

**THE RUSSIAN ASSOCIATION
OF MOTOR INSURERS
ANNUAL REPORT 2009**

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**Compulsory Motor Third Party
Liability Insurance:
The year 2009 in figures**

Car ownership and road accident statistics

The following factors need to be taken into account when describing the operation of the CMTPL insurance system:

- The total number of vehicles on the road.
- The types of vehicle.
- The number of road accidents.
- The number of individuals injured.
- The proportion of road accidents, that result in serious injury.
- The proportion of road accidents with material damage.
- The causes of road accidents.

In the last few years, the number of vehicles on the road has grown. Up to 2008, road accident frequency also increased, but during 2008 and 2009 the number of accidents that resulted in death or injuries fell and at the same time the total number of people injured in road accidents also fell.

Table 1 and Figure 1 set out the basic information about the number of vehicles on the roads of the Russian Federation between 2004 and 2009¹.

Between 2004 and 2007, the rate of

growth in vehicles on the road increased from 1.4% to 7.4%. However, this increase was not maintained in 2008 and 2009, during which years the rate of growth was 6.6% and 2.1% respectively. During 2009, there was a numerical increase in the number of vehicles on the road of 900,000 vehicles. One of the main causes of the reduction in the rate of growth of vehicles on the road was a significant drop in new car sales.

Figure 2 sets out the breakdown of vehicles on the roads of the Russian Federation in 2009 by type of vehicle².

During 2009, the proportion of light vehicles increased (from 77.7% to 78.65%) whilst the proportion of goods vehicles reduced (from 13% to 12.65%) as did the share of passenger transport (from 2.2% to 2.1%) and motor cycles (from 7.1% to 6.6%). The number of light vehicles on the road grew by 3.3% during 2009. The corresponding figure for passenger transport was 0.2%, but the number of goods vehicles reduced by 0.5% and motor cycles reduced by 6.2%.

	2004	2005	2006	2007	2008	2009
Total number of vehicles on the road (million)	35.8	36.9	38	40.8	43.5	44.4
Growth during the year (million)		1.1	1.1	2.8	2.7	0.9
Growth (%)	1.4	3.1	3.0	7.4	5.6	2.1

Table 1

Growth in the number of vehicles in Russia

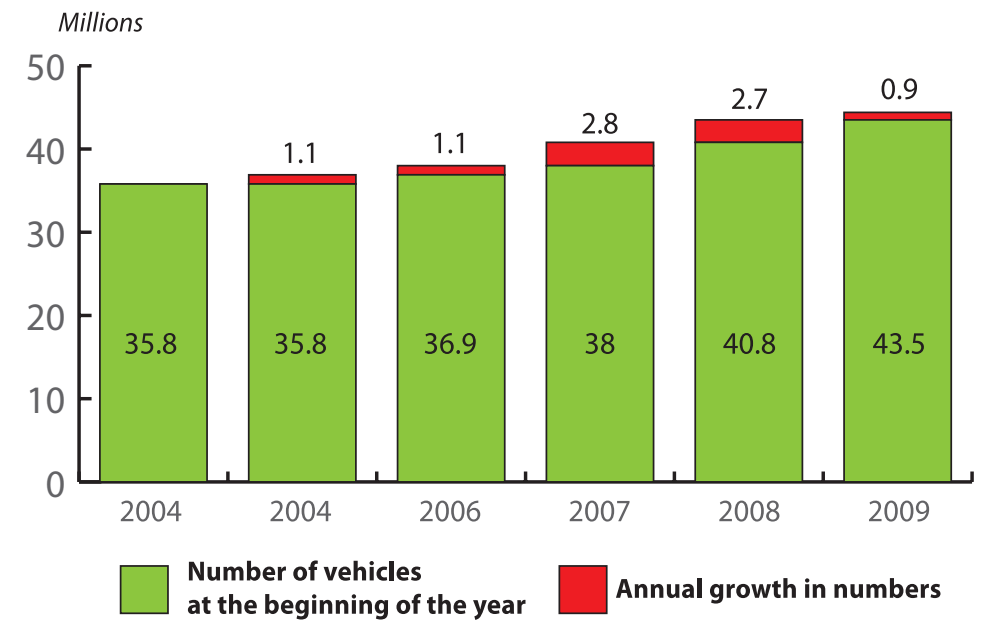


Fig. 1

Number of vehicles by vehicle type (excluding trailers and semitrailers)

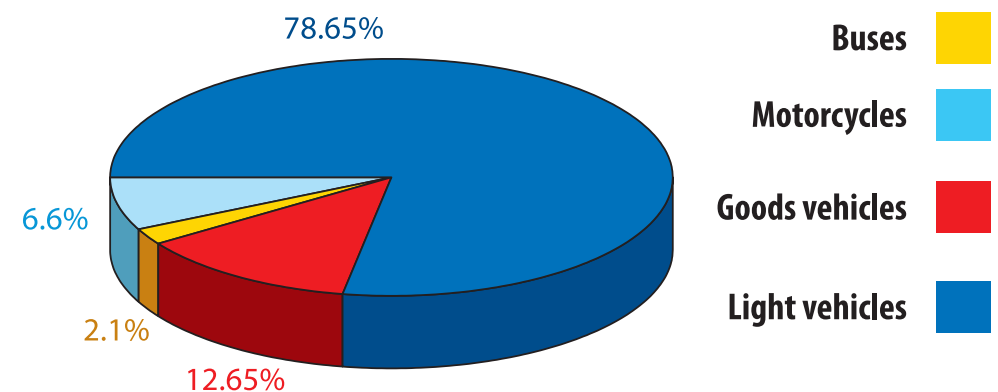
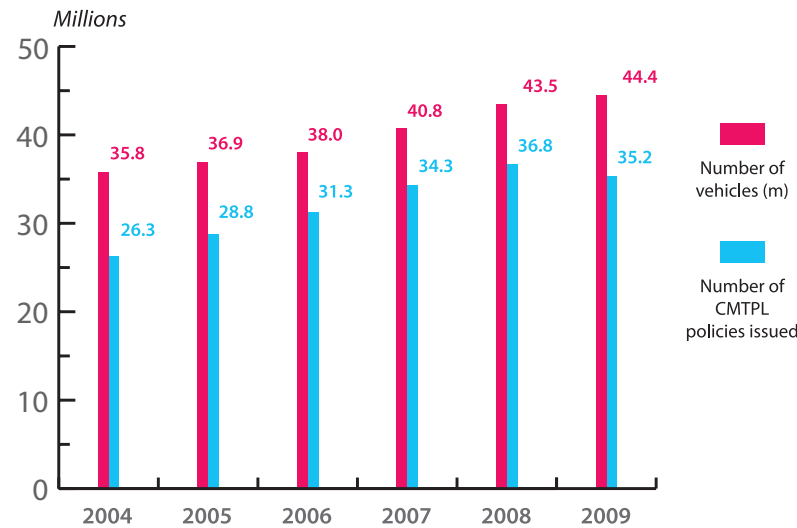


Fig. 2

A comparison of the number of vehicles and the number of CMTPL insurance policies issued



A comparison of the growth in numbers of CMTPL policies issued and number of vehicles

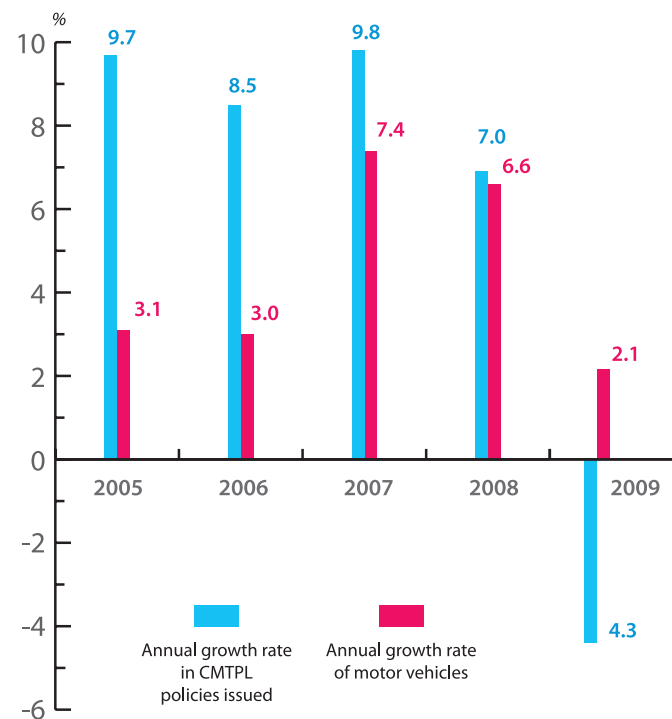


Fig. 3

Before 2009, the growth in vehicle numbers had been accompanied by an increase in the number of CMTPL policies issued. During 2009, there were 44,400,000 vehicles in the Russian Federation whilst the number of CMTPL policies issued was 35,200,000 — a reduction of 4.3% as compared with the

previous year.

Figure 3 compares the growth in vehicle numbers and the number of CMTPL policies issued.

Up to 2009, the growth rates in both vehicles and CMTPL policies issued were roughly equal. However, during 2009 the

Comparison between growth in accidents and motor vehicles

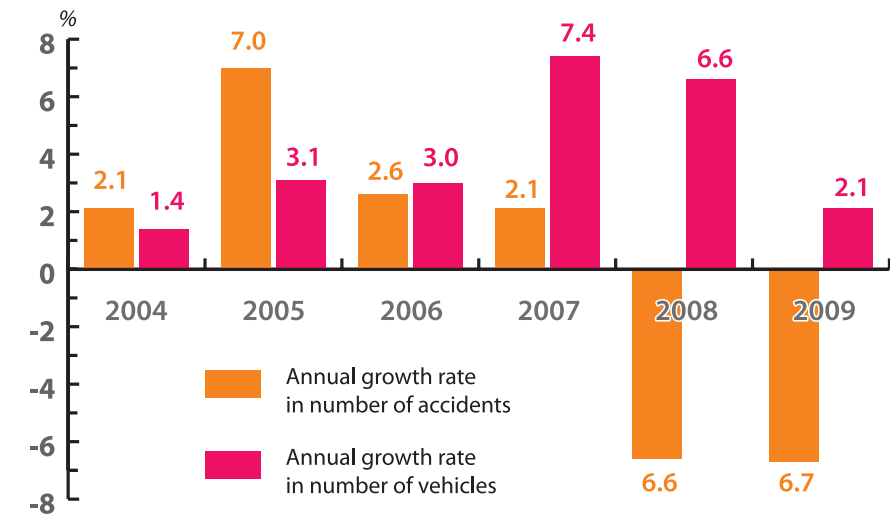


Fig. 4

Number of people killed and injured in road accidents

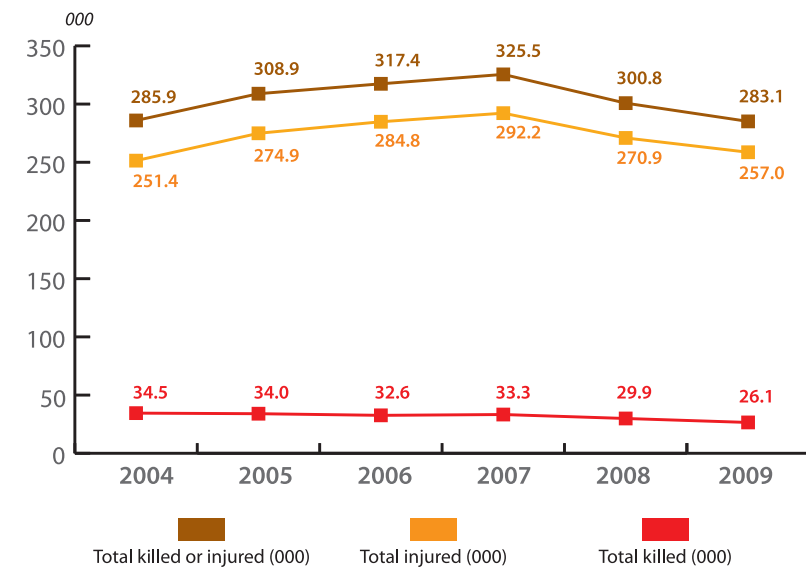


Fig. 5

total number of CMTPL policies issued fell.

Before 2008, the number of accidents on Russian roads had been increasing and as a result, the number of those claiming compensation through CMTPL insurance also increased. In 2008 and 2009, the total number of road accidents in Russia was 218,300 and 203,600 respectively.

In 2009, the number of accidents that caused injuries continued to reduce. The total number of accidents in 2009 was

203,600 (figure 4).

The total number of people killed or injured on the roads also reduced by 5.9% to 283,100 (300,800 in 2008). In addition, the number of people killed reduced by 12.9% and of those injured by 5.1%.

Figure 5 sets out the figures for killed and injured on the roads between 2004 and 2009³.

At the same time, the number of CMTPL

³ Data provided by the State Inspectorate for Road Safety.

A comparison in the rate of growth in the number of accidents and in the number of claims reported

