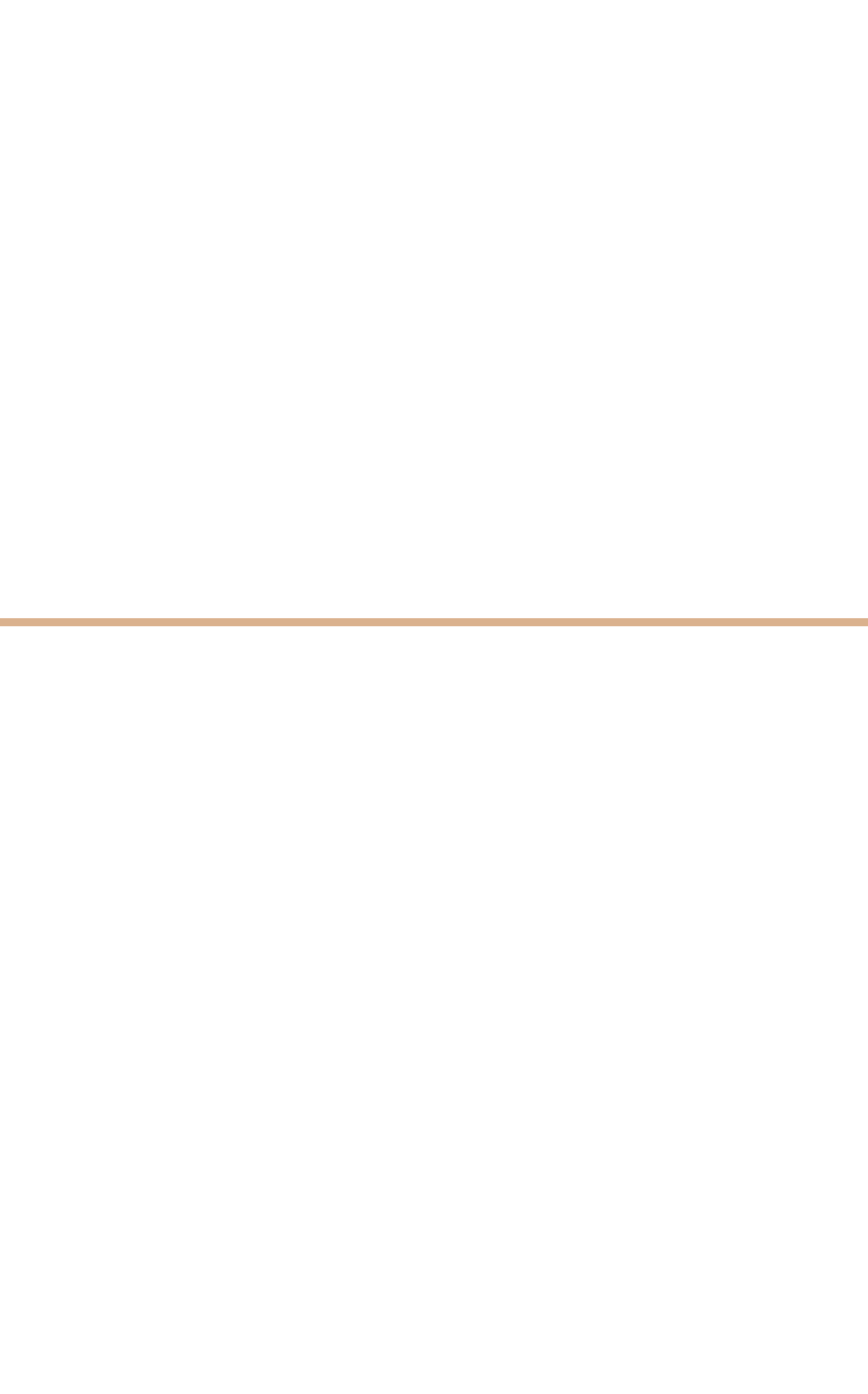




The Russian  
Association  
of Motor Insurers  
*Annual report 2007*





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

**Our annual report sets out concisely and in detail the work of the Russian Association of Motor insurers in 2007. It shows our achievements and our successes and the areas where outstanding questions remain. It also looks to the future, to the plans that we intend to carry out in the next few years.**

The introduction of direct settlement of claims and the adherence of Russia to The international Green Card System will both make many demands on insurers. Both will require reforming the way that claims are settled. In addition, serious changes will be necessary to technical processes and to IT systems, including the development of new methods of accounting between insurance organisations.

An effective introduction of both the above changes will depend not only on our own efforts. What is also vital is to make sure that the whole legal, regulatory and other infrastructural features that support the CMTPL system are adapted to accommodate these changes. In the first place, we are discussing the necessity of introducing standardised methods of calculating the costs of claims made by accident victims both for property damage and for bodily injury. Another important issue is maintaining the financial strength and solvency of insurance companies carrying on CMTPL insurance. The system of guarantees, established by the law, ensures that the financial obligations of bankrupt companies are met, but it does not prevent bankruptcy itself nor can it ensure that all the creditors of the bankrupt company are pursued effectively. For these reasons, we maintain a constant dialogue with state bodies.

We have the opportunity of working together with many Russian ministries and government bodies – the Ministry of Finance, the Ministry of the Interior, the Ministry of Transport, the Ministry of Economic Development, the Ministry of Health and Social Security, the Ministry of Information Technology and Communications, the Federal Service for Insurance Supervision and the Federal anti-monopoly Service. We also maintain good relations with the State Duma, with the Council of Federation and with the judiciary. In all these relationships our objective is to solve jointly the many difficult problems we face and to achieve our goals. The Mass media have a major role to play in informing the public about the problems and the achievements of CMTPL insurance. I would like to take this opportunity to thank them for their contribution.

I would also like to express my gratitude to management and specialists of insurance companies for their many contributions to the overall operation and improvement of the CMTPL system in the Russian Federation.

I am pleased to bring the RAMI's 2007 Annual Report to your attention.

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A.P. Koval,  
President of the All-Russian  
Insurance Association (ARIA)  
and Member of the Russian  
State Duma

## Dear Colleagues!

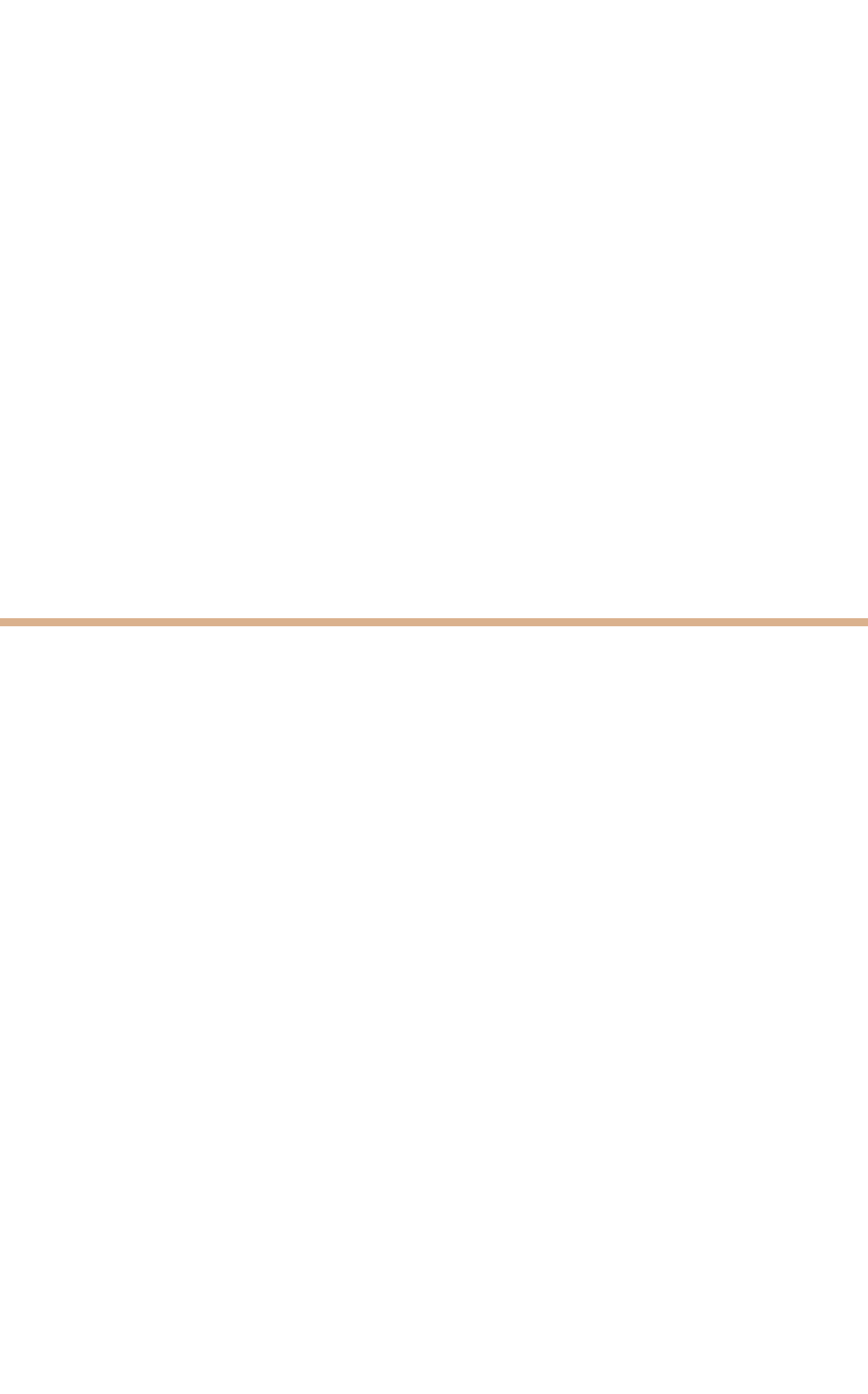
One more year has passed in the professional life of the Russian Association of Motor Insurers and it is time to analyse the results of its work and to outline the next steps to be taken to carry out its role in implementing the Federal Compulsory Motor Third Party Liability Insurance law.

This annual report should first of all become a catalyst for action: for setting out all the unsolved problems. It should define how each member of the RAMI should improve their efficiency and become even more dedicated to making this huge project – unique in the Russian Federation – a success.

Today you are in the process of introducing a system of direct settlement of claims and you are also about to join the international Green Card System for insuring the Third Party Liabilities of vehicle users.

Last year, very important legislative changes were adopted which provide added protection to insured vehicle users and this is why it is even more important that RAMI members continue to improve their level of training, carry out all their responsibilities and fulfil all their obligations to their insureds. All these changes are aimed at making the CMTPL market more just, honest and transparent.

I am sure that this concise report will give all readers the opportunity to make an objective assessment of the market.







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

## I would like to send greetings to all members and employees of the Russian Association of Motor Insurers.

2007 was a year in which important decisions were taken relating to the law on motor third party liability insurance. The Ministry of Finance, together with the Russian Association of Motor Insurers, drafted amendments to the law aimed at protecting the interests of citizens who suffer injury or damage in road accidents. The Government and the State Duma supported these amendments. In particular, the following amendments were passed which will come into force during 2008: first, the limit of liability of the CMTPL policy was increased to 160,000 Roubles for bodily injury and property damage for each person involved in a road accident without an aggregate limit. The second amendment is the introduction of direct settlement of insurance claims to road accident victims. The third is a system of simplified reporting of road accidents. A final, important step for insurance companies will be Russia's joining the Green Card System.

RAMI – the professional association of motor insurers – plays an important role in planning improvements to the law on CMTPL insurance and in drawing up the documentation necessary to implement them. We are particularly interested in hearing the opinions of insurers who carry out this type of insurance as to what the strategy for the development of the insurance market as a whole should be.

It is important to note that all the major decisions in respect of improvements to CMTPL legislation are taken in coordination with RAMI members.

We hope that in the future RAMI and the Ministry of Finance will continue to work in coordination. The new directions require much preparatory work, a serious approach and a great deal of understanding of the issues.

I would like to wish RAMI and all its members success in their work, for the sake of all those involved in the CMTPL insurance system.



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

**As in previous years, CMTPL insurance in 2007 was an important segment of the Russian Insurance market. Premiums from this class of business made up 10% of the total insurance market premium income.**

Today, the Russian insurance industry is experiencing a period of intensive growth in premium income and is rapidly gaining characteristics of more developed markets. Between 2005 and 2007, market volume grew by more than 50% — a rate of growth much faster than the economy as a whole. All classes of insurance are experiencing growth. During 2007, the total premium income increased by 25% to 763 billion Roubles. Demand for insurance services from both individuals and from commercial enterprises continues to grow.

Motor insurance is one of the main stimulants of growth and is expected to remain so for the next few years, given the continued rise in the number of vehicles on Russia's roads.

