 roubles were made (5.5% of the total).

In a number of regions, total claims paid were between 1.4 and 1.7 billion roubles (3.0% – 3.7% of the total). These included the Krasnodar Region (1.721 billion roubles) the Tyumen Region (1.670 billion roubles), the Republic of Tatarstan (1.570 billion roubles), the Sverdlovsk Region (1.467 billion roubles) and the Chelyabinsk Region (1.377 billion roubles).

2.6 – 2.7% of all claims payments were made in the

In 2008, the region with the greatest CMTPL claims volume was Moscow city

Samara Region (1.236 billion roubles) and in the Republic of Bashkortostan (1.211 billion roubles).

Looking at the Federal Administrative Regions, there is no doubt that the Central Federal Region leads the way in both premiums gathered and claims paid. Premiums in this federal region amounted to 30.890 billion roubles (38.6% of the total) and claims payments to 14.553 billion roubles (31.6% of the total). (Figures 11 and 12 are based on data gathered by RAMI using Form 2 for 2008).

In 2008, 16.2% of total premiums were collected in the Volga Federal Region (12.961 billion roubles), 12.1% in the North West Federal Region (9.728 billion roubles), 10.8% in the Siberian Federal Region (8.648 billion roubles), 9.6% in the Southern Federal Region (7.673 billion roubles) and 8.4% in the Urals Federal Region (6.775 billion roubles).

The corresponding figures for claims payments were as follows: 20.1% in the Volga Federal Region (9.272 billion roubles), 12.2% in the Siberian Federal Region (5.617 billion roubles), 11.1% in the North Western Federal Region (5.091 billion roubles), 10.7% in the Southern Federal Region (4.936 billion roubles) and 10.5% in the Urals Federal Region (4.831 billion roubles).

Bringing up the rear, in terms of premiums collected and claims paid is the Far Eastern Federal Region. In this region, 3.444 billion roubles of premium were collected (4.3% of the total) and 1.766 billion roubles of claims were paid (3.8% of the total). The position of this region can be explained by the fact that it contains the lowest number of registered vehicles of all the Federal regions.

There is no doubt that the Central Federal Region leads the way in both premiums gathered and claims paid

Fig. 11

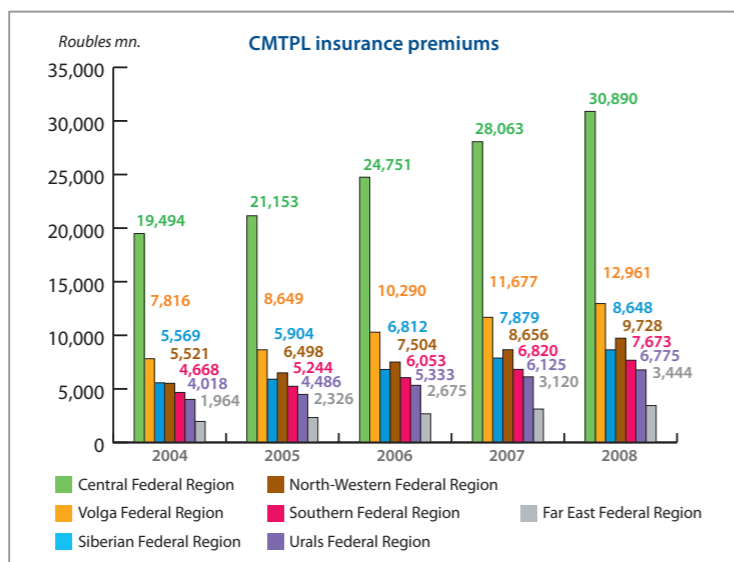
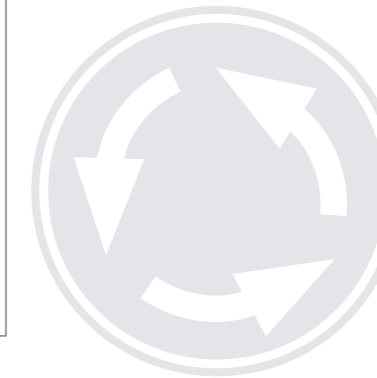
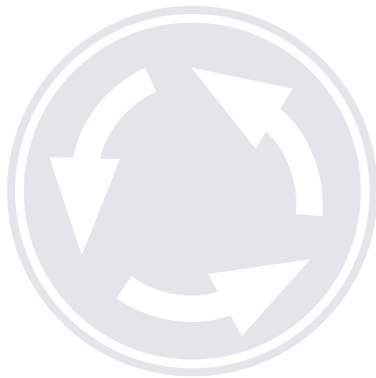
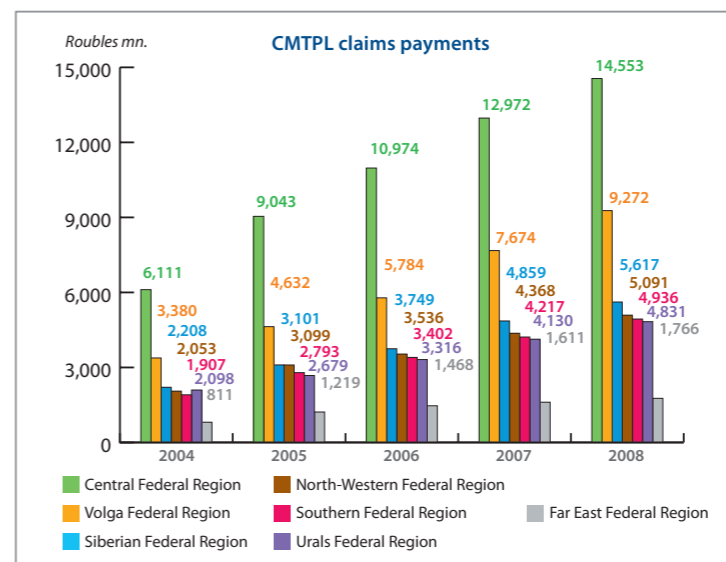


Fig. 12



CMTPL insurance as part of the Russian insurance market

As at 31 December 2008, there were 786 insurance companies on the government register⁵, of which 169 (21.5%) are licensed to carry on CMTPL insurance.

Details of CMTPL insurance premiums and claims and of all classes of insurance are shown in Table 3⁶.

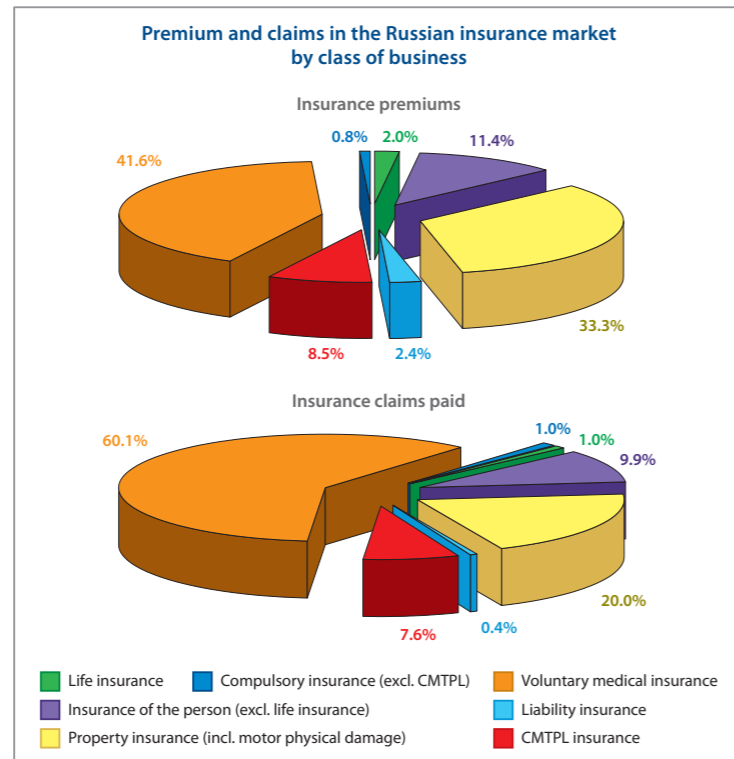
Table 3

	2008
Total insurance premiums (roubles billion)	946.2
CMTPL insurance premiums (roubles billion)	79.95
CMTPL premiums as % of total premiums	8.5
Total claims paid (roubles billion)	622.7
CMTPL insurance claims paid (roubles billion)	47.6
CMTPL claims paid as % of total claims paid	7.6

The breakdown of total market premiums and paid claims between the different classes of insurance business is shown in Figure 13⁷.

Figure 13 shows that the single largest class of business is compulsory medical insurance. CMTPL insurance premiums are 8.5% of total market premiums and 7.6% of paid claims.

Fig. 13

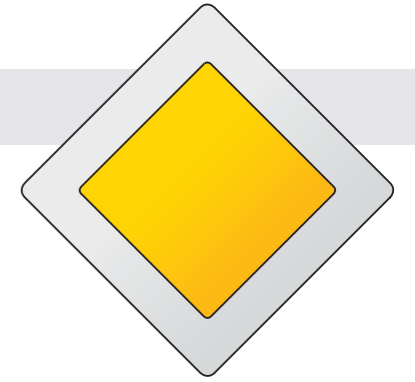


As at 31 December 2008, there were 786 insurance companies on the government register

Looking at the various voluntary classes of insurance, 33.3% of total premiums comes from the various types of property insurance and 20% of claims payments. A further 11.4% of premiums (and 9.9% of claims) is derived from personal insurance, excluding life insurance.

All the other classes taken together (liability insurance, life insurance, compulsory classes of insurance other than compulsory medical and CMTPL insurance) make up 5.2% of total premiums and 2.4% of claims.

^{5, 6, 7} Data from the Federal Service for Insurance Supervision



The Principle Tasks Undertaken in 2008

- 1. Russia's entry into the international system of motor third party liability insurance (The Green Card System).**
- 2. Preparing for the introduction of direct settlement of insurance claims and of simplified reporting of road traffic accidents.**



The Green Card project

In May 2005, the General Meeting of members of RAMI set as one of highest priorities the accession of Russia into the International Green Card System for insuring motor third party liabilities.

The General Assembly of the Green Card Bureaux on 29 May 2008 admitted the Russian Federation to the system with the result that with effect from 1 January 2009, Russian drivers have been able to purchase an insurance policy covering their third party liabilities from Russian insurance companies and with this policy they may drive their vehicle in 44 countries.

In 2008, the Russian Association of Motor Insurers implemented the following preparatory measures:

- implementing the requirements set out by the Council of Bureaux of the Green Card System;
- bringing RAMI's constitution and legal structure into line with the regulations of the Green Card System; drafting relevant insurance policy wordings and tariff calculations for Russian Green Card certificates;
- updating the RAMI IT system to include the accounting for Green Card blank certificates, issued policies and claims;
- organising the issuance of blank Green Card certificates;
- setting up a centre in Russia to receive claims and other information from insureds and from accident victims and to provide support for insureds in the event that they are involved in road accidents that take place outside Russia;
- organising training seminars for staff of insurance companies that are members of the Russian Green Card Bureau.

An important objective in 2008 was to complete on time the requirements set out by the General Assembly of the Green Card Bureaux in May 2008:

- to submit to the Council of Green Card Bureaux before 15 October 2008, a bank guarantee from a European bank to cover the financial obligations of the Russian Bureau. This requirement was fulfilled and a bank guarantee covering the financial obligations of the Russian Green Card Bureau was provided by Commerzbank AG;
- to arrange before 1 November 2008 a reinsurance programme for Russian Green Card certificates covering losses in excess of Euro 200,000.

By 1 October 2008, the international reinsurance broker firm Willis Re arranged the placement of the Russian reinsurance programme, with the participation of international reinsurance companies such as SCOR and Munich Re.