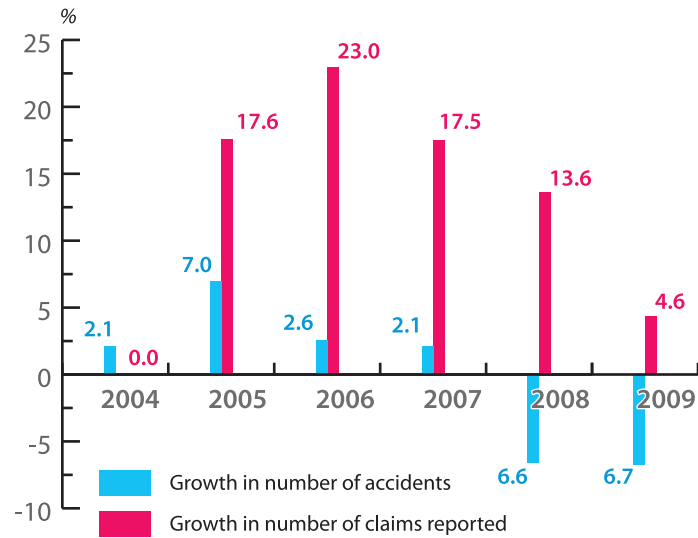


Fig. 6

Number of accident victims receiving compensation and total claims payments

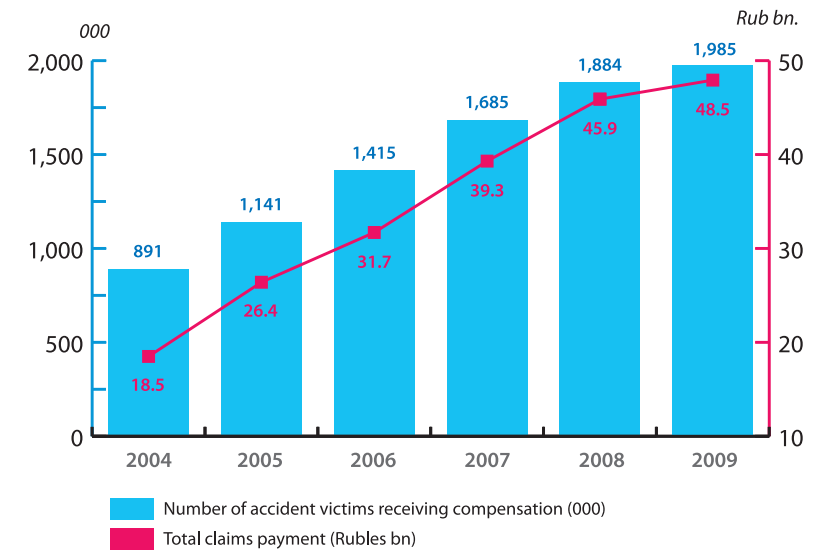


Fig. 8

CMTPL insurance premium and claims

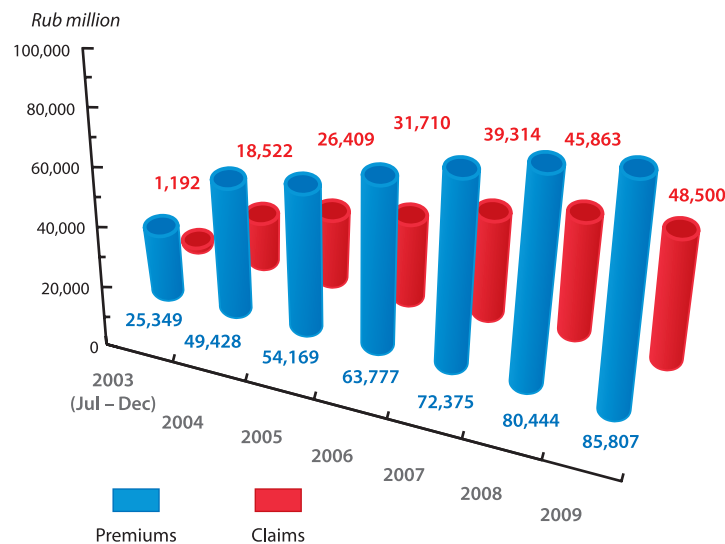


Fig. 7

Average CMTPL insurance premium

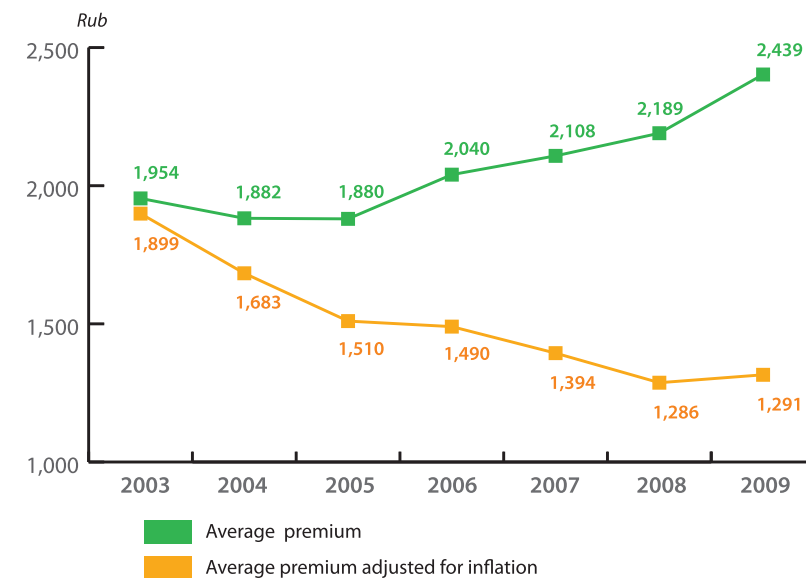


Fig. 9

claims made continued to grow (figure 6). The main reason for this is the fact that the

number of road accidents where there was only damage to property increased.

The CMTPL insurance market

Between 1 June 2003 and 31 December 2009, more than 205 million CMTPL policies were issued, more than 9 million claimants have received compensation flowing a road accident and total claims payments made

was in excess of 211 billion rubles.

In 2009:

- 35.2 million policies were issued;
- 85.8 billion Rubles of premium was

collected;

- 2.07 million claims for compensation were made;
- 1.96 million claims were settled;
- 48.5 billion Rubles in claims payment were made.

The annual figures for premiums and claims payment are set out in Figure 7.

For every 100 rubles in CMTPL insurance premium collected in 2009, 65.6 rubles was paid out in claims.

In 2009, both the amount of claims payments made and the number of insurance claims made increased (Figure 8). Thus, there were 2.07 million claims made in 2009, an increase of 4.6% over 2008. At the same time, the number of policies issued fell by 4.3%.

When CMTPL insurance came into force, the average premium paid was 1,880 rubles and it has since then increased to 2,440 rubles. If these figures are adjusted to take

Average CMTPL claim paid

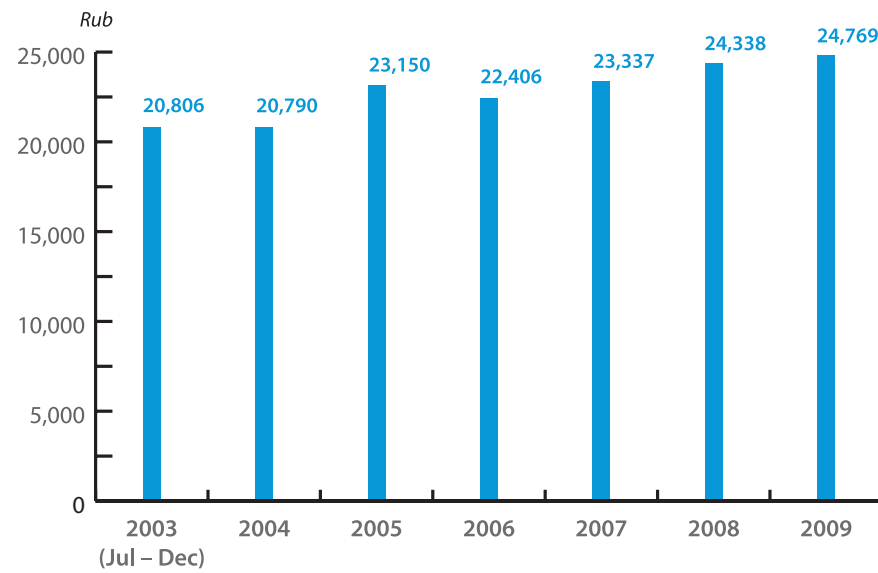


Fig. 10

RAMI member insurance companies by size of equity capital

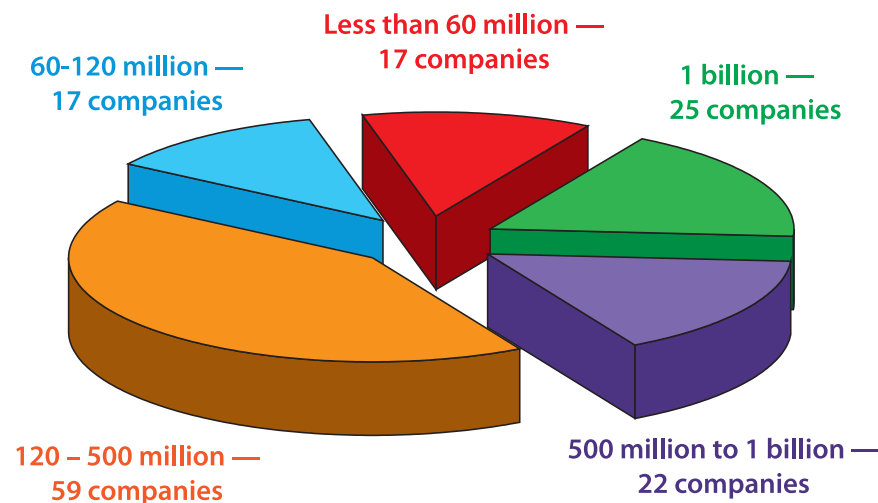


Fig. 11

account of inflation in the same period, the result is that in real terms, the average premium has fallen by 32% (Figure 9).

It should be noted that the increase in average premium in 2009 was influenced by a small increase in CMTPL premium tariff rates in those regions of Russia where loss ratios were above 100.

The average CMTPL insurance claim payment continued to increase. In 2009, this figure was 24,769 rubles, an increase

by 1.8% over 2008 (Figure 10).

140 insurance companies held licenses to carry on CMTPL insurance business at 31 December 2009. The average capital of CMTPL insurance companies was 610 million rubles⁴. 24% of insurance companies carrying on CMTPL business had capital of less than 120 million rubles (these companies collected 2.6% of total CMTPL insurance premium). A further 42% of companies had capital between 120 million rubles and 500 million

Leading regions of Russia in CMTPL claims payments 2009

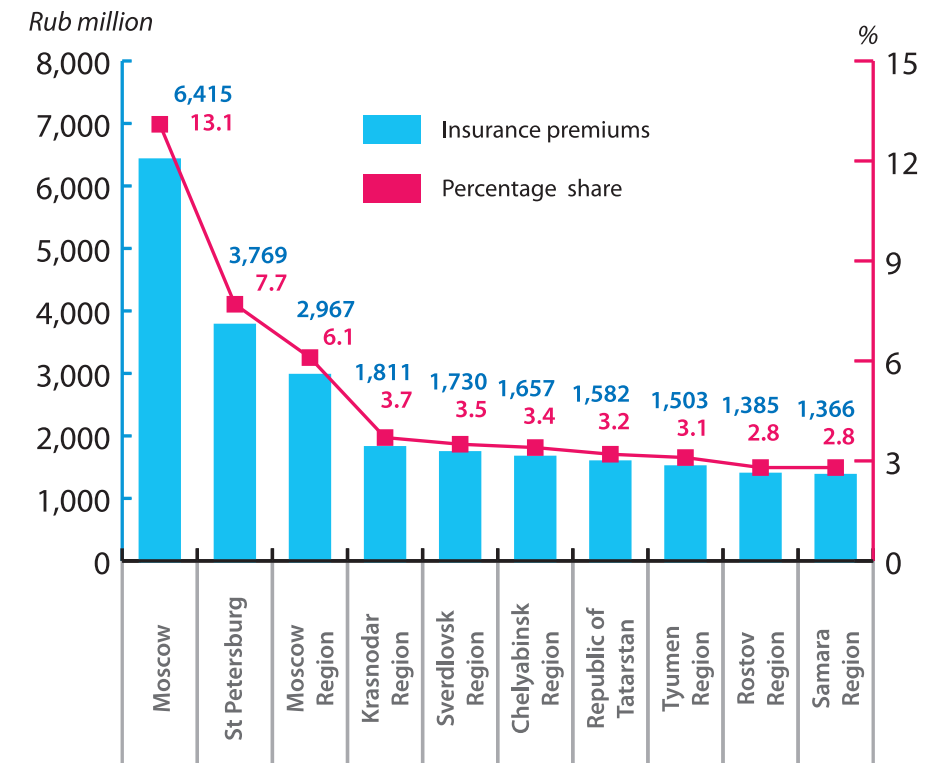


Fig. 12

rubles (9.2% of premium) and 16% between 500 million rubles and 1 billion rubles (7.7%). In contrast, 80.5% of premium was collected by the 18% of companies that have capital above 1 billion rubles (Figure 11).

Figure 12 shows the regions of Russian Federation where most CMTPL claims are paid by insurance companies.

In 2009, the three regions with the most CMTPL claims payments were Moscow City, with 6,415 million rubles (13.1% of the total), St Petersburg, with payments of 3,769 million rubles (7.7% of the total) and the Moscow Region with 2,967 rubles (6.1% of the total).

In the following regions, total claim payments of between 1.5 and 1.8 billion rubles were made (3.1% to 3.7% of the total): the Krasnodar Region (1,811 million rubles), the Sverdlovsk Region (1,730 million rubles), the Chelyabinsk Region (1.657 billion rubles), the Republic of Tatarstan (1.582 billion rubles) and the Tyumen Region (1.503 billion rubles).

Both the Rostov Region and Samara Region made claim payments which totaled 2.8% of the total — (1.385 billion rubles and 1.366 billion rubles respectively).

Turning to the Federal Districts, there is no doubt that the leading Federal District in terms of both premiums collected and claims paid is the Central Federal District where 31,607 million rubles of premium was collected (36.7% of the total) and 14,702 million rubles claims were paid (30.1% of the total). The details are included in Figure 13 and 14, the data being derived from RAMI form 2 for 2009.

In 2009, 17% of total premiums were collected in the Volga Federal District (14,596 million rubles), 11.7% in the North Western Federal District (10,106 million rubles), 11% from the Siberian Federal District (9,432 million rubles), 10.2% from the Southern Federal District (8,809 million rubles) and 9.2% from the Urals Federal District (7,913 million rubles).

CMTPL insurance premiums

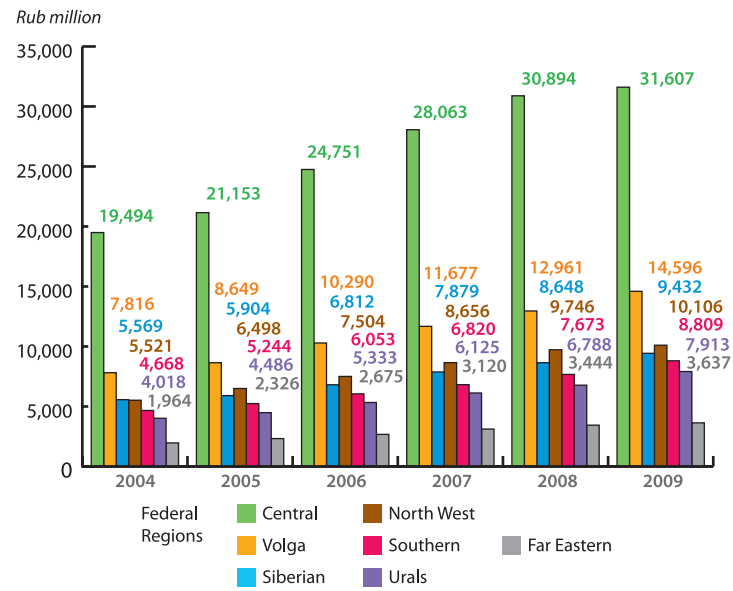


Fig. 13

CMTPL insurance claims paid

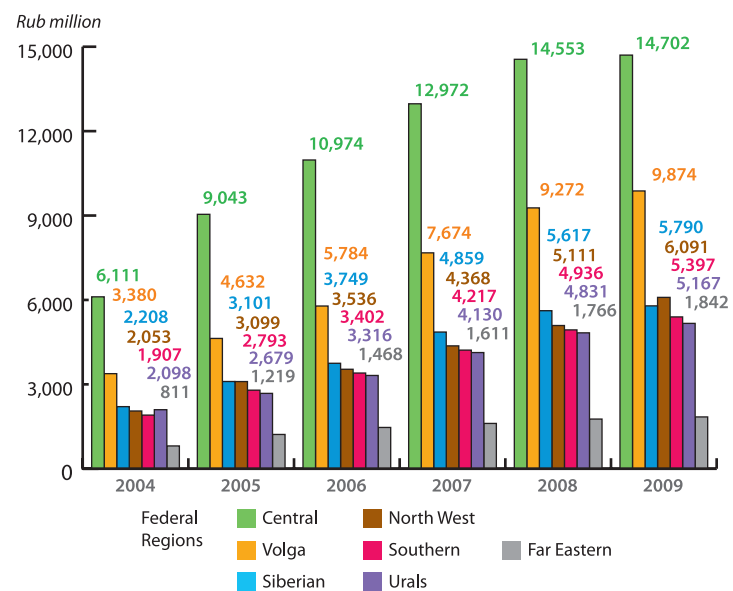


Fig. 14

In terms of claims payments, the following figures were seen in 2009 for Federal Districts: 20.2% of the total were paid in the Volga Federal Region (9,874 million rubles), 12.5% in the North Western Federal Region (6,091 million rubles), 11.8% in the Siberian Federal Region (5,790 million rubles), 11% in the Southern Federal Region (5,397 million rubles) and 10.6% in the Ural Federal Region (5,167 million rubles).

