

ANNUAL REPORT 2015



RUSSIAN ASSOCIATION OF MOTOR INSURERS

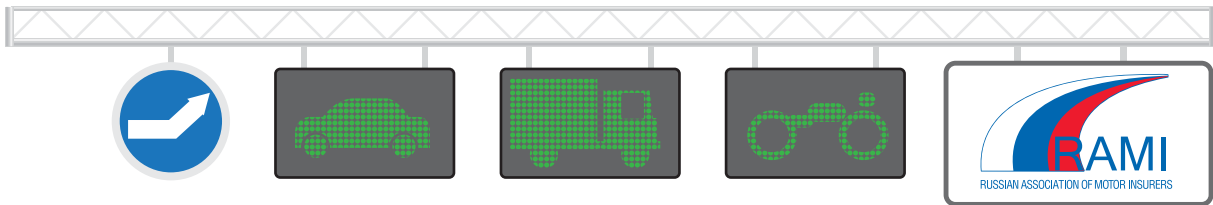
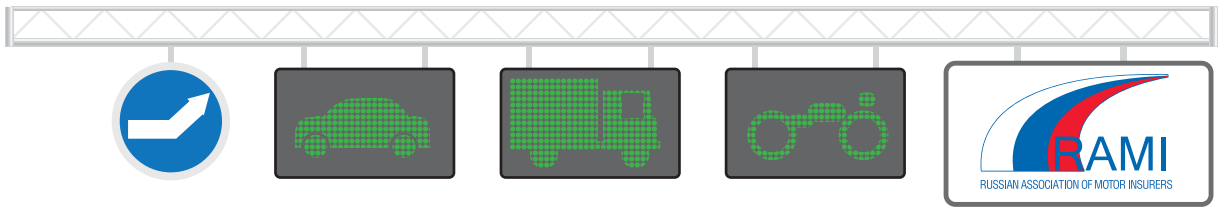


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ABBREVIATIONS USED IN THE TEXT

- RAMI, the Association – The Russian Association of Motor Insurers;
- CMTPL insurance – compulsory motor third party insurance;
- SMI – state medical insurance;
- The department of road safety, Ministry of the Interior – The department in the Ministry of the Interior of the Russian Federation responsible for road safety;
- CMTPL insurance law – the Federal law of 25 April 2002 (№ 40-ФЗ) setting out the regulatory framework for CMTPL insurance;
- The law relating to the Crimea – The Federal law of 2 April 2014 (№ 37-ФЗ) that regulates the financial system in the Crimea during the transitional period;
- Insurance law – The law of the Russian Federation of 27 November 1992, (№ 4015-1), entitled 'On the organisation of insurance business in the Russian Federation'.



The Russian Association of Motor Insurers





THE RUSSIAN ASSOCIATION OF MOTOR INSURERS

The Russian Association of Motor Insurers (RAMI), a non-commercial organisation, is a professional association covering the whole of Russia to which all insurance companies that are licensed to carry on Compulsory Motor Third Party (CMTPL) are obliged to belong. The objectives of the Association are to enable its membership to take collective action and to draw up the rules that govern both their professional activities as CMTPL insurers and the technical inspection of motor vehicles according to the law.

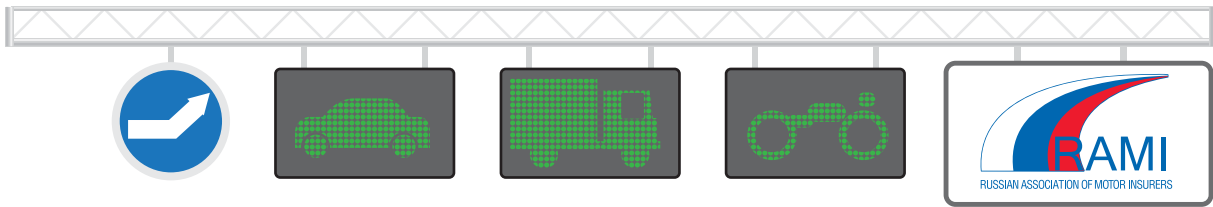
The Association was founded on 8 August 2002 by 48 insurance companies and operates in conformity with CMTPL insurance law as a professional association of insurers.

RAMI members may be Russian insurance organisations who qualify for membership according to the requirements of CMTPL insurance law and of the RAMI charter. There are two classes of member: full members and observer members.

As of 31 December 2015, RAMI had 94 insurance organisations in membership, of which 84 were full members and 10 were observer members. During 2015, 13 insurance organisations were expelled and 3 voluntarily resigned membership. 4 insurance companies were accepted into membership in 2015.

In order to achieve the objective set for it, RAMI carries out the following functions:

1. bringing together its members so that they can act collectively as insurers carrying on CMTPL insurance, and developing, introducing and enforcing rules for RAMI and its members that govern the conduct of their professional activities;
2. protecting the interests of its members in relation to CMTPL insurance at the level of the national government, in local government and in other bodies and organisations;
3. making compensation payments to victims of road accidents according to RAMI's charter and according to CMTPL insurance law and its amendment and also carrying out the legal requirements set out in article 20 of CMTPL law and point 15, article 13 of the law relating to the Crimea;
4. providing blank policy forms to its members for CMTPL insurance, details of the number of CMTPL contracts in electronic format and blank policy forms used in the international insurance system, as well as supervising the use of these blank policy forms;
5. in accordance with the law on insolvency, making up any deficiency in the event that an insurance company transfers its portfolio with insufficient assets to cover its CMTPL insurance liabilities;
6. developing and distributing publicity material relating to CMTPL insurance;
7. co-ordinating the activities of its members in their fight against insurance fraud and other illegal activities insofar as they affect CMTPL insurance and the Green Card system, and also in combating unfair competition;
8. organising, financing and developing activities to improve road safety in order to reduce the frequency of road accidents and to minimise the damage that they cause;



9. developing and financing systems of certification and accreditation of the professional qualifications of those who provide professional services for CMTPL insurance market and for the international Green Card insurance system;
10. co-operating with members of the international Green Card system and performing the various functions that are required by the system;
11. developing international contacts and co-operation in the interests of the membership;
12. collecting, collating and analysing data including statistics on CMTPL insurance;
13. in accordance with legislation relating to the technical inspection of transport vehicles, authorising technical inspection centres and maintaining a register of those technical inspections that have been authorised.