One change in the market is the growth in claims ratios: claims payments are now reaching realistic levels.

During 2007, insurance companies increased their financial strength through the implementation of a number of regulatory measures. First, the final stage in increasing minimum capital levels came into force. Second, new regulations were introduced governing the quality of assets held by insurance companies as capital. Third, similar changes were made to ensure the quality of assets held by insurance companies as reserves. Finally,

composite insurance companies are no longer permitted – insurance companies must either specialise in life insurance or in non-life insurance. I hope that these qualitative changes and the regulative framework will ensure that insurance companies improve the quality of services they provide to their clients.

At the same time other changes to the regulatory framework of the insurance market are being introduced. It comes as no surprise that in 2007 was also a year during which the law on CMTPL insurance underwent innovatory change.

One cannot but be impressed by the consistent and professional way in which RAMI management and staff perform their tasks: introducing new technology, developing rules of professional conduct and increasing the level of responsibility of the Association's member companies. This achievement is worthy of great respect. I would, therefore, like to wish success to all members of RAMI in their work. I am certain that the high degree of professionalism shown by RAMI staff and their sense of initiative will always serve the interests of Russia's insurance market as a whole.

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

## Once again, cooperation between RAMI and the Ministry of Transport has been vital and effective.

Much work has been undertaken to improve road safety and much of this has been in new directions.

One project was the development and introduction of a multifunctional system of traffic management through speed cameras. This system will help to speed up the arrival of first aid at traffic accidents and will also reduce the number of drivers who break traffic rules, thereby achieving the objectives set by RAMI.

There are a large number of road accidents in Russia and every year many people are killed or injured. For this reason, it is very important to return to a system of state regulation of access to transport. In this context, RAMI will play an important role in developing such a regulatory system.

One impressive area of RAMI's work is the increasing attention that the Association pays to modern scientific developments in the area of road safety. In particular, RAMI is studying foreign experience in the introduction of different methods for improving the quality and safety of road transport.

One of the most important features of the overall Government strategy is the "Strategy for transport development by 2010" document, which is a set

of measures that relate to CMTPL insurance. Cooperative work between RAMI and the Ministry of Transport is important in developing the automobile industry in Russia so that all issues that arise are settled quickly and effectively. One of these issues is the problem of measuring the cost of vehicle damage that arises as a result of a motor accident and here the key factor should be protecting the interests of the CMTPL insured and ensuring that compensation is paid in a convenient way. We are planning to introduce, with the support of RAMI, methods of calculating damage which will take into account the recent change in the CMTPL insurance legislation.

I would like to congratulate RAMI on the occasion of its fifth anniversary and wish it continuing success in all its work.



V.N. Kiryanov,  
Head of the Department  
of Road Safety of the Ministry  
of the Interior of the Russian  
Federation, Lieutenant  
General of the Militia

**Improving road safety is today, in the Russian Federation, one of the most important state objectives, requiring a multifaceted approach involving input from many ministries and government departments, from civil institutions and from commercial organisations.**

In 2006, the government adopted a long term strategy for improving road safety in our country. The main objective of this strategy (Improving road safety 2006 – 2010) is to save lives and prevent injury. This can be achieved by the prevention of dangerous driving and other behaviour on the roads, better organisation of road traffic and pedestrians in towns and cities and by improving first aid for road traffic victims.

RAMI makes an important contribution to the reduction of road accidents. Thanks to RAMI, we can learn about the most effective international techniques for improving road safety through the Association's programme of increasing the exchange of information between Russia and other countries.

RAMI plays an important role as well in publicising road safety. The Association organises advertising campaigns aimed at improving driver behaviour. It takes part in special events whose objective is to encourage road users to obey the law and traffic regulations, such as a Russia wide televised competition on road safety and a nationwide rally for young traffic inspectors.

On the occasion of its 5th anniversary, I congratulate RAMI and wish it all success in its work. I look forward to continuing our fruitful cooperation in the future.







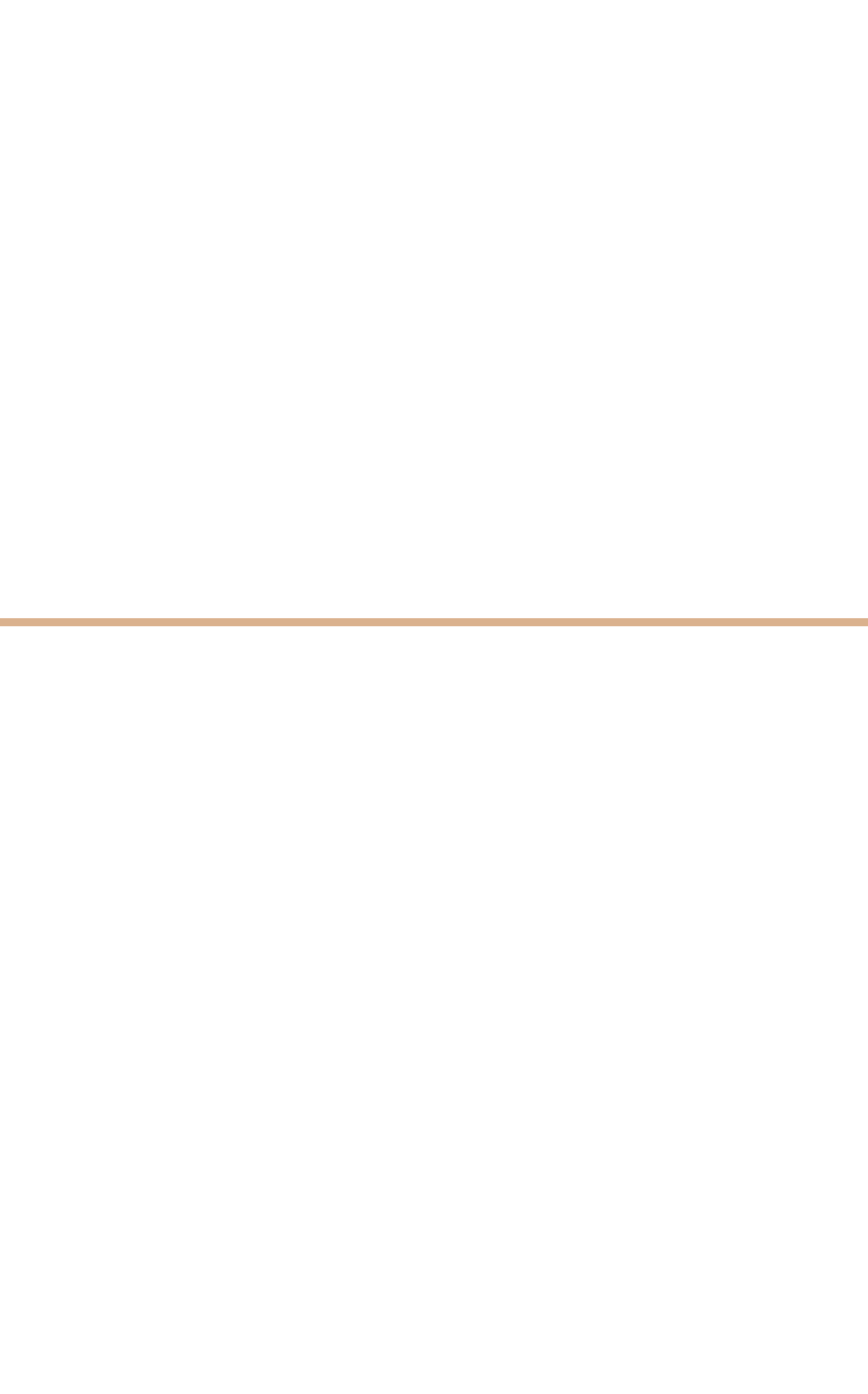
D.A. Milovantsev,  
Deputy Minister  
of Information Technology  
and Communications  
of the Russian Federation

## **During 2007, the Ministry of Information Technology and Communications continued to work with RAMI in developing and implementing the IT system for CMTPL insurance (AIS CMTPL).**

It is RAMI, above all, who is aware of how important it is to perfect this system. It will play a vital role in controlling the whole CMTPL insurance market and ensure that RAMI fulfils its obligations to insurance companies and their clients.

The introduction into Russia of new technologies is leading to a constant improvement in all information systems and databases. RAMI, as the association representing insurers involved in CMTPL insurance, is cooperating closely with those Federal ministries and government departments that are managing the creation of a common information system. The Ministry of IT and Communications is playing more than a coordinating role in the development of an IT system for CMTPL insurance. It is also acting as an overall organising authority and is taking the lead in managing the project. A number of other government bodies are also involved in the project, which thereby requires a significant amount of coordination.

The Ministry of IT and Communications will continue to cooperate with RAMI to develop and improve information systems so that the Russian insurance can successfully perform its function of benefiting Russian citizens.





A.V. Popova,  
Deputy Minister  
of Economic Development  
and Trade

## Dear Colleagues!

Insurance is now playing a highly significant role in the economic development of this country which was outlined in the long term strategy for the social and economic development of the Russian Federation up to 2020. The share of insurance in the GDP is expected to grow and thereby contribute to the economic diversification, which is a long term economic strategy objective. RAMI's five year history demonstrates how right it was to set the improvement of the insurance market and ensuring that it achieves a civilized relationship with the general public as an overall objective.

Everywhere in the world, CMTPL insurance is a vital component of the insurance industry. It tends to be a driver of market development and growth and contributes to profitability and capitalisation of the market as a whole. In this context, RAMI's important role should not be underestimated.

During 2007, the most important development in CMTPL insurance was the introduction of legislation bringing in direct settlement of claims and a simplified procedure for reporting minor traffic accidents without the need to involve the police. These are significant steps forward though it is clear that much work needs to be done fully to implement both of these changes. It is already clear that it is necessary to apply European insurance standards to the Russian insurance market.

One important problem that is hindering the development of the insurance industry is the need to improve the law on bankruptcy of insurance companies. The Ministry of Economic Development and Trade, the insurance supervisor

and RAMI are together looking into developing measures that will give the possibility to intervene before bankruptcy in order to implement timely measures that will prevent insolvency and will ensure that these companies remain part of the market, thereby protecting the interests of their clients.

Solving the problems of the insurance market – with RAMI being actively involved in this process – will make insurance more relevant for our citizens and will contribute to the development of motor insurance thereby benefiting the clients of insurance companies.

I wish RAMI great success in all its activities.



Michaela Koller,  
General Director  
of the Comité européen  
des assurances (CEA)

## **It is my pleasure as the Director General of the CEA to contribute to the 2007 Annual Report of the Russian Association of Motor Insurers (RAMI).**

The CEA and its members have long enjoyed a positive and mutually beneficial relationship with RAMI. Both sides always benefit from exchanges of views, and whenever our experts interact with RAMI, they are always impressed by the knowledge and motivation of its delegates.

I feel sure that RAMI's leadership will continue to contribute to the rapid and sound growth of the Russian motor insurance market, by enhancing the development of favourable conditions such as the further improvement of related legislation, claims handling and road safety.

I wish RAMI every success in its initiatives and also look forward to working together with the Russian insurance market in the future.





Key events  
in 2007

## Key events in 2007

The most significant event of 2007 was, undoubtedly, to do with legislation. In December, a legislative package was ratified by the State Duma, which included amendments to the Federal law on Compulsory Motor Third Party Liability (CMTPL) insurance for road transport drivers, under Article 2 of the Federal law on the Organisation of Insurance Business in the Russian Federation and a number of regulatory amendments. These legislative changes made four fundamental changes to the system of CMTPL insurance in Russia:

- from March 2008, limits to the sum insured for bodily injury claims on a per victim basis were introduced;
- from July 2008, a system of direct settlement of claims will come into force – a system where the victim of a road accident is able to obtain settlement of his CMTPL claim from the insurance company that issued his/her own CMTPL policy;
- from December 2008 simplified registration of road traffic accidents will be introduced – it will be possible for details of some road accidents to be submitted to insurance companies without an accompanying police report;
- from January 2009 it is anticipated that Russia will adhere to the International Green Card System for settling CMTPL claims.

In connection with these changes, work was carried out during 2007 to prepare the necessary documentation and to develop the necessary infrastructure for a system of direct settlement of CMTPL claims, and for adherence to the International Green Card System.

It has to be admitted that there is not sufficient time to bring in all the changes necessary to support a system of direct settlement of CMTPL claims or to amend all the regulations (in the tax code, in the road traffic regulations, etc.) or to develop a common methodology for determining which driver is at fault in road accidents. As a result, the insurance industry has taken the lead in calling for a delay in the introduction of the direct settlement system.

A second significant development in 2007 was a growth in the number of insurance events and of claims payments. The overall increase in loss ratios led the insurance industry to prepare proposals for the Ministry of Finance to re-examine the current system of setting premium tariffs for CMTPL insurance.