Bringing up the rear, in terms of both premium collected and claims paid is the Far Eastern Federal District. There was collected 3,637 million rubles in premiums (4.2% of the total) and 1,842 million rubles were paid out as claims. The small number of premiums and claims is explained by the fact that this region contains the smallest number of registered vehicles in the country.

It should be noted that from January

CMTPL insurance premiums

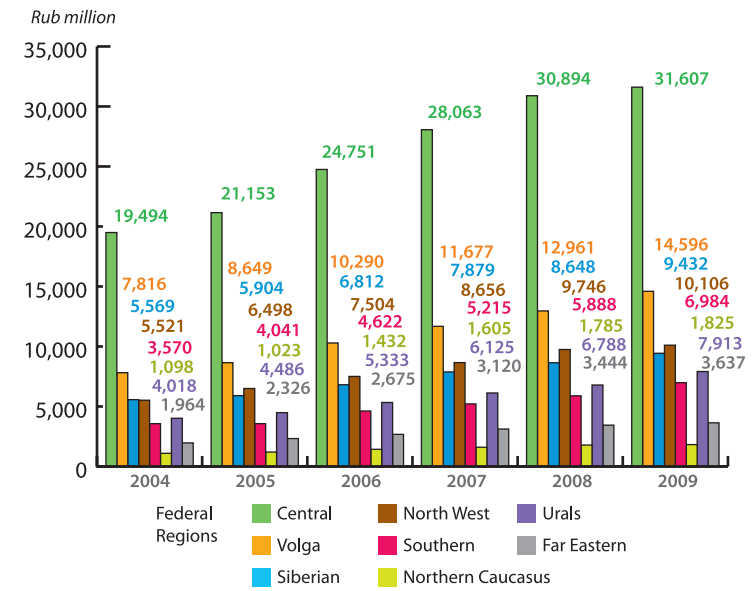


Fig. 15

CMTPL insurance claims paid

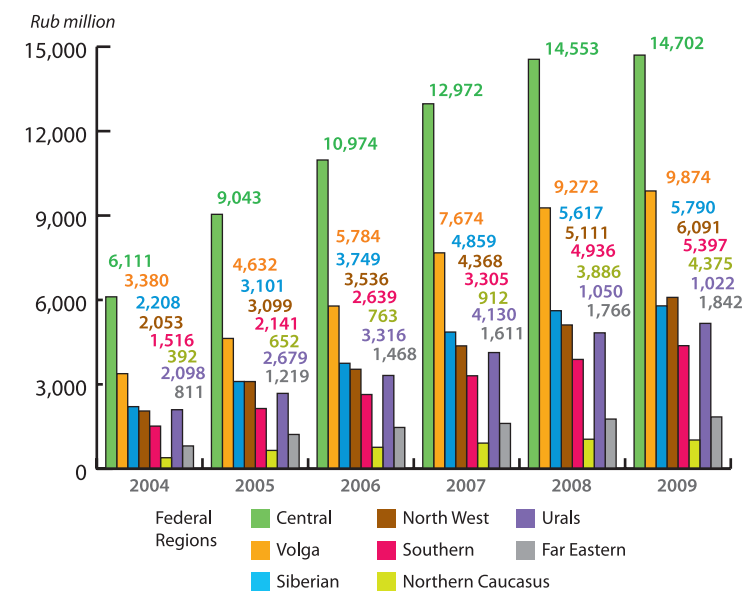


Fig. 16

2010, the number of Federal Districts increased. A new Federal District was created on the basis of a decree issued by the President of the Russian Federation on 19 January 2010 (Decree No 82 "On the Introduction of Amendments to the Decree of the President of the Russian Federation, dated 13 May 2000 (No 849) and to the Decree of the President dated 12 May 2008 (No 724) "Questions Relating to the Structure of Federal Bodies"). The new Federal District, the Northern Caucasus

Federal District, includes the following regions: the Republic of Dagestan, the Republic of Ingushetia, the Kabardino-Balkarskaya Republic, the Republic of Northern Osetia-Alaniya, the Chechen Republic and the Stavropol Region.

The Northern Caucasus Federal District was, therefore, carved out of the Southern Federal Region. As a result the Southern Federal District reduced in size and now contains the following regions:

the Republic of Adigeya, the Republic of Kalmikiya, the Krasnodar Region, the Astrakhan Region, the Volgograd Region and the Rostov Region.

CMTPL premiums and claims for the former Southern Federal District will in future be divided between the new Southern Federal District and the Northern Caucasus Federal District (figures 15 and 16, data derived from RAMI form 2). Had the new region been created in 2009, the following breakdown of premiums and claims would have been shown: for the Northern Caucasus Federal District premiums of 1,825 million rubles (2.1% of the

total) and claims of 1,022 million rubles (2.1% of the total). The area which from 2010 is the Southern Federal Region collected 6,984 million rubles (8.1% of the total) and claims were paid of 4,375 million rubles (8.9% of the total).

As a result of this change, the new Southern Federal District falls behind the Urals Federal District in terms of CMTPL premiums collected and claims paid. The Northern Caucasus Federal District will be the federal district with the least amount of CMTPL premiums collected and claims paid, falling behind the Far Eastern Federal Region.

CMTPL insurance as part of the Russian insurance market

As at 31 December 2009, there were 702 insurance organisations included in the State Register⁵, of which 140 (20% of the total number) have obtained a license to carry on CMTPL insurance.

Figures for total market premiums and claims and CMTPL insurance premiums and claims are set out in table 2 below⁶.

Data on the CMTPL premiums and claims compared with different classes of insurance⁷ are set out in figure 17.

Figure 17 shows that the largest class of insurance in the market is compulsory medical insurance. CMTPL insurance contributes 8.8% of premiums and 6.8% of claims.

Taking the voluntary classes of insurance, 27% of voluntary insurance premi-

ums are from property insurance (excluding liability insurance) and 20.5% of claims paid are from this class. 10% of premiums and 9.3% of claims are derived from personal insurance other than life insurance.

The total amount of premium derived from all other classes (liability insurance, life insurance, commercial insurance and financial risks, compulsory insurance other than CMTPL and compulsory medical insurance) makes up 5.8% of total premiums and 2.2% of total claims.

As can be seen in table 3, the share of compulsory insurance is growing whilst voluntary classes are reducing.

Premiums for compulsory classes of insurance grew in 2008 by 15.6% whilst

	2009
Total Insurance Premiums (billion, rubles)	977.5
CMTPL insurance premiums (billion, rubles)	85.7
CMTPL premiums as % of total premiums	8.8
Total Claims paid (billion, rubles)	734.4
CMTPL claims paid (billion, rubles)	49.8
CMTPL claims paid as % of total claims	6.8

Table 2

Insurance premiums and insurance claims paid by class of business 2009

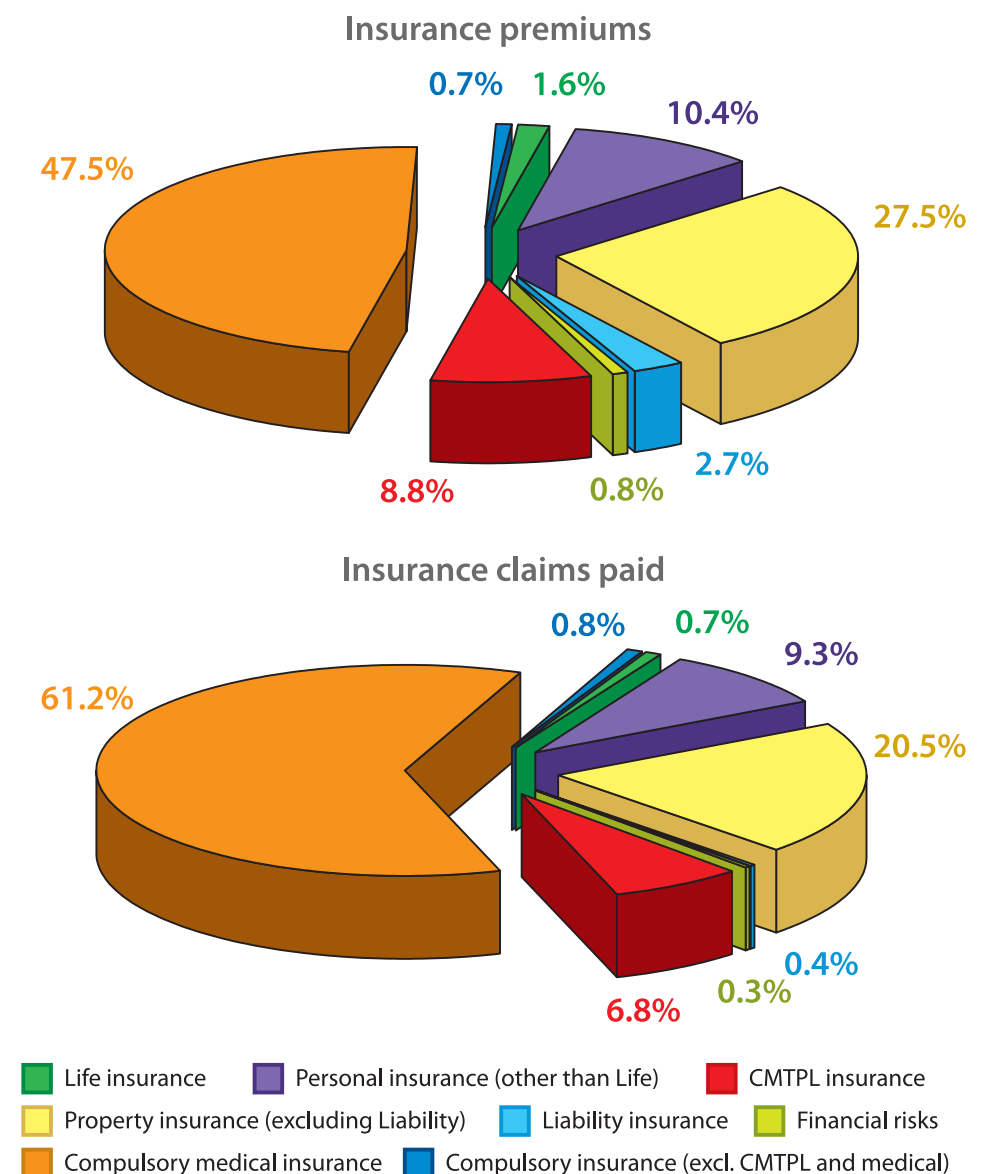


Fig. 17

	2005	2006	2007	2008	2009
Insurance premiums for compulsory classes (billion, rubles)	203.5	273.2	368.7	481.8	557.1
Share (%)	41.1	44.7	47.5	50.9	57.0
Insurance premiums for voluntary classes (billion, rubles)	292.0	337.4	407.3	464.4	420.4
Share (%)	58.9	55.3	52.5	49.1	43.0

Table 3

A comparison of growth rates of voluntary and compulsory classes of insurance

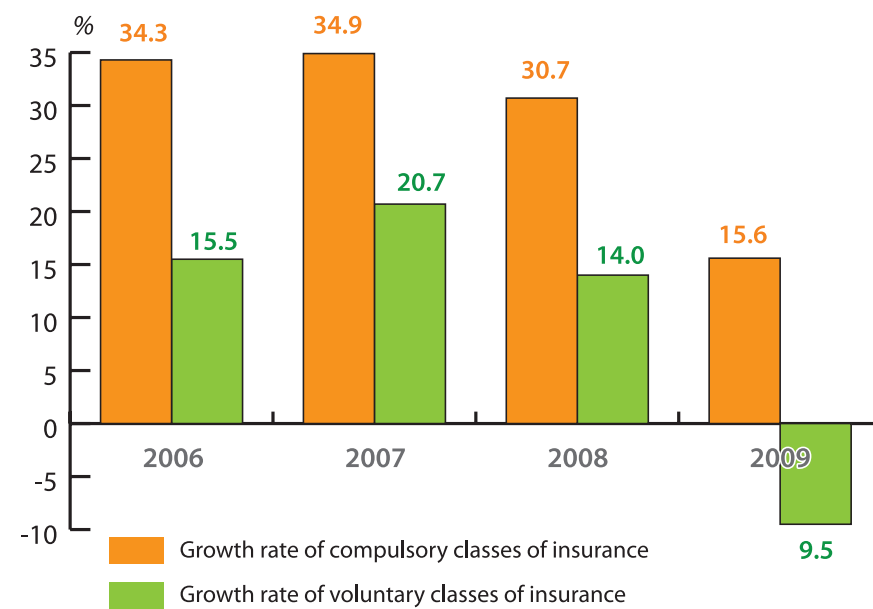


Fig. 18

premiums for voluntary classes fell by 9.5%⁸ (Figure 18).

The structure of compulsory insurance premiums for 2009 is set out in Figure 19⁹. In that year, total premiums collected for compulsory insurance was 557.1 billion rubles compared with 481.8 billion rubles for 2008.

Compulsory medical insurance is the largest class of compulsory insurance. This class increased its share in 2009, from 81.8% to 83.3% of the total. CMTPL insurance's share reduced from 16.6% to 15.4% whilst the share of all other compulsory classes fell from 1.6% to 1.3%.

The compulsory classes of insurance by class of insurance

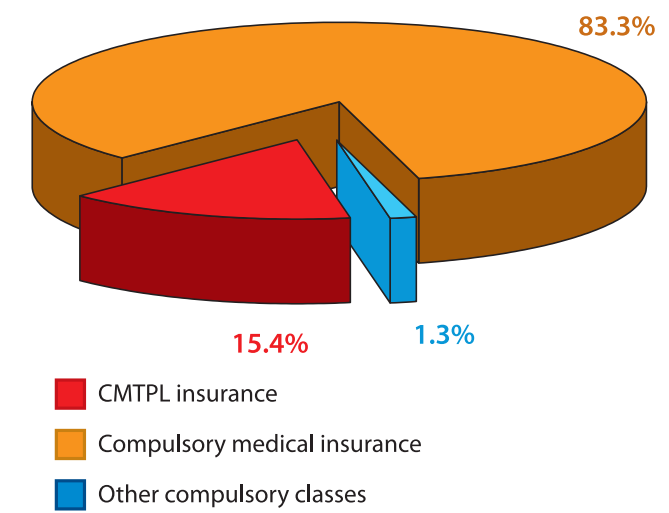


Fig. 19



**The work of the Russian
Association of Motor Insurers in
2009**

Direct settlement of claims and simplified reporting of road accidents

On 1 December 2007, amendments to the Federal Law "On Compulsory Motor Third Party Liability Insurance" were passed with the result that on 1 March 2008 the direct settlement of CMTPL insurance claims system came into force in the Russian Federation. The direct settlement system applies to claims where an individual has suffered damage to property following a road accident which was caused by an insured driver. The individual who has suffered the damage has the right to approach directly the insurance company that issued the CMTPL insurance policy to the driver who caused the damage and to request payment of compensation for the damage suffered in cases where the road accident only caused damage to property (and there were no injuries), where no more than two vehicles were involved and where the driver that caused the damage is in possession of a valid CMTPL policy, in compliance with the CMTPL law.

In addition, from 1 March 2009, drivers involved in road accidents gained the right to record the details of the accident without the need to have an officer of the road traffic police complete a formal report on the accident. The law stipulates that the record of the accident made without the police officer may be used to formulate a CMTPL insurance claim. This simplified system of recording road traffic accidents without the involvement of the police can be used if there is only damage to property resulting from the accident (no injuries), no more than two vehicles are involved and both drivers involved in the accident have a valid CMTPL policy, fully compliant with the Federal CMTPL law. In addition, both drivers have to be in agreement as to the cause of the accident and the nature of the damage. Finally, the total value of the damage caused in the accident must be less than 25,000 rubles.