It was necessary to change the constitution and organisation of RAMI to ensure that the Association has the powers to carry out the functions set out in the rules and regulations of the Green Card System. Work was therefore carried out with the objective of preparing and introducing various changes that are necessary to permit RAMI to perform the functions of the Russian Green Card

Bureau. During 2008, the following documents were prepared:

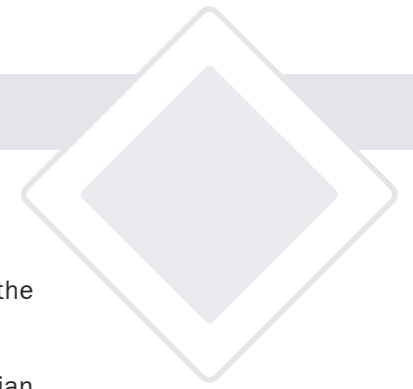
- rules and regulations governing the organisation of the work of the Russian Green Card Bureau;
- the constitution of the Russian Green Card Bureau;
- the rules governing the financial operation of the Russian Green Card Bureau;
- the rules governing membership in the Russian Green Card Bureau;
- the rules for the Russian Green Card insurance certificate issuance;
- regulations governing the settlement of claims under the International Green Card System;
- the wording to be used by Russian Insurance companies when issuing policies under the International Green Card System and the premium tariff rates for these policies.

In 2009, it is planned to complete a model for calculating the premiums based on actual statistical data. It is also intended to complete a sub-system within the RAMI overall Automated Information System (AIS) to support the operation of the Russian Green Card Bureau. This system will provide an interactive model for calculating premiums, will analyse premium and claims data, loss ratios and other performance indicators from data provided by the member companies of the Green Card System. In addition, during 2009, the following documents will be prepared relating to the operation of the Russian Green Card Bureau:

- changes to the rules governing professional conduct, in particular to "The rules governing the imposition of sanctions and other measures on members of RAMI, on their officers and employees" in the event that professional misconduct occurs during the operation of the International Green Card System;
- the disciplinary procedure to be followed in the event that members of the Green Card Bureau break the rules when carrying on insurance under the International Green Card System;
- the level of professional qualifications required for employees of Green Card Bureau member companies operating the Green Card System;
- the rules governing the offering of services relating to third party liability insurance under the Green Card System.

Work to improve the RAMI IT system relating to blank insurance certificates, issued policies and claims continued. In 2008, the basic elements of a module to provide the necessary on line reports were prepared and introduced. This module is expected to be completed during 2009. More data will be included about the insurance companies that are members of the Green Card Bureau, the various national Green Card Bureaux, organisations empowered to settle claims in Russia and in other countries. In addition, reporting on financial guarantees will be included.

Blank Green Card insurance certificates were intime distributed to insurance companies. The result was that companies had in place all the necessary to sell Russian Green Card certificates to cover international travel to countries that are members of the



An important objective in 2008 was to complete on time the requirements set out by the General Assembly of the Green Card Bureaux in May 2008

In 2009, it is planned to complete a model for calculating premiums under the Russian Green Card insurance based on actual statistical data

Green Card System from 1 January 2009.

Also in 2008, the necessary documents were drawn up to found a centre in Russia for the receipt of claims from insureds and from accident victims. This centre which will also provide advice to insured drivers who have had a road accident outside Russia was then established and has employed specialists who speak foreign languages. The centre came into full operation on 31 December 2008 and therefore from the moment the Green Card System came into operation, insured drivers and accident victims had access to round the clock informational support operated by the Russian Green Card Bureau.

In 2008, a number of training seminars and meetings were organised for staff of insurance companies that were members of the Russian Green Card Bureau.

- on 21 – 25 April, specialists from RAMI and from insurance companies visited Belarus and Ukraine. The aim of this trip was to gain the benefit of the practical experience gained by the Green Card Bureaux of these countries and by the leading Belarus and Ukrainian insurance companies in operating the Green Card System;

- on 10 July 2008 in St Petersburg, there took place an international seminar entitled "The National Green Card Bureau: its main activities and co-operation with insurance companies". Attending this seminar were representatives of RAMI member companies together with representatives of foreign motor insurance associations who shared with the audience their recommendations as to how to prepare for the introduction of the Green System and what to expect in the first months of its operation. A further topic discussed was how to prevent forged Green Card certificates;

- on 18 November 2008, RAMI organised an international seminar on settling claims and organising a network of correspondents under the Green Card System.

Taking part in this seminar were representatives of motor insurance associations of Belarus, Finland, Poland, Ukraine and Estonia. Also attending were representatives of two specialist claims settling organisations: AVUS from Austria and DEKRA from Germany.

In accordance with the Statutes of the Russian Green Card Bureau, the governing body of the Bureau is the General Meeting of members. The General Meeting controls the overall strategy for the work of the Bureau, issues relating to the level of membership contributions and to the admission and expulsion of insurance companies.

Day to day management of the Bureau is handled by the Bureau Managing Board. Chair of the Board is Nadezhda V. Arshinova, General Director of the Twenty First Century Insurance Company. During 2008, there were twelve meetings of the Board and 4 General Meetings of members at which general and long term issues were settled.

As a result of the successful implementation of all the above measures before 1 January 2009, all the components necessary for the operation of the Green Card System in Russia were in place and the Bureau was able to operate according to the requirements of the International Green Card System.

In 2008, the necessary documents were drawn up to found a centre in Russia for the receipt of claims from insureds and from accident victims

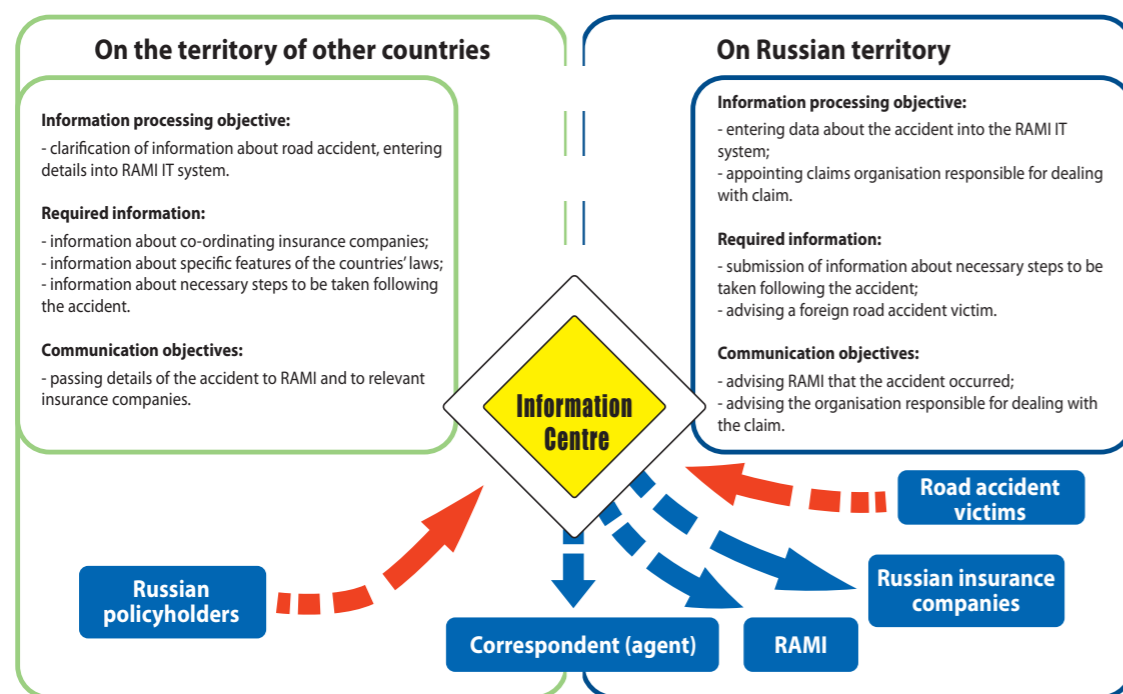
Fig. 14

ORIGINAL / ОРИГИНАЛ

RAMI

1. INTERNATIONAL MOTOR INSURANCE CARD / 1. CARTE INTERNATIONALE D'ASSURANCE AUTOMOBILE / 1. КАРТА МЕЖДУНАРОДНОГО СТРАХОВАНИЯ ОТВЕТСТВЕННОСТИ ВЛАДЕЛЬЦЕВ ТРАНСПОРТНЫХ СРЕДСТВ						2. ISSUED UNDER THE AUTHORITY OF RUSSIAN ASSOCIATION OF MOTOR INSURERS / 2. ВЫДАЕТСЯ В СООТВЕТСТВИИ С ПОЛНОМОЧИЯМИ РОССИЙСКОГО СОЮЗА АВТОСТРАХОВЩИКОВ					
3. VALID / СПОК СТРАХОВАНИЯ FROM / С TO / ПО Day / Число Month / Месяц Year / Год Day / Число Month / Месяц Year / Год						4. COUNTRY CODE / INSURER'S CODE / NUMBER / 4. КОД СТРАНЫ / КОД СТРАХОВЩИКА / НОМЕР					
BOTH DATES INCLUSIVE / ВКЛЮЧИТЕЛЬНО						RUS					
5. REGISTRATION No. (OR IF NONE) CHASSIS OR ENGINE No. / 5. ГОСУДАРСТВЕННЫЙ НОМЕРНОЙ ЗНАК ЛИБО (ПРИ ОТСУТСТВИИ) НОМЕР КУЗОВА ИЛИ ДВИГАТЕЛЯ						6. CATEGORY OF VEHICLE* / 6. ТИП ТРАНСПОРТНОГО СРЕДСТВА*			7. MAKE OF VEHICLE / 7. МАРКА И МОДЕЛЬ ТРАНСПОРТНОГО СРЕДСТВА		
8. TERRITORIAL VALIDITY / ТЕРРИТОРИЯ ДЕЙСТВИЯ This card is valid in Countries for which the relevant box is not crossed out (for further information, please see www.cobix.org) In each country visited, the Bureau of that country guarantees, in respect of the use of the vehicle referred to herein, the insurance cover in accordance with the laws relating to compulsory insurance in that country. / Данная карта действительна на территории стран, которые не вычеркнуты (подробную информацию см. www.cobix.org). В каждой из посещаемых стран Бюро страны пребывания гарантирует в отношении указанного в карте транспортного средства страховое покрытие в размере, установленном законами по обязательному страхованию ответственности владельцев транспортных средств, действующими в этой стране. For the identification of the relevant Bureau, see reverse side / Для определения соответствующего бюро см. оборотную сторону											
A	B	BG	CY ¹	CZ	D	DK	E	EST	F	FIN	
GB	GR	H	I	IRL	IS	L	LT	LV	M	N	
NL	P	PL	RO	S	SK	SLO	CH	AL	AND	BIH	
BY	HR	IL	IR	MA	MD	MK	RUS	SRB ²	TN	TR	
UA											
¹ The cover provided under Green Cards issued for Cyprus is restricted to those geographical parts of Cyprus which are under the control of the Government of the Republic of Cyprus. / Покрытие, гарантированное по Зеленой карте, выданной для Кипра, ограничено географической территорией Кипра, находящейся под управлением правительства Республики Кипр. ² The cover provided under Green Cards issued for Serbia is restricted to the Republic of Montenegro and to those geographical parts of Serbia which are under the control of the Government of the Republic of Serbia. / Покрытие, гарантированное по Зеленой карте, выданной для Сербии, ограничено Республикой Черногория и географической территорией Сербии, находящейся под управлением правительства Республики Сербия.											
9. NAME AND ADDRESS OF THE POLICYHOLDER (OR USER OF THE VEHICLE) / 9. ФАМИЛИЯ, ИМЯ И АДРЕС СТРАХОВАТЕЛЯ (ИЛИ ЛИЦА, ИСПОЛЬЗУЮЩЕГО ТРАНСПОРТНОЕ СРЕДСТВО) / НАЗВАНИЕ И АДРЕС ОРГАНИЗАЦИИ											
10. THIS CARD HAS BEEN ISSUED BY (NAME AND ADDRESS OF THE INSURER): / 10. НАИМЕНОВАНИЕ И АДРЕС СТРАХОВЩИКА:						11. SIGNATURE OF INSURER / 11. ПОДПИСЬ СТРАХОВЩИКА					
Useful information / Полезная информация для страхователя: In case of accident you can call RAMI information center by phone +7 (495) 641 27 87 or the insurer (see box 10). / При ДТП Вы можете обратиться в информационный центр РСА по телефону +7 (495) 641 27 87 или в страховую организацию по реквизитам, указанным в ячейке 10. * CATEGORY OF VEHICLES CODE / КОДИРОВКА ТИПОВ ТРАНСПОРТНОГО СРЕДСТВА: A. CAR / ЛЕГКОВОЙ АВТОМОБИЛЬ C. LORRY OR TRACTOR / ГРУЗОВОЙ АВТОМОБИЛЬ ИЛИ ТЯГАЧ E. BUS / АВТОБУС G. OTHERS / ДРУГОЕ B. MOTORCYCLE / МОТОЦИКЛ D. CYCLE FITTED WITH AUXILIARY ENGINE / МОПЕД ИЛИ ВЕЛОСИПЕД С ПОДВЕСНЫМ ДВИГАТЕЛЕМ F. TRAILER / ПРИЦЕП											
Гоним, МТ, Москва, 2009, «В».											