A third development during the year was that the Russian Association of Motor Insurers continued to undertake the task assigned to it by the Federal CMTPL law – to make compensation payments to victims of road accidents when otherwise they would not receive insurance compensation. In 2007, RAMI paid compensation to 9813 victims amounting to over 370 million Roubles. This annual figure is 50% of all compensation payments made between 2004 and 2007.



In 2007, total insurance claims payments amounted to Roubles **39.3 billion.**



During the year, the Association continued to work to improve its rules of professional conduct, along with the accompanying agreements, recommended methodologies and explanatory notes. For the insurance industry, one of the most important documents produced during the year was entitled “An agreement between RAMI members on cooperation in settling CMTPL claims”. This voluntary agreement simplifies the procedure by which insurance companies settle their mutual obligations. A list of companies that have signed the agreement is available on the official RAMI web site.

During 2007, RAMI continued the process of accrediting independent technical vehicle inspectors. The RAMI accreditation institute can be seen to be an effective, market orientated mechanism for creating the necessary infrastructure for the operation of the CMTPL system. RAMI’s accreditation system commands a high degree of authority amongst technical vehicle inspectors. In 2007, the accreditation of 685 technical vehicle inspectors expired, the second step of issuing three year accreditations took place and additional requirements for applicants were introduced.

The next important stages in the introduction of a system of independent technical inspection of motor vehicles relate to the work by RAMI to develop a methods of calculating vehicle repair costs so that claims payment amounts can be determined. The fact that there is at present no common system of standards for calculating motor vehicle claims amounts makes the development of this methodology essential if the system of inspections by independent technical experts is to be introduced effectively.







The CMTPL market  
The main statistical  
indicators

## The CMTPL market – the main statistical indicators

Between 1st June 2003 and 31st December 2007, 133 million contracts of CMTPL insurance were concluded and 5.2 million road accident victims received compensation totalling more than 117 billion Roubles.

In 2007:

- 34 300 000 contracts were concluded;
- Premium income received amounted to 72.4 billion Roubles;
- The total number of claims made by victims was 1 742 000;
- 1 685 000 million claims were settled;
- Roubles 39.3 billion were paid out in claims to victims.

Premium and claims figures for the year are shown in Figure 1.

Figure 1 shows continuing growth in the two main indicators of the CMTPL market: premiums collected and claims paid, with claims growing at a faster rate than premiums. Whilst the annual growth in premiums in 2007 was 13.3% compared with 2006, the corresponding growth rate for claims paid was 24%. Thus, claims payments are growing at twice the rate of premiums collected.

The ratio of paid claims to collected premiums in Russia for 2007 was 54.3% an increase of about 10% over the same figure in the previous year.

In addition to the growth in claims payments, there was also a growth in the number of insurance events (Figure 2). Thus, last year 1 742 000 victims made claims to insurance companies, an increase of 17.5% over the previous years. The number of contracts concluded grew in the same period by only 9.9%.

Fig. 1 Insurance premiums and claims

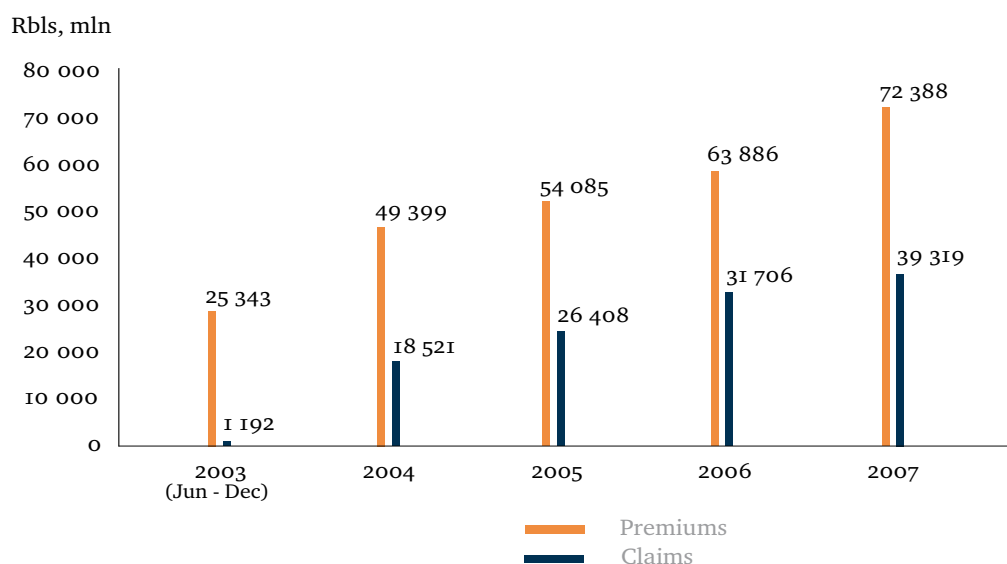


Fig. 2 Number of advised and settled insurance claims



It should be noted that insurance companies are continuing to improve their claims settlement procedures. Table 1 shows that the percentage of claims outstanding, awaiting settlement, is decreasing.

| Indicator   | 2003 (Jun-Dec) | 2004 | 2005 | 2006 | 2007 |
|---|----------------|------|------|------|------|
| Share of settled insurance claims to advised claims % | 60.1           | 86.9 | 94.6 | 95.4 | 96.7 |

Fig. 3 Average premiums

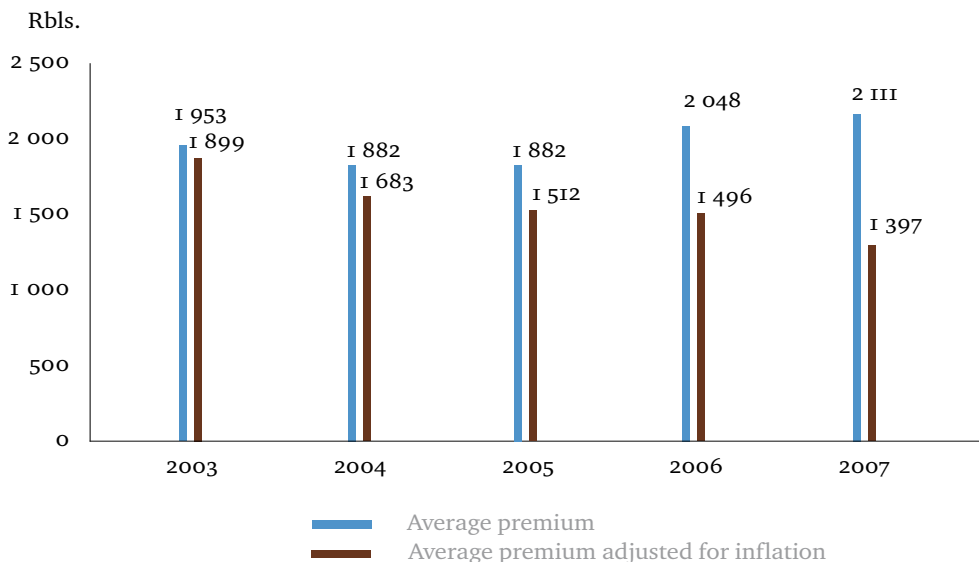
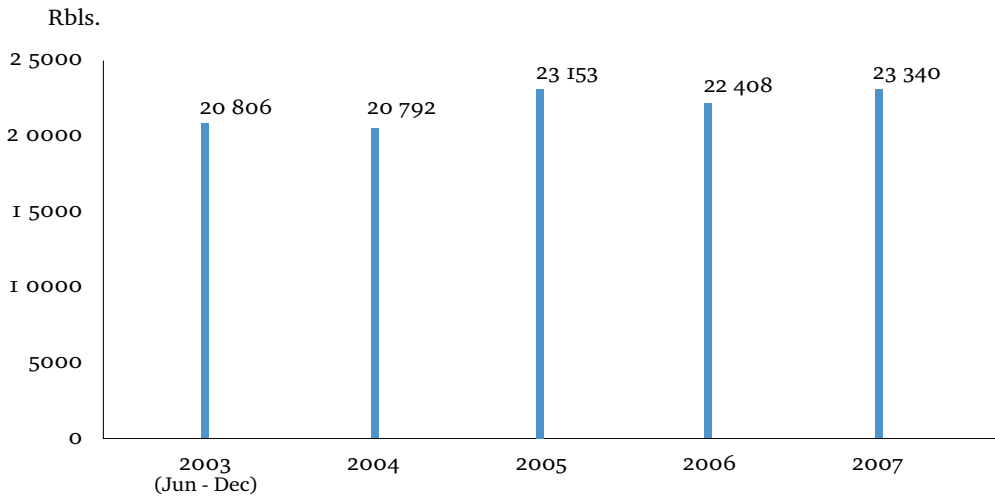


Fig. 4 Average claim payment



CMTPL premium tariffs have not been reviewed since the scheme began and, as a result, the average premium has only increased slightly from 1 850 Roubles to 2 120 Roubles. However, if inflation is taken into account the real inflation adjusted average premium has fallen by 30% (Figure 3).

The average claim payment in 2007 was 23 340 Roubles, an increase of 4.2% over the previous year (Figure 4).

The statistics show a continuing increase in the number of road accidents on Russian roads and an increase in the number of people injured in road accidents, so that at the present time there is no basis on which it can be concluded that in the near future there will be a reduction in the number of people looking to insurance companies to compensate them for damage or injury.

Data relating to the number of road accidents in which victims were injured between 2004 and 2007 is shown in Table 2.

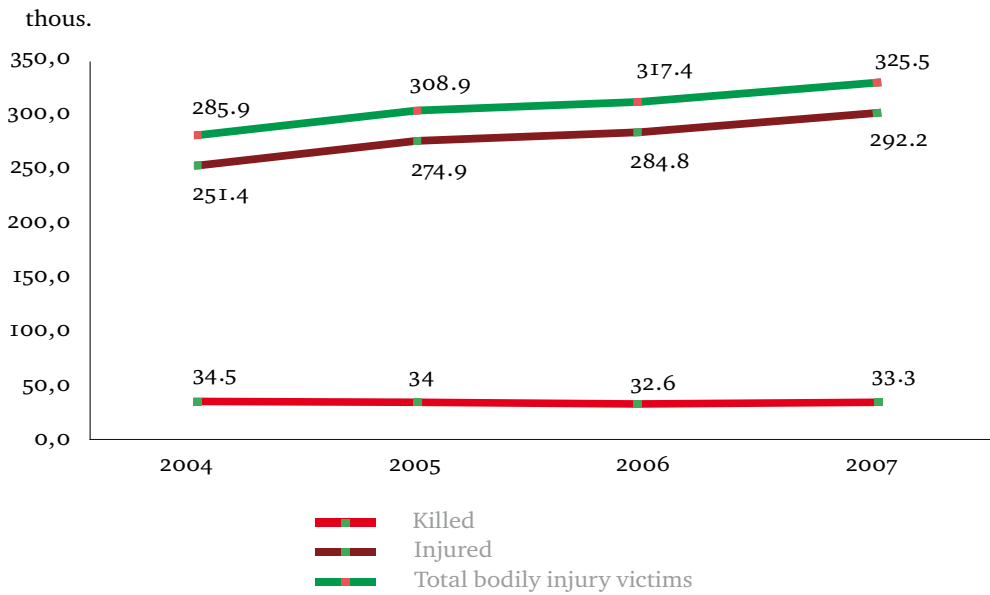
| Indicator                | 2004  | 2005  | 2006  | 2007  |
|--------------------------|-------|-------|-------|-------|
| No. of Accidents (thous) | 208.6 | 223.3 | 229.1 | 233.8 |
| Growth Rate (%)          | 2.1   | 7.0   | 2.6   | 2.1   |

Figure 5 shows the total number of road accident victims and the numbers of those killed and injured for the years 2004 – 2007<sup>1</sup>.

The number of road accidents, insurance events and claim payments is growing and this is causing serious concern amongst experts. A number of urban areas in Russia have particularly high levels of accidents and various types of driver also cause problems, such as young drivers and drivers of public service vehicles and taxis.

<sup>1</sup> Figures from the GIBDD

Fig. 5 Road accident victims, injured and killed



In Figure 6, CMTPL claims payment figures from the ten regions of the Russian Federation with the highest level of payments are shown.

In 2007, Moscow showed the highest level of claims payments: 6 192 million Roubles (15.5% of total claims payments). There were claims payments of 2 824 million Roubles (7.1% of the total) from the Moscow Region and from St Petersburg there were claims payments of 2 196 million Roubles (5.5% of the total).