Before 1 March 2009, an agreement on direct settlement of claims was drawn up which set out the conditions under which an accident victim could seek direct settlement and defined the system of intercompany accounting necessary to implement the scheme. It is worthy of note that work to improve this agreement continued after 1 March 2009 up to the end of the year. This work was the responsibility of two of RAMI's

committees: the Committee for Developing Procedures for Settling Claims and the European Protocol and the Finance Committee. Considerable attention was paid to developing of a system of financial guarantees to support direct settlement and to the monitoring of the system on a daily basis.

The Ministry of Finance of the Russian Federation issued a decree on 23 January 2009, that defined the legal requirements for an agreement covering the direct settlement of claims, including intercompany accounting and other accounting issues. In detail the issues covered are:

- The rights and obligations of the insurance companies that adhere to the agreement.
- The duration of the agreement.
- The procedure for amending the agreement.
- The ground for terminating the agreement.
- The procedure whereby an insurance company may adhere to the agreement.
- The procedure whereby an insurance company may terminate the agreement.
- The procedure for making intercompany payments, their format and frequency.
- Dispute settlement procedures.
- The liability of parties for failure to carry out contractual obligations or for improper performance of obligations.
- Methods of enforcing contractual obligations.
- The procedure and methods for calculating the average size of claims payment.
- Other issues.

A set of professional conduct rules dealing with direct settlement of claims was drawn up on the basis of, and in conformity with the above decree. These rules of professional conduct were then agreed with the Ministry of Finance of the Russian Federation.

The work on developing an IT system and clearing house for direct settlement was completed by 1 March 2009 and the accounting system went into full commercial operation. All the necessary documentation was produced to allow insurance companies to operate the system and in addition a full audit was performed on the system to ensure that personal information was kept confidential.

The main processes for direct settlement of claims

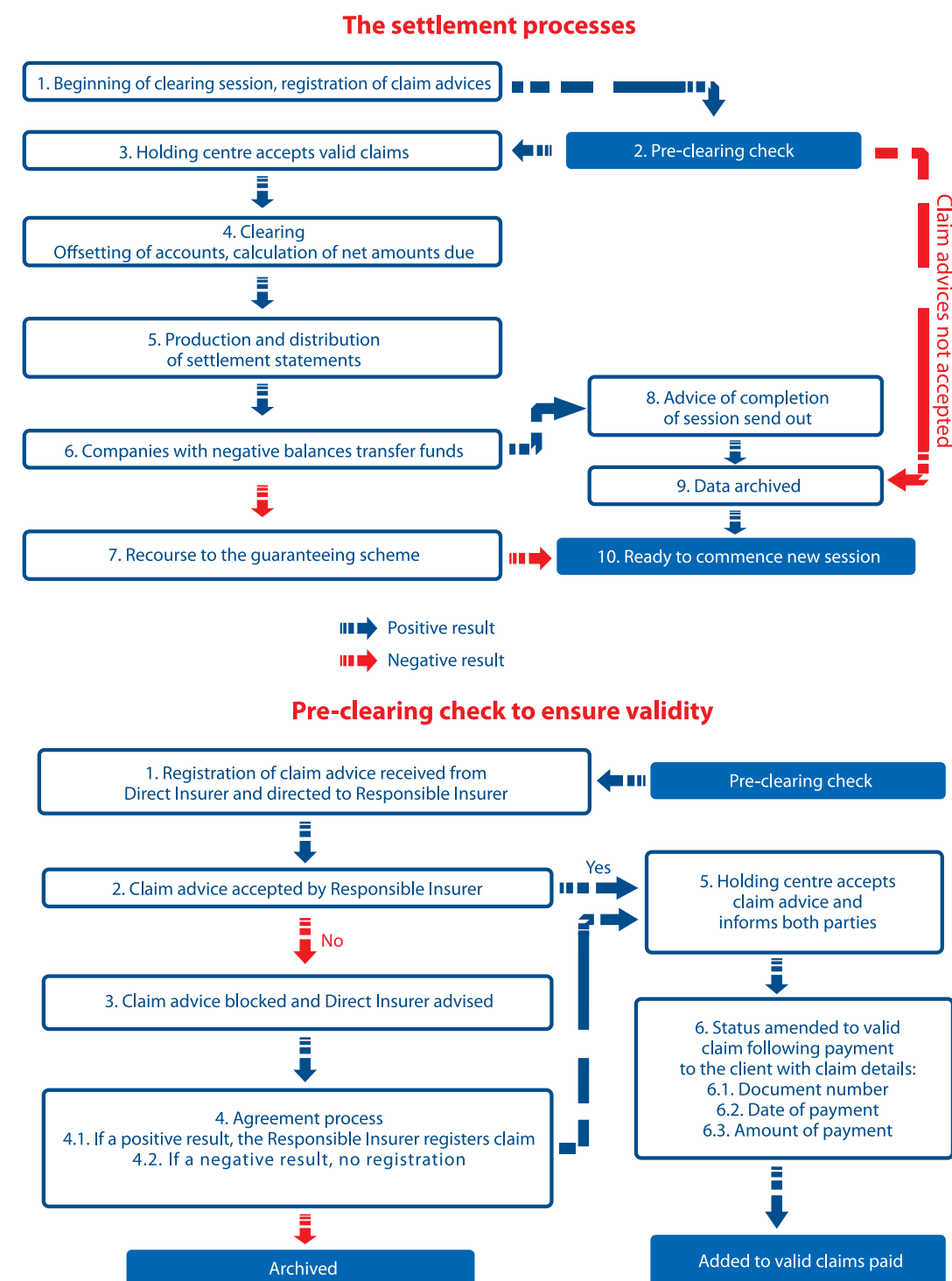
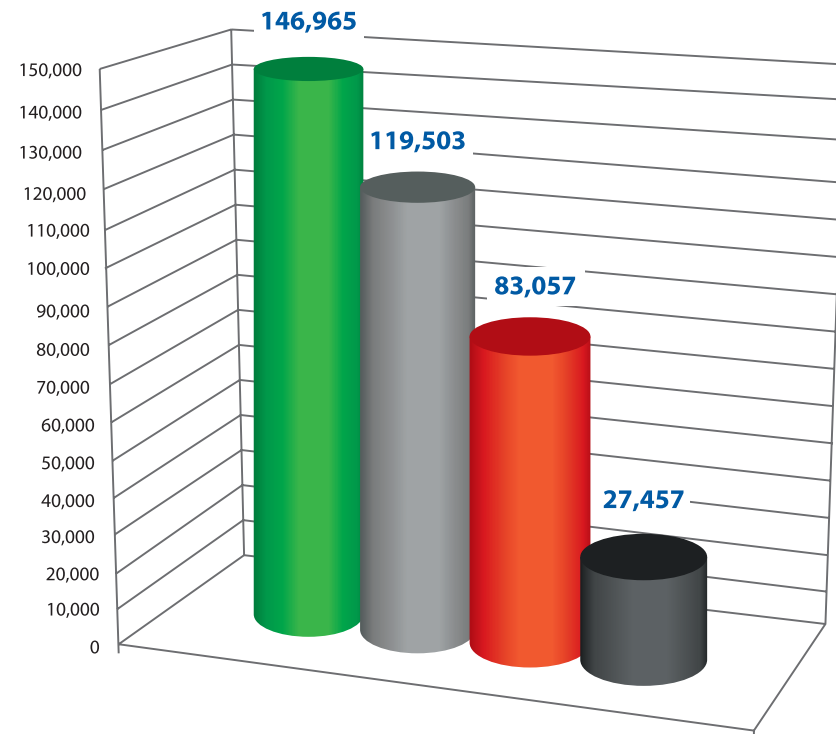


Fig. 20

Direct settlement: Applications and settlements under the system

Direct settlement of claims (from CMTPL Clearing Centre IT system)



	Number
■ Claims advices	146,965
■ Accepted claims	119,503
■ Valid claims paid	83,057
■ Rejected	27,457

Fig. 21

The basic statistics for the operation of Direct Settlement of claims between 1 March 2009 and 28 February 2010 are as follows:

- 148,749 claims were entered into the direct settlement system;
- 104,589 claims were accepted on behalf of the victim for the payment of compensation;
- 27,088 claims were not accepted;
- 17,072 claims were reviewed;
- 84,397 claims were settled by the direct insurer who then claimed from the insurer of the responsible party.

During one year of operation of the direct

settlement system, claims for restitution between insurance companies totaled 2.1 billion rubles. It should be noted, that the main reason for refusal is when the claim event does not fall within the terms of the direct settlement system.

It is interesting to note that during the first eight months of operation of the scheme the number of applications by victims to insurance company increased month by month on a regular basis. However, from October there was a sharp increase in the number of requests for settlement to insurance companies where the victim had a CMTPL insurance

Direct settlement of claims: Weekly applications as a percent of total CMTPL claims between 1 March 2009 and 28 February 2010

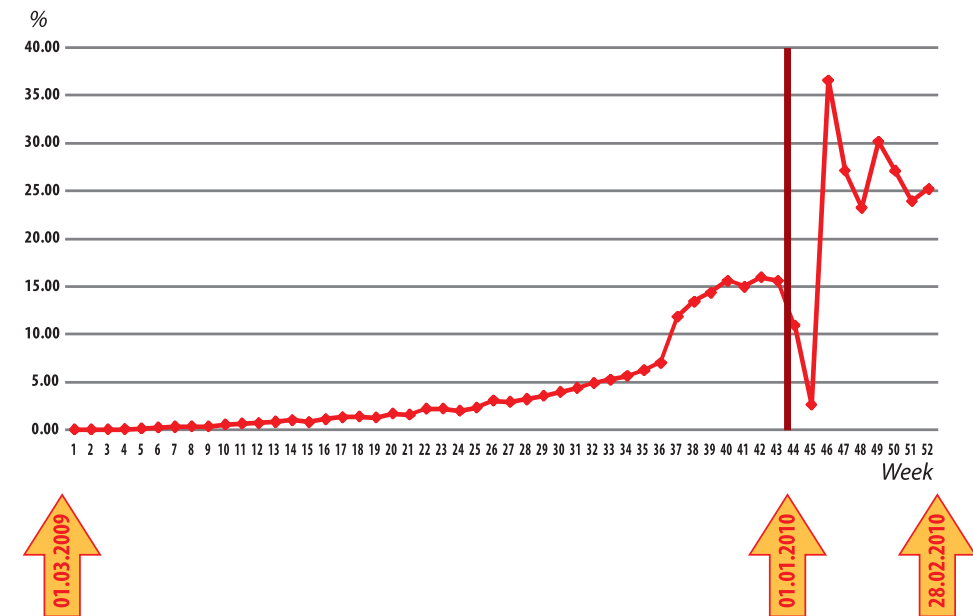


Fig. 22

policy. Thus during April 2009 (the first month of operation of the direct settlement system) there were 16 applications per week. By 1 December, this figure had risen to approximately 300 applications per week and during the last week of the year (from 22 to 28 December) insurance companies entered 9389 applications into the system which was about 25% of all CMTPL claims for one week.

In total, in the twelve-month period between 1 March 2009 and 28 February 2010, the direct settlement system handled 7.5% of total CMTPL claims. In terms of road accidents formally registered, 4.3% resulted in applications to the direct settlement system.

The fact that a relatively small number of accidents are reported using the simplified reporting system can be attributed to the fact that at present drivers involved in an accident are afraid to estimate themselves the total cost of repairs arising out of the accident (currently legislation states that if the damage arising from the accident exceeds 25,000 rubles, then the simplified reporting system cannot be used) and in addition they do not

have the necessary skills to complete the accident report form which has to be presented to an insurance company to receive compensation.

In 2009, a set of rules of professional conduct were developed which set out a number of descriptions of typical road accidents and for each of the accidents described, the responsibility of each party for causing the accident was determined. With the use of this "Description of Standard Road Accidents", accident participants will be able to determine the driver responsible for the accident by themselves, without the need to involve the police. The "Description of Standard Road Accidents" was drawn up by the scientific road safety research centre of the Ministry of the Interior and was approved by the Presidium of RAMI on 24 December 2009.

Throughout 2009, the Association worked with specialists from the Ministry of Finance to draw up proposal for changes to the Tax Code of the Russian Federation to cover the situation where under the direct settlement system companies receive a fixed amount for each claim. In addition work was carried out

Direct settlement statistics from CMTPL clearing centre IT system (between 1.3.09 and 1.3.10)

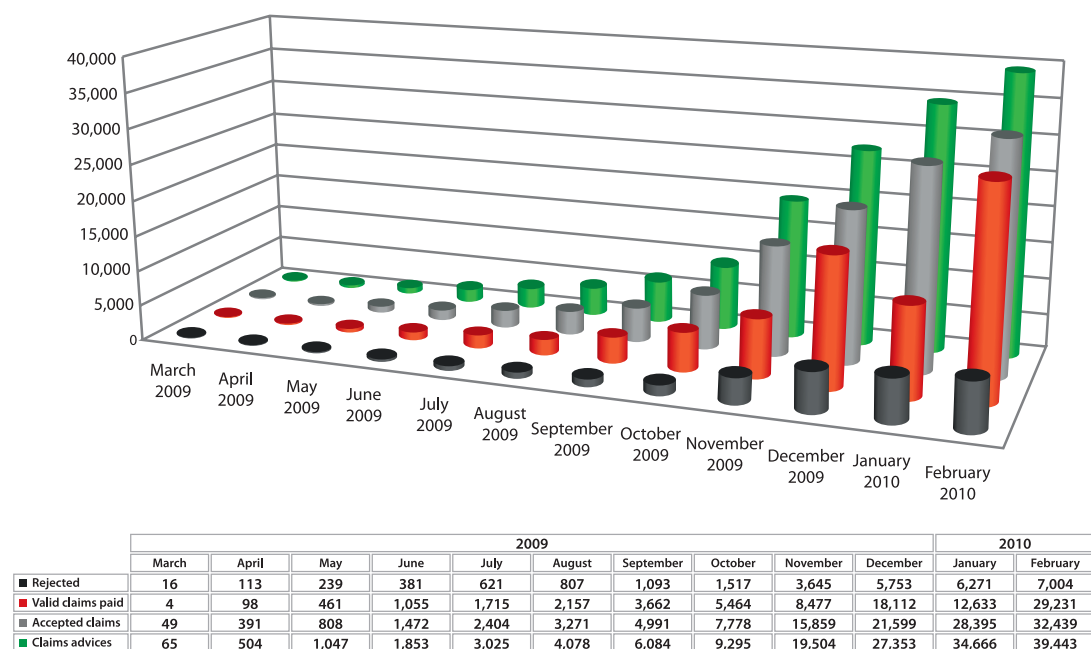


Fig. 23

to amend the basic CMTPL law so that the direct settlement system becomes the only means of obtaining compensation for damage under CMTPL insurance (as is the case in Western Europe) and also to make it possible to make direct settlement payments from the RAMI compensation fund. Proposals to amend the Tax Code and the CMTPL law have been drawn up and sent to the Ministry of Finance.

Also in 2009, a working group was formed by the RAMI Committee for Developing Procedures for Settling Claims and the European Protocol to answer questions posed by insurance companies on the simplified reporting of road accidents and direct settlement. Throughout the year, members of this working group examined questions and complaints from insurance companies and put forward proposals to the committee that as to its position on a number of controversial issues arising out of direct settlement of claims and simplified reporting of road accidents.