Fig. 15. The main functions of the information centre



The International Green Card System in operation: first results

The amount of premium collected by members of the Green Card Bureau as of 1 April 2009 was 292 million roubles and 136,241 policies were issued. During the same period, there were 125 accidents occurring outside Russia reported — 38 of these accidents took place in Finland and 29 in Belarus. Russian insured drivers were responsible for 36 of these accidents. Within Russia, 128 accidents were reported and the first payments have been made. The information centre of the Russian Green Card Bureau has handled 18,010 enquiries from the public.

The amount of premium generated by members of the Green Card Bureau up to 1 March 2009 was 292 million roubles

Direct settlement of claims and simplified reporting of road accidents

The second primary area of work for the Russian Association of Motor Insurers in the years between 2005 and 2008 has been the introduction of a system of direct settlement of claims and simplified reporting of road accidents. In 2005, the general Meeting of Members of RAMI decided to move towards a system of direct settlement of claims ("the European Protocol"). Subsequent work to implement this system was carried out in conformity with amendments to the Federal law on CMTPL insurance which were passed in December 2007. The changes to the law laid the legal foundation for a system of direct settlement of claims and also for a simplified system of reporting road accidents. In

detail, the following changes were made:

- under the system of direct settlement of claims, accident victims (those not responsible for causing the accident) have the right to present their claims for compensation for damage to their property directly to the insurance company with which they have a policy of CMTPL insurance. This right can be exercised if the road accident only caused property damage and no injuries occurred and if no more than two vehicles were involved in the accident;
- simplified documentation of the events surrounding a road accident may be completed without any involvement of the road traffic police if the accident only causes property damage, if there are no more than two vehicles involved and if both the insured drivers are able to agree about the main causes and circumstances surrounding the accident;
- in addition, to qualify for simplified reporting, the total amount of compensation payments arising out of the accident cannot exceed roubles 25,000.

In 2008, the RAMI committee for developing the claims settlement procedure and for introducing the European Protocol carried out a significant amount of work, the results of which were as follows:

- amending the rules of professional conduct to include an agreement between members of RAMI to govern the working of the system of direct settlement;
- preparation of the necessary changes to the tax code of the Russian Federation to take account of direct settlement;
- completing in diagrammatic form examples of typical road accident types.

The direct settlement agreement covers the main issues relating to direct settlement and determines the accounting procedures between companies to be used. In addition it sets out the special accounting features that apply to direct settlement, which are based on the regulations introduced by the Ministry of Finance of the Russian Federation. The direct settlement of claims agreement extends the work of RAMI and of its member companies into the procedures necessary to operate a system of direct settlement. It also regulates the processes of co-operation between RAMI (and its members) and other bodies and organisations that are involved the operation of the claims settlement system. The agreement also defines RAMI's responsibilities for maintaining a register of those companies that have signed the direct settlement agreement, defines the functions of an information and accounting centre to support the system of direct settlement and sets out the liabilities of RAMI members in the event that they fail to honour the agreement. Other issues defined include:

- the form to be used to apply for direct settlement of claims;
- the formal document to record a payment;
- a check list of documents that are required before a claim can be settled;
- the communications between insurance companies that should accompany direct settlement of a claim;
- the formal document for recording an accident;
- the form to be used when declining an application to implement direct settlement of a claim;

The direct settlement of claims agreement extends the work of RAMI and of its member companies into the procedures necessary to operate a system of direct settlement

- the form to be used when declining to pay compensation to an applicant;
- the basis on which direct payment of compensation to an accident victim may be refused;
- the contents of the requests made by insurers in direct settlement of claims;
- a check list of documents that should support a claims payment;
- a record of all applications made by accident victims for direct settlement and payments and rules for its maintenance;
- rules governing the financial obligations of participants in the direct settlement system;
- the document that confirms adherence of a company to the direct settlement system;
- the system of financial guarantees for direct settlement.

Concrete steps were taken to create the Information and Accounting Centre (IAC CMTPL) to support the operation of the direct settlement system of CMTPL claims. The work carried out included developing means whereby:

- information can be exchanged between RAMI member companies at a stage before implementing the direct settlement of a claim;
- mutual obligations between companies (outstanding and paid) can be recorded and a report of the total amounts can be output at specific dates;
- member companies can settle their mutual obligations;
- member companies can provide financial guarantees to cover their mutual obligations.

It should be noted that the process of introducing direct settlement in Russia requires regulations to be introduced governing the payment of compensation to accident victims and the consequent inter-company accounting. The basic procedure is as follows:

- accident victims address their claims for compensation, not to the insurance company that provided a policy to the driver responsible for causing the accident (the responsible company) but to the company which provided their own CMTPL insurance policy (the direct settling company);
- the direct settling insurance company makes the claims payment and then makes a claim for a refund against the responsible company;
- the responsible company then makes a financial payment to the direct settling company. The amount of refund paid ("forfait") is a fixed amount for each claim, regardless of the amount actually paid to the accident victim.

The RAMI committee for Tariffs, Statistics and Reserves divided the Russian Federation into 9 geographical areas so that the "forfait" in each of these regions can reflect the actual level of vehicle repair costs. The fixed scale amount that is used for inter-company settlement is determined by the geographical region in which the vehicle driven by the individual not responsible for causing the damage is registered. The driver of this vehicle will receive compensation and the company that pays the compensation will receive a payment from the responsible company based on the appropriate fixed scale.

Information can be exchanged between RAMI member companies at a stage before implementing the direct settlement of a claim

Table 4

Nº	RAMI region for "forfait" calculation	"Forfait" amount for directly settled claims (roubles)
1	Central Federal Region (excl. Moscow and Moscow Region)	22,922
2	Volga Federal Region	20,889
3	Siberian Federal Region	23,439
4	North-Western Federal Region (excl St Petersburg and Leningrad Region)	21,775
5	Southern Federal Region	26,016
6	Urals Federal Region	22,381
7	Far Eastern Federal Region	27,242
8	Moscow and Moscow Region	29,313
9	St. Petersburg and Leningrad Region	31,726

In December 2008 amendments to part 2 of the Russian tax code were passed. These amendments were necessary to ensure that the tax liability of insurance companies operating the system of direct settlement and making inter-company financial transactions could be properly calculated. The tax treatment of payments to experts used as part of the claim settlement system was also clarified.

Commencing in February 2008, RAMI organised training seminars for employees of insurance companies to prepare them for the introduction of direct settlement of claims. Three seminar programmes were organised in the Federal administrative regions:

- February – April 2008: in Moscow, Yekaterinburg, St Petersburg, Kazan, Rostov on Don, Novosibirsk and Khabarovsk.
- October – December 2008: in Moscow, Yekaterinburg, Khabarovsk, St Petersburg, Rostov-on-Don, Kazan and Novosibirsk.
- February 2009: in Moscow and Yekaterinburg.

These seminars covered a wide range of issues in great detail. Topics included detailed explanations of inter-company accounting, the specific accounting rules for direct settlement of claims, the principles under which bank deposits should be made and accounted for by companies taking part in the direct settlement system, the nature of the settlement and special accounts and the procedure for setting up the settlement accounts, the rules for joining the Information and Accounting Centre and the basic operations of the Centre. Representatives of the company responsible for development of the hardware and software for the information and accounting centre explained the technical aspects of the work they had carried out to develop both the hardware and the software for the centre. They also addressed issues relating to the compatibility of the interface between the centre's system and the IT systems of the member companies. Finally they

The RAMI committee for Tariffs, Statistics and Reserves divided the Russian Federation into 9 geographical areas so that the "forfait" in each of these regions can reflect the actual level of vehicle repair costs

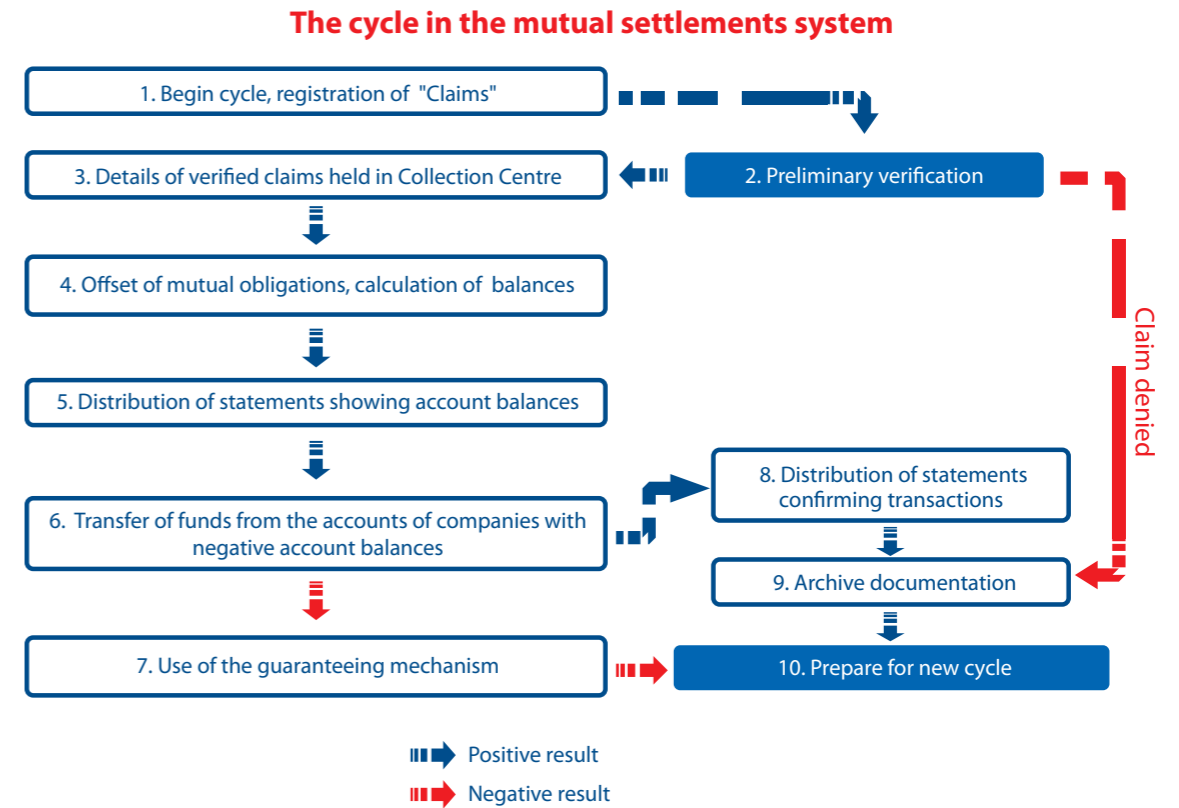
outlined the document flow at all stages during the settlement of claims and the order in which each activity should take place.