In June 2003, RAMI became a member and partner of the All-Russian Insurance Association.

In 2009, Russia became a member of the international 'Green Card' system and, by order of the Russian Government, RAMI was required to organise the Green Card Bureau.

In March 2011, the RAMI arbitration court began its work aimed at settling disputes between insurance companies and RAMI.

In January 2014, RAMI joined as a full member the International committee of technical inspection (Comité international de l'inspection technique automobile, CITA).



The management and organisational structure of RAMI



RUSSIAN ASSOCIATION OF MOTOR INSURERS



THE MANAGEMENT AND ORGANISATIONAL STRUCTURE OF RAMI

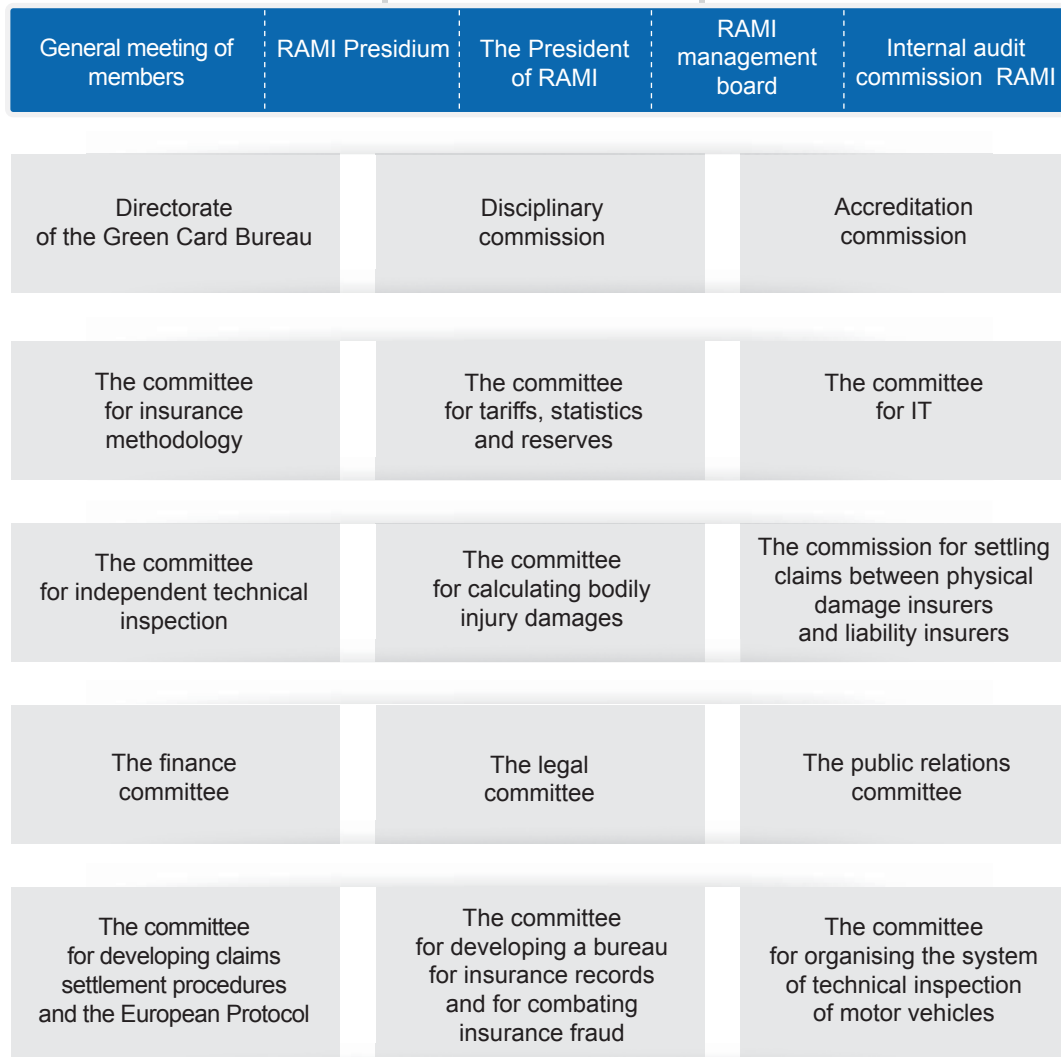
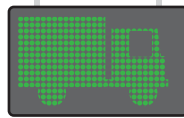
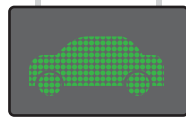


Figure 1. Corporate management and organisational structure of RAMI



The General Meeting of Members of the Association is the supreme governing body of the Association whose main function is to ensure that the objectives for which the Association was founded are achieved. The General Meeting decides issues allocated to it by the legislation of the Russian Federation and by the Association's charter.

The Presidium of the Association is the body that exercises collective control over the Association throughout the year. The Presidium co-ordinates, directs and exercises general supervision over all the activities of the Association in between General Meetings of Members and is accountable for its actions to the General Meeting of Members. The Presidium is empowered to review and decide upon issues relating to CMTPL insurance in Russia and on all issues facing the Association that are not reserved for the General Meeting of Members or for other management bodies.