The RAMI Committee for Developing Procedures for Settling Claims and the European Protocol has produced a number of explanatory manuals:

- Explanatory Manual No. 14 for insurance company personnel "Procedures for settling CMTPL claims using the simplified claims reporting system and direct settlement".
 - Explanatory Manual No 15 for insurance company personnel "Implementing direct settlement of claims" (approved by RAMI Presidium, 24 December 2009).
- In 2009, RAMI used the amount of fixed payment between companies (forfait) in terms of the direct settlement system (approved by RAMI presidium on 16 October 2008) that was calculated on a regional basis referencing the following regions of Russia:
- The Central Federal Administrative Region (excluding Moscow and Moscow Region).
 - Moscow and the Moscow Region.
 - The Volga Federal Administrative Region.
 - The Siberian Federal Administrative Region.
 - The North Western Federal Administrative Region (excluding St Petersburg and the Leningrad Region).
 - St Petersburg and the Leningrad Region.

No		Average claims payment (rubles)		
		Domestic-made light vehicles	Foreign-made light vehicles	Other vehicles
1	Central Federal District (excluding Moscow and the Moscow Region)	12,359	22,867	22,922
2	The Volga Federal District	12,067	22,657	20,889
3	The Siberian Federal District	12,132	20,980	23,439
4	The North Western Federal District (excluding St Petersburg and the Leningrad Region)	13,705	20,445	21,775
5	The Southern Federal District	12,892	25,515	26,016
6	The North Caucasus Federal District	12,892	25,515	26,016
7	The Urals Federal District	11,911	20,578	22,388
8	The Far Eastern Federal District	11,385	21,969	27,242
9	Moscow and the Moscow Region	12,275	23,175	29,313
10	St Petersburg and the Leningrad Region	14,792	27,143	31,726

Table 4

- The Southern Federal Administrative Region.
- The Urals Federal Administrative Region.
- The Far Eastern Federal Administrative Region.

During 2009, following instructions from RAMI Presidium, the Committee for Tariffs, Statistics and Reserves carried out a programme of work to calculate the average claims payment amount under the direct settlement system. This work includes:

- Making an analysis of the adequacy of the data held on the CMTPL clearing house database; the development of criteria for improving the data on the CMTPL clearing house database so that it can be used to calculate the corrected values of the average claims payment amount.
- Developing alternative methods of calculating average claims payments amounts under direct settlement for accounting between insurance company members of RAMI other than using data held on the CMTPL clearing house database.
- Monitoring the data held on the Clearing House IT system on a regular

basis in order to recalculate the average claims payment amount under direct settlement using the criteria developed for ensuring the adequacy of data.

The result of this work was new calculations of the fixed payment amount (forfait) used for making refund payments to insurance companies from 1 April 2010.

During 2009, the Association continued its programme of providing information and presenting the RAMI position in relation to direct settlement of claims and the simplified reporting of road accidents. In this context the following events took place:

- Six training seminars — one in each of the following Federal Regions: Urals, North West, Southern, Volga, Siberian and Far Eastern.
- Six seminars for employees of the road traffic police in the following regional centres: St Petersburg, Kaliningrad, Voronezh, Bryansk, Ivanovo and Nizhny Novgorod.
- One conference call.

The seminars were attended by representatives of RAMI member insurance companies, specialists from RAMI, and

also representatives of the relevant ministries and departments: the State Duma, the Department of Road Safety of the Ministry of the Interior, the Ministry of Finance, the Ministry of Economic Development and the Federal Service for Insurance Supervision. All in all more than 100 people attended these seminars.

At these seminars, there were discussions on issues relating to the implementation in Russia of the system of direct set-

tlement and the simplified reporting of motor accidents, such as the basic principles of the direct settlement system, new versions of the direct settlement agreement and the "Description of Standard Road Accidents", future possibilities for developing further regulatory documents for direct settlement and simplified reporting of road accidents and how the clearing system works.

The International Green Card System

The General Assembly of the Council of Bureaux on 29 May 2008 took the decision to admit the Russian Association of Motor Insurers into the International Green Card System. This decision meant that insurance companies which were members of the Russian Bureau, were able to issue national Green Card insurance certificates with effect from 1 January 2009. Every requirement set by the Council of Bureaux was implemented before 1 January 2009 and insurance companies that had joined the Russian Green Card bureau duly began to issue Russian Green Card insurance certificates. The work of the Russian Green Card Bureau in 2009 was carried out in the following areas:

Bringing Russian legislation and RAMI's constitution into line with the requirements of the International Green Card System

In 2009, the Russian Green Card Bureau issued the following documents:

- The rules on marketing Green Card insurance products;
- Instructions for implementing disciplinary proceedings against the Green Card Bureau members for regulations breaches relating to the Green Card operations.

New versions and/or amendments were made to the following documents relating to the Green Card Bureau, which had been first issued in 2008:

- Regulations governing activities in relation to the International Green Card System, approved by RAMI Presidium (29 May 2008).

- The Green Card Bureau Statutes, approved by the Presidium of RAMI (26 June 2008).

- Regulations governing financial issues relating to the International Green Card System activities, approved by the Management Board of RAMI (14 August 2008).

- Regulations governing membership issues of the Green Card Bureau, approved by the RAMI Management Board (14 August 2008).

- Regulations governing the Green Card insurance certificates issuance, approved by the RAMI Management Board (11 September 2008).

- Regulations governing the settlement of claims within the International Green Card System, approved by the RAMI Management Board (11 September 2008).

- The insurance contract wording for the international Green Card system for motor third party liability insurance, agreed by the RAMI Management Board (25 September 2008).

In addition, amendments were made to the following RAMI documents relating to issues connected with CMTPL insurance in order to reflect specific features of insurance within the International Green Card System:

- The rules governing inspections of RAMI members' activities related to CMTPL insurance and their compliance with the rules of professional conduct;

- The rules governing the imposition of sanctions on RAMI member companies, on their officials and on their employees.

Preparation of analysis on the issues relating to setting adequate Green card tariffs

During 2009, RAMI prepared the following analyses and conclusions for government bodies and other organisations, in response to enquiries:

- The reasons for RAMI's policy of allowing the sale of Green Card certificates with only two types of territorial cover (World-wide and Belarus, Ukraine & Moldova) in the Russian Federation.

- A report that compares Russian Green Card tariffs with the tariffs charged by Russian insurance companies before 1 January 2009 while acting as foreign companies insurance agents.

- Proposals on amendments to the Ministry of Finance Decree No 51n governing the formation on non-life insurance reserves. The proposals covered the formation of the outstanding claims reserve for Green Card business in the event that data is absent as to the expected size of loss.

- Research into the adequacy of operating costs rates set in respect of Green Card operations.

- Research into the current market indicators and changes in the insurance of goods vehicles and trailers under the international Green Card system.

Information Technology Projects

During 2009, the following projects were undertaken:

- Changes were made to the RAMI Automatic Information System (AIS) in respect of the modules dealing with CMTPL blank policies, CMTPL insurance contracts and claims.

- Work was carried out to develop a data security system for the Green Card sub system. This work involved the use of the main RAMI data security system's hardware and software. Technical plans specifications were drawn up and subsequently work also involved the production of operating manuals and the necessary RAMI organisational and administrative documentation.

- Final testing was carried out on the RAMI overall data protection system and, in addition, work was completed on the certification of the Green Card subsystem

to ensure that it complies with the requirements to maintain the security of personal data.

The provision of financial guarantees

During 2009, a bank guarantee was arranged with Commerzbank AG to provide the security for RAMI's obligations under the international Green Card system.

The reinsurance coverage provided to cover the risks of RAMI member companies was renewed for 2010.

Information and training events dealing with issues relating with the Green Card insurance system

In 2009, 5 events were organised providing information and training on practical issues relating to CMTPL insurance via the international Green Card system:

- On 8 April 2009, there was a round table discussion on "Current Problems of Reinsurance in the Green Card System", which was attended by the specialist reinsurance broking company, Willis Re.

- On 10 April 2009, there was a training seminar for employees of RAMI member companies which are members of the Green Card Bureau. At this seminar, the attendees worked with the RAMI Green Card IT system.

- On 4 June 2009, there was a seminar in St Petersburg on the subject of "Green Card in Finland", attended by representatives of the Finnish and Russian Green Card Bureaux.

- On 5 June 2009, there was a seminar in St Petersburg for employees of RAMI member companies that are members of the Green Card Bureau. As in the similar seminar in Moscow, the attendees worked with the RAMI Green Card IT system.

- On 27 August 2009, there was a round table dealing with issues relating to claims settlement under the Green Card system, attended by representatives of the French reinsurance group SCOR.

The Green Card system in Russia in 2009 — the main statistics

Total premiums collected by the insurance companies that are members of the

Number of Green Card policies issued

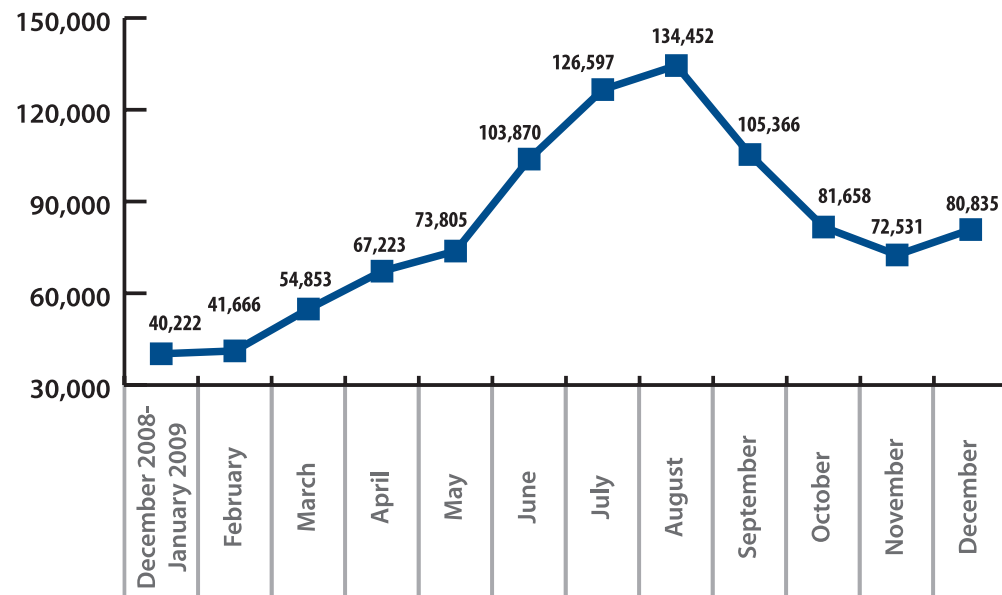


Fig. 24

Green Card Bureau in 2009 — 1.817 billion rubles.

Total number of Green Card policies issued — 1,019,000.

Average premium — 1,784 rubles.

During 2009, the number of contracts issued grew continuously with peaks occurring between May and September and during December — in holiday periods.

In relation to Green Card policies issued in 2009, 1,776 accidents were recorded outside Russia. Of these, the greatest number occurred in Belarus (353 claims), Ukraine (348) and Finland (329). Of the total number of claims, the Russian insured was held responsible for 1,071 claims.

In respect of accidents caused by Russian insured drivers abroad, 505 claims were paid totaling 960 thousand euro.

In Russia 2,172 Green Card claims were reported.

In total, 12 thousand citizens used the Green Card Bureau's information centre.

The activities of the governing bodies of the Bureau

In accordance with a decision of the Management Board of RAMI on 26 July 2008, the following governing bodies of the Bureau were established: the General Meeting of Bureau Members and the Governing Board of the Green Card Bureau. On 8 October 2009, the Presidium of RAMI decided to abolish the General Meeting of Members and all powers of this body were transferred to the Governing Board. The various legal and regulatory documentation setting out the powers of the Green Card Bureau were amended to reflect the new situation.

During 2009, the Governing Board sat 32 times (including meetings where absentee voting took place) and there were 5 members' meetings (including meetings where absentee voting took place).

In 2009, there were 45 meetings of working groups which included the following:

- 17 meetings of a working group on RAMI rules of professional conduct relating to the activities of the Russian Green Card Bureau;

Green Card claims by country

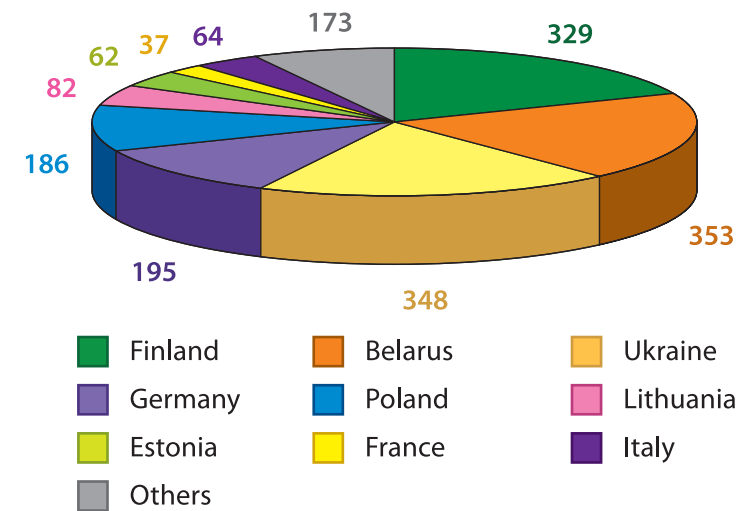


Fig. 25

Development of accidents per month

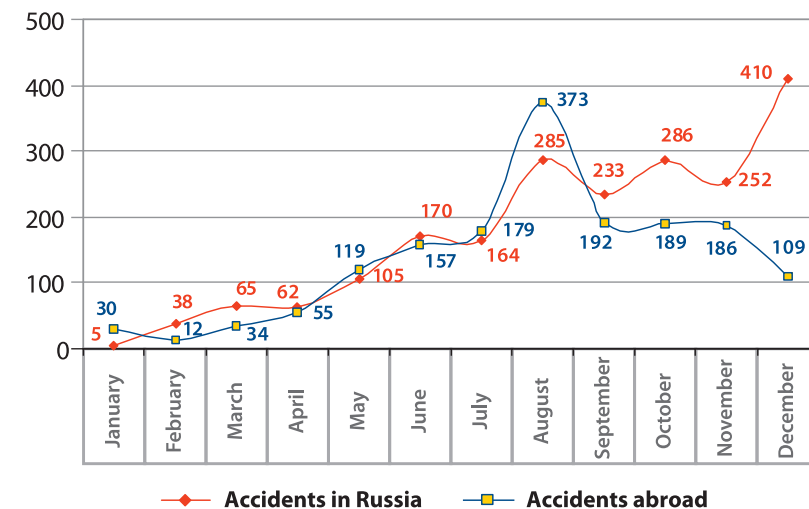


Fig. 26

- 8 meetings of a working group to develop training manuals for employees of insurance companies that are members of the Green Card Bureau;
- 9 meetings of a working group to develop the Green Card subsystem of RAMI IT system;
- 3 meetings of a working group to draw up procedures for joining and leaving the Green Card Bureau;
- 4 meetings of a working group to optimise the reinsurance protections

- for risks under the International Green Card System in the context of the financial guarantee given by RAMI as a transitional member of the Council of Bureau;
- 4 meetings of a working group to develop the rules governing inspections and audit.