All in all, RAMI organised 16 seminars and 2 closed meetings at which 2,500 people took part. Attendees came from RAMI member companies, from the Federal Service for Insurance Supervision, from the Ministry of Finance and from the Ministry of the Interior. In addition, independent technical vehicle inspectors were present.

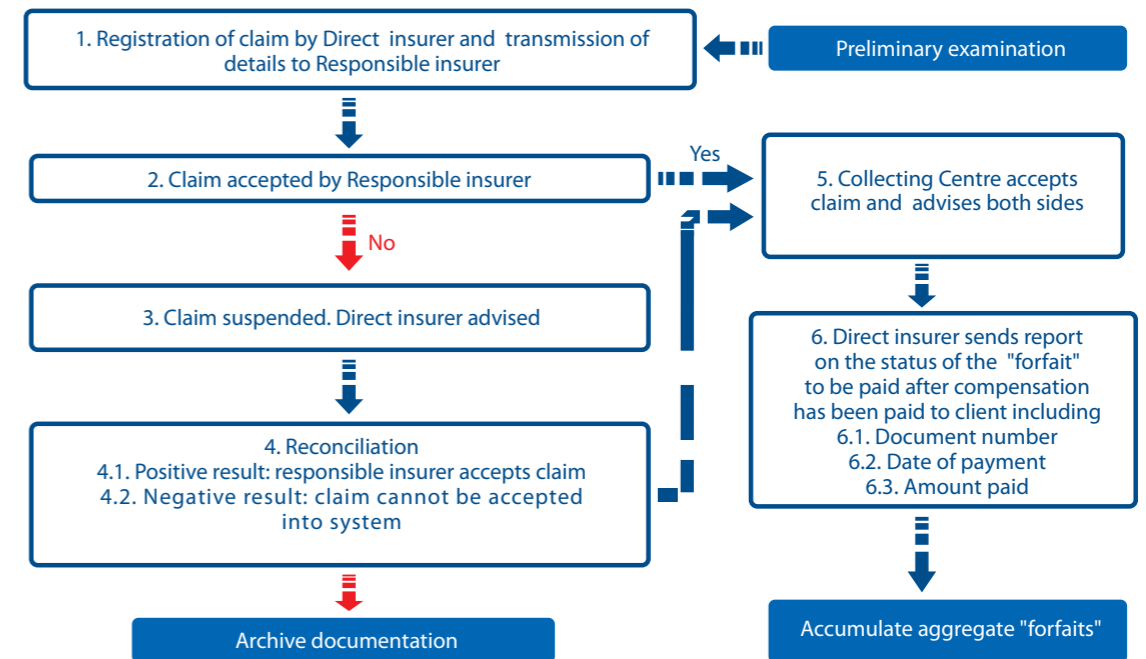
The RAMI web site has been updated to include information about the direct settlement of claims. Here can be found all the necessary information and documentation relating to direct settlement and simplified reporting of road accidents. Also on the web site have been placed the various decisions of RAMI relating to these subjects. It is intended shortly to include a section on "Frequently Asked Questions on direct settlement of claims and simplified reporting of road accidents".

The RAMI web site has been updated to include information about the direct settlement of claims

Fig. 16



Verification of claims to confirm existence of mutual obligations





Independent Technical Inspections of Motor Vehicles

The Federal CMTPL law gives to independent vehicle inspectors the duty of investigating the details and causes of road accidents and of estimating what repairs are necessary and the cost.

In order to implement this part of the CMTPL law, the RAMI Presidium approved a procedure for estimating vehicle repair costs to produce estimates of the cost of claims. In May 2008, the approved procedure completed the process of certification by the Federal Centre of the Russian Federation for Legal Inspections which is part of the Ministry of Justice of the Russia Federation. The procedure therefore complies with the legal and regulatory requirements set out by the Ministry of Justice of the Russian Federation.

In July 2008, the Ministry of Transport of the Russian Federation formed a working group with RAMI participation to set out the requirements to organise and introduce a system of independent vehicle inspections. This working group is continuing its activities and its proposals are expected to be approved in 2009.

The most significant aspects of the working group's activities during 2008 were:

- the development of the system of voluntary accreditation of technical experts by RAMI to carry out independent technical inspections of motor vehicles;
- the completion of the informational basis for the introduction of independent technical inspections of motor vehicles;
- the development of a system of electronic documentation for settling claims.

The accreditation of technical experts

In 2006, RAMI introduced a system of voluntary accreditation of technical experts. The system was set up to identify technical experts who can provide independent inspections of vehicles with a high degree of professional and technical skill, whose competence can be relied upon by both insurance companies and claimants. These experts are the basis of a system to protect the interests of insurance companies and claimants and to settle disputes arising out of the claims settlement process.

During 2008, work continued to improve and extend the system of accreditation by RAMI. The Accreditation Commission held five meetings with the following results:

- 285 applications for accreditation from technical experts were examined;
- 253 of these applications were successful and accreditation was granted by RAMI;
- 101 of these successful applications were for a prolongation of accreditation by RAMI and accreditation was granted for a period of three years;
- accreditation was refused for 32 applicants.

A total of 822 technical experts have now been granted accreditation by RAMI of which 673 have received accreditation for one year and 149 for three years.

Developing an IT system and database to support the operation of the system of independent technical inspections of motor vehicles

A Ministry of Transport working group has produced draft regulations and methodology that include the following:

- price guidelines for repair labour costs based on standard work time for foreign and domestic manufactured vehicles;
- price guidelines for spare parts for foreign and domestic manufactured vehicles;
- price guidelines for paint used in vehicle repairs;
- the requirements for an accounting and reporting system to be used during independent technical inspections.

It is proposed that the calculation of vehicle repair costs (in order to determine the amount of compensation that should be paid as a result of an insured accident) should be made by technical experts, insurance company specialists or by employees of repair garages based on data concerning the average overall cost of vehicles and on the average cost of labour, spare parts, and paint in the region.

The absence of such an agreed method of calculating such costs leads to disputes between the various parties involved in settling claims: insurance companies, claimants and vehicle repairers. If these disputes have to be settled in the courts, this leads not only to an overloaded court system, it also has an adverse effect on the development of the market. Moreover, solving this problem becomes even more important under a system of direct settlement of claims.

Producing a set of price guidelines for spare parts, paint and labour costs for both domestically and foreign produced vehicles will not only lead to a reduction in the number of disputes, especially the disputes that reach the courts. It will also lead to a situation where it will be possible to provide a much better service for accident victims and protect their interests.

The RAMI committee for independent technical inspections has taken the necessary measures to:

- develop the methodology for establishing price guidelines for spare parts for foreign produced vehicles;
- develop the methodology to establish price guidelines for labour costs for repairing foreign produced vehicles;
- develop the methodology to establish price guidelines for paint used in the process of vehicle repair;
- develop the methodology to establish price guidelines for

In May 2008, the approved procedure completed the process of certification by the Russian Federal centre for legal inspections which is part of the Ministry of Justice of the Russia Federation

A total of 822 technical experts have now been granted accreditation by RAMI

labour costs and spare parts costs for domestically produced vehicles;

- produce price guidelines on the basis of the developed methodology;
- develop the system requirements for an IT programme to be used by independent vehicle inspectors as part of their inspection.

Taking into account the importance of overcoming the difficulties of creating an IT system to support independent inspections of vehicles and to produce estimates of the costs of repairing vehicles, RAMI organised an international conference on 26 March 2008 with the title "The Role of an Insurance Industry in Developing Methodologies to Calculate Damage and Set Standards for Vehicle Repair: International Experience". Among those taking part were representatives of Russian governmental bodies – from the Ministries of Transport, Finance and Justice and from Federal Agency on Technical Regulating and Metrology. Non-governmental bodies which were represented included insurance companies, the Association of Motor Engineers of Russia, the Federation of Russian Motor Manufacturers, research institutes dealing with motor transport and other organisations with knowledge of motor vehicles. International participants included representatives from the British Motor Insurance Repair Research Centre at Thatcham, from the German Allianz Technical Centre, from the Korean Insurers Motor Centre and from the Japan Automobile Research Centre of the Aioi Insurance Company Ltd.

The aim of the conference was to study foreign experience in dealing with problems of calculating vehicle damage and setting standard for vehicle repair. In particular, the aim was to look at a number of concrete problems using international experience: how technical inspections of vehicles are carried out and how these inspections can improve the system of claims payments; specific problems of developing standards and carrying out tests on motor vehicles in relation to their safety features, how technical inspections can be further improved and the development of a system of accreditation of body shops by foreign technical centres and by insurance associations.

Issues covered in the conference included a discussion of the legal and regulatory framework for settling claims: a comparison was made of the different experiences in Germany, Great Britain, South Korea and Japan. Other questions covered included examples of how systems to calculate damage and set standards for vehicle repair are developed and used, illustrations as to how technical characteristics and the existence of active and passive safety systems in motor vehicles influence the level of damage caused in road accidents, how insurers can predict more precisely the frequency of claims using data relating to the basic types and causes of road accidents and their consequences and the main factors that influence the creation of tariff groups for motor insurance.

Foreign experience demonstrates that the fact that the state assigns to insurance companies the task of developing methods of calculating the level of damage, of setting standards and cost parameters relating to the repair of motor vehicles on the basis of a technical examination of a vehicle gives to these companies the possibility of producing recommendations to motor manufacturers

If these disputes have to be settled in the courts, this leads not only to an overloaded court system, it also has an adverse effect on the development of the market

as to how they can improve the safety of their vehicles and reduce the cost of repairs.

In this context, it is planned in 2009 to carry out the following:

- to produce price guidelines for spare parts, paint and labour costs for both foreign and domestically produced vehicles using the methodology already developed;
- to develop a system of voluntary accreditation by RAMI of motor vehicle servicing and repair garages.

The development of a system of voluntary accreditation by RAMI of motor vehicle servicing and repair garages is an important step in the process of improving the procedures for settling claims. Vehicle owners and insurance companies who use the services of these garages have a real interest in raising the quality of vehicle repairs and in ensuring that all repairs follow the technical instructions of the manufacturer and that genuine spare parts and materials are used.

It is proposed that the system of voluntary accreditation of motor vehicle servicing and repair garages will meet the following objectives:

- to establish the conditions whereby the quality of vehicle repair is increased, thereby protecting the interests of vehicle owners and insurance companies;
- to create an effective means of controlling the quality of work carried out by vehicle servicing and repair garages;
- to improve the safety of motor vehicles and thereby reduce accident frequency;
- to establish the conditions whereby claims settlement procedures and document flow can be unified under one system;
- to create a database of organisations offering services in relation to motor vehicle servicing and repair which can be utilised by insurance companies and their clients.

The conference included a discussion of the legal and regulatory framework for settling claims



The system of electronic documentation for claims settlement

The objective of introducing a system of electronic documentation for CMTPL claims settlement is to create a single unified procedure with a supporting IT programme which is easily accessible and can be used during independent technical inspections and which fully satisfies all the requirements for information and technical support.

Settling claims is a process which requires the involvement of a number of different specialists depending on the type of settlement process (settling the claim with a monetary payment or organising the repair of the vehicle). These include: someone from the insurance company's client liaison department, an independent vehicle inspector, an employee from a servicing and repair garage and possibly others. Communication between these specialists during the claims settlement process should be coordinated, standardised and rapid and the process should be controlled and accountable.

Geographic and temporal factors can often present particular difficulties. In this context what this means is that some of those taking part in the process of settling a claim can be separated by a considerable distance and even be in different time zones.

This makes it even more important to achieve the objectives set – to create a single unified procedure with a supporting IT programme for those carrying out independent technical inspections and to make it widely available to all those involved in settling claims.