RAMI's charter states that the number of members of the Presidium should be no less than 15. Nomination of members or candidate members to the Presidium by full members of the Association will be on the basis of the amount of CMTPL premium underwritten in the previous year by the member company and the position the company occupies in a ranking of member companies by CMTPL premium volume, as follows:

- a) The ten highest ranked companies can each nominate one member to the Presidium;
- b) No more than seven members of the Presidium are to be chosen from candidates put forward by companies that are placed from 11 to 30 in the ranking;

No more than three members of the Presidium are to be chosen from candidates put forward by companies that are not placed in the 30 highest ranking companies.

On 29 May 2015, the General meeting of the Association appointed the Presidium. As of 31 December 2015, the membership of the Presidium was as follows:

Table 1

MEMBERS OF THE RAMI PRESIDIUUM	
IGOR YURGENS	President of RAMI
NADEZHDA ARSHINOVA	General Director, 21st Century Insurance Company
ALEKSEI BAKIREI	Director of the department of State Policy on Motor Passenger Transport, Ministry of Transport of the Russian Federation
SERGEI BARSUKOV	Director of the Department of Financial Policy, Ministry of Finance of the Russian Federation
ALEKSEI BOBYLEV	General Director Moskovia Insurance Company
NIKOLAI GALUSHIN	First Deputy Chairman, SOGAZ



Table 1

MEMBERS OF THE RAMI PRESIDIUM

ALEXANDER GORIN	Deputy General Director Alfa Insurance Company
EVGENY DUBENSKY	Deputy General Director, Allianz Insurance Company
ANDREI ZERNOV	General Director, ENERGOGARANT Insurance Company
BORIS JORDAN	President, Renaissance Insurance Group
ARKADY LYUBAVIN	General Director, Yuzhural-ASKO Insurance Company
MARIA MALKOVSKAYA	General Director, InTouch Insurance Company
DMITRI MARKAROV	General Director Rosgosstrakh
NADEZHDA MARTYANOVA	General Director, MAKS Insurance Company
MIKHAIL MOTORIN	First Deputy General Director, Finance Director, VTB Insurance
VIKTOR NILOV	Head of the Main Directorate for Road Traffic Safety of the Ministry of the Interior of the Russian Federation
OLEG OVSYANITSKIY	General Director, VSK
ALEKSEI OKHLOPKOV	General Director, Yugoria State Insurance Company
DMITRI RAKOVSHIK	General Director, RESO-Garantiya
MAIYA TIKHONOVA	General Director, Soglasie Insurance Company

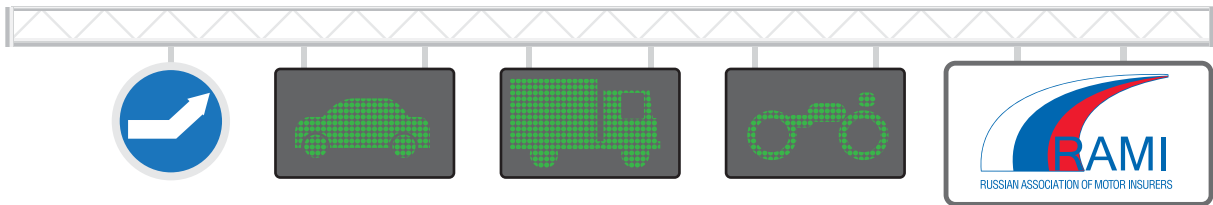


Table 1

MEMBERS OF THE RAMI PRESIDIUM

ALEKSANDR USOV	General Director, UralSib Insurance Group
VLADIMIR CHISTYUKHIN	Deputy Governor, Bank of Russia
MAXIM SHEPELEV	General Director, Chairman of the Board MSK Insurance Company
IGOR YAMOV	Deputy General Director, Ingosstrakh

The President of RAMI is the executive head of the Association. He is responsible to the Presidium and to the General Meeting of Members.

On the 15 January 2015, the Meeting meeting of members appointed Igor Yurgens to the position of President of RAMI.



The body that implements financial and operational control over the work of the Association is the **internal audit commission**. On 29 May 2015 the General meeting of members of the Association appointed the following to the RAMI internal audit commission:

Table 2

RAMI INTERNAL AUDIT COMMISSION

KIRILL BROVKOVICH	General Director, TRANSNEFT Insurance Company
FEDOR VORONIN	Operational Director, Tinkoff Online Insurance
NIKOLAI GALAGUZA	Chairman of the Board, MSTs
IGOR ZAGRADKA	Chairman of the Board, Megarus-D
NATALYA CHASOVIKOVA	General Director, Borovitskoe Insurance Company



The Management Board of the Association is the body that co-ordinates the day-to-day business of the Association. The Management Board reviews issues referred to it under the Charter of the Association, by the rules that govern professional conduct of members and by other internal documents. The Presidium may also refer issues to the Management Board

As of 31 December 2015, the following were members of the Management Board:

Table 3

RAMI MANAGEMENT BOARD	
IGOR YURGENS	President of RAMI
NIKOLAI GALUSHIN	First Deputy Chairman, SOGAZ
ALEXANDER GORIN	Deputy General Director, Alfa Insurance Company
DMITRI MARKAROV	General Director, Rosgosstrakh
OLEG OVSYANITSKIY	General Director, VSK
SERGEI SARKISOV	President, RESO-Garantiya
IGOR YAMOV	Deputy General Director, Ingosstrakh



As part of the Association's overall objective of protecting the interests of its members when developing RAMI policy, representatives from member companies and other individuals may be invited to join additional committees, commissions and technical working groups dealing with specific issues that have arisen and are of interest to the Association.