Compensation payments

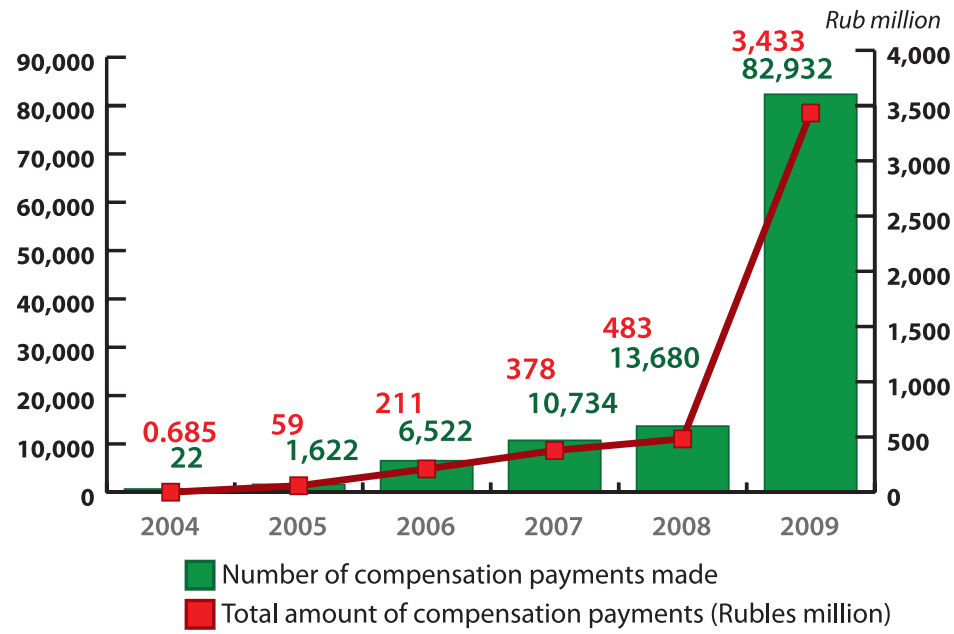


Fig. 27

Total amount of compensation payments made

The Federal CMTPL law requires RAMI to make compensation payments to accident victims with valid claims in the event that the claim would not be otherwise paid due to:

- An insurance company has begun bankruptcy proceedings.
- An insurance company has had its license to carry on insurance business withdrawn.
- The driver who caused the damage that resulted in a claim cannot be traced.
- The driver who caused the damage that resulted in a claim was not in possession of a valid CMTPL insurance policy.

Between 1 June 2004 and 31 December 2009, 115,512 applications were made to RAMI where the Association had to decide whether a compensation payment to a victim of a road accident should be made.

Of these applications, 103,626 resulted in payments in a total sum of 4,564,685,000 rubles. In terms of claims for compensation for bodily injuries, RAMI agreed to make 1,288 payments which totaled 72,136,000 rubles.

Approximately 99% of compensation payments were made in circumstances where the insurance company that had issued the CMTPL insurance policy had had its license

to carry on insurance business withdrawn.

The total amount of funds recovered from insurance companies that had lost their licenses to fund compensation payments made on their behalf by RAMI was 356,778,000 rubles. This means that for every one ruble received by RAMI from these companies, the Association had to pay out 13 rubles in compensation.

In 2009, RAMI paid out compensation payments on behalf of 39 insurance companies.

This year there was a significant increase in the number of insurance companies that had their licenses to carry on insurance business withdrawn — and furthermore, the market share of these companies with withdrawn licenses also increased.

During 2009, RAMI examined 82,932 applications from road accident victims for compensation of which 74,149 resulted in payments in the total sum of 3,433,619,500 rubles.

Amendments to legislation

Given the fact that in 2009 a large number of insurance companies had their licenses to carry on insurance business withdrawn and were not in a position to fulfill their obligations under CMTPL insurance policies, this meant that RAMI made a significant number of compensation payments which the Association was unable to recover from

Number of insurance companies whose licenses were withdrawn

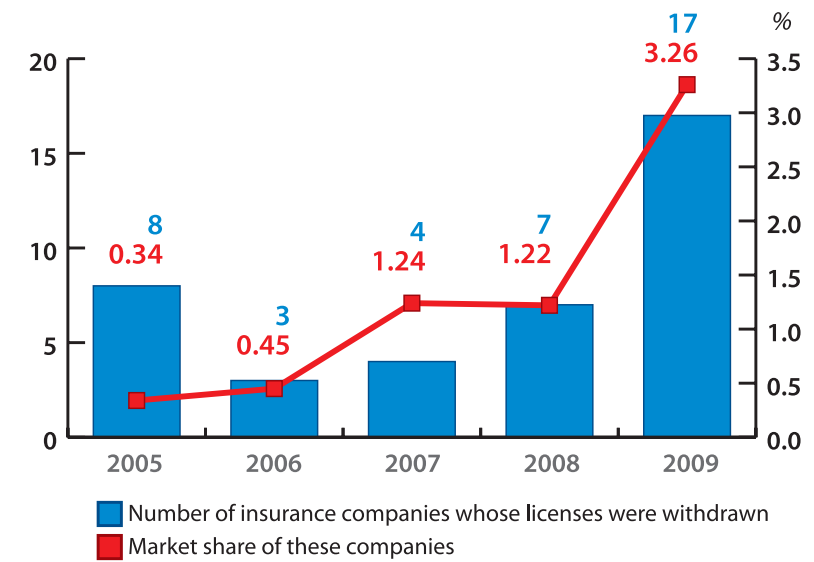


Fig. 28

Number of cases examined in 2009

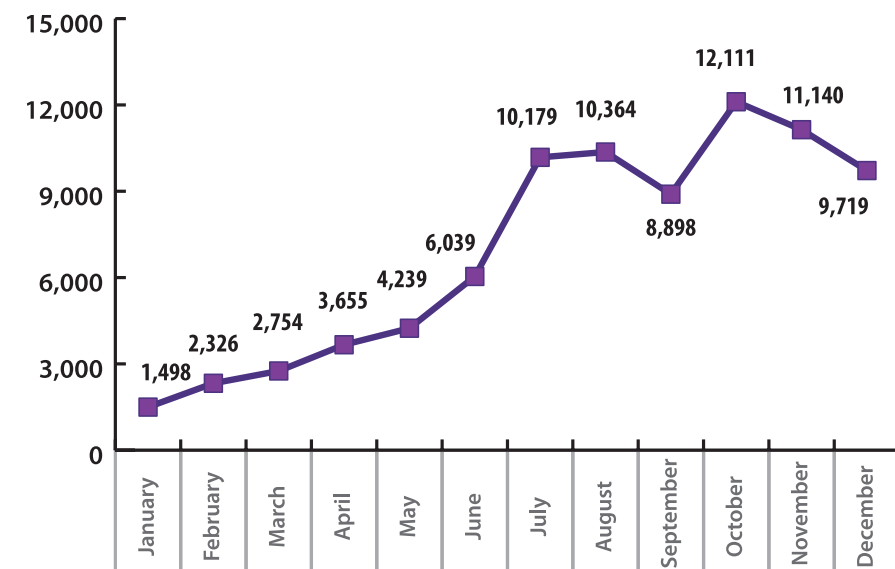


Fig. 29

the assets of the companies that had lost their licenses. Such is the rate of growth of these payments made by RAMI that it is possible that in 2010 – 2011, there will not be sufficient funds available to the Association to make these payments. In order to anticipate this eventuality and to ensure that accident victims will receive compensation, RAMI prepared proposed amendments to the Federal CMTPL law. The proposed amendments state that if one of the compensation funds has insufficient funds to make compensation payments to victims of

road accidents such payments can be made from another of the compensation funds. The proposed amendments were accepted and resulted in the amended Federal CMTPL law coming into force on 27 December 2009.

Complaints

In 2009, there was an increase in the number of complaints made against insurance company by insureds or by accident

victims. The main reason for the increase in complaints is the large number of insurance companies withdrawing from the market and not paying their claims. The Federal CMTPL gives RAMI the responsibility to deal with complaints and appeals from the general public.

There is a set of rules that set out how RAMI should deal with the general public which are entitled "The Rules for Protecting the Rights of Insureds and Claimants under CMTPL Insurance and for Dealing with the Complaints of Insureds and Claimants against RAMI Member Insurance Companies". These rules give the general public the right to:

- Appeal in person directly to RAMI.
- Send a written appeal or complaint by post or by fax.
- Call a free "hot line" with the number 8(800)-200-22-75.

Last year, RAMI Head Office and Regional Representatives received 10,719 appeals and complaints from the general public coming from all Federal Administrative Districts:

- 7,299 complaints that insurance companies have not complied with the required time limits for settling claims and making payments (68.2%);
- 747 complaints based on non-agreement with the refusal of a claim (7%);
- 1,420 complaints that the compensation payment was too low (13.3%);
- 60 complaints that insurance premium was incorrectly calculated (0.6%);
- 10 complaints that the return premium was incorrectly calculated following the cancellation of a policy (0.1%);
- 3 complaints that an insurance company was undercharging, offering discounted policies or payment by installments (0.0%);
- 654 copies of complaints (6.1%);
- 516 other types of complaint (4.7%).

The main cause of complaint is, therefore, insurance companies delaying the settling and paying CMTPL claims: such claims made up 68.2% of all complaints in 2009, and increase over 2008 where the corresponding figure was 66.8%. However, compared with the total number of claims made, the number of claims which result in a complaint is less than 0.5% of the total.

An analysis of complaints and appeals from the general public can identify problem areas or "hot spots" in insurance company relationships with their clients and can also suggest measures that will prevent the prob-

lems arising in the first place. The identification of the most common causes of complaints and appeals from the general public gives to the Committee for Insurance Methodology and to the Committee for Legal Issues data which they can use to prepare proposed amendments to the CMTPL law.

All appeals are first examined by RAMI executives. In the event that they come to the conclusion, that the member insurance company has acted within the law, they send a letter to the appellant explaining the position (for example, why the claim was rejected) and at the same time tell the appellant what further actions may be taken.

In the event that RAMI does not agree with the position taken by the member insurance company:

- Additional questions are sent to the insurance company together with a statement of RAMI's position.
- In cases where there is some doubt, the insurance company is invited to attend a meeting of the RAMI committee for ensuring that complaints and appeals from the general public and from RAMI members are dealt with fully and in a timely manner. If necessary a complaint may be referred to a specialist RAMI committee.
- If a member insurance company is seen to have carried out a gross violation of CMTPL insurance law or of the rules of professional conduct, the issue is referred to the Disciplinary Commission of RAMI for adjudication and for the imposition of sanctions.

RAMI carries out regular inspections and audits of its members' activities in carrying out CMTPL insurance. In 2009, most of these ("planned inspections") were carried out on the basis of a plan adopted by the Presidium on 16 October 2008. Other inspections and audits ("unscheduled inspections") were carried out at the request of the Management Board or the Disciplinary Commission.

The plan called for 58 inspections to be carried out. In fact, 96 were carried out, of which 38 were unscheduled inspections.

The number of unscheduled inspections in 2009 was due to the need for RAMI to act more quickly when signs of possible breaches of the law by insurance companies are detected. Speedy actions make it more likely that documents will be recovered and measures can be taken to stop the breaches of the law with the result that the consequences of the breach can be limited.

Inspections carried out in 2009 by Federal Region

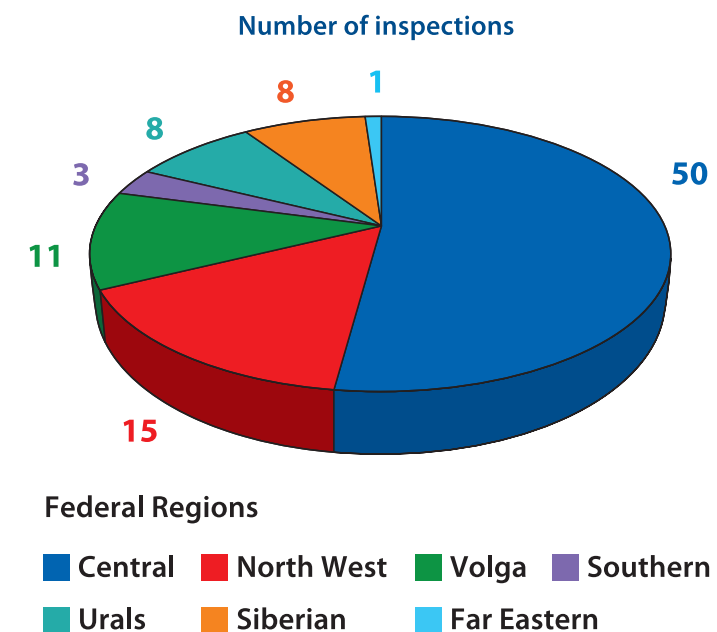


Fig. 30

In most cases unscheduled inspections were carried out in connection with:

- Complaints from insureds or from victims of road accidents.
- Membership dues either unpaid or paid late.
- The result of desk audits.

In addition, a number of unscheduled inspections were carried out to check that a member company that previously was required to cease breaching the law has actually done so.

Inspections were carried out at the offices of insurance companies or of their subsidiaries. There were 50 inspections in the Central Federal District, 15 in the North West Federal District, 8 in the Siberian Federal District, 11 in the Volga Federal District, 8 in the Urals Federal District, 3 in the Southern Federal District and 1 in the Far Eastern Federal District.

Legal issues

In 2009, a large number of insurance companies had their licenses withdrawn. The result was that the number of questions raised by the Government and by the Courts for RAMI to answer increased by

3.3 times over 2008 and by 10 times over the corresponding figure for 2007.

One example of the way in which RAMI works constructively with the courts to protect the rights of victims of road traffic accidents is the Association's work with the Arbitration Court of the Sverdlovsk Region where it provided information as to which of its member insurance companies issued a particular CMTPL policy. Furthermore, arbitration courts can send advance notice of hearings where RAMI is joined as an interested party in the case. The provision of the necessary information via e-mail can significantly reduce the time taken for the victim to receive the compensation payment.

In 2009, RAMI actively pursued in the courts individual shareholders of companies which had acted improperly in carrying on CMTPL insurance. One concrete result of this was that the former General Director of the Doverie Insurance Company, who was held to be personally liable for the liabilities of the company in the sum of 27.6 million rubles.



Legislation relating to Compulsory Motor Third Party Insurance

Improving the legal and regulatory framework for CMTPL insurance

Preparing amendments to the rules of professional conduct

Proposed amendments were drawn up to the Government Decree No 263, which sets out the required contract wording for CMTPL insurance. These proposed amendments concern the proposal form, the CMTPL insurance contract and the forms that set out the decrees of the Ministry of Finance.

The need to introduce amendments to the forms noted above came about as a result of a decree of the Government of the Russian Federation which was issued on 8 August 2009. This decree transferred the responsibility for making changes in the various forms used in CMTPL insurance to the Ministry of Finance.

Accordingly, RAMI drew up proposed amendments to the various forms and sent them to the Ministry of Finance. A number of these proposals were accepted and are reflected in the decree issued by the Ministry of Finance on 1 July 2009, which set out amended versions of the various forms used in CMTPL insurance.

The preparation of proposals to amend the premium tariff rates for CMTPL insurance that were originally set out in Government Decree No 739

On 10 March 2009, the Government issued a decree that amended the premium tariff rates for CMTPL insurance and also altered the tariff structure and the methods insurance companies should use to calculate the premium charged.

The new premium tariff structure was prepared by the Ministry of Finance, which was able to draw on a significant amount of data provided by RAMI's committee for Tariffs, statistics and reserves, which had worked on this issue between 2007 and 2009.

Drawing up proposed amendments to the basic CMTPL law

The following amendments were proposed:

- To improve the procedure for making compensation payments, to update the list of individuals and the timing of compensation payments.
- To establish the possibility of fixing the level of commissions paid under a CMTPL insurance contract.
- To make the reserves for compensation payment interchangeable for the case that one of them is exhausted.
- To make it compulsory for insurance companies to keep up to date records of contracts and claims.
- To put proposals forward to improve the system of direct settlement of claims.

Some of these proposals (the interchangeability of compensation payment reserves and the possibility of limiting the amount of commission payments) were introduced into the Federal CMTPL law.