What is needed is the development of a set of common electronic documentation which can form the basis of an agreed procedure for the exchange of documents between participants in the claim settlement process.

The following are the basic requirements of such a system:

- documents with a standardised format;
- access to the official IT system;
- the use of the latest data protection methods;
- the availability of a mechanism to transfer payments when the claims settlement procedure requires it;
 - the possibility of adapting the payment transfer mechanism to meet the needs of each participant in the claims settlement process;
 - the ability of the payment transfer mechanism to handle an unlimited variety of documents;
 - the availability of different types of access to the payment transfer mechanism;

The development of a system of voluntary accreditation by RAMI of motor vehicle servicing and repair garages is an important step

- the possibility of storing the payment process in one site;
- the possibility of making a search based on multiple criteria in the payment site.

In 2009, a pilot project to evaluate the system of electronic documentation for settling claims will be completed. This pilot project is being carried out with the support of four insurance companies and its aim is to identify the requirements of a system of electronic documentation that can be used throughout the whole insurance industry for settling claims.

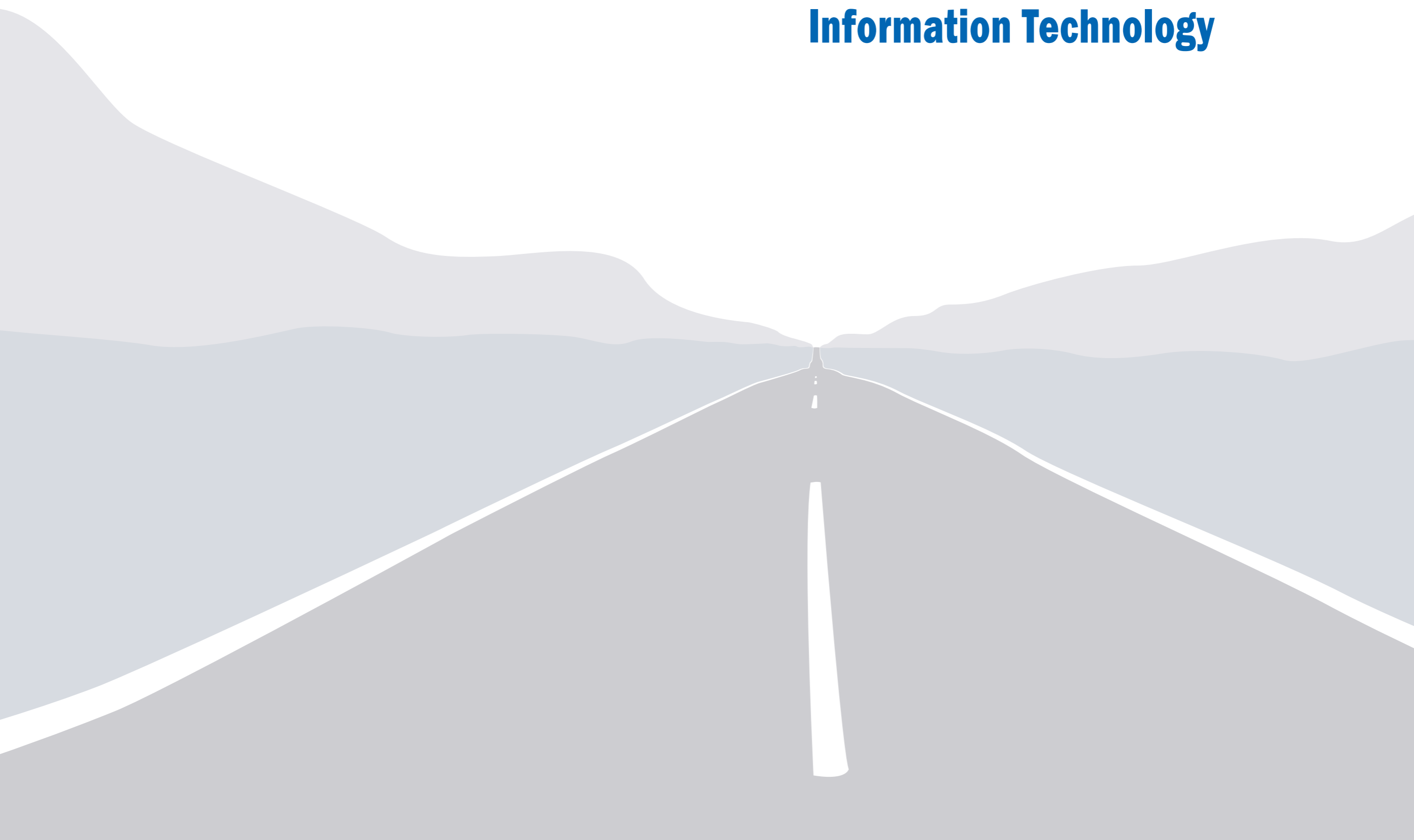
What is needed is the development of a set of common electronic documentation

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Information Technology





In 2008, the RAMI Committee for Information Technology (IT) continued its work in implementing the long term strategy for IT development under CMTPL insurance, which was set out by the Ministry of Telecoms and Mass Communications of the Russian Federation. The objective of this strategy is to develop an automated information system for CMTPL insurance (AIS CMTPL). The RAMI IT Committee made a number of suggestions and observations to assist the development of the system:

- the necessity further to develop the legal and regulatory framework for the operation of AIS CMTPL;
- the formation of the organisational structure to run AIS CMTPL;
- the possibility of bilateral communication between system participants;
- the development of all the factors that are necessary to ensure that the data are secure (the appropriate protection for personal data relating to insureds and commercial information of insurance companies).

As part of the process of improving the IT system relating to CMTPL insurance, work was carried out in 2008 under the following headings:

- the development of a subsystem to account for blank policy forms – Strict Accounting for Blank policy forms (SAB AIS RAMI subsystem);
- the development of a subsystem to cover manuals and classifications (MC AIS RAMI subsystem);
- the development of a subsystem of Data security;
- the development of a subsystem for processing Green Card data;
- the development of the software and the hardware necessary to operate a centre for information exchange and accounting for the system of direct settlement of CMTPL claims.

Accounting for blank policy forms (SAB AIS RAMI subsystem)

During 2008, all of RAMI's member insurance companies were connected to the system for accounting for blank policy forms and a timetable was drawn up for the exchange of information under the system based on the expected volume of information in the system and an interim procedure for updating data on the SAB AIS RAMI subsystem was introduced.

The subsystem for manuals and classifications

In 2008, this subsystem was moved to a different platform

and began full operation in test mode.

The subsystem for data security

In 2008, the technical specification of this subsystem was finalised and a technical programme for the development of the subsystem was drawn up.

The Green Card IT subsystem

As part of the process of Russia's joining the International Green Card System, a significant amount of work was carried out to create an IT subsystem within the overall RAMI IT system. The overall principles and structure of the subsystem were defined, a module to account for blank policy forms and issued policies was created, a module to track claims in Russia and outside Russia was also created. The whole system was tested and has begun full operation. All the necessary manuals and documentation were also produced.

Work commenced to protect the information and personal details held on the Green Card IT subsystem. A model was developed to identify potential risks to the system in relation to the legal and regulatory framework set up by the Federal Service for Technical and Exporting Control for the protection of personal data.

Work commenced to protect the information and personal details held on the Green Card IT subsystem

The IT subsystem for the Information and Accounting Centre for direct settlement of claims

As part of the process of introducing the system of direct settlement of CMTPL claims, the hardware and the software necessary for the development of an IT subsystem to support the Information and Accounting Centre was put in place. The work included developing special software, producing the necessary operational documentation, testing the system estimating the system requirements and the developing protections for the personal data held on the system.

During 2008, all of RAMI's member insurance companies were connected to the system for accounting for blank policy forms



The Legal and Regulatory Framework Within Which the System of CMTPL Insurance Operates



During 2008, work continued to improve the legal and regulatory framework within which the system of CMTPL insurance operates. Amongst the areas covered were:

- improving the legal regulations;
- developing the rules of professional conduct;
- providing guidance notes and other technical support for insurance companies.

Improving the legal and regulatory framework requires not just legal input: organisational, technical, methodological and other issues have to be considered. The various RAMI committees dealing with all these aspects of the problem held 274 meetings during 2008 and dealt with over 900 agenda items. There were 196 members of these committees from 49 insurance companies.

During the same period, the RAMI Management Board held 20 meetings at which 420 issues were discussed and there were eight meetings of the Presidium during which 150 issues were discussed.

Improving the legal regulations

Recent changes in the overall Federal Law relating to CMTPL insurance in Russia has meant that it has become necessary to introduce amendments to the regulatory framework to reflect the changes in the substantive law. The RAMI Committee for Insurance Methodology and the RAMI Committee for Claims Settlement Procedures and the European Protocol both produced draft amendments to the regulations and these proposed changes were reflected in two decrees that were issued by the Government of the Russian Federation:

- changes in the form of the CMTPL insurance certificate were made in the Decree of the Government of the Russian Federation issued on 29 February 2008;
- on the same date a further decree of the Government of the Russian Federation was issued which made changes in the CMTPL insurance policy form.

The introduction of the system of direct settlement of CMTPL insurance claims has required changes to be made in the tax code of the Russian Federation. These changes in Part II of the tax code were included in legislation that came into force on 25 December 2008 and the result was that the transaction between an insurance company acting as a direct settler and the claimant for compensation from damage caused in a road accident are exempt of VAT tax.

In addition, the money received by the direct settling

company, any claims payments made to victims of road accidents and payments made to experts used in settling claims are exempt from profits tax (they are not taken into account when calculating the amount on which tax is paid).

When an insurance company makes a claim payment under a CMTPL policy on behalf of another company as part of the direct settlement system and then makes a claim for repayment from the insurance company on whose behalf the claims was made, for tax purposes the transaction is deemed to have taken place on the date that the direct settling insurance company makes the request for repayment.

During 2008, research was carried out to assess whether current tariff rates for CMTPL insurance are adequate. The research used historical data from the period between 1 July 2003 and 30 June 2008 supplied by RAMI. The conclusion drawn by the researchers was that all tariff rates need to be increased as soon as possible, especially in certain geographical areas. Using this research as a basis, proposals to change the rates were drawn up and forwarded to the Ministry of Finance with a request that amendments should be made to the legal tariff as set out in the Decree of the Government of Russia Federation issued on 8 December 2005.

The rules of professional conduct

On 17 April 2008, the RAMI Presidium decided to set up a procedure governing the settlement of intercompany payments when insurers have settled motor physical damage claims and seek recovery from the insurers who have issued CMTPL policies. The objective of this procedure is to reduce the number of such cases that reach the courts and to simplify the documentation that insurance companies exchange. Developing such a procedure is also a necessary component of the system of direct settlement introduced in Russia. Following the Presidium's decision, work has been carried out to collect information about mutual claims between insurance companies and a set of rules of professional conduct have been developed. These rules are entitled "Rules Covering Subrogation in the Context of Settling Motor CMTPL Claims" and they were agreed by the RAMI Presidium on 18 December 2008.

A further set of rules of professional conduct were developed and agreed setting out requirements for corporate IT systems of RAMI members. These rules are entitled "The Requirements for the Corporate IT Systems of RAMI Member Companies in Respect of CMTPL Insurance" and

During the same period, the RAMI Management Board held 20 meetings at which 420 issues were discussed and there were eight meetings of the Presidium during which 150 issues were discussed

The conclusion drawn by the researchers was that all tariff rates need to be increased as soon as possible, especially in certain geographical areas

they have been introduced to coincide with the commencement of full operation of the RAMI IT system (AIS RAMI) and they made changes to the requirements for updating data on the corporate IT systems of RAMI member companies.