Table 4

RAMI COMMITTEES AND COMMISSIONS

The information technology committee	The committee for independent technological inspections	The insurance methodology committee
The committee for developing claims settlement procedures and the European Protocol	The committee for tariffs, statistics and reserves	The finance committee
The committee for calculating bodily injury damages	The committee for developing a bureau for insurance records and for combating insurance fraud	The committee for legal issues
The public relations committee	The committee for organising the system of technical inspection of motor vehicles	The commission for settling claims between physical damage insurers and liability insurers
	The disciplinary commission	The certification commission



Compulsory insurance – 2015 in figures



RUSSIAN ASSOCIATION OF MOTOR INSURERS



COMPULSORY INSURANCE – 2015 IN FIGURES

VEHICLE NUMBERS AND ACCIDENT FREQUENCY

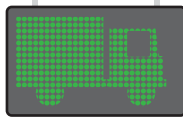
There are a number of factors that influence the development of CMTPL insurance market: these include vehicle ownership numbers and the number of road traffic accidents.

Last year the number of vehicles on Russia's roads continued to grow. In 2015 this growth in vehicle numbers was accompanied by a reduction in the number of road accident victims.

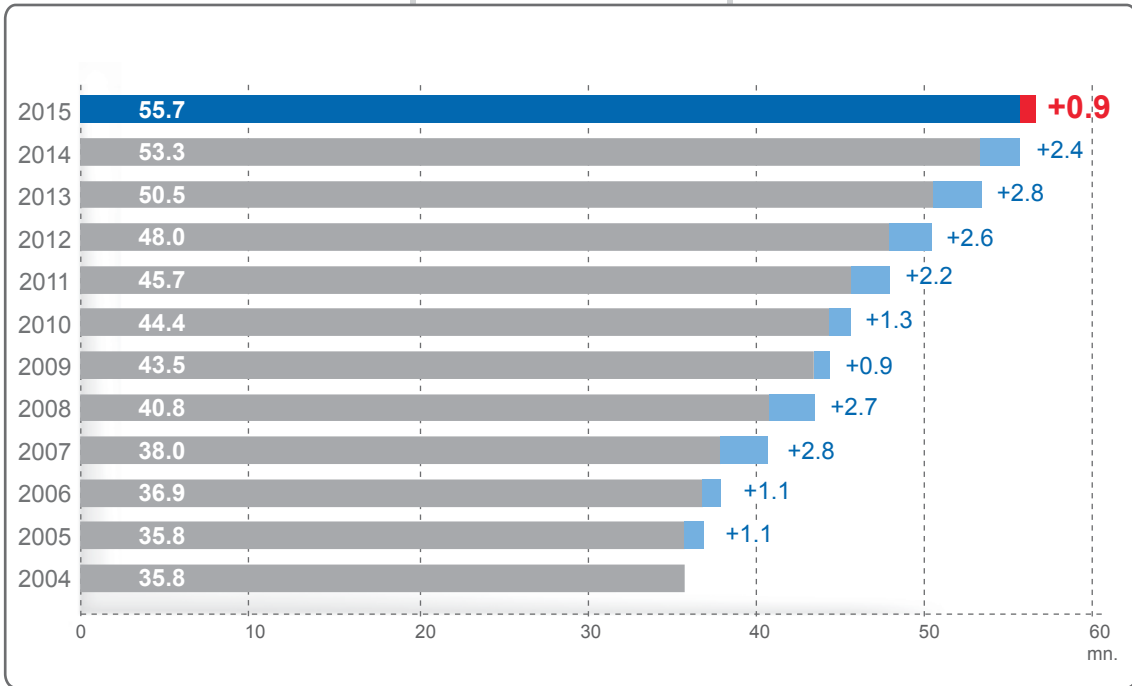
The figures that demonstrate the growth in vehicle numbers in the Russian Federation between 2004 and 2015 are set out in table 5 and in figure 2.

Table 5

	Number of motor vehicles (mn.)	Growth (mn.)	Growth (%)
2015	56.6	0.9	1.6
2014	55.7	2.4	4.5
2013	53.3	2.8	5.6
2012	50.5	2.6	5.3
2011	48.0	2.2	4.9
2010	45.7	1.3	3.0
2009	44.4	0.9	2.1
2008	43.5	2.7	6.6
2007	40.8	2.8	7.4
2006	38.0	1.1	3.0
2005	36.9	1.1	3.1
2004	35.8		



ROAD VEHICLES IN RUSSIA 2004–2015



Number of vehicles at the beginning of year
 Number of additional vehicles during year
 Number of vehicles at the beginning of year, 2015
 Number of additional vehicles during year, 2015

Figure 2
Road vehicles in Russia 2004–2015

Between 2004 and 2015, the number of vehicles on Russian roads grew constantly. From 2008 to 2010, the rate of growth slowed: in 2008 the number of vehicles grew by 6.6%, in 2009 by 2.1% and in 2010 by 3%. Between 2011 and 2014 growth accelerated: the growth rate was 4.9% in 2011, 5.3% in 2012 and 5.6% in 2013. In 2014 and 2015, there was once again a reduction in the growth rate. In 2014 the number of vehicles grew by 4.5% (2.4 million additional vehicles) whilst the corresponding figures for 2015 were growth of 1.6% with 900,000 additional vehicles. The main factor causing the drop in the growth rate in 2015 was a reduction in the sale of new vehicles. The types of vehicles on the roads in Russia in 2015 are set out in figure 3².

²Data from the Department of Road Safety, Ministry of Interior.