Total claim payments of between 1.3 to 1.5 billion Roubles were made in the following regions of the Russian Federation: Krasnodar Krai (1 475 million Roubles), Tyumen Region (1 459 million Roubles), Sverdlovsk Region (1 343 million Roubles) and the Republic of Tatarstan (1 312 million Roubles).

Fig. 6 Leading Russian regions in total claims payments – 2007

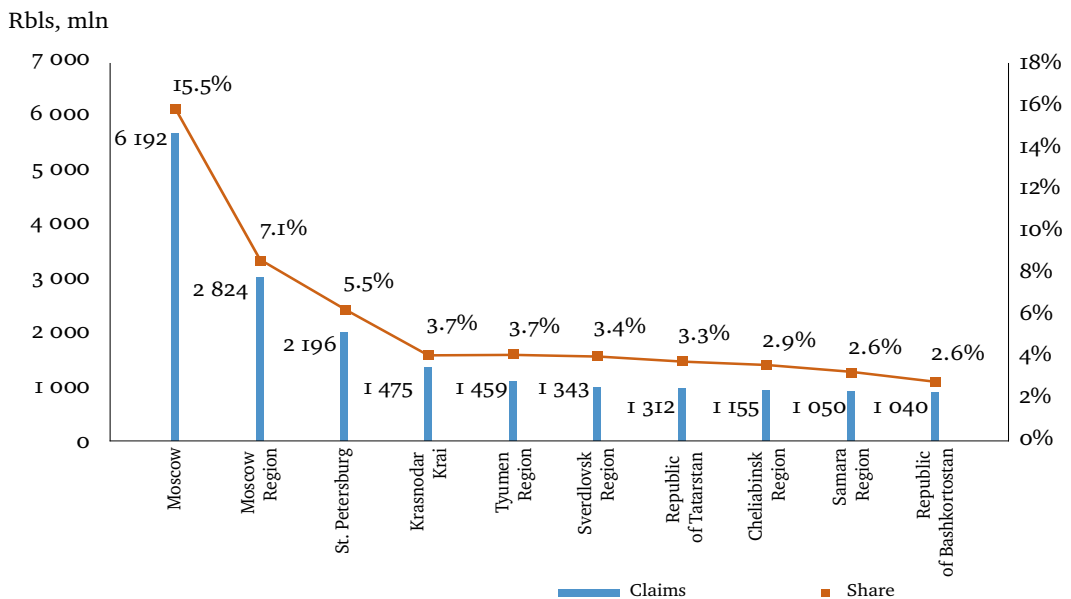
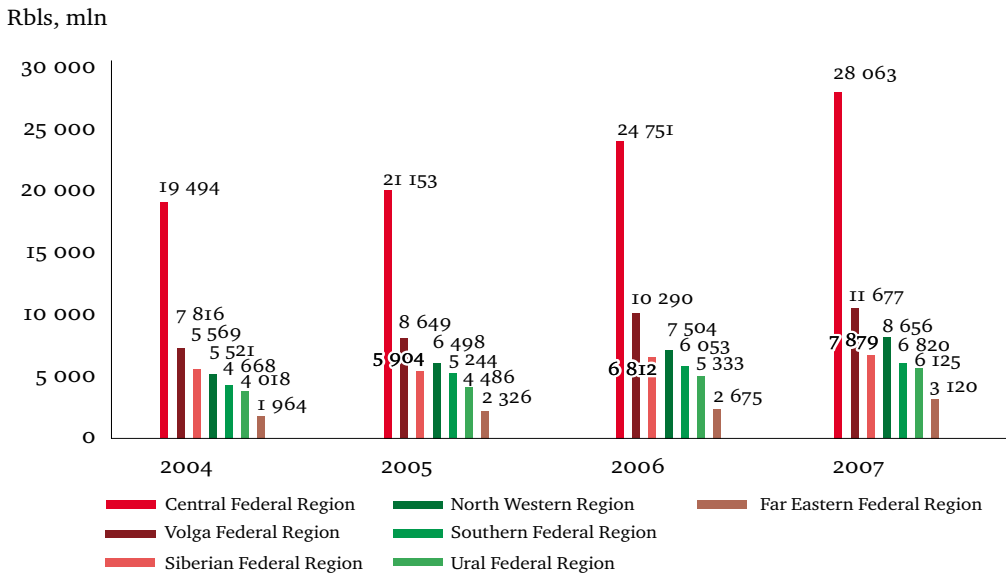


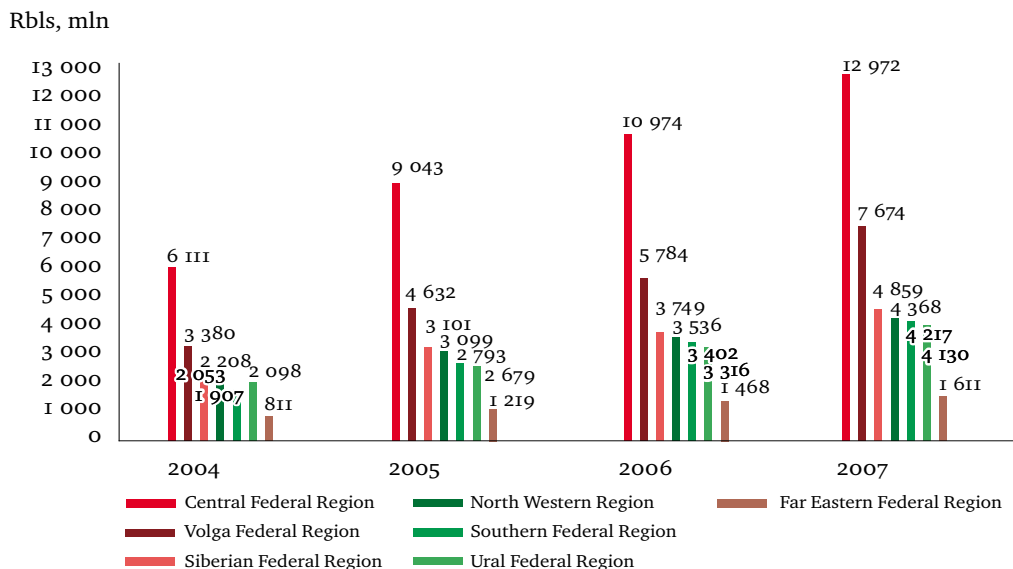
Fig. 7 Insurance premiums by Federal Administrative Region



2.6–2.9% of total claim payments came from the Cheliabinsk Region (1 155 million Rubles), the Samara Region (1 050 million Rubles) and from the Republic of Bashkortostan (1 040 million Rubles).

Looking at the Federal Administrative Regions, the clear leader in terms of premiums collected is the Central Federal Administrative Region with a premium volume of 28 063 million Rubles (38.8% of the total). Claims paid in this region amounted to 12 972 million Rubles or 32.6% of the total. (Figs. 7 and 8. Data are derived from RAMI Form 2 for 2007).

Fig. 8 Claims payments by Federal Administrative Region





During 2007, 16.1% of total premium volume was derived from the Volga Federal Administrative Region (11 677 million Roubles), 12% from the North West Federal Region (8 656 million Roubles), 10.9% from the Siberian Federal Region (7 897 million Roubles), 9.4% from the Southern Federal Region (Roubles 6 820 million) and 8.5% from the Ural Federal Region (6 125 million Roubles).

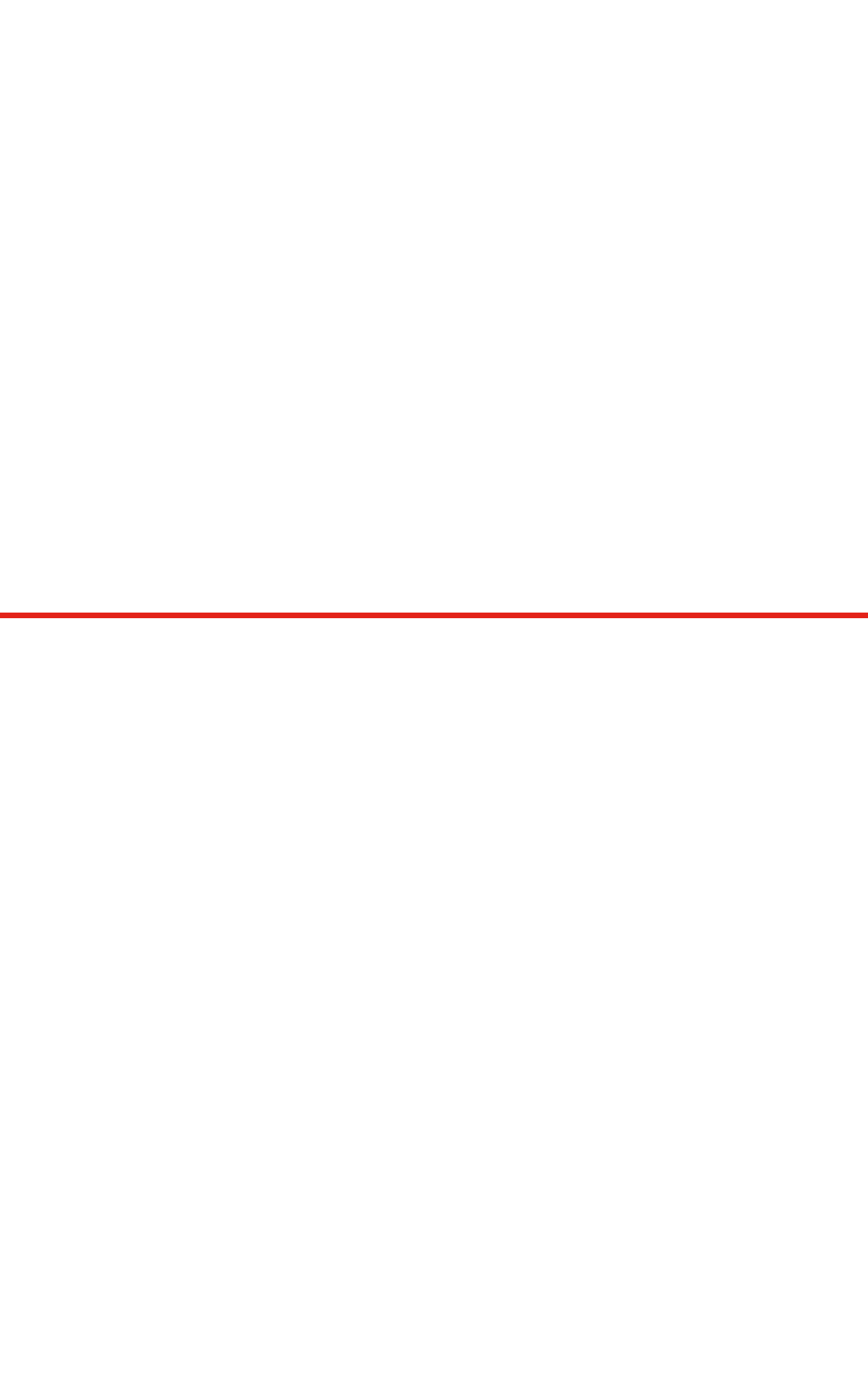
The corresponding breakdown of claim payment volume for 2007 by Federal Administrative Region were as follows: 19.2% from the Volga Federal Region (7 674 million Roubles), 12.2% from the Siberian Federal Region (4 859 million Roubles), 11% from the North West Federal Region (4 368 million Roubles), 10.6% from the Southern Federal Region (4 217 million Roubles), and 10.4% from the Urals Federal Region (4 130 million Roubles).

The Federal Administrative Region with the smallest number of motor vehicles registered is the Far Eastern Region. Here insurance companies collected 3.12 billion Roubles in premiums (4.3% of total premiums) and paid out 1 611 billion Roubles in claims (4% of total claim payments).

During 2007 13 insurance companies obtained licences to carry on CMTPL insurance business and became full members of RAMI.

As of 31st December 2007, there were 20 insurance companies who had applied to join RAMI.

In 2007, the Russian Federal Service for Insurance Supervision withdrew the licenses of four insurance companies: Genstrakhovanie Insurance Company, The General Insurance Company, Mezhregionalnoe Insurance Company and Investstrakh-Agro Insurance Company. In the first quarter of 2008, two further companies had their licenses withdrawn – Zenit Insurance Company and Rekon Peoples' Insurance Company.





# 3

Developing rules  
of professional conduct  
and preparing proposals  
for changing the regulations  
governing compulsory  
insurance

## Developing rules of conduct and preparing proposals for changing the regulations governing compulsory insurance

In 2007, the Russian Association of Motor Insurers played an active role in preparing proposals and draft documents aimed at improving the legal and regulatory framework for CMTPL insurance. Work included:

- changes to the main Federal CMTPL Law;
- changes to the tax code of the Russian Federation;
- changes to the Federal insolvency and bankruptcy law relating to bankruptcy of insurance companies;
- changes to the Government decree No. 263 covering CMTPL insurance;
- proposals put forward for inclusion in the draft strategy for the development of insurance business in the Russian Federation, 2008 – 2012.