In 2008, amendments were made to a number of sets of rules of professional conduct in order to improve the work of RAMI. These included:

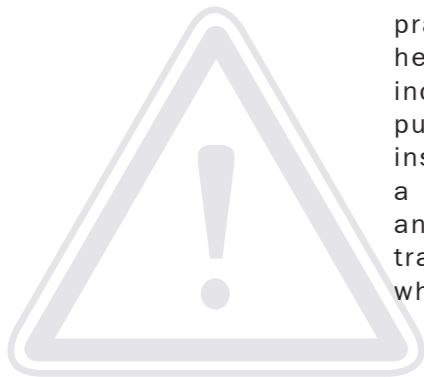
- the instructions relating to the organisation of on-site inspections. The changes related to the standard programme of an on-site inspection of a corporate IT system of a member company to ensure it complies with the rules of professional conduct. Further changes were made to bring the rules into line with amended law and regulations relating to CMTPL insurance;
- the rules governing the implementation of sanctions and other measures on RAMI members, their officers and staff. A procedure was established to permit RAMI executives to impose financial sanctions and other measures in cases where the insurance company involved is ready to admit the breach of the regulations;
- the instructions relating to the organisation of off-site inspections. The changes related to the standard programme of an off-site inspection, the cancellation of an off-site inspection and extending the time allocated to an inspection;
- the rules governing accounting for blank insurance policies, their safe keeping, cancellation and return. Changes were made to the rules governing the basis for ceasing or restarting processing of applications for blank policy forms to be sent;
- the rules governing inspections of the work of RAMI members in carrying on CMTPL insurance and their observance of the rules of professional conduct. The powers of the RAMI department responsible for analysis and control were amended to allow documents to be requested as part of an inspection. Other changes were made relating to the organisation and operation of off-site inspections.

These rules were agreed by the RAMI Presidium on 18 December 2008

Improving the work of insurance companies

During 2008, RAMI continued its work of offering practical advice and assistance to insurance companies to help them improve the quality of their work. Projects included revising a number of the guidebooks which RAMI publishes to provide advice and give recommendations to insurance company staff and outlining policy positions on a number of difficult questions relating to CMTPL insurance. In addition, the Association organised a number of training seminars for insurance company employees at which the main changes to the law were outlined.

The changes that were introduced when the federal



CMTPL insurance law was amended on 1 December 2007 meant that the guidebooks that RAMI publishes for insurance company staff needed to be revised to take account of the new situation.

During 2008, changes were made to seven of these guidebooks for insurance company staff:

- No.1 "How to Complete a Proposal Form for CMTPL Insurance";
- No.2 "How to Fill Out a CMTPL Policy";
- No.4 "How to Calculate a CMTPL Insurance Premium";
- No.5 "How to Complete the Documentation and Calculate CMTPL Premium for a Vehicle Owned by a Foreign National and Which Is Being Used in Russia";
- No.7 "How to Use Past Claims Data in Calculating Renewal Premiums for CMTPL Insurance (Bonus/Malus) and Entering Information About CMTPL Insurance";
- No.10 "What to Do in the Event That a CMTPL Insurance Policy is Cancelled Before Its Expiry Date";
- No.11 An educational pamphlet for insurance company staff: "How to Determine the Amount of Compensation Payable for Accident Victims Who Have Suffered Bodily Injury or Death".

A new set of guidelines for insurance company staff was published covering the steps that need to be taken in the event that a CMTPL policy is cancelled before its expiry date.

Seminars for insurance company staff were organised in the Federal Administrative Regions in spring 2008 to introduce these new guides.

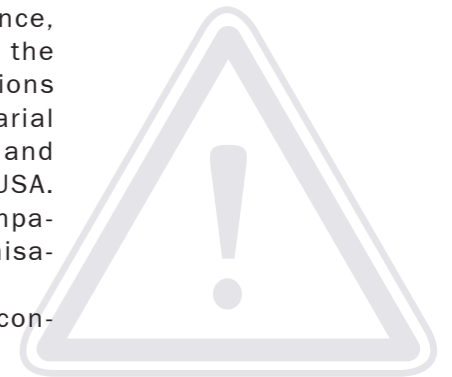
A number of practical issues have arisen concerning the operation of the CMTPL system and the relevant RAMI committees have developed agreed policy positions on these issues which have been set out in a publication entitled "Questions and Answers Relating to CMTPL Insurance".

On 27 and 28 November 2008, RAMI organised the fifth international conference "CMTPL Insurance in the Russian Federation: Tariffs and Regulation". This conference was combined with the first Actuarial Congress of the CIS.

This conference was attended by representatives of RAMI member companies. Russian governmental bodies sending representatives included the Ministry of Finance, the Federal Service for Insurance Supervision and the Federal Antimonopoly Service. International organisations that were represented were the International Actuarial Association (IAA), the European Actuarial Academy and actuarial associations from a number of states of the USA. Further representatives came from reinsurance companies, consulting companies, scientific and social organisations.

All in all, 14 countries were represented at the con-

During 2008, changes were made to seven guidebooks for insurance company staff



Chris Daykin



ference: Russia, USA, Great Britain, Germany, Serbia, Hungary, Lebanon, Armenia, Belarus, Kazakhstan, Moldova, Tajikistan, Ukraine and Uzbekistan.

The list of speakers included the former President of the British Institute of Actuaries, Chris Daykin, the President of the European Actuarial Academy, Martin Balleer and the President of the International Actuarial Association, David Hartman.

The issue of most interests to participants was whether current CMTPL premium rates were adequate. During the five years existence of CMTPL insurance in Russia, premium rates have not been reviewed. According to research carried out by the rating agency Expert RA and by the Independent actuarial information and analysis centre, it is necessary to change both the base tariff rate and some of the coefficients used to calculate premiums according to underwriting factors.

Russia has joined the International Green Card System for insuring motor third party liabilities and now Russian citizens can buy Green Card policies from Russian insurance companies when they drive their vehicles in Europe. In this context, there was a timely report at the conference about how the premium rates for Russian Green Card policies should be calculated.

Other issues covered by speakers included the European experience in calculating compensation for bodily injury and prospects of Russia moving towards European standards.

The second day of the conference was the first congress of actuaries of the Confederation of Independent States. A number of questions were discussed relating to the development of actuarial business and the importance of the actuary to the overall management of an insurance company and to the development of the insurance industry as a whole. During the course of the day

Martin Balleer



David Hartman



the following presentations were made: "The Role of the Actuary in Life Insurance, Pension Provision and Social Security", "How the Actuarial Profession Can Help the Development of Non-Life Insurance", "The Role of the Actuary in Ensuring Solvency" and "The Development of the Actuarial Profession in Russia".

In summary, RAMI organised a total of 25 educational and training events of which 18 were seminars, 4 were conferences and 3 were meetings for invited participants.





Making Compensation Payments



MAKING COMPENSATION PAYMENTS

Under the Federal CMTPL insurance law, compensation shall be paid to road accident victims in the event that otherwise payment under a CMTPL policy cannot be made by an insurance company because:

- the insurance company has entered bankruptcy proceedings;
- the insurance company has had its license to carry on insurance withdrawn;
- the driver of the vehicle that caused the damage or injury in road accident cannot be traced;
- the driver of the vehicle that caused the damage or injury in the road accident is not in possession of a valid policy of CMTPL insurance.

In 2008 RAMI agreed to make 13,690 compensation payments to accident victims and these payments totalled roubles 474,800,000. In total, between July 2004 and December 2008, 32,592 compensation payments have been made to road accident victims, totalling roubles 1,122,200,000.

Last year, RAMI took over the responsibility for the payment of compensation from 21 insurance companies whose licenses to carry on insurance business had been withdrawn.

As a result of the increase in the number of insurance companies whose obligations for making compensation payments have been taken over by RAMI and the growth in the amount of these payments, the Government of the Russian Federation, on 29 February 2008 brought in changes to the law that sets out the premium tariff rates for CMTPL insurance which changed the percentages of premium that insurance companies must pay to the compensation funds:

- the guarantee fund (the fund out of which compensation payments are made in the event that a company enters bankruptcy or has its license withdrawn) – 2%;
- the fund for current payments (the fund to make compensation payments for damage caused by untraced or uninsured drivers) – 1%.

Practical experience in making compensation payments has shown that overall, companies whose license to carry on insurance

In 2008 RAMI agreed to make 13,690 compensation payments to accident victims and these payments totalled roubles 474,800,000

business has been withdrawn only have funds sufficient to pay less than 14% to the compensation payments made by RAMI on their behalf. In 2008, RAMI was able to recover from those companies for whom it was making compensation payments only roubles 47.29 million, which was 10% of the total compensation payments made by RAMI during the year.

It is notable that the situation currently unfolding in the Russian insurance market is leading to a continuing increase in the amount of compensation payments and the impossibility of recovering these payments from bankrupt companies is leading RAMI to take an active role in pressing for improvements in the law in respect of the bankruptcy of insurance companies. Proposals have been sent to the Ministry of Economic Development of the Russian Federation and these proposals were reflected in the resulting draft law.

In order to highlight this issue, RAMI planned and helped organise conferences dealing with the problems of bankruptcy of financial organisations.

On the 18 February 2008, RAMI organised an international conference "The Theory and Practice of Bankruptcy of Financial Organisations". The objective of this conference was to study international experience of dealing with bankruptcy of insurance companies and what changes to bankruptcy law were needed to introduce procedures for handling the bankruptcy of financial organisations.

Members of the State Duma and the Federation Council of the Russian Federation attended this conference. Representatives of the Ministry of Finance, the Ministry of Economic Development, the Bank of Russia, the Federal Service for Insurance Supervision also were present. The state corporation for insuring bank deposits was also represented and there were a number of foreign experts present and delegates from RAMI member companies. During the conference, participants discussed recent changes to bankruptcy law in the USA, ways of improving bankruptcy procedures for insurance companies and the necessity to strengthen the personal liabilities of directors and officers of insurance companies and credit organisations in the event of deliberate bankruptcy.

Between 22 and 25 June 2008 in St Petersburg, was held the Annual General Meeting and conference of the International Association of Insolvency Regulators (IAIR). This event was organised by the Ministry of Economic Development of the Russian Federation, together with the International Association of Insolvency Regulators and the Information Agency AK&M.

RAMI was one of the partner organisations of this event.

More than 50 senior representatives of foreign governmental bodies with responsibility for regulating the economic, financial and banking spheres took part in the meeting and the conference. Representatives came from more than 30 countries, including Russia, Canada, Austria, China, India, USA and Eastern Europe.

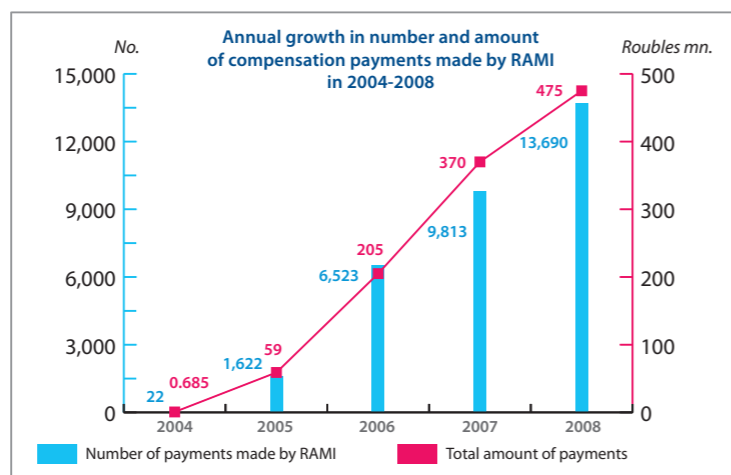
Issues covered in the conference included how to predict insolvency in financial institutions and what are the special features to note; changes in bankruptcy proceedings in various states of the USA and in Russia; consumer credit and personal bankruptcy.

The Minister of Economic Development of the Russian Federation, Elvira Nabiullina, expressed her thanks to RAMI for the association's assistance in organising the event.