BREAKDOWN OF TOTAL VEHICLES BY VEHICLE TYPE 2015 (EXCL. TRAILERS AND SEMI-TRAILERS)

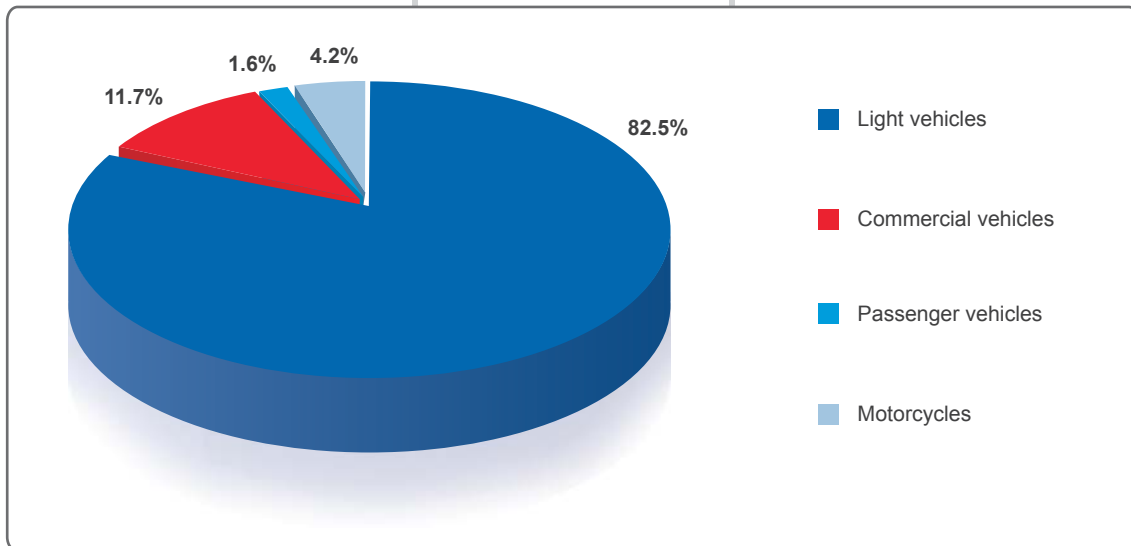
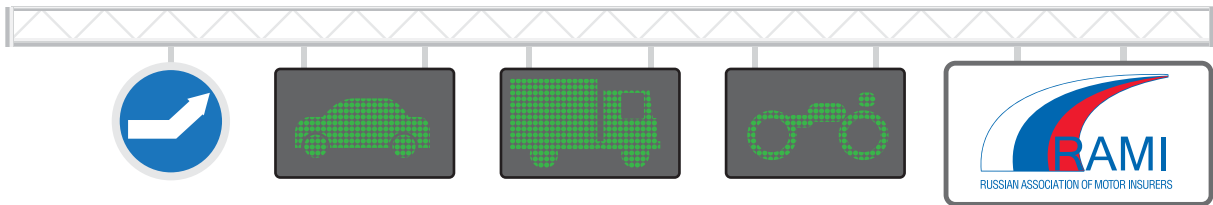


Figure 3
Breakdown of total number of vehicles by vehicle type in 2015

In 2015, there was no significant change to the proportion of the various types of vehicle. The share of light vehicles increased from 82.1% to 82.5% whilst the share of commercial vehicles reduced from 11.8% to 11.6%. The proportion of motorcycles reduced from 4.4% to 4.2% and that of public transport vehicles from 1.7% to 1.6%. By comparison with 2014, the number of light vehicles increased by 2% whilst the numbers of commercial vehicles, motorcycles and public transport vehicles reduced by 0.1%, 1% and 2.9% respectively.

A comparison between the number of vehicles and the number of CMTPL insurance policies sold between 2004 and 2015 is set out in figure 4.



NUMBER OF VEHICLES AND NUMBER OF CMTPL INSURANCE POLICIES ISSUED

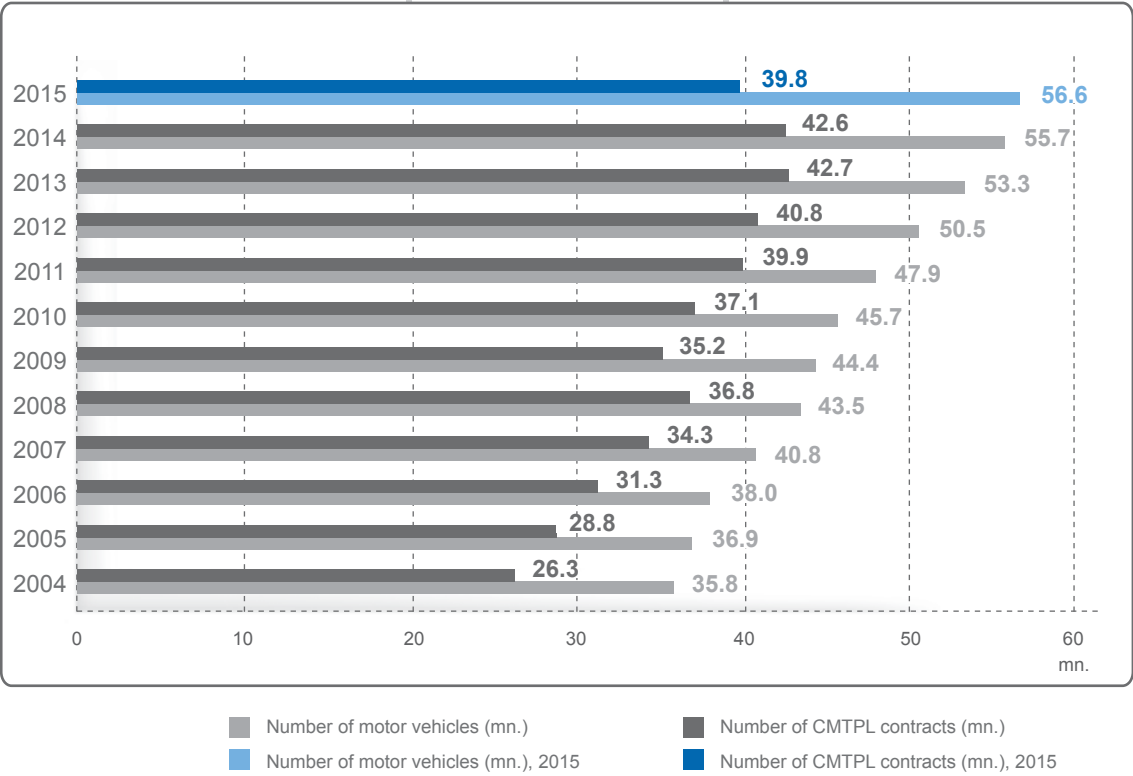


Figure 4
Number of vehicles and number of CMTPL insurance policies issued

In 2015 39.8 million CMTPL insurance policies were sold, a reduction of 6.5% compared with 2014 (figure 5).