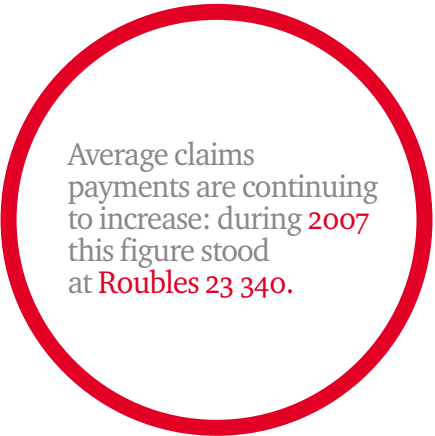
One important document was produced by the RAMI Committee for Insurance Methodology. The objective of this document (entitled “cooperation agreement between RAMI members carrying on CMTPL insurance in relation to making claim payments”) is to simplify the procedures for KASKO (motor physical damage insurance) insurers and CMTPL insurers so that they can calculate and settle their mutual obligations without the need to go to court. This agreement is voluntary and not part of the compulsory rules of professional conduct – companies can choose whether or not to adhere to it. A list of the companies that have signed the agreement is included on the RAMI web site. As at 31st December 2007, 42 members of RAMI had agreed to join the simplified procedure.

In 2007, research was carried out into CMTPL tariffs, based on data from four years operation of the system. This research identified high loss ratios not only in urban areas – it also demonstrated that there were a number of regions of Russia where premium rates were too low. The combination of high loss ratios and the absence of any changes in premium rates in these regions have led to a situation where insurers have withdrawn, closing branches and offices.

In 2007, research was also carried out into the likely impact of a number of proposed changes in the main CMTPL Federal law.

These proposed changes included:

- simplifying the procedure for reporting road accidents where only minor damage (below 25 000 Roubles) has been caused;
- estimating the value of damage caused by a road accident where the settlement is made on a “new for old” basis without making a reduction for wear and tear;
- paying compensation for loss of use of motor vehicles following an accident;
- increasing policy limits for bodily injury claims.



Average claims  
payments are continuing  
to increase: during 2007  
this figure stood  
at **Roubles 23 340.**



On the basis of this research, proposals were made to change the current system of setting premiums. These proposals were sent to the Ministry of Finance of the Russian Federation.

RAMI takes the view that it is important to understand and to take advantage of foreign experience of operating CMTPL systems and of setting premium tariffs. For this reason, the Association organised the fourth international conference entitled “CMTPL Insurance in Russia – Tariffs and Regulation” in November 2007.

Taking part in this event were RAMI member companies together with representatives from the Federal Service for Insurance Supervision, from the Federal Anti-monopoly service, from the Department of Road Safety at the Russian Ministry of the Interior. International attendees included experts from Belgium, Great Britain, Germany and Ukraine.





**Making  
compensation  
payments**

## Making compensation payments

The Federal CMTPL law makes RAMI responsible for making compensation payments to victims of road accidents in circumstances where otherwise a payment would not be made. Circumstances under which RAMI is responsible for making compensation payments include:

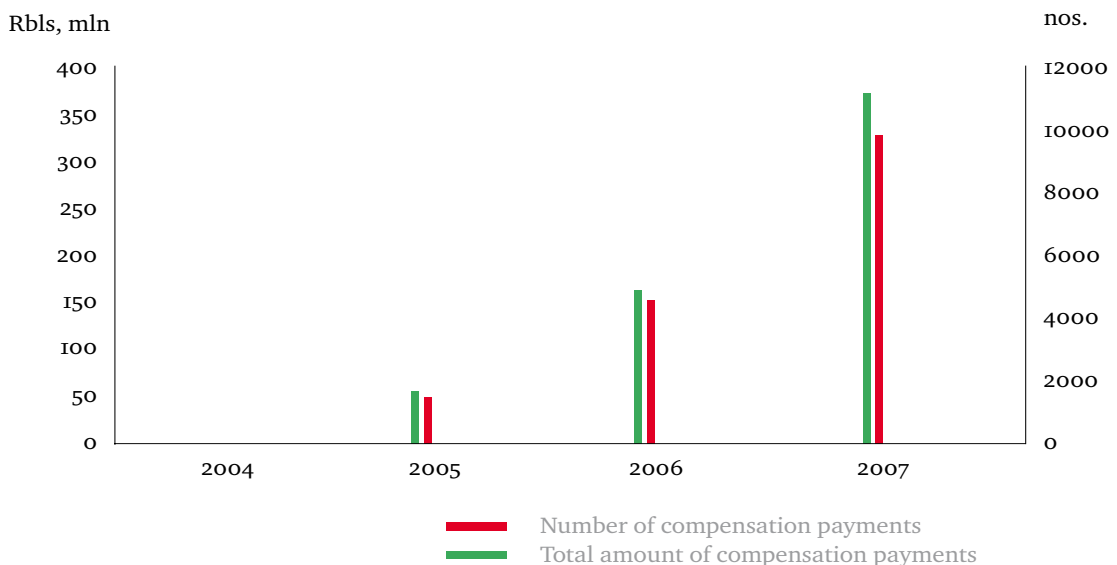
- the responsible insurance company has entered bankruptcy proceedings;
- the insurance company responsible has had its licence to conduct insurance business withdrawn;
- the driver who caused the accident is untraced;
- the driver who caused the accident has no valid CMTPL insurance policy.

In 2007, RAMI made compensation payments to 9 813 victims of road accidents and total payments amounted to 370.4 million Roubles. During the whole period between 2004 and 2007 inclusive, 17 065 victims were compensated through RAMI with a total payment of 636.5 million Roubles.

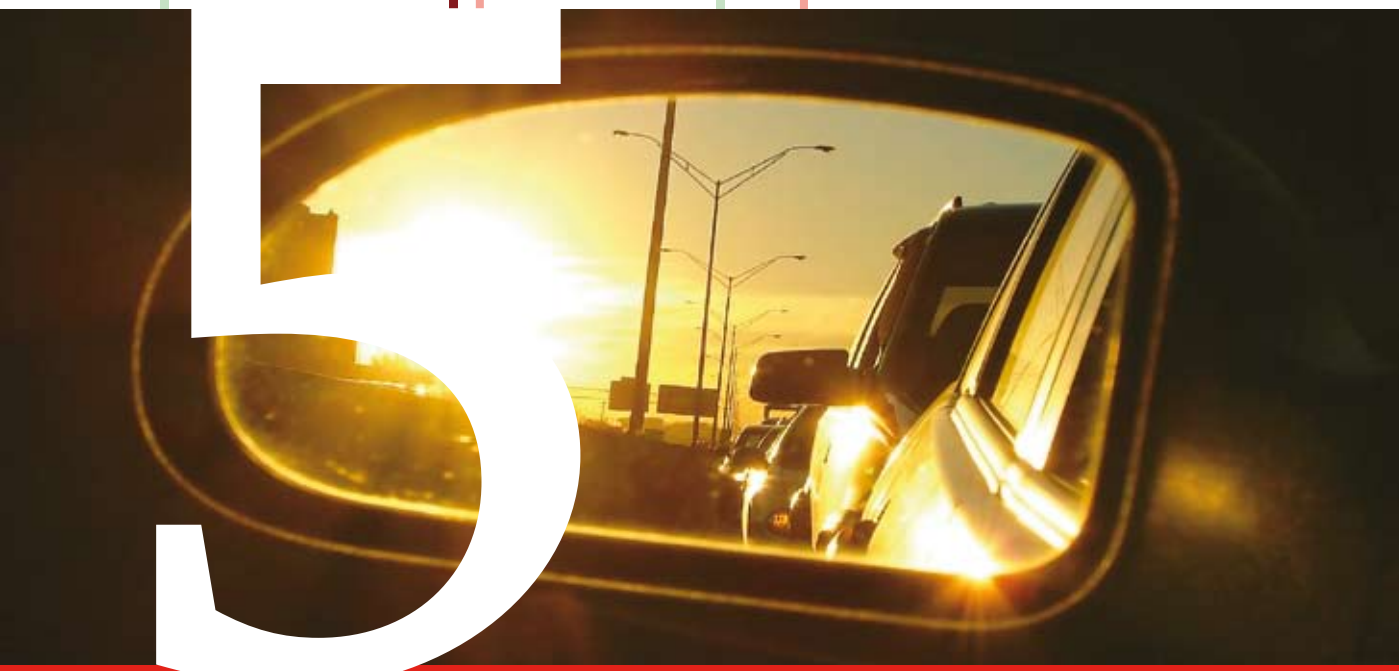
The Federal Law on CMTPL insurance requires insurance companies to establish a Guarantee Fund to finance the compensation payments made through RAMI. This fund receives 1% of all CMTPL insurance premiums and is managed by RAMI and is used to fund the payments made to road accident victims in the event that the insurance company responsible is bankrupt or has had its license withdrawn.

However, the guarantee reserve funds set aside by the problem companies were not sufficient to cover their liabilities. In fact, the total amounts set aside by these companies made up no more than 11% of the total compensation payments made through RAMI.

Number and amount of compensation payments







Information systems  
for compulsory motor  
third party liability  
insurance

## Information systems for compulsory motor third party liability insurance

RAMI is developing a number of information systems related to the operation of CMTPL insurance. These include:

- the RAMI Automated Information System (AIS RAMI);
- a subsystem for tracking and accounting for CMTPL policy forms (BSO AIS RAMI);
- a subsystem for informational security within AIS RAMI;
- the Automated Information System for CMTPL insurance (AIS CMTPL);
- a departmental component of RAMI within the Federal IT system (DC RAMI AIS CMTPL);
- standards for exchanging data between DC RAMI and the departmental IT systems of other users of AIS CMTPL.

## The RAMI Automated Information System (AIS RAMI)

### The subsystem for strict accounting for policy forms (BSO AIS RAMI)

As part of the process of developing the subsystem for tracking and accounting for CMTPL policy forms, data on more than 162 million policies were entered by insurance companies covering policies issued in the period from 2003 to 2007.

The subsystem BSO AIS RAMI can exchange data with the IT system of the State Inspectorate (GIBDD) via a subsystem that provides the interface between the RAMI IT system and the GIBDD IT system.

Work on this project in 2007 led to the development of rules governing information exchange between the State Vehicle Inspection Service and members of the insurance market, rules that were set out in Decree No. 1144. Now RAMI members can use official GIBDD reference materials and codification.

In 2007, the BSO AIS RAMI subsystem began full functionality with the following developments:

- the creation of an system that permits queries about policy forms;
- standard pages to be selected by insurance companies;
- allowing the possibility of preventing entries leading to changes in more than one policy form.

In addition, the software platform for the BSO AIS RAMI subsystem was modernised and changes were made in order to permit

the server to be checked and to control the message flow from insurance companies onto the server.



During 2007, RAMI  
agreed to make  
compensation  
payments to **9 813**  
**victims** of road accidents  
amounting to Roubles  
**370 400 000.**

## The subsystem for informational security AIS RAMI

The first steps have been taken to develop a subsystem designed to secure information security within AIS RAMI by the development of a strategic plan.

This strategic plan contains the following:

- a general approach to developing a security system for data under the AIS RAMI;
- setting out the overall aims and objectives of such a system;
- developing the requirements and practical rules governing the security system and the compulsory regime for maintaining security that have to be adhered to by both internal organisations and by other users of AIS RAMI. This security regime also governs information exchange with AIS CMTPL in the context of the interface with the Federal IT system.

## Auditing the IT systems of RAMI member companies

Under a programme introduced in 2006, a survey was prepared aimed at checking the IT system of RAMI member companies. This survey is known as the “Audit of IT systems”.

In 2006 and 2007, an IT audit was carried out for 170 member companies.

The result of these audits was the introduction of a number of requirements that RAMI members corporate IT systems must satisfy in terms of their operations in CMTPL insurance. Corporate IT systems must be able to maintain reliable and complete data on CMTPL insurance and must be able to export this data especially to supervisory organisations.

Further developments of this programme took place in 2007: rules and instructions were introduced that govern the checking for accuracy of CMTPL insurance data provided by RAMI members to RAMI.



In 2007, the number of road accident victims claiming compensation from insurance companies increased by 17.5% over 2006.

## The Automated Information System for CMTPL insurance (AIS CMTPL)

Following a decision of the General Meeting of RAMI members in May 2004, the development of an information system for CMTPL insurance (AIA CMTPL) has become one of the most important areas of work for our Association.

The overall objective of this work is to create a system that permits government bodies and RAMI member insurance companies to exchange data on CMTPL insurance and to ensure compliance with the Federal CMTPL law.