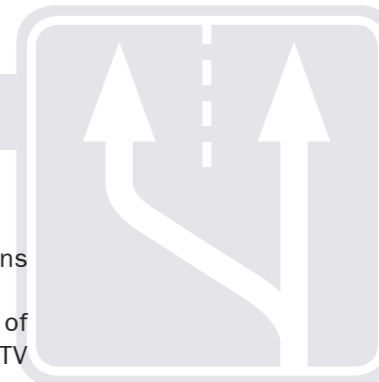
Issues covered in the conference included how to predict insolvency in financial institutions and what are the special features to note

Fig. 17





Publicising the Work of RAMI



In 2008, RAMI issued a number of publications both for its members and for the general public. These publications included:

- RAMI Annual Report 2007, published in both Russian and English. The Annual Report is intended to provide useful information about the work of the Association for the membership, for foreign partners, for the mass media and for governmental bodies;
- a number of information bulletins containing the RAMI rules of professional conduct and other regulations relating to CMTPL insurance;
- the annual publication "Questions About CMTPL Insurance and Road Safety" in two volumes: "CMTPL Insurance and Road Safety in Great Britain" and "CMTPL Insurance and Road Safety in Japan". The aim of these publications was to provide information about foreign experience in improving road safety;
- the information bulletin "News From the Insurance Associations" which provides details of the work of the association for RAMI members and their clients and for the media.

All these publications were distributed free to RAMI members, to governmental and social bodies and were also provided for representatives of the press.

The Association also was able to keep the general public and the mass media informed about its work. The following are some examples of this activity:

- interviews from RAMI experts, which took place during a press conference at the Interfax Press Agency, were placed on the agency's web site;
- an international competition was organised for young people and students, in which essays on the subject of CMTPL insurance were to be submitted. The aims of this competition were to make young people more interested in problems of the insurance markets of Russia, Ukraine and Belarus, to develop the insurance culture of the population and to raise the public profile of insurance organisations;

- the Association worked closely with a number of news agencies such as Interfax, ITAR-TASS and PBC. Maintaining good relations with many publications was also a priority: these included Vedomosti, Kommersant, Argumenty i Fauty, Rossijskaya Gazeta, Izvestia, Komsomolskaya Pravda, Vremya Novostei, Moskovskiy Komsomolets, Za Rulyom, Avtorevue, Avtomobili, Klakson, Pacific Ocean Gazette, KP-Vladivostok and the Atlas of Insurance;



- live interviews were given on a number of radio stations such as Mayak, Ekho Moskv, Avtoradio and City-FM;

- association representatives appeared on a number of national and local television programmes such as "Today" on NTV channel, "Moscow News", "News 24", "Good Morning, Russia" on Rossiya channel and on VGTRK-Vladivostok.

Publicity was organised to increase the awareness of the general public of the laws relating to road safety. As part of this campaign, a number of concrete activities were organised:

- a number of video films were commissioned by RAMI as part of two publicity campaigns: "Roads Without Risk. Driving Safely" and "It Is You Who Will Be Looser". These video films were entitled "The Devils Luck", "The Restaurateur", "Through the Yyes of a Child", "The Cultured People", "The Picnic", "The downfall" and "The Anticipation". These videos were shown on the Rossiya and News 24 channels and also in cinemas. Special promotions were also organised as part of these campaigns. Research was carried out to test the effectiveness of the two road safety publicity campaigns noted above;

- a project was undertaken to analyse the Directives of the European Union to improve safety. The result of this project was a report that sets out in detail the basic legislation of the European Union relating to road safety and the most important Directives aimed at improving road safety. The report also analyses how these laws and directives operate and provides statistical information from European countries;

- on 17 September 2008 the II international congress "Road Safety Saves Lives" was held in St. Petersburg. Representatives of RAMI took part in both the plenary sessions and the round table discussions;

- a further conference in St. Petersburg took place on 18 and 19 September. RAMI took part in the VIII International Conference "The Organisation of Road Safety in Large Cities";

- work was carried out to inform vehicle owners about the system of simplified reporting of road accidents. In this context, RAMI produced a short video film "Recording Details of a Road Accident Without the Police Being Present". This film was shown on national TV during February and March 2009.



Research was carried out to test the effectiveness of the two road safety publicity campaigns



RAMI's Priorities for 2009–2015





Achieving Full Membership of the International Green Card System For Insuring Motor Third Party Liabilities

2009

1. Developing and introducing the following rules of professional conduct covering the Russian Green Card Bureau:

- introducing changes to "The Rules Governing the Imposition of Sanctions and Other Measures on Members of RAMI, on Their Officers and Employees" in respect of professional misconduct occurs in the course of the operations under International Green Card System;
- instructions as to the procedures to be followed for the imposition of disciplinary sanctions on members of the Bureau for breaches of the rules covering issuing policies under the international Green Card system;
- standards of qualifications required for employees to be permitted to work in departments of member companies of the Russian Green Card Bureau;
- rules covering the provision of services in the market for Green Card motor liability insurance.

2010–2012

1. Holding discussions with countries bordering the Russian Federation who are not members of the International Green Card System about the provision of guarantees to ensure that compensation payments can be made to victims of road accidents where a driver from one of the bordering countries is responsible for causing the accident. The discussions would also cover setting up guarantees to ensure compensation when a citizen of Russia causes a road accident in one of the bordering countries.

2. Where necessary, preparing the necessary legal and regulatory changes to legislation CMTPL insurance in Russia and the bordering states.

2011–2014

1. Continuing to develop the rules of professional conduct governing the Russian Green Card Bureau.

2. Making further changes to the legal and regulatory framework for CMTPL insurance where these changes are necessary to ensure proper operation of the International Green Card System.

3. Carrying out all the measures that are necessary to achieve full membership in the International Green Card System for the Russian Green Card Bureau.

2015

1. Achieving full membership in the International Green Card System.



Developing the Direct Settlement of Claims System and Simplified Reporting of Road Accidents

2009

1. The practical implementation of the system of direct settlement of claims. Preparing the necessary legal and regulatory changes.
2. Preparing price guides:
 - the costs of spare parts for foreign produced motor vehicles;
 - standard labour costs for repairing foreign produced motor vehicles;
 - the costs of paint used when repairing motor vehicles;
 - the cost of spare parts for domestically produced motor vehicles;
 - standard labour costs for repairing domestically produced motor vehicles.

2009–2011

1. Holding discussions with motor vehicle manufacturers about the principles of a system of voluntary accreditation by RAMI of motor vehicle servicing and repair garages for domestically produced vehicles.
2. Preparing the necessary documents to establish a system of voluntary accreditation by RAMI of motor vehicle servicing and repair garages for domestically produced vehicles.
3. Carrying out a pilot project to evaluate a system for using electronic documentation for settling claims.
4. Developing the overall concept for a system of voluntary accreditation by RAMI of motor vehicle servicing and repair garages for domestically produced vehicles.

2010–2012

1. Holding discussions with Russian manufacturers of foreign vehicles about the principles of a system of voluntary accreditation by RAMI of motor vehicle servicing and repair garages for foreign vehicles.
2. Preparing the necessary documents to establish a system of voluntary accreditation by RAMI of motor vehicle servicing and repair garages for foreign vehicles.
3. Introducing the system of accreditation by RAMI of motor servicing and repair garages and granting accreditation to garages for one year.
4. Preparing for the introduction of a system of electronic documentation for settling claims.

2011–2014

1. Holding discussions with foreign manufacturers of foreign vehicles about the principles of a system of voluntary accreditation by RAMI of servicing and repair garages for foreign vehicles.
2. Introducing the second stage in the introduction of the system of accrediting servicing and repair garages by granting accreditation for a period of three years.
3. Introducing a system of electronic documentation for settling claims for all those involved in the claims settlement process.

2012–2015

1. Preparing proposals to increase the maximum accident cost that can be handled under the system of simplified reporting of road accidents without the involvement of the road traffic police.
2. Preparing proposals to extend the system of direct settlement of claims to cover claims for bodily injury.
3. Developing the principles of exchanging information between insurance companies and motor manufacturers and to set up a scientific centre to deal with issues relating to road safety and vehicle repair.



Increasing CMTPL Insurance Policy Limits for Bodily Injury Claims

2009

1. Carrying out research into the probable impact of increasing CMTPL policy limits for bodily injury claims on premium tariff rates and on the level of damage awards for injuries or death. Preparing proposals for the necessary changes to regulations.

2. Holding discussions with the Ministry of Finance of the Russian Federation and with the Federation of Independent Trade Unions in the context of the long term socio-economic development plan of the Russian Federation to 2020 and of the mid-term strategy for insurance development concerning the level of legal awards to citizen who suffer injuries or death. The aim of these discussions would be the creation of a set of generally accepted principles for the determination of the level of compensation for injury or death which can be used to determine CMTPL policy limits for bodily injury and to develop a stage by stage increase in CMTPL policy limits for bodily injury.

2010–2012

1. Introduce the first stage in the increase of CMTPL policy limits for bodily injury.

2. Hold discussions with the Ministry of Health and Social Development about the standards of health care for road accident victims.

2011–2014

1. Holding discussions with the Ministry of Finance about liberalising the process of tariff setting for CMTPL insurance by setting maximum and minimum tariffs.

2. Developing jointly with the Ministry of Finance the required levels of financial strength that must be met by insurance companies before tariffs for CMTPL insurance are liberalised.

2012–2015

1. Complete the remaining stages in the process of increasing CMTPL policy limits for bodily injury.



Creating the Automated IT System for CMTPL Insurance (AIS CMTPL)

2009

1. Complete and agree with federal governmental bodies the overall framework for the operation of AIS CMTPL.

2010

1. Complete the technical specification for AIS CMTPL.
2. Participating in the process of preparing the legal and regulatory changes that are necessary to ensure the proper functioning of AIS CMTPL.
3. Completing the rules governing the use of information about breaches of road traffic law in the process of setting CMTPL insurance tariff levels.

2011–2012

1. Developing the RAMI subsystem in AIS CMTPL.
2. Assisting in the process of developing the interdepartmental section of AIS CMTPL.
3. Begin testing of AIS CMTPL.
4. Deliver AIS CMTPL to prepare for full operation of the system.

2013–2015

1. Developing and updating AIS CMTPL together with the authorised federal governmental bodies.
2. Transition to electronic filing of financial data relating to CMTPL insurance by insurance companies.



Improving Road Safety Through the Use of Advanced Technology

2009

1. Studying the ways in which road traffic can be controlled using technological means in Russia and in other countries and how legislation relates to these techniques.
2. Carrying out a pilot study of the introduction of an automated system to enforce road traffic law in the Moscow Region.

2010

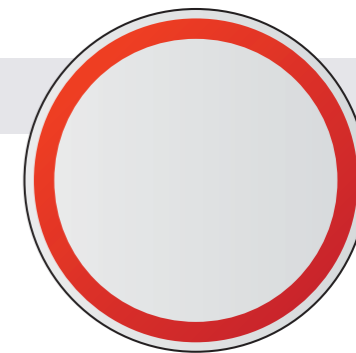
1. Carrying out a pilot project to install driver monitoring systems on motor vehicles that are used for socially important transport in a number of regions of the Russian Federation. These systems include in board recording devices, satellite monitoring systems, video recorders and the 'Alkolock' disabling system.
2. Developing the methodology to process and analyse data received from the automated system to enforce road traffic law in the Moscow Region.
3. Studying the technology used in Russia and abroad to operate traffic lights at pedestrian crossings with respect to people with poor eyesight.