Other regulations

- Proposals to make amendments to the methods of forming insurance reserves for non-life insurance, which were set out in a Ministry of Finance decree on 11 June 2002. These proposed amendments were sent to the Ministry of Finance and were included in a decree issued by the Ministry on 1 October 2009, which amended the original 2002 decree.
- A position paper was prepared which outlined RAMI's views on a draft Government Decree prepared by the Federal Antimonopoly Service, which would have the effect of liberalizing CMTPL insurance tariffs. The position paper was sent to the Ministry of Finance.
- Draft amendments to the Federal law on Personal Data. The aim of these amendments was to postpone the law's coming into force in respect of data held and processed by insurance companies.

RAMI has adopted a policy of harmonising claims settlement procedures use by insurance companies. Accordingly the RAMI Committee on Insurance Methodology and the Committee for Determining Bodily Injury Claims prepared amendments to the following sets of rules of professional conduct which were adopted by the Association's Presidium:

- The rules governing procedures to be used by insurance companies to settle claims under CMTPL insurance.
- The rules governing procedures to be used by insurance companies to settle bodily injury claims.

The amendments to the rules of professional conduct were intended to implement the policy of ensuring consistency in the ways that insurance companies deal with claims made by victims of road accidents. Issues covered included how documents should be accepted, how claimants should be advised of missing documents, how documents should be examined, how insurance companies should make decisions and how insurance companies should inform claimants about decisions made in connection with an insurance claim.

In addition, amendments were made in 2009 to the following sets of rules of professional conduct:

- The procedures for accounting for CMTPL insurance policies, how they should be stored, destroyed and transferred.
- The rules governing the allocation of CMTPL insurance policies to RAMI member insurance companies.
- The rules governing reimbursement of damages under subrogation.
- The rules governing the payment by RAMI of compensation to accident victims including the procedure to be followed if RAMI does not have sufficient funds and how the contributions of RAMI member companies should be calculated in order to make up the shortfall and ensure that compensation payments are made.
- The rules that set out the statistical information that RAMI member companies should provide to the Association about claims paid under CMTPL insurance for bodily injury using form 2 S from the Ministry of Finance.
- The IT system requirements for RAMI member insurance companies in respect of CMTPL insurance.
- The procedures of updating information held on the RAMI IT subsystem for accounting for CMTPL insurance policies.

Technical support for RAMI members

During 2009 the following work of technical and methodological support for RAMI members was undertaken:

Developing new training manuals for RAMI members and updating and improving current manuals

Following a decision by the RAMI Presidium to adopt rules of professional conduct setting out procedures for claim settlement, the RAMI Committee for Insurance Methodology and the Committee for Determining the Level of Damages for Bodily Injury amended the following:

- The training manual for the staff of RAMI member companies entitled "Settling CMTPL Insurance Claims for Bodily Injury Following Road Accidents".
- The training manual for the staff of RAMI members entitled "Settling CMTPL Claims".

In addition, the RAMI Committee for Insurance Methodology in order to ensure that victims of road accidents are able to enforce their right to receive a penalty payment in the event that the time limit for payment was not complied with, has drawn up a training manual for employees of RAMI member companies. This manual (No 12) is entitled "The Calculation and Payment of Penalties or Fines in the Event That an Insurance Company Either Fails to Settle a CMTPL Insurance Claim or Fails to Send a Letter of Explanation As to Why The Claim Payment is Declined Within the Prescribed Time Limit".

In the context of the changes in the level and structure of CMTPL insurance premium tariffs which came about as a result of the Russian Federation Government Decree (No 739, dated 8 December 2005), the RAMI Committee for insurance methodology drew up changes to the manual used to calculate CMTPL premiums and to amend CMTPL insurance contracts.

Developing RAMI's policy on difficult issues relating to CMTPL insurance

There are a number of difficult issues that relate to CMTPL insurance and in respect of these RAMI committees have carried out work developing a common position for the Association.

In 2009, position papers were produced on the following issues:

- Making CMTPL insurance claims payments in the event that both vehicles involved in a road accident belong to the same owner.
- The retention of appropriate deductions in the event of a total loss of a vehicle.
- The payment of CMTPL claims to victims in the event that the accident was caused when a passenger of an insured or of another person who is in possession of a policy of liability insurance opened a vehicle door, thereby breaching Russian road traffic regulations which prohibits the opening of doors when this interferes with other road users.
- The payment of CMTPL insurance compensation in the event of the death of an accident victim who was the breadwinner and in the event that there are dependent children when both parents were killed in an accident.
- The payment of CMTPL insurance compensation in the event of the death of an accident victim who was the breadwinner in the form of regular payments or a lump sum.
- The payment of compensation to victims of road accidents who are members of the armed forces.
- How compensation should be paid to minors in the event of the death of a breadwinner.
- RAMI's position on these issues was set out in the publication "Answers to Problematic Questions Relating to Compulsory Third Party Liability Insurance".

Insurance premium tariffs

The RAMI committee on tariffs, statistics and reserves organised a programme of research on current CMTPL insurance premium tariffs and what is their influence on insurance company loss ratios for CMTPL insurance in 2009. The research also looked at how increases in policy limits should influence tariff rates and what will be the impact of changing how compensation is paid for bodily injury to road accident victims. Reports were prepared on the results of the research:

- A scientific report on the research carried out on the current tariff premium rates for CMTPL insurance and their impact on insurance company profitability, based on data provided by members of RAMI between 1 July 2006 and 30 June 2009.
- A scientific report outlining the third stage of a research programme aimed at assessing the potential impact on CMTPL tariffs for the case that levels of compensation levels for bodily injuries to road accident victims are increased.
- A scientific report setting out the results of research carried out into changing the reporting form for gathering information on CMTPL insurance so that they can provide data to be sued as

the basis for research into tariff levels and their impact on insurance company profitability.

On the basis of this scientific research, RAMI sent to the Ministry of Finance proposals for changing the tariffs and outlined the financial and economic basis on which the proposals were based.

In addition, reports have been prepared by the RAMI committee on assessing damages for bodily injury based on the research carried out into the potential impact of increasing policy limits for bodily injury and changing the basis for payment:

- Proposals as the basis on which compensation payments should be made and their amounts.
- A draft procedure for paying CMTPL insurance compensation to injured road accident victims with an appendix that sets out the calculations on the payment amounts.

These documents were sent to the Ministry of Finance and are the subject of a working group on this issue.

In 2009, the Management Board of RAMI sat 23 times and examined 418 issues and the Presidium sat 12 times and dealt with 189 issues.



Information technology

The RAMI Automated Information system (RAMI AIS)

The development of subsystems under the overall RAMI AIS: the subsystem to account for blank CMTPL insurance certificates and the subsystem providing guidance and vehicle classification under the Green Card system

During 2009, the subsystem designed to account for blank CMTPL insurance certificates began to be tested in full operation mode. The first stage of the testing involved checking the data entered into the subsystem by RAMI member insurance companies using the relevant input and accounting forms developed by the Association (1-RAMI and 4-RAMI). Work also continued on

improving the software for both subsystems. As a result, of improvements made, it is now possible to:

- Track down the insurance company that issued a certificate, using the certificate number and series number.
- Provide unified database directories for use by insurance companies.

During 2009, the main Green Card IT system continued in full operational mode: in October 2009 various modules were completed including those issuing of blank certificates, accounting for insurance contracts and claims made.

Protecting personal data

A number of measures were introduced to increase protection for personal data that are stored and distributed through the RAMI IT system

In the course of 2009, development work was carried out on a subsystem aimed at protecting personal data held on the RAMI IT system. This work involved both hardware and software development, leading to the necessary technical specifications. In addition, work was carried out to produce the various operational manuals and the internal RAMI documentation for the system. In December 2009, the first stage of acceptance testing of the subsystem took place and at the same time the data security system for the Green Card IT system was completed.

In 2009, work was carried out to develop a security system to protect personal data on the direct settlement clearing house IT system together with the necessary technical documentation.

Also in 2009, a survey of other RAMI IT systems was carried out. At the present time discussions are taking place and plans are being drawn up to introduce further measures aimed at increasing the security of personal data.

The substantial amount of work carried out by the Association came about as a result of the enactment of a Federal Law on Data Protection (27 June 2006) and subsequent regulations following on from this law.

In September 2009, RAMI organised a number of seminars in order to consult the membership and to discuss issues relating to the implementation of the Federal Law on Data Protection. The seminars were intended to alert insurance company specialists to the fact that the law requires that personal data, held on IT systems must be secure and protected.

More than 100 insurance companies sent representatives to these seminars. Invited experts provided a substantial amount of information about key issues including the regulations relating to the protection of personal data, the technical side of developing protections on IT systems and RAMI's own experience in developing the data protection subsystem on its own IT system (AIS RAMI). Questions from participants were answered by the experts: these related both to the procedural issues and the documentation and to technical issues.

During 2009, the RAMI IT Committee drafted proposed amendments to the Federal Data Protection Law and sent a letter to governmental agencies suggesting a delay in implementing fully all the requirements in the law. RAMI's view that the full implementation of the law should be postponed was put forward at a parliamentary hearing devoted to the subject of topical issues relating to the development and implementation of legislation on citizens' rights to data protection, which was held on 20 October 2009.

RAMI's views were shared by those of a number of other professional organisations and the result was the passing of amendments to the Federal

Law on Data Protection on 27 December 2009 which do not make it compulsory to use cryptographic measures to protect data and in addition postpone the full implementation of the law to 1 January 2011.

At the present moment representatives of RAMI and ARIA are contributing to an interdepartmental working group in the Ministry of Communications and Mass Media to harmonise the legislation relating to the protection of personal data. Following an initiative by a number of insurance companies, work has begun to develop insurance industry standards for the protection of personal data.



Participants in the Seminar on the implementation of the Federal law on the protection of personal data



Road safety



Viktor Kirianov, the Head of the Department of Road Safety at the Ministry of Internal Affairs, Igor Shuvalov, the First Vice-Premier of the Government of the Russian Federation and Igor Levitin, the Minister of Transport of the Russian Federation

The use of mechanical means of control of socially important transport vehicles in Russia

The objective of this project is to study the impact of technical control devices on road safety. The project will consist of installing various technical control mechanisms in socially important transport vehicles. Examples of these control mechanisms include:

- On board recorders (specifically tachographs) — these maintain a continuous record of all driving and other parameters of a vehicles use both while the driver is operating the vehicle and when resting.
- Satellite navigation equipment — these use satellite tracking systems automatically to record the location and speed of the vehicle as well as providing other analytic data about its use.
- Alcolocks — these are devices that calculate the amount of alcohol a driver has consumed by measuring his breath and automatically disable the vehicle if the amount of alcohol in the breath exceeds the permitted limit.
- Video recorders — these record what is happening both inside and outside the vehicle when the it has activated emergency warning signals (typically

sound and flashing lights) with the aims of commencing legal proceedings against vehicles who fail to heed the emergency signals as required to do so under road traffic regulations and who do not give way to the emergency vehicle.

In terms of this project the definition of 'socially important transport' includes school buses, buses and ambulances. The objective of the project is to reduce the number of accidents incurred by all such socially important transport and when concluded the intention is to produce a report that sets out a set of proposed regulations that will govern the installation and use of technical safety devices in socially important transport.

Work on this project in 2009 included the following:

- The development of the terms of reference for the project as a whole.
- Identification and selection of companies that produce the technical control systems and are prepared to provide them free of charge.
- The signing of a cooperation



Nikolai Malishev, the RAMI Director responsible for Road Safety issues, Vladimir Shvetsov, the First Deputy Head of the Department of Road Safety at the Ministry of Internal Affairs and Aleksandr Yakimov, the RAMI Director responsible for legal issues

agreement between RAMI and the Cabinet of Ministers of the Republic of Tatarstan aimed at reducing the number and severity of road accidents involving socially important transport vehicles.

- The signing of a cooperation agreement between RAMI and the Government of the Moscow Region aimed at reducing the number and severity of road accidents involving socially important transport vehicles.

- RAMI took part in the following events where the discussions included issues related to the project:

- A round table discussion organised together with the Moscow City Duma dealing with the safety of passengers — the users of road transport services. This event took place on 10 September 2009 in Moscow.

- A meeting on the Moscow Region's Road Safety Commission which took place on 24 September 2009 in Kolomna.

- The First Global Ministerial Conference on Road Safety 'Time for Action', which was organised in Moscow on 19–20 November 2009.

- During the international exhibition (Road Safety Forum 2009) which took place on 17–20 November 2009, RAMI

together with a number of manufacturers of technical vehicle control devices organised a stand as part of the implementation of the project.



Vladimir Kotov, Deputy Head of the Technical policy Section of the Department of State policy towards auto and city transport at the Ministry of Transport



Nikolai Malishev, the RAMI Director responsible for Road Safety issues, Rifkat Minikhanov, Head of the Road Safety Inspectorate of the Department of Internal Affairs of the Republic of Tatarstan, Andrei Kigim, RAMI President, and Alexander Prikhodko, Head of the RAMI Department on Development programmes

- In conjunction with this exhibition, on 17 November 2009, RAMI organised a seminar entitled "The Use of Technical Control Systems in Socially Important Transport Vehicles in the Russian Federation". This seminar was attended by a wide range of participants including representatives from the Department of Road Safety, Ministry of Internal Affairs, the Ministry of Transport and the MHF Swedish Abstaining Motorists' Association. Representatives of RAMI's member insurance companies were present as well as representatives of



The meeting between the Prime Minister of the Republic of Tatarstan, Rustem Minikhanov, and Andrei Kigim, President of RAMI

regional governments, producers of control devices and transport companies taking part in the project.

During 2009, a campaign to improve road safety was implemented under the title "Safe Routes". As part of this campaign road maps were produced as guide books to two special routes: "The Golden Ring" and "The Black Sea Coast". These guide books contained the following information:

- Details of the route: the state of the roads, whether they are asphalt, cobbled or dirt etc.; dangerous areas; complex interchanges; the availability of emergency telephones by the roadside; medical facilities and details of RAMI representatives and local offices of insurance companies that are members of RAMI along the route.
- General information about road traffic law and regulations in respect of road safety.
- Information about good driving techniques: recommendations and advice on safe driving and how to avoid accidents; details of the direct settlement of CMTPL insurance scheme and of the simplified system for reporting road accidents; how CMTPL claims are settled; what to do if involved in an acci-



Andrei Novikov, Head of the Centre for Strategic Research

dent; how to record the accident details; what consequences for not taking proper action after the accident; as reminder of what needs to be done in the event that the normal method of reporting road accidents is necessary, that is when



The signing of an agreement: in the centre of the group of participants are Pyotr Katsiv, Minister of Transport of the Moscow Region and Andrei Kigim, RAMI President



The 'Alcolock' simulator

direct settlement and simplified reporting do not apply; a simplified guide to drivers entering a country where the international Green Card system is in force and recommendations as to what first aid should be applied to road accident victims.

- An explanation of why cars should be fitted with child seat belts; why drivers should keep to the speed limits and of the importance of not driving whilst under the influence of alcohol.

The Association carried out a PR campaign to improve road safety under the title and to provide information about the simplified reporting of road accidents scheme. As part of this campaign, animated cartoons were designed which were shown on a number of television channels and were adapted so that they could be used on radio, on advertising hoardings and on the Internet.

As part of the continuing project of providing road safety advice for children, special supplements (The Little Zebra) were inserted into four editions of the Your Roads — Make Them Safe magazine. These supplements contained two cartoons, an audio book and flash games that parents can play with their children. The Association also took a stand at the Children's' Town exhibition which was organised by the Federation Council of the State Duma of the Russian

Federation as part of its continuing support for the Federal Government's Road Safety long term programme 2006 – 2012. In addition RAMI supported teachers in Moscow schools by providing lessons entitled "The Science of Traffic Lights for Schools".