To achieve this overall objective, RAMI has worked with government bodies to develop the necessary legal and regulatory framework required to permit this exchange of data. In concrete terms, on 21 June 2007, a Government Decree of the Russian Federation was issued (Decree No. 391) titled “On Measures to Create Automated Data Exchange for CMTPL



During 2007,  
**34.3 million**  
CMTPL contracts  
were entered into.

Insurance”. This decree sets out the types of data held on governmental databases relating to CMTPL insurance that will be shared with other government organisations, with insurance companies and with other organisations.

During 2007, the technical specifications for the RAMI component of the AIS CMTPL system were developed as part of the process of implementing the Government Decree.

6



Combating  
insurance fraud  
and unfair  
competition

## Combating insurance fraud and unfair competition

RAMI's work in combating fraud and other illegal activities related to CMTPL insurance has taken the following forms:

- defending the CMTPL insurance market against economic threats;
- combating unfair competition;
- operating and perfecting the integrated "Spektr" database.

### Defending the CMTPL insurance market against economic threats

RAMI works closely with a number of organisations in this area and in 2007 the Academy of Economic Security of the Ministry of the Interior carried out research on mechanisms for protecting the financial interests of RAMI in relation to CMTPL insurance in Russia which include the following:

- a strategy for legal and economic protection of the interests of participants in the CMTPL insurance market;
- a draft recommendations as to how the various security bodies can detect, prevent and suppress illegal activity related to insurance;
- a draft cooperation agreement between the Ministry of the Interior and RAMI.

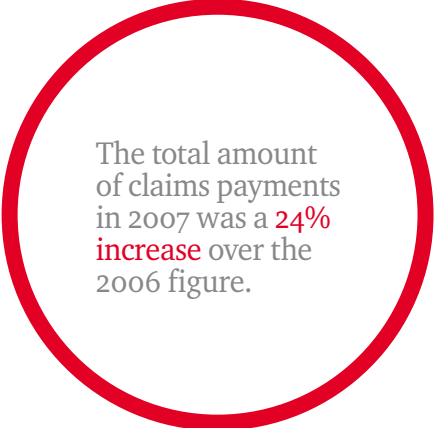
### Combating unfair competition

In 2007, work continued to ensure that the rules of professional conduct relating to the provision of CMTPL insurance services were complied with. These rules prevent insurance companies from advertising discounts or other benefits not allowed by the regulations.

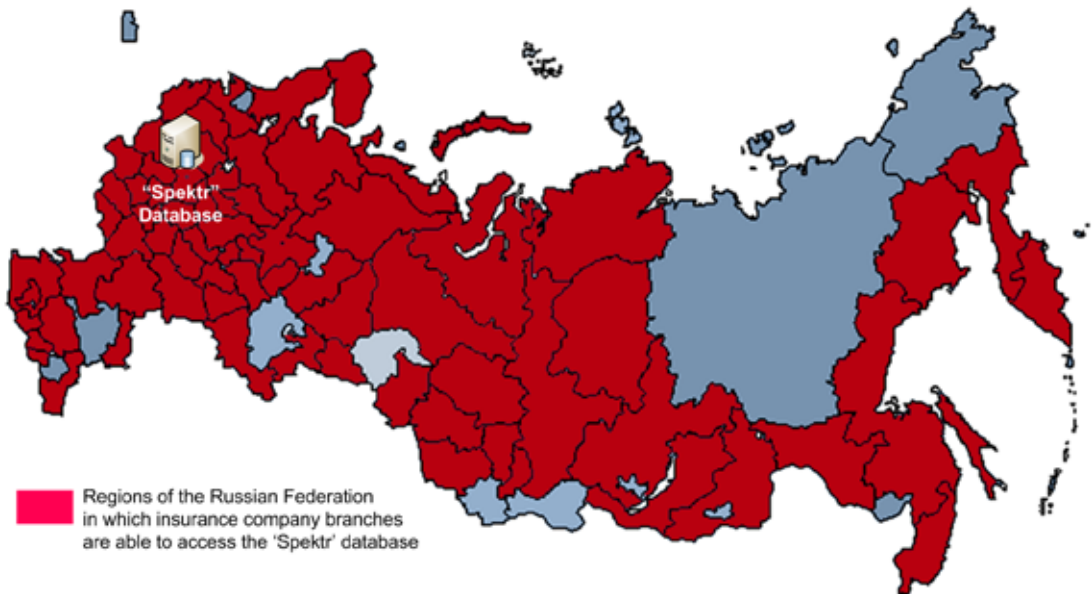
### Operating and perfecting the integrated "Spektr" database

Last year, the integrated "Spektr" database began full operation together with its associated subsystem "Spektr-enquiries".

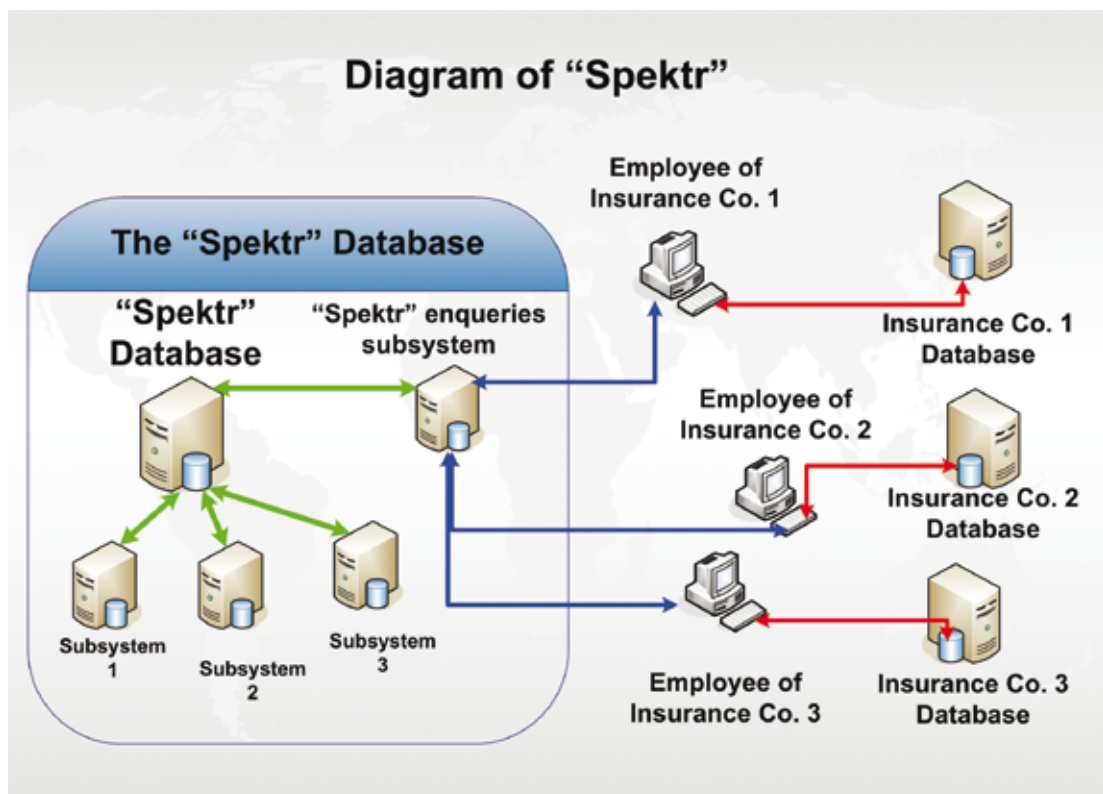
The enquiries subsystem allows insurance companies to access the database in real time through the Internet and to formulate queries and receive answers. The introduction of this resource has improved information exchange between system users and has reduced the time needed to process information, leading to a situation where it is no longer necessary to use different systems, rather it is possible to cooperate within the framework of one single IT system.



The total amount  
of claims payments  
in 2007 was a 24%  
increase over the  
2006 figure.



In addition, last year, insurance companies expanded the reach of the “Spektr” system by adding their branches, accounting centres and representative offices from all over the Russian Federation. By the end of 2007, there were more than 450 users of the database from more than 70 regions of the Russian Federation.









**The direct settlement  
of claims and simplified  
reporting of road accidents**

## The direct settlement of claims and simplified reporting of road accidents

In accordance with the decision of the General Meeting of RAMI members in May 2004, moving towards a system of direct settlement of claims and the introduction of simplified reporting of road accidents has been one of the most important areas of RAMI's work in the period from 2005 to 2008.

Work in these two areas during 2007 included the following:

- studying international experience in the operation of direct settlement systems, their strengths and weaknesses and the necessary conditions for their introduction and effective operation;
- developing the most appropriate model for direct settlement of claims and for simplified reporting of road accidents that takes Russian conditions into consideration, including the procedures whereby all those involved can work together, the necessary regulatory changes and a work plan to bring in the necessary infrastructure.

The model that has been developed for direct settlement of claims envisages the creation of a clearing centre for information and accounts through which RAMI member insurance companies will be able to conduct their mutual operations. The main functions of this clearing centre will be:

- to facilitate information exchange between RAMI member companies (before the formal exchange of inter-company claims);
- to organise a clearing system for settlement of the mutual obligations of insurance companies on a specific date;
- to supervise the mutual settlement of obligations between RAMI member companies based on accounts produced by the clearing centre;
- to develop a system of financial guarantees provided by RAMI member companies taking part in the mutual settlement of obligations.

In September 2007, RAMI organised a seminar dealing with the main questions relating to direct settlement of claims and simplified reporting of road accidents. 34 RAMI member companies took part in this seminar together with representatives of the State Duma, the Federation Council, the Department of Road Safety in the Ministry of the Interior, the Ministry of Finance, the Ministry of Economic Development and Trade and the Federal Service for Insurance Supervision.

Experts from France, Germany and the Czech Republic made presentations which enabled the seminar participants to clarify the most difficult questions that need to be addressed before direct settlement and simplified reporting of road accidents can be successfully introduced in Russia.



The international system  
of third party liability  
insurance for motor  
vehicle users  
(The Green Card System)

## The international system of third party liability insurance for motor vehicle users (The Green Card System)

According to the decision of the RAMI General Meeting of Members, in May 2005, joining the International Green Card System has been one of RAMI's most important areas of work. In April 2007, RAMI Presidium agreed an action programme for the necessary preparatory steps for joining the Green Card System. Under this plan the following actions have been undertaken.

### **Implementing the conditions required for the Russian Federation's joining the International Green Card System.**

In 2007, the technical documentation for joining the Green Card System was drawn up according to the requirements of the Green Card Council of Bureaux.

The key conditions guaranteeing that financial obligations towards the Green Card System will be met were set out in concrete form:

- agreement was reached on the provision of a bank guarantee to cover the obligations of the Russian Green Card Bureau;
- the main terms of a reinsurance programme covering losses in excess of Euro 200 000 were set out following the requirements of the Green Card Council of Bureaux.

The Ministry of Finance of the Russian Federation sent a letter to the United Nations Economic Commission for Europe in which the Russian Association of Motor Insurers was identified as representing the interests of Russia in terms of the relationship with the International Green Card System.



### **Bringing Russian legislation and RAMI articles of association into line with Green Card regulatory**

To carry out this project, a number of activities took place during 2007:

- RAMI experts prepared draft amendments to the Federal CMTPL insurance law and to other relevant regulations.
- the necessary changes to RAMI's articles of association were prepared to give the Association the functions of the Russian Green Card Bureau. Proposed changes to RAMI's Charter were drafted which would have the effect of regulating the Association's activities in relation to the international insurance system and for drawing up rules of professional conduct to cover RAMI's activity as Russia's Green Card Bureau.

### **Calculating premium tariffs for the Russian Green Card Certificate**

The aim of this activity is to develop the economic basis of calculating premium tariffs for the Russian Green Card and to also develop the tools for producing forecasts and monitoring the performance of the Russian Green Card System. In this context, a number of research projects were undertaken:

- developing and broadening the statistical base for the Green Card System;
- creating a set of indicators, necessary to forecast future trends and to calculate premium tariffs for purchasers of Green Card Certificates;
- calculating premium tariffs for Green Card Certificates;
- analysing the reinsurance system for Green Card Certificates;
- analysing claims development;
- developing a financial model to calculate the parameters for effective operation of the Russian Green Card Bureau.

### **An Information Technology system for the Green Card system**

Work on the IT system for the Green Card System (AIS Green Card) in 2007 began with the development of an outline of the technical requirements and design of such a system.

The AIS Green Card is intended to cover all key business processes and information-exchanges set out in the regulations governing the International Green Card System. These include:

- concluding bilateral agreements between national Green Card Bureaux;
- organising the infrastructure for settling mutual obligations;
- distributing blank Green Card Certificates;
- concluding contracts;
- settling insurance claims in Russia and outside Russia;
- paying compensation under the Green Card System.