GROWTH IN NUMBER OF CMTPL POLICIES ISSUED AND VEHICLE NUMBERS

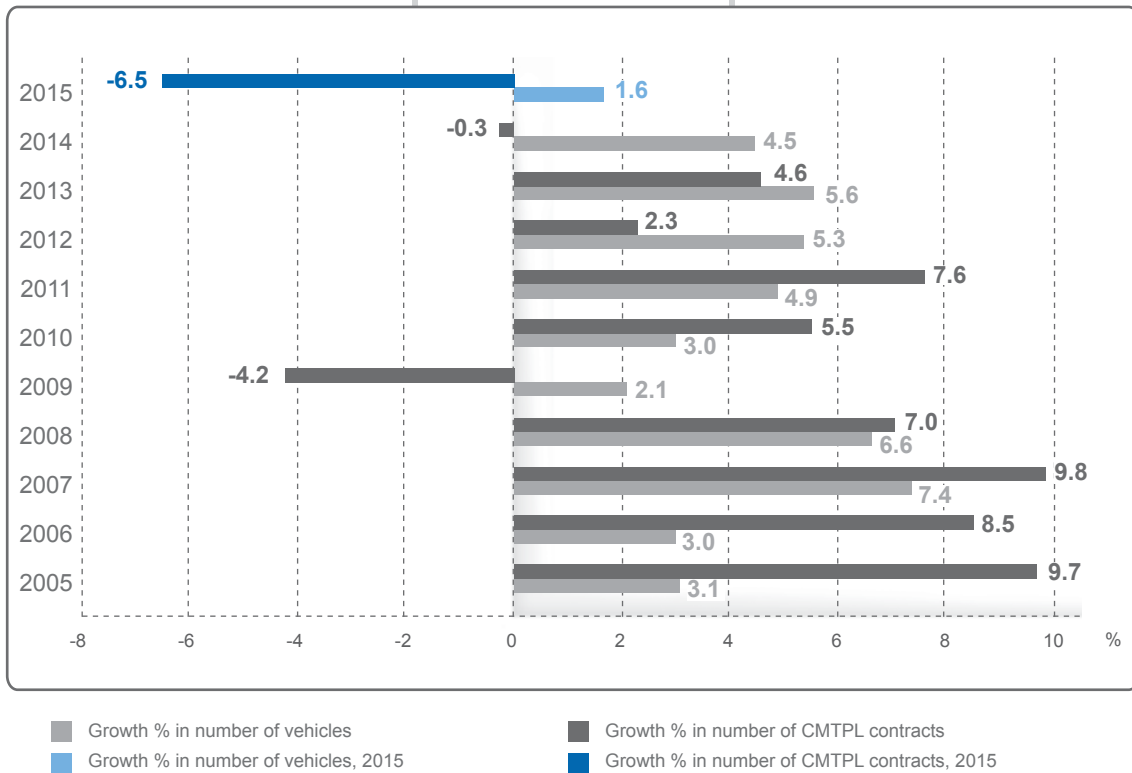
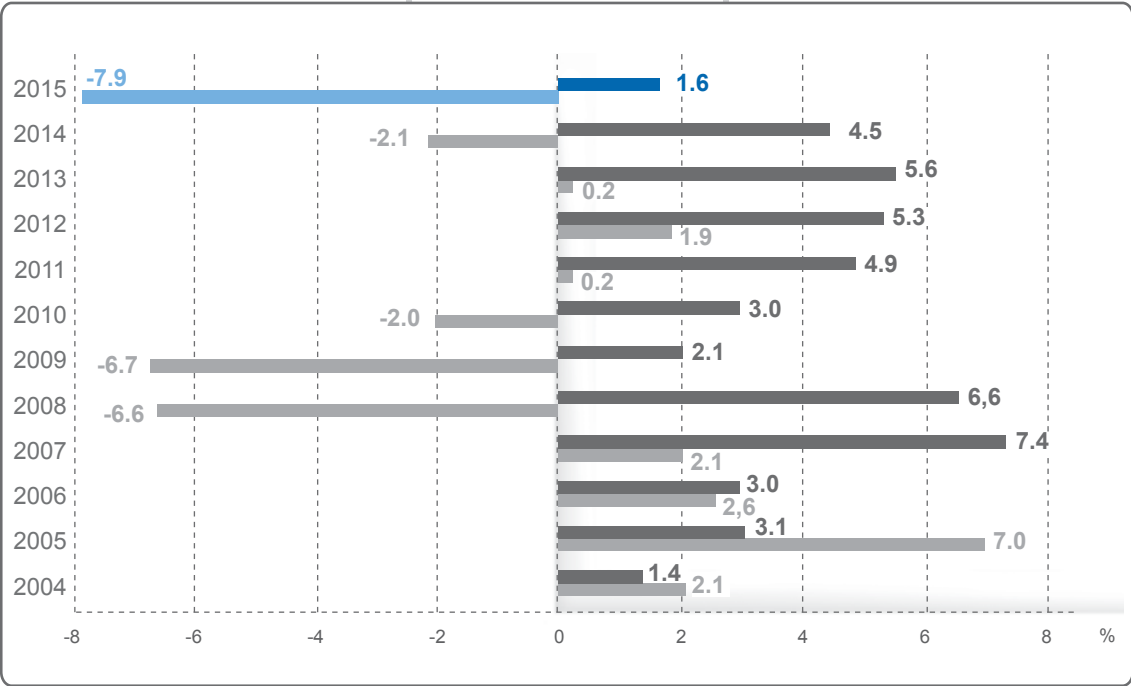


Figure 5
Growth in number of CMTPL policies issued and vehicle numbers

In 2015, the number of road accidents reduced by 7.9% in comparison with 2014. Last year there were 184,000 accidents whilst in the previous year the corresponding figure was 199,700 (figure 6).