2011

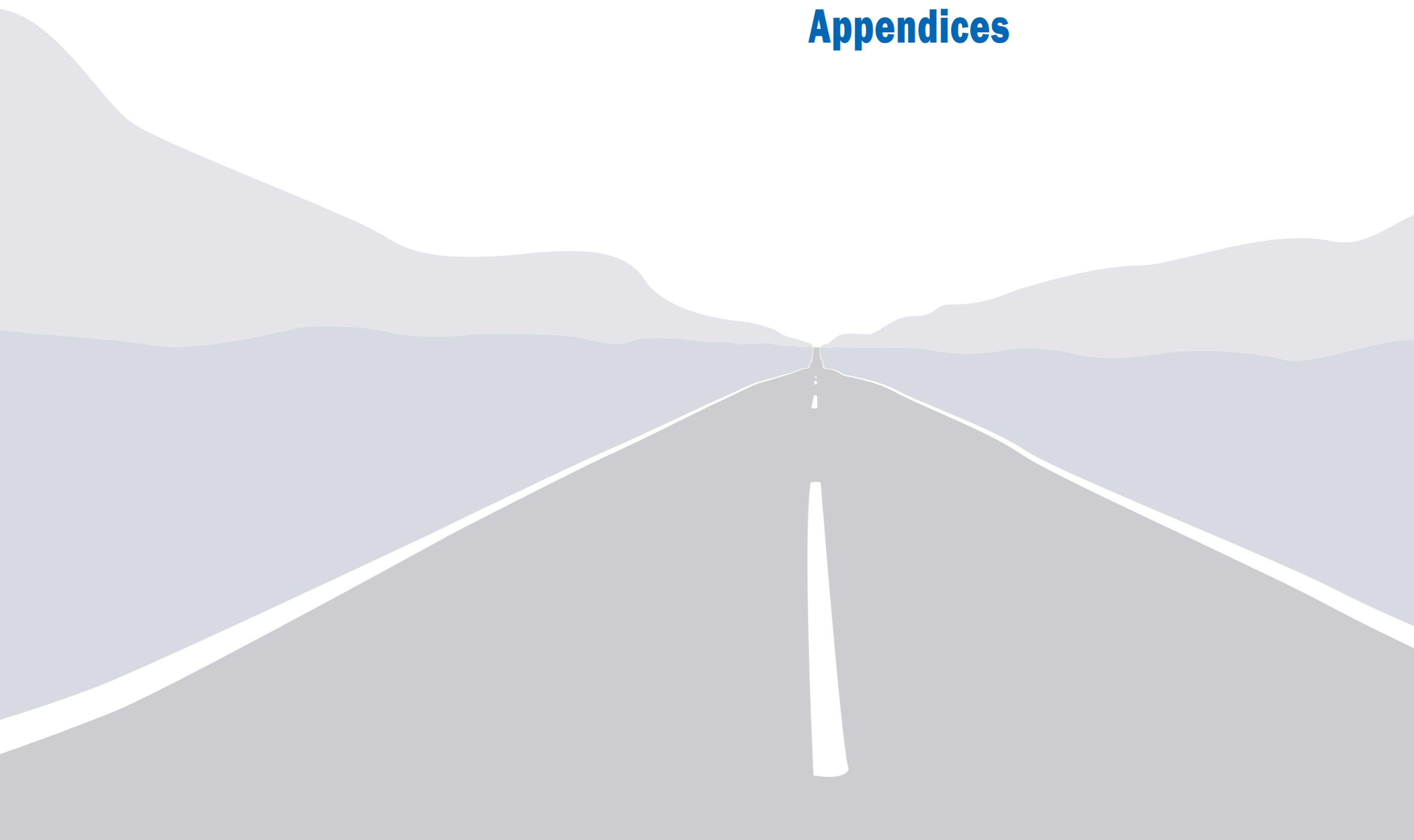
1. Preparing the legislation required for the introduction of an automated system to control socially important transport and developing the technological specification.
2. Preparing the necessary legislation for the introduction of systems of automated enforcement of road traffic law.
3. Carrying out a pilot project of road crossings for people with poor eyesight.

2012–2015

1. Completion of the project to introduce automated control methods for passenger and goods vehicles.
2. Completion of the project to introduce automated enforcement of road traffic law by improving the capabilities of the system.
3. Completion of the project to introduce technological methods of controlling traffic at pedestrian crossings.



Appendices





**Members of the Presidium of the Russian Association
of Motor Insurers
2008**

- | | | | | | |
|-----------|-----------------------------------|--|-----------|-------------------------------|--|
| 1 | Sergei E. Almazov | General Director, Military Insurance Company | 13 | Georgiy P. Papaskiri | General Director, Rosgosstrakh-North-West |
| 2 | Sergei I. Efremov | Deputy General Director, Director of Claims,
Service and Administration, Zurich Retail | 14 | Dmitri V. Popov | First Deputy General Director, Managing Director, ROSNO |
| 3 | Yuri V. Gorbatov | President, Stolichnaya Insurance Group | 15 | Yuri N. Prishepniy | Vice President, Spasskie Vorota Insurance Group |
| 4 | Alexander V. Grigoriev | General Director, INGOSSTRAKH | 16 | Sergei E. Sarkisov | Chairman of the Board of Directors, RESO-Garantiya |
| 5 | Sergei E. Khachaturov | Managing Director, Rosgosstrakh | 17 | Aleksei L. Savatyugin | Director, Department of Financial Policy of
the Ministry of Finance of the Russian Federation |
| 6 | Farid R. Khamadeev | General Director, Rosgosstrakh-Tatarstan | 18 | Yuri Y. Shpizel | General Director, Rosgosstrakh-Akkord |
| 7 | Andrei S. Kigim | President, RAMI | 19 | Vladimir Yu. Skvortsov | General Director, AlfaStrakhovanie |
| 8 | Viktor N. Kiryanov | Head, Department for Road Safety,
of the Ministry of Interior of the Russian Federation | 20 | Evgeniy V. Ufimtsev | Deputy General Director,
Military Insurance Company |
| 9 | Alexander P. Koval | President, All Russia Insurance Association | 21 | Vadim E. Yanov | Chairman of the Managing Board, SOGAZ |
| 10 | Ilya V. Lomakin-Rumyantsev | Head, Federal Service
for Insurance Supervision of the Russian Federation | 22 | Andrei A. Zernov | General Director, ENERGOGARANT Insurance Company |
| 11 | Dmitri E. Markarov | First Deputy General Director,
Rosgosstrakh | 23 | Igor N. Zhuk | President, Soglasie Insurance Company |
| 12 | Evgeniy S. Moskvichev | Deputy,
Ministry of Transport of the Russian Federation | 24 | Pavel V. Zubrilin | General, Director Russkiy Mir Insurance Company |
| | | | | Boris I. Pastukhov | Honorary Member of the Presidium |



**Management Board, Russian Association of Motor Insurers
2008**

- | | | |
|----------|-------------------------------|---|
| 1 | Alexander V. Grigoriev | General Director, Ingosstrakh |
| 2 | Andrei S. Kigim | President, RAMI,
Chairman of the Management Board, RAMI |
| 3 | Dmitri E. Markarov | First Deputy General Director,
Rosgosstrakh |
| 4 | Dmitri V. Popov | First Deputy General Director
and Managing Director, ROSNO |
| 5 | Sergei E. Sarkisov | Chairman of the Board of Directors,
RESO-Garantiya |
| 6 | Vladimir Yu. Skvortsov | General Director, AlfaStrakhovanie |
| 7 | Evgeniy V. Ufimtsev | Deputy General Director,
Military Insurance Company |
| 8 | Igor N. Zhuk | President, Soglasie Insurance Company |
| 9 | Pavel V. Zubrilin | General Director,
Russkiy Mir Insurance Company |



Member companies of the Russian Green Card Bureau

1. AINI International Insurance Company
2. AlfaStrakhovanie
3. ERGO Rus Insurance Company
4. RESO-Garantiya Insurance Company
5. Rosgosstrakh-Stolitsa
6. ROSNO Russian National Insurance Society
7. Russkiy Mir Insurance Company
8. Soglasie Insurance Company
9. Spasskie Vorota Insurance Company
10. The Military Insurance Company
11. Twenty First Century Insurance Company
12. ZHASO Insurance Company



Extract from the auditors' conclusions from ZAO BDO Unicon on the RAMI report and accounts for 2008

"In our opinion, the Accounts of RAMI reflect accurately all significant respects of the financial position as at 31 December 2008 and the results of the Association's financial and commercial operations between 1 January and 31 December 2008 inclusive in accordance with the legislation of the Russian Federation in respect of the preparation of accounts."

25 March 2009

Partner

L.V. Efremova

Ministry of Finance license for general audit number 042573 issued 28/02/2002 on the basis of a decision of the Central Commission for Attestation and Licensing of Auditors, Ministry of Finance of the Russian Federation, with no limitation as to time (Protocol No. 103, TsALAK, Ministry of Finance).

Auditor

N.N. Puzik

Ministry of Finance license No. K011964 for general audit, issued 05/02/2004 on the basis of a decision of the Ministry of Finance of the Russian Federation of 05/02/2004, No. 26, with no limitation as to time.

Extract from the inspection report on finances and management issued 10 April 2009 in Moscow

Name of organisation: Russian Association of Motor Insurers.

Address: 27 Lusinovskaya Street, building 3, Moscow, 115093, Russian Federation

Registration number: №1027705018494.

We have concluded the following on the basis of our review of the finances and management of RAMI:

The accounts have been prepared in accordance with current Russian legislation. The accounts have been prepared accurately and give a true and fair picture of the assets and liabilities of RAMI as at 31 December 2008 and of the financial results of the Associations operations between 1 January and 31 December 2008 and have been prepared in accordance with the following accounting rules and guidelines: 1, "Accounts of Organisations" (decree PBU 4/99 of the Ministry of Finance of the Russian Federation, 06/07/99, No 43n), 2, "Accounting rules in the RF" (decree of the Ministry of Finance of the Russian Federation, 29/7/98 no 34n) and 3, "The structure of accounts of organisations" (decree of the Ministry of Finance of the Russian Federation, 22/7/03 No 67n).

In the course of our review of the timeliness and accuracy of the accounting for the use of materials, labour and financial resources, no breaches of the rules were discovered.

The accounts of the use of income and expenditure of RAMI and of the Green Card Bureau for 2008 are accurate, and in conformity with the constitution and other documents that set out the powers and activities of RAMI.

The members of the Revision Commission carried out inspections of the work of the following RAMI departments or subdivisions:

- The Department of Analysis and Control;
- The Department for Relations with the General Public;
- The IT Department;
- The Department for Making Compensation Payments;
- The Department for the European Protocol;
- The Department for Social and International Affairs;
- The Department for Predicting and Monitoring Bankruptcy Proceedings;
- The Directorate of the Green Card Bureau.

We saw no breaches of regulations in any of the above departments or subdivisions of RAMI. The work of all of the above departments or subdivisions of RAMI was carried on in conformity with the requirements of Federal Law № 40.

Chairman of the Audit commission

Vitaly A. Poltavtsev

Member of the Audit Commission

Vasily V. Akulov

Member of the Audit Commission

Natalya N. Sonina

Member of the Audit Commission

Sergei V. Bakhtin

Member of the Audit Commission

Ruslan A. Naimanov

Member of the Audit Commission

Nikolai F. Galaguzza



Definitions of abbreviations used in the text:

AIS CMTPL – the integrated IT system for all participants in the CMTPL insurance system.

AIS RAMI – RAMI'S IT system.

CBM – coefficients used to calculate premiums under a "bonus-malus" system.

CMTPL – compulsory motor third party liability.

Green Card – the International Green Card System for insuring motor third party liabilities.

RAMI – the Russian Association of Motor Insurers.

SAB – strict accounting for blank policy certificates for CMTPL insurance.

SAB AIS RAMI – the IT subsystem designed to support the strict accounting for blank CMTPL policy certificates by RAMI.

The Green Card Council of Bureaux – the governing and managing body of the International Green Card System. Its membership consists of all the national Bureaux of the countries that are members of the Green Card System.

RUSSIAN ASSOCIATION OF MOTOR INSURERS

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Russian Federation**

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E mail: request@autoins.ru

Web site: <http://www.autoins.ru>

24 hour free hot line:

8 (800) 200 22 75 (from inside Russia)

+7 (495) 641 27 85 (from outside Russia)