### **The European Commission project Assistance to Russia in joining the Green Card System**

A project, supported by the European Commission, aimed at helping Russia join the Green Card System was carried out by a group of experts headed by Ulf Lemor, the honorary President of the Council of Bureaux. This team of experts drafted the necessary legal and regulatory framework within which the Russian Green Card Bureau could operate and support Russian insurance companies operating the Green Card System.

### **An international seminar on reinsurance issues for the Green Card**

In June 2007, the international reinsurance brokerage company Willis Re sent representatives to an international seminar on reinsurance issues related to the introduction and operation of the Green Card System. Amongst the topics discussed at this seminar were the organisation of reinsurance protection and the role of foreign Green Card Bureaux in settling and managing claims. There were about 50 attendees of this seminar, among whom were included representatives of Russian and foreign insurance and reinsurance companies.

### **The Second International Conference on technical inspections of motor vehicles following road accidents under CMTPL insurance in Germany and on Western and Central European experience in settling claims under the Green Card System**

On 26th – 27th September, the Second International Conference on the technical vehicle inspection system in Germany and on international experience in settling claims under the Green Card System took place at which the following key issues were discussed:

- settling claims arising from road accidents with the involvement of foreign drivers;
- a comparison of the methods of claims settlement in a number of European countries including Austria, Switzerland, the Czech Republic and France;
- the latest developments in cooperation between DEKRA International and insurance companies in relation to independent vehicle inspections;
- ensuring high quality organisation and the development of independent vehicle inspections following road accidents.

There were more than 100 attendees at this conference and these included representatives of Russian Government bodies – the Ministry of Finance, the Ministry of the Interior, the Ministry of Economic Development and Trade, the Ministry of Transport and the State Duma. Both Russia and foreign insurance companies were represented as were professional associations (the Association of International Road Transport Carriers (ASMAP)), consulting companies, scientists and expert and social organisations.



**An international conference  
on “Settling claims under the Green Card system –  
typical situations. Specific problems of settling  
claims in Eastern Europe”**

On 25th October 2007, a conference was organised in St. Petersburg together with the Austrian claims settlement group AVUS. The theme of this conference was on the specific problems of settling Green Card claims in Eastern Europe. Amongst the issues discussed at this conference were:



The international system of third party liability  
insurance for motor vehicle users  
the Green Card System



- the development of the law on CMTPL insurance in Europe;
- CMTPL insurance in Poland. The claims settlement process;
- road accidents in Lithuania – the law and practice;
- road accidents in Latvia – the law and practice;
- road accidents from the perspective of Russian road users and insurance companies;
- the general tendency in terms of the payment of moral damages in different European countries.





Improving  
road safety

## Improving road safety

### **The participation of the Russian Association of Motor Insurers in pilot projects aimed at reducing the number of road accidents and their financial cost**

In 2007, a pilot project on setting up automatic speed controls on roads in the Moscow region was completed in partnership with the Russian Ministry of Transport. The project used the experience gained from an automated speed control system on the Belarus (M1) motorway.

As part of the project, software was developed to capture violations of road traffic law and methods were developed to utilise the information gained when the violations were captured.

### **The production of proposals that would set out the conditions under which insurance companies would play a formal role in the development of road safety programmes in the Russian Federation**

In conformity with a decision of the General Meeting of RAMI on 14th September 2006, proposals are being produced that set out the conditions under which Russian insurance companies can play a formal role in developing road safety policy in Russia. As part of this process the following actions have been taken:

- an analysis of how foreign insurance companies are involved in the development and implementation of road safety policy. An assessment of the most effective methods used by insurance companies;
- developing the conditions under which Russian insurance companies can participate in road safety programmes and setting out an approach to measuring their effectiveness;
- in 2007, RAMI once again published its annual report entitled “CMTPL insurance and road safety”.

### **Participation in forums, congresses, conferences and other events organised by Government bodies dealing with road safety**

The work of RAMI in improving road safety, in increasing the effectiveness of road transport systems and in protecting the public from road accidents and their consequences was publicised during 2007 at the following events:

- The Road Safety Forum 2007 took place in Moscow from 25th to 28th October 2007 at which there were 10 international technical road safety exhibits which included a motor insurance section where RAMI and member insurance companies were represented.

As part of this forum, a workshop was organised under the title “CMTPL insurance – a key component in the road safety system”. RAMI was presented with an award for taking part in this international exhibition.



- On 1st November 2007, An International Congress entitled “Road Safety for the Safety of Life” took place in the Tavricheskiy Palace, organised by the Inter-Parliamentary Assembly of the Commonwealth of Independent States. Representatives of government bodies of the Russian Federation took part in this congress, together with heads of highway agencies of CIS countries and representatives of international social organisations.



## Improving road safety



RAMI's role in the congress was to organise a round table under the title "Driver and pedestrian safety – socio-legal aspects and financial protection" which discussed key legal questions relating to CMTPL insurance and its impact on drivers and pedestrians.



The development  
of market infrastructure  
for CMTPL insurance

## The development of market infrastructure for CMTPL insurance

### The accreditation of vehicle technical inspectors

In 2006, the Presidium of RAMI approved a system of voluntary accreditation of vehicle technical inspectors through RAMI. The objective of this system is:

- to encourage the providers of inspection services to improve their level of competence and professionalism thereby supporting a means of by protecting the rights of those who use these services;
- to ensure that insurance companies are able to have confidence in the service provided by vehicle inspectors;
- to develop a means whereby the interests of both insurance companies and victims of accidents can be protected under a system of independent vehicle inspection;
- to create an effective mechanism for dealing with disputes between insurance companies and the victims of motor accidents.

In 2007, work continued on developing the system of voluntary accreditation of vehicle technical inspectors through RAMI in the following areas:

- in June 2007, the second stage of accrediting vehicle technical inspectors for three years commenced, with the introduction of additional requirements for candidates;
- there were seven meetings of the accreditation commission;
- 768 applications for accreditation were studied;
- 685 of these applications were successful and the applicants were accredited through RAMI;
- 48 applicants had their accreditation through RAMI extended for a period of three years;
- 35 applicants for accreditation were unsuccessful.



## Methods of estimating vehicle repair costs in order to determine the amount of claims payments


A detailed project is underway to develop standards and rules under which insurance companies, independent vehicle inspectors and vehicle repairers can work together. As part of this project, a methodology for estimating vehicle repair costs has been produced which will permit insurance companies to determine the amount they are liable to pay.

The overall objective is to produce a standardised methodology for use by independent vehicle technical inspectors to estimate the amounts insurance companies are liable to pay based on the cost of repairing a vehicle.

In 2008, the methodology is planned to be certified within the system of voluntary certification of legal experts.

On 14th May 2007, the second All-Russian conference on claims settlement under CMTPL insurance took place in Moscow. This conference, which was entitled “Problems of cooperation between insurance market participants in settling CMTPL claims and their solutions”, was organised jointly by the Russian Ministry of Transport and by RAMI.

The following presentations were made at the conference: “Problems facing insurance companies in settling CMTPL claims”, “Practical problems facing the organisations of experts in their work in the area of independent technical vehicle inspection”, “Developing a system of insurance companies settling CMTPL claims for vehicle damage directly with servicing and repair garages – the role and objectives of the garages in this system”, “A system of independent technical vehicle inspections – legal, methodological and informational issues”, “Central office systems for claims settlement and for accounting for compensation payments”, “The results of the first year of operation of the voluntary accreditation of vehicle technical inspectors”.



In 2007, **685 technical vehicle examiners** competed successfully the voluntary accreditation system through RAMI.







Other  
activities

## Other activities

### **Raising the level of professional qualifications of RAMI member company staff**

In 2007, RAMI organised 18 training events which included conferences, seminars and conferences via conference calls:

- 16 conferences and seminars covering a number of topics related to CMTPL insurance which included 6 conferences and seminars attended by foreign participants;
- 2 conference calls at which the application of the rules of professional conduct were explained.

#### **Conferences:**

23th-25th May 2007, the Russian Association of Motor Insurers and the All-Russian Insurance Association jointly organised an international conference in Yekaterinburg under the title of “Current trends and future perspectives in the development of the insurance market”

This conference allowed participants in the insurance market to share their views as to the development of the Russian insurance market. As part of the conference, a workshop was held entitled “CMTPL insurance, current issues and future trends in terms of carrying out the requirements of the law”.

18th-19th October 2007 in the city of Belokurikha in the Altai region, the VIII International scientific and practical conference took place entitled: “The role of insurance in the socio-economic development of Siberia”.

There were presentations to the conference made by the organisers: the Administration of the Altai region, the All-Russian Insurance Association, the Russian Association of Motor Insurers, the Siberian Regional Association of Insurers, the Altai Association of Insurers and the Siberian Alliance.





2nd November 2007 in Khabarovsk, a seminar for management and specialists from insurance companies in the Far Eastern Federal Region was organised.

This seminar was an initiative of RAMI and of the Insurance Supervision Service of the Far Eastern Federal Region. Its objective was to set out an account of the work of insurance companies in the region related to CMTPL insurance and discussed the following concrete issues:

- the development of the system of collective security in the CMTPL insurance market;
- problems facing insurance companies in co-operating in the settlement CMTPL and motor physical damage (KASKO) claims;
- developing methodology for a “bonus-malus” system including necessary legislative changes;
- key issues facing CMTPL insurers in the Far Eastern Federal Region.

### Conference calls

12th January 2007 there took place a conference call to discuss the issues relating to the introduction in Russia of direct settlement of claims and simplified reporting of road accidents.

26 RAMI member insurance companies took part in this event from seven Federal Administrative Regions of the Russian Federation.

Its objective was to discuss a draft Federal law that would amend the Federal CMTPL insurance law.

10th October 2007 a conference call was organised to deal with problems of working with insurance companies that have had their insurance licences either restricted, suspended or withdrawn.

83 RAMI member companies took part in this event at which a wide range of issues

were raised, relating to the consequences of insurance companies leaving the CMTPL insurance market as a result of their insurance licenses being restricted, suspended or withdrawn. These issues included:

- actions to be taken by RAMI and by its members in the event of a license being restricted, suspended or withdrawn;
- organising a system to make compensation payments according to the requirements of insurance companies;
- practical legal issues;

The answers to the questions raised at this event were posted on the RAMI official web site.

### Production of information material


In 2007, RAMI published a number of documents as part of its programme of providing information for its membership which included:

- the RAMI 2006 annual report in Russian and English. This report is designed to provide detailed information about the activities of the Association for its members and for its foreign partners, the mass media and state bodies;
- information bulletins that include the RAMI rules of professional conduct and other regulations that affect the operation of CMTPL insurance;
- the second annual report published by RAMI “CMTPL insurance and road safety”;
- “RAMI News” and the “Insurance Associations Gazette”.

These publications were distributed free to RAMI members and to state and social organisations.

RAMI also provides information for the general public and works closely with the mass media. In this context, the following events were organised:

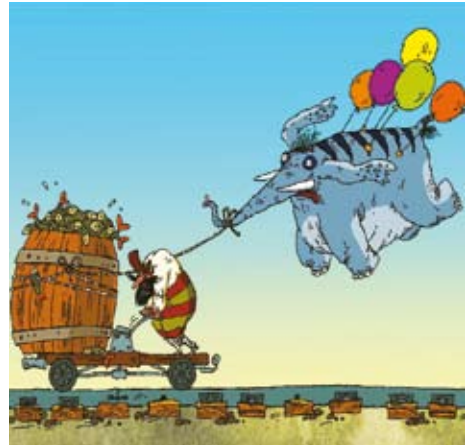
- an All-Russian competition for journalists and publications to produce the best articles published in the mass media relating to CMTPL insurance;
- a competition organised jointly with the All-Russian Insurance Association for young people and students to test their knowledge of CMTPL insurance;
- providing press releases and other information to the major news agencies including Interfax, ITAR-TASS and RBK and directly to many publications including the Insurance Atlas, Vedomosti, Kommersant, Argumenti I Fakti, Russiska Gazette, Izvestia, Komsomolskaya Pravda, Novie Izvestia, Moscovsky Komsomolets, “At the wheel”, Auto Revue, Automobili, Klakson, Tikhookeanskaya Zvesda and KP-Vladivostok;
- radio broadcasts on the following stations: “Mayak” Auto Radio and City FM;
- taking part in programmes on television through the following national and regional channels: Today (NTV), Moscow News, 24 News, “Good morning Russia” (Rossiya), VGTR Vladivostok.



RAMI has successfully developed a programme of **telephonic conferences (conference calls)** with member companies

### Introducing measures to encourage road users to obey the law and driving regulations

RAMI has commissioned a series of animated films aimed at encouraging drivers to obey driving regulations. The Association has also commissioned a video encouraging drivers to use seat belts and child safety seats.