GROWTH IN NUMBER OF ROAD ACCIDENTS AND MOTOR VEHICLE NUMBERS



Growth % in number of accidents
 Growth % in number of vehicles
 Growth % in number of accidents, 2015
 Growth % in number of vehicles, 2015

Figure 6
Growth in number of road accidents and motor vehicle numbers

The number of accident victims suffering bodily injury reduced by 8.8% in 2015, from 278,700 in 2014 to 254,300 in 2015. The number of victims who died from their injuries reduced by 14.3% whilst the number of victims who survived their injuries reduced by 8.2%. Figure 7 sets out the statistics relating to accidents, injuries and deaths between 2004 and 2015³.

³Data from the Department of Road Safety, Ministry of Interior.



ROAD ACCIDENT VICTIMS, KILLED OR INJURED

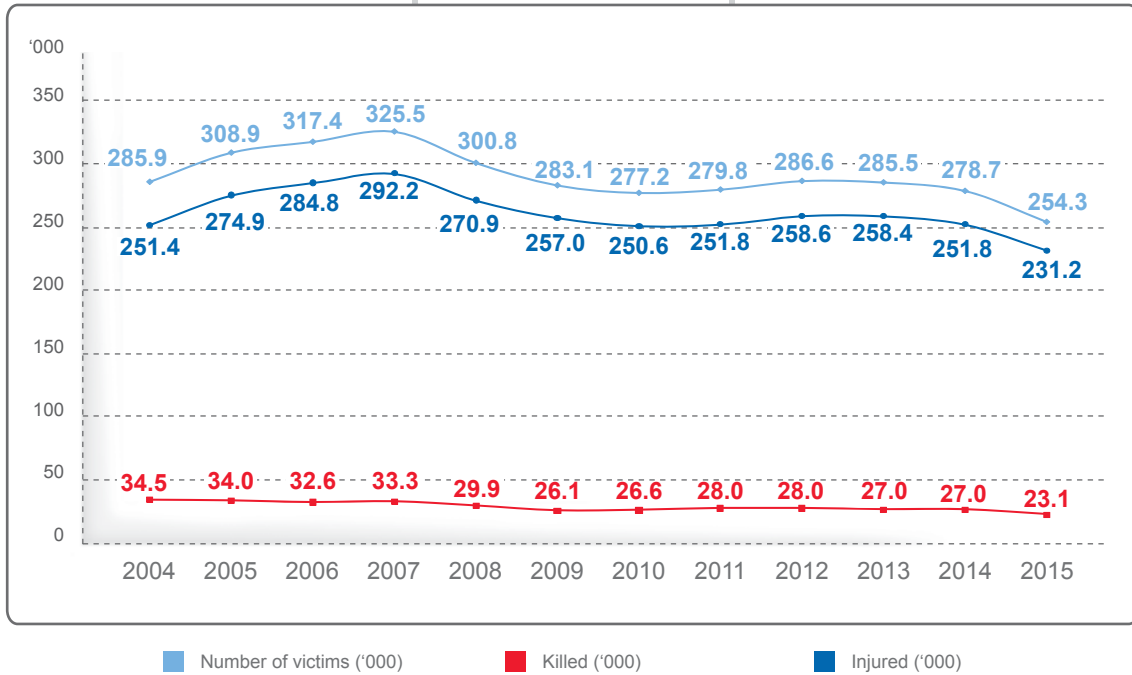


Figure 7
Road accident victims, killed or injured

In comparison with 2014, in 2015 the number of accidents fell by 7.9%, whilst the number of insurance claims increased by 1.2% (figure 8).