A New Generation Selects a Safe Route was the name of an advertising campaign which was organised as part of the International Youth Forum with the same name which RAMI organised and implemented. RAMI also arranged stands for participants on the subject of road safety for children at the Road Safety Forum in Moscow.

Another advertising campaign was carried out to reduce the number and severity of accidents caused by drunk drivers. As part of this campaign a short film was produced (Don't Climb Into a Bottle) which was shown on television and in cinemas. A metal structure, in the form of a bottle was exhibited at the International Road Safety Conference in Moscow.

As part of RAMI's continuing programme of supporting improvements in road safety, the Association organised a number of seminars and took part in conferences dealing with road safety issues. One example was a seminar held in Moscow on 14 October 2009 entitled "Improving Road Safety for Pedestrians"

which was run by RAMI and attended by the Department of Road Safety of the Ministry of Internal Affairs.

The overall aim of this event was to study international and local experience in using traffic lights to improve road safety for pedestrians and in using various technical devices such as traffic lights to improve road safety for the disabled.

More than 120 people attended the seminar: attendees came from RAMI member companies, from the Federation Council of the Russian Federation, from the Ministry of Transport, the Ministry of Health and Social Development, from the Department of Road Safety of the Ministry of Internal Affairs and the Ministry of Regional Development. Moscow City Government was represented by its Department of Transport and Communications, and by its Road Traffic Centre. The Central Federal Administrative Region was represented as were manufacturers of traffic management systems and other social bodies.

The seminar dealt with practical issues relating to the operation of traffic lights both in Russia and outside Russia and in particular with how equal opportunities could be given to all categories of pedestrians, including those with physical disabilities. Participants expressed concerns about the level of safety for pedestrians and about the low standards of driving and they noted the



The metal structure in the form of a bottle on Krasnopresenskaya Naberezhnaya, erected as part of the 'Don't climb into a bottle' campaign

need for a wide range of measures aimed at reducing accidents at pedestrian crossings.

Voluntary accreditation of technical examiners of vehicles

Given the fact, that a number of points set out in the Government Decree No 238, that called for the establishment of a system of independent inspections of motor vehicles have not yet been implemented, and in particular due to the absence of a state register of independent vehicle examiners, in 2006, RAMI established a system of voluntary accreditation of technical vehicle examiners.

The overall objective of this system is to ensure that qualified technical experts are available to work within the CMTPL market to carry out inspections of vehicles as part of the claims settlement process under CMTPL insurance.

In 2009, work continued on the project of developing the system of accreditation. The RAMI Accreditation Commission sat five times to review applications from technical vehicle inspectors wishing to be granted accreditation by RAMI.

Some statistics can show the extent of the work of the Accreditation Commission:

- 161 applications for accreditation were examined.
- 133 applications were approved;
- of these, 50 technical vehicle examiners had their accreditation extended for a period of three years;
- 23 applications were rejected.



International relations and the exchange of information

International contacts, seminars and conferences

The Association carried out the following activities in 2009 aimed at disseminating information:

- Published three editions of The Herald of the Insurance Associations. These publications were distributed amongst the members of RAMI both directly and as part of the documentation provided at Association events. They contained information about the activities of the Association and of other insurance associations.

- Organised an international essay competition and a Russia wide general knowledge contest amongst young people and students on the subject of Road Safety and Insurance. These contests were organized jointly with the Insurance Associations of German, Belarus and Ukraine and the objective was to increase the awareness of Russian young people and students of the problems of road safety and to develop greater understanding of insurance.

- Set up and ran 11 press conferences covering current issues facing RAMI in terms of the operation of CMTPL insurance.

- Organised a number of television programmes which were aired on National television dealing explaining how the CMTPL system of compensation payments operates.

- Organised live broadcasts on a number of radio stations including Echo of Moscow, Auto Radio, City FM, Vesti FM and Business FM;

- Published interviews and commentaries by leaders and specialists from RAMI and by representatives of insurance companies, members of RAMI who sit on specialist committees. These interviews appeared both in National and regional publications such as Vedomosti, Kommersant, AIF, Rossiskaya Gazeta, Isvestiya, KP, Vremya Novostei, Novie Isvestiya, MK, At the wheel, Auto Review, Automobile, Klakson, Lichnyy Budget and Delovoy Peterburg. They also appeared on national and regional broadcasting channels such as Today on NTV, Vesti

Moscow, Vesti 24, Good Morning, Russia (on the Rossiya channel), TVTs, Channel 5 and Ren TV.

- Organised an exchange of information with the publication Stop Gazeta — Road Safety, on the basis of which a series of articles were placed in every edition of the magazine Good Roads for Children under the heading Advice from RAMI.

Last year RAMI organised a number of international events mainly dealing with key issues facing the Association — Direct Settlement of CMTPL claims and the adherence of the Russian Federation to the international Green Card system. Support was also given to a number of current Association areas of work, and developed working relationships with a number of foreign national and international organisations by distributing widely both in electronic and paper format the 2008 Annual Report of the Association in English.

On 29 May 2009, RAMI as a non-commercial partner of the Russian Association of Motor Constructors, ran an international seminar entitled "Road safety: the technical condition of vehicles and organising their repair" in the context of CMTPL insurance claims (international experience).

More than 100 participants attended the seminar. From the Government a number of Ministries send representatives including the Ministry of Transport, of Justice, of Economic Development and of Internal Affairs. Also attending were representatives of motor manufacturers, of licensing bodies, of car repairers which have dealings with RAMI member insurance companies and insurance company specialists in CMTPL claim settlement, who deal with the repair of vehicles. In addition members of the RAMI committee for the development of independent technical investigation of vehicles were at the seminar together with representatives of scientific organisations and of other interested bodies.

The objective of the seminar was to define the main ways in which insurance

companies could improve their co-operation with car repairers so that the quality of vehicle repair work can be increased in the context of CMTPL insurance.

The international speakers came from the Japanese company AiOi Insurance and from Audatex. They presented to the seminar attendees the latest international experience in organising and implementing the repair of motor vehicles using standard price lists for the repair costs. They also provided a general description and analysis of the market for vehicle servicing and repair.

In the course of the seminar, practical issues relating to Russian experience in vehicle servicing and repair were studied, a topic of great importance, given that higher standards of servicing and repair have a direct impact on the improvement of road safety.

The question of standardising and certifying the work of car repair garages was discussed, as was the possibility of repair garages becoming involved in the process of settling CMTPL insurance claims. Research was undertaken into the methods in determining the costs of repairs and discussions were held as to the best method of organising a system of independent vehicle inspections.

On 17–20 November 2009, RAMI took part in the 11th International Exhibition of Technological Methods of Improving Road Safety (The Road Safety Forum 2009), organised by the Road Safety Department of the Ministry of Interior.

On RAMI's stand at the exhibition, the results of the Association's project for developing technical means of control of socially important transport were displayed: on the stand were satellite navigation systems, video recording systems, tachographs, different types of alcolocks and a car equipped with one of them.

A number of RAMI's member insurance companies took part in the exhibition as well as companies involved in developing technical systems of control.

On 17 November, as part of this exhibition RAMI organised a seminar on the subject of Using Technical Controls on Vehicles Involved in Socially Important Transport.

Government bodies that took part in the seminar included representatives of the Russian Ministry of the Interior, Department of Road Safety and the Ministry of Economic Development. The MHF Swedish Abstaining Motorists' Association was represented together with the Centre for Strategic Research.



Ulf Blomgren, President of the Council of Green Card Bureaux



A working meeting dealing with the use of technical control methods in Sweden

Insurance company members of RAMI were present together with representatives of local authorities in Russia, manufacturers of technical control systems and transport companies that have indicated a readiness to take part in the project.

During the seminar, there were discussions of how the various systems of control can improve road safety. A wide range of systems were examined which included satellite navigation systems, tachographs, alcolocks and video recording systems which make it possible to identify vehicles that fail to give way to emergency vehicles when they have switched on their emergency warning signals (lights and sound signals).

Other issues covered included the results of practical tests of automatic systems of control in Russia and abroad, the legal and regulatory framework within which these systems can be implemented and how they can be improved in the future.

During the year, bilateral relationships with foreign partners continued to be improved. The Association continued to consult with insurance Associations in Austria, Germany, France and Sweden and through our relationship with these associations we came into contact with insurance companies, technical experts and government agencies in these coun-

tries. On 17–20 November 2009, RAMI hosted a delegation of the MHF Swedish Abstaining Motorists' Association that took part in the 11th International Exhibition of Technical Methods of Improving Road Safety (The Road Safety Forum 2009) and that visited Moscow with the assistance of the Swedish Association of Insurers. In the course of this visit a number of working meetings took place in order to establish good working relationships between the organisations and to help RAMI complete its concrete projects.

On 2–3 February 2009, a delegation from RAMI took part in a practical seminar on the use of alcolocks on motor vehicles in order to increase road safety which was organized for RAMI by the MHF Swedish Abstaining Motorists' Association and the Swedish Insurance Association with support from the CEA.

On 27–29 April 2009, there took place in Berlin a series of consultative meetings with RAMI representatives at which the German system of standardisation was studied. As part of the programme a seminar was organised dealing with different methods of calculating norms: world wide, in Europe and in Germany. This seminar was organised by the German Institute of Standardisation and by the TUF Berlin Brandenburg commercial company.

RAMI took an active role in All-Russia Insurance Association (ARIA) events aimed at developing international relationships as part of the development of the Russian insurance market. Representatives of RAMI took part in the 7th International Insurance Conference in May 2009 in Moscow, in the working meeting between ARIA and the German Insurance Association (GDV) which took place in November 2009 in Moscow. As an example of the work during this working meeting, there were discussions about the development of the German insurance market requirements imposed on the insurance industry. There were also discussions about the current state and future possibilities of the German and Russian insurance markets. Representatives of RAMI outlined the initial results of the introduction of direct settlement of CMTPL insurance claims in

Russia and also on the initial experience following Russia's adherence to the international Green Card system. Discussions were also held about the current states of the German and Russian insurance industries and their future prospects.

RAMI continued to participate in international organisations, above all in the European Insurance and Reinsurance Federation (CEA) and in the International Association of Insurance Supervisors (IAIS). On 18–25 October 2009, representatives of RAMI took part in the Annual Meeting of members and associates of IAIS and in the 18th Annual International Conference of the Association. The overall themes of the Conference were the role of insurance in social development and the financial crisis and the future of the insurance industry.



Appendices

RAMI Management Board

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

RAMI Presidium

- 1 Andrei S. Kigim**
President, RAMI
- 2 Sergei E. Almazov**
General Director, Military Insurance Company
- 3 Alexander V. Grigoriev**
General Director, INGOSSTRAKH
- 4 Sergei I. Efremov**
Deputy General Director and Director of claims, service and administration, Zurich Retail
- 5 Andrei A. Zernov**
General Director, ENERGOGARANT Insurance Company
- 6 Pavel V. Zubrilin**
General Director Russkiy Mir Insurance Company
- 7 Viktor N. Kiryanov**
Head of the Department of Road Safety, Ministry of the Interior of the Russian Federation
- 8 Alexander P. Koval**
Head of the Federal Service for Insurance Supervision of the Russian Federation
- 9 Dmitri E. Markarov**
First Deputy General Director, Rosgosstrakh
- 10 Vladimir G. Nechepa**
Deputy General Director and Head of retail insurance, Rosgosstrakh
- 11 Georgiy P. Papaskiri**
General Director Rosgosstrakh — St Petersburg and Leningrad Region
- 12 Dmitri V. Popov**
First Deputy General Director and Managing Director, ROSNO
- 13 Yuri N. Prishchepniy**
Vice President, Spasskie Vorota Insurance Group
- 14 Dmitri G. Rakovshchik**
General Director, RESO-Garantiya
- 15 Aleksei L. Savatyugin**
Director of the Department of financial policy, Ministry of Finance of the Russian Federation
- 16 Sergei E. Sarkisov**
Chairman of the Board, RESO-Garantiya
- 17 Vladimir Yu. Skvortsov**
General Director, AlfaStrakhovanie
- 18 Aleksandr G. Sudakov**
President, Stolichnaya Insurance Company
- 19 Evgenniy V. Ufimtsev**
Deputy General Director, Military Insurance Company
- 20 Farid R. Khamadeev**
General Director, Rosgosstrakh, Republic of Tatarstan
- 21 Yuri Ya. Shpizel**
Director of Rosgostrakh subsidiary company in the Republic of Bashkortostan
- 22 Vadim E. Yanov**
Chairman, Managing Board, SOGAZ

Extract from the auditors' conclusions from ZAO BDO on the RAMI Report and Accounts for 2009:

"In our opinion, the Accounts of RAMI reflect accurately all significant respects the financial position as on 31 December 2009 and the results of the Association's financial and commercial operations between 1 January and 31 December 2009, inclusive in accordance with the legislation of the Russian Federation in respect of the preparation of accounts".

25 March 2010

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 05/02/2004, No. 26, with no limitation as to time.

**EXTRACT FROM THE REPORT
OF THE INTERNAL CONTROL (AUDIT) COMMISSION
7 April 2010 Moscow**

Name: Russian Association of Motor Insurers

Address: 27 Ul. Lyusinovskaya, Building 3 Moscow 115093

Registry 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 2009 and of the financial results of the Associations operations between 1 January and 31 December 2009 and have been prepared in accordance with the following accounting rules and guidelines: first, "Accounts of Organisations" (Decree PBU 4/99 of the Ministry of Finance, 06/07/99, No 43n), second, "Accounting rules in the Russian Federation" (Decree of the Ministry of Finance of the Russian Federation, 29/7/98 No 34n) and third, "The structure of accounts of organisations" (decree of the Ministry of Finance, 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.

Separate accounts are maintained for income received by RAMI in the course of its financial activities and income from other activities. Funds that are used for making compensation payments are separated from other property of the Association. The funds that make up the current compensation payments fund are kept separate from the funds allocated to guarantee reserve fund and are accounted for in the manner prescribed by Section 2, Article. 28 of the Federal Law No 40-FZ "On the compulsory insurance of civil liability of vehicle owners".

The accounts of the use of income and expenditure of RAMI and of the Green Card Bureau for 2009 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 during 2009:

- The IT Department.
- The Department of Analysis and Control.
- The Department for Making Compensation Payments.
- The Directorate of the Green Card Bureau.
- Complaints and appeals from the general public.
- The work of the Association related to the introduction of direct settlement of claims and simplified reporting of accidents (the European Protocol).
- The work of the Association relating to the improvement of road safety.
- The work of the Association in supporting legal actions in the courts and in implementing bankruptcy procedures for insurance companies.
- The work of the Association in developing procedures and information support for making compensation payments.

We saw no breaches of regulations in any of the above departments or sub-divisions 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.

Chairman of the Control Commission

Vitaly A. Poltavtsev

Member of the Control Commission

Vasily V. Akulov

Member of the Control Commission

Arkady M. Lyubavin

Member of the Control Commission

Nikolai F. Galaguz

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

AIS RAMI database — the subsystem of the RAMI integrated information system which combines a reference and classificatory service

AIS RAMI SIS — the subsystem of the RAMI integrated information system dealing with the security of data

CBM — coefficients used to calculate premiums under a bonus-malus system

CMTPL — Compulsory motor third party liability

GIBDD — The State Inspectorate for Road Safety

Green Card — the international Green Card system for insuring motor third party liabilities

IAC CMTPL — the information and accounting centre for the system of direct settlement of CMTPL claims

RAMI — The Russian Association of Motor Insurers

SAB — strict accounting for blank policy certificates for CMTPL insurance

SAB AIS RAMI — the IT sub-system 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

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