The films encouraging drivers to obey the law have been shown on television and on roadside advertising screens. Audio versions have appeared on Russian radio stations.

Research has been undertaken to discover the most effective methods of encouraging drivers to stay within the law using animated films and also on the best way to encourage drivers to use seat belts and child safety seats.





Priorities  
for 2008

## Priorities for 2008:

- to set up the necessary infrastructure for implementing direct settlement of claims and simplified reporting of road accidents;
- to develop the legal and regulatory framework within which RAMI and its member companies can operate the international Green Card third party motor insurance system;
- to continue to work on the development of the various IT systems relating to CMTPL insurance;
- to continue work on forming and improving the CMTPL insurance market infrastructure.

### **Direct settlement of claims and simplified reporting of road accidents**

Despite the fact that at the current time, there are proposals to postpone the introduction of those parts of the Federal CMTPL law dealing with direct settlement of claims, the RAMI Committee for the reform of claims procedures and the European Protocol intends to work in the following areas:

- to develop proposals for amendments to the Tax Codes of the Russian Federation to ensure that the tax treatment of transactions undertaken by insurance companies under a system of direct settlement is clarified;
- to prepare draft amendments to the Code of Administrative Offences and Road Traffic Regulations (regarding reporting road accidents without the need for a police report), to Russian Government Decrees (CMTPL regulations), to decrees of the Ministry of Finance (concerning the formation of insurance reserves, accounting for insurance business) and to other documents;
- to prepare an agreement between insurance companies governing the operation of the system of direct settlement of claims and also to draft the necessary rules of professional conduct;
- to create a clearing house to exchange data and to account centrally for transactions under a system of direct settlement of claims;
- to organise seminars to inform and train specialists from insurance companies on the operation of the clearing system and central accounting.



In September 2007, RAMI organised a seminar dealing with **direct settlement of claims and simplified reporting of road accidents.**

Successful completion of this work during 2008 will allow insurance companies to agree the basic structure of a direct settlement system and will provide the framework within which insurance companies can work together on the basis of a voluntary agreement between RAMI members. Such an approach, in which all RAMI member insurance companies are involved, should bring to light most of the problems that could



occur and allow solutions to be found before the direct settlement system comes into force in Russia.

### The Green Card

The main activities planned by the RAMI Committee for International Relations and for Co-operation with international CMTPL systems, during 2008 in relation to joining the International Green Card System can be summarised in the following three areas:

- to bring Russian legislation and RAMI's governing articles into line with the regulations governing the international Green Card system;
- to develop the organisational structure and the informational system for the Russian Green Card Bureau within RAMI and developing the overall Green Card IT system;
- to train insurance company specialists.

Bringing Russian legislation and RAMI's governing articles into line with the Green Card regulatory system requires the following work:

- to amend Russian legislation;
- to amend RAMI's governing articles;
- to develop rules of professional conduct relating to the financing of the Russian Green Card Bureau within RAMI. Further rules should cover how contracts should be concluded by RAMI members, how Green Card certificates should be distributed, and accounted for; how Green Card claims on Russian territory and beyond its borders should be settled. Finally, the rules needed to govern the system for appointing foreign corresponding organisations to settle claims in various countries.

In 2008, work began on developing the outline and technical requirements for the Green Card IT system. This system will not only facilitate information exchange between insurance companies and the Russian Green Card Bureau. It will also satisfy all the requirements for exchanging data established by the international Green Card system and will also interface with the overall CMTPL IT system operating within Russia.

In addition to developing the IT system, it is necessary to create a centre in Russia for receiving documentation from insured drivers and from accident victims, to provide informational support for insured drivers who have road accidents outside Russia and to create a special section of the RAMI web site devoted to Green Card business.

Training seminars for specialists from insurance companies will be held as part of the process of developing rules of professional conduct and creating the necessary infrastructure.



In January 2009, it is expected that Russia will join the international Green Card system for insuring third party liabilities.

## Information systems

The work of the RAMI Information Technology Committee to develop an IT system for CMTPL insurance will continue and will cover the following areas:

- to standardise manuals and encryption so that the two operating subsystems can be established, the RAMI IT subsystem and the overall CMTPL subsystem. In addition, information exchange between these subsystems and the Federal Government IT system relating to the Road Safety Inspectorate;
- to ensure the security of the RAMI IT system;
- to supervise the process whereby all member companies provide information on blank policy forms for inclusion within the RAMI IT system;
- to perform the tasks set out in the Decree of the Russian Federation (No. 391) covering the creation of an IT system for CMTPL insurance. These tasks include the development of a RAMI departmental component within the Federal CMTPL insurance information resource, and the completion of the mechanism for exchanging information between the departmental component of the RAMI system and other parts of the overall CMTPL IT system.

## The CMTPL market infrastructure

The RAMI Committee for Independent Technical Inspection will continue its work of developing the market infrastructure for CMTPL insurance in the following areas:

- to develop the system of voluntary accreditation of independent technical vehicle inspectors through RAMI so that the system of independent vehicle inspection can be created;
- to complete the process of obtaining certification for the methodology of calculating the costs of repairing vehicle damage in order to determine the amount of insurance claims payments;
- to develop standard formats for electronic data transfer between insurance companies, vehicle inspectors and vehicle repair shops;
- to develop software to calculate vehicle repair costs for vehicles produced in Japan and Korea;
- to produce a manual covering the technical characteristics of motor vehicles and a price list of vehicle spare parts.



In 2007,  
RAMI organised  
**18 conferences,  
seminars  
and conference calls.**





## Appendix I

### **Extract from the report of the auditors on the Report and Accounts of RAMI covering the year ending 31 December 2007:**

In our opinion, the accounting records of RAMI accurately reflect in all substantive matters its financial position as at 31st December 2007 and the results of its financial activities in the period between 1st January and 31st December 2007.

8th April 2008

Partner

A.I. Verenkov

Auditor

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 103, TsALAK, Ministry of Finance).

## Appendix 2

### **Extract from the inspection report on finances and management dated 10 April 2008, Moscow**

**Name: The Russian Association of Motor Insurers**

**Address: Lyusinovskaya Street, 27, building 3, Moscow 115093**

**Registration number: 1027705018494**

In the course of our inspection of the finances and management of RAMI, the following was noted:

The accounts were drawn up in accordance with the laws of the Russian Federation. The financial accounts are reliable, in that they have been prepared in such a manner that they reflect in all substantive matters the assets and liabilities of RAMI as at 31st December 2007 and the financial results of the Association's activities in the year commencing 1st January 2007. The accounts are in conformity with the accounting rules set out in Accounts of Organisations (Decree of the Ministry of Finance, PBU 4/99, with the Decree of the Ministry of Finance dated 06.07.99, No 43n, with the Regulations for drawing up accounts and accounting in the Russian Federation, according to the Decree of the Ministry of Finance dated 29.07.98 No 34n, and with the Decree of the Ministry of Finance dated 22.07.03 No 67n "The format of accounts for organisations").

The annual report on the use of the 2007 budget is in conformity with the rules of RAMI.

The members of the Audit Commission carried out checks into the following RAMI subdivisions:

- Department for Analysis and Control;
- Department for Working with the General Public;
- IT Department;
- Department for making Compensation Payments;
- Department responsible for the European Protocol project;
- Department for Social and International affairs.

No breaches of the law were identified in these subdivisions during 2007. The work of these subdivisions is carried on in conformity with the requirements of the Federal law on CMTPL insurance.

Chairman, Audit Commission  
Member, Audit Commission  
Member, Audit Commission  
Member, Audit Commission  
Member, Audit Commission  
Member, Audit Commission

Vitaly A. Poltavtsev  
Vasily V. Akulov  
Sergei V. Bakhtin  
Nikolai F. Galaguza  
Ruslan A. Naimanov  
Natalya N. Sonina

## Appendix 3

### The Presidium of the Russian Association of Motor Insurers

|                                 |   |
|---------------------------------|---|
| Sergei I. Efremov               | Managing Vice-President, Zurich   |
| Gennady A. Galperin             | Managing Director, Rosgosstrakh   |
| Almetdin Z. Kamalov             | General Director, RGS Tartarstan  |
| Andrei S. Kigim                 | President, Russian Association of Motor Insurers  |
| Viktor N. Kiryanov              | Head of the Department of Road Safety, Ministry of the Interior of the Russian Federation |
| Alexander P. Koval              | President, All-Russian Insurance Association  |
| Ilya V. Lomakin-Rumyantsev      | Head of the Federal Service for Insurance Supervision of the Russian Federation           |
| Dmitri E. Markarov              | First Deputy General Director, Rosgosstrakh   |
| Nadezhda V. Martyanova          | General Director, MAKS  |
| Ilya N. Mikhailenko             | Deputy General Director, Rosgosstrakh   |
| Evgeniy S. Moskvichev           | Deputy Minister of Transport of the Russian Federation                                    |
| Georgiy P. Papaskiri            | General Director, North West Insurance Company  |
| Boris I. Pastukhov              | Honorary Member of the Presidium  |
| Dmitri V. Popov                 | First Deputy General Director – Managing Director, ROSNO                                  |
| Yuri N. Prischepniy             | Vice President, Spasskiye Vorota Insurance Group  |
| Dmitri G. Rakovshik             | General Director, RESO-Garantiya  |
| Aleksei L. Savatyugin           | Director, Department of Financial Policy, Ministry of Finance of the Russian Federation   |
| Sergei E. Sarkisov              | Chairman of the Board, RESO-Garantiya   |
| <b>Viacheslav I. Scherbakov</b> | President, Ingosstrakh  |
| Yury Ya. Shpizel                | General Director Akkord Insurance Company   |
| Vladimir Yu. Skvortsov          | General Director, Alfa Insurance  |
| Evgeniy V. Ufimtsev             | Deputy General Director, Military Insurance Company                                       |
| Vadim E. Yanov                  | Chairman of Managing Board, Insurance Society of the Gas Industry (SOGAZ)                 |
| Andrei A. Zernov                | General Director, Energogarant  |
| Igor N. Zhuk                    | General Director, Soglasie Insurance Company  |
| Pavel V. Zubrilin               | General Director, Russky Mir  |

## Appendix 4

### **Russian Association of Motor Insurers – Management Board**

|                          |   |
|--------------------------|---|
| Andrei S. Kigim          | President, Russian Association of Motor Insurers            |
| Dmitri E. Markarov       | First Deputy General Director, Rosgosstrakh                 |
| Dmitri V. Popov          | First Deputy General Director – Managing<br>Director, ROSNO |
| Sergei E. Sarkisov       | Chairman of the Board, RESO-Garantiya                       |
| Viacheslav I. Scherbakov | President, Ingosstrakh                                      |
| Vladimir Yu. Skvortsov   | General Director, Alfa Insurance                            |
| Evgeniy V. Ufimtsev      | Deputy General Director,<br>Military Insurance Company      |
| Igor N. Zhuk             | General Director,<br>Soglasie Insurance Company             |
| Pavel V. Zubrilin        | General Director, Russky Mir                                |



## Abbreviations used in the text

AIS CMTPL – the Automated Information System holding data on CMTPL insurance.

AIS RAMI – the Automated Information System holding RAMI data.

AIS Green Card – The Automated Information System holding data on the international Green Card system.

BSO – a system for strict accounting for CMTPL policy forms.

BSO AIS RAMI – the subsystem of RAMI's system accounting for the production and distribution of blank CMTPL policy forms to member insurance companies.

DC RAMI AIS CMTPL – the component of the overall AIS CMTPL holding RAMI departmental data.

GIBDD – The State Road Safety Inspectorate.

DRS MVD – The Department of Road Safety of the Ministry of Internal Affairs of the Russian Federation.

Green Card – the international system for insuring Third Party Liabilities of Vehicle.

SPEKTR – the “Spektr” anti fraud database.

CBM – coefficients for calculating bonus/malus adjustments to premium tariff rates

RAMI, the Association – the Russian Association of Motor Insurers.

Compulsory insurance, CMTPL insurance – Compulsory Motor Third Party Liability Insurance.

SIO CP - the subsystem dealing with compensation payments.

The Green Card Council of Bureaux – the body on which all national Green Card Bureaux are represented and which is the governing body of the international Green Card System.

Requirements of CIS – the requirements of the cooperative informational system for members of RAMI.

FIS GIBDD – the Federal informational system relating to the State Road Safety Inspectorate.

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RUSSIAN ASSOCIATION OF MOTOR INSURERS

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E mail:rsa@autoins.ru  
Web site: <http://www.autoins.ru>

24 hour free hot line:  
8 (800) 200 22 75 9 (from inside Russia)  
+7 (495) 730 72 02 (from outside Russia)