GROWTH IN NUMBER OF ROAD ACCIDENTS AND CLAIMS MADE

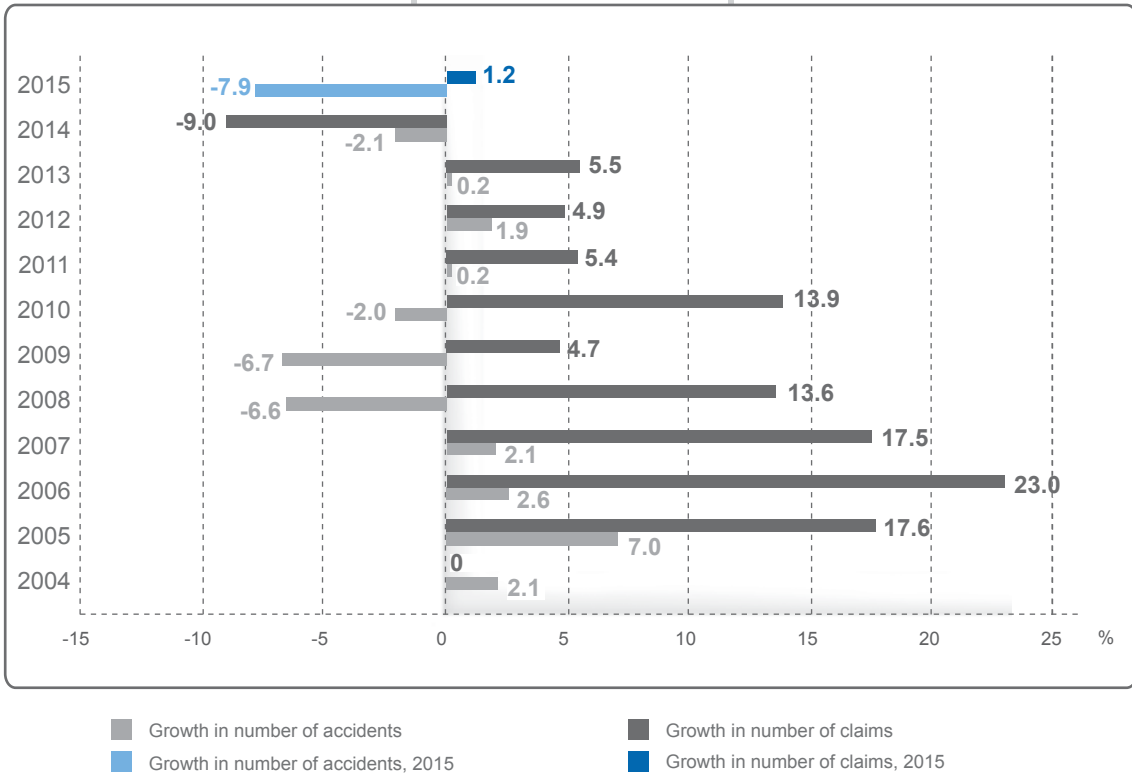


Figure 8
Growth in number of road accidents and claims made



CMTPL INSURANCE MARKET

Between 1 July 2003 and 31 December 2015, approximately 449 policies of CMTPL insurance were issued, about 24 accident victims received compensation for damage caused in a road accident and the total sum of compensation paid was 674 billion Roubles.

In 2015:

- Number of policies issued – 39.8 million;
- Total premium received – 220.2 billion Roubles;
- Number of claims made – 2.53 million;
- Number of claims settled – 2.47 million;
- Total amount of claims paid – 122 billion Roubles.

The statistics of annual premiums and claims are set out in figure 9.

CMTPL INSURANCE PREMIUMS AND CLAIMS 2003–2015

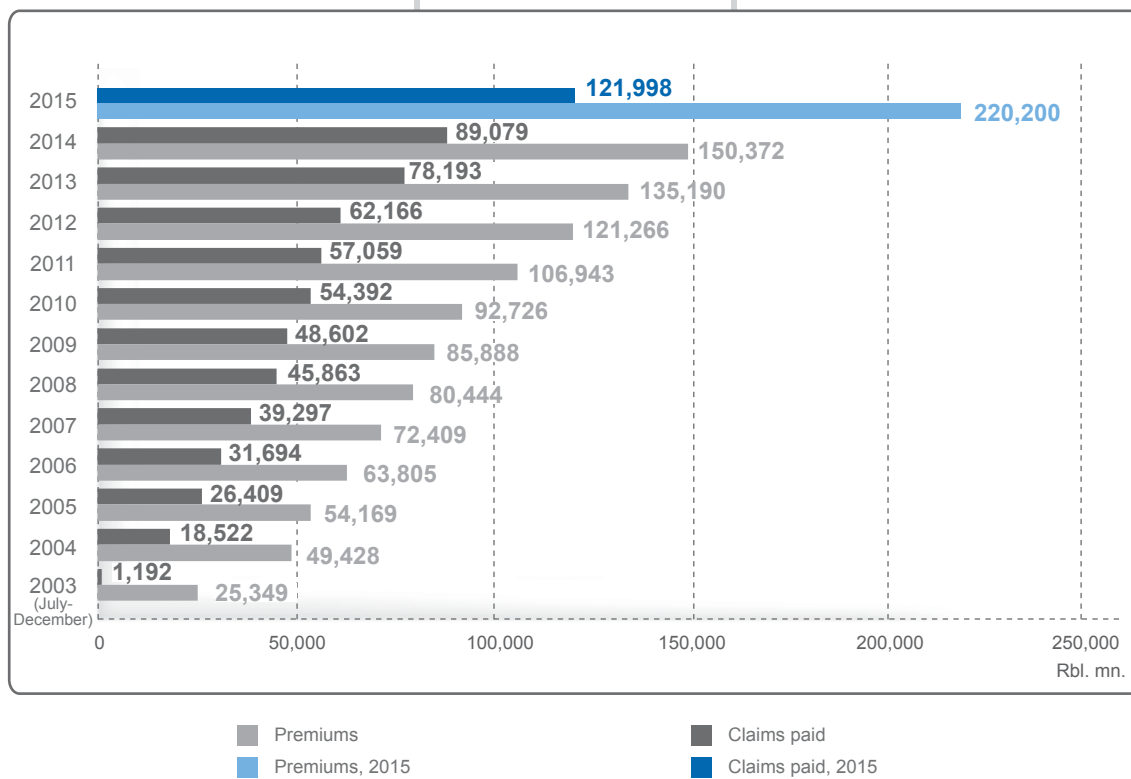
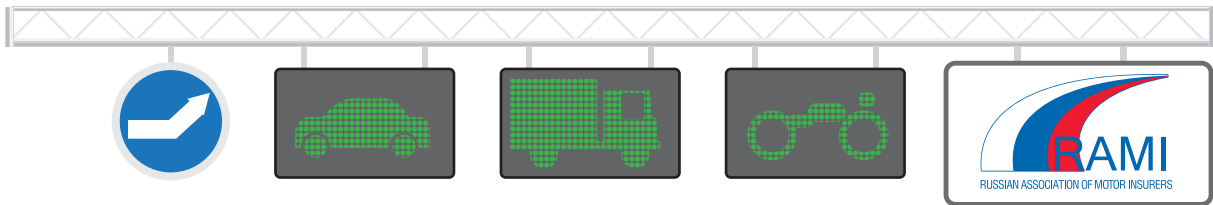


Figure 9
CMTPL premiums and claims 2003–2015



In Russia as a whole, for every 100 Roubles collected in premiums, 55.4 Roubles was paid out in claims.

Table 6 sets out the details of the growth in premiums and claims.

Table 6

	Growth in premiums %	Growth in claims paid %
2015 over 2014	46.4	37.0
2014 over 2013	11.2	13.9
2013 over 2012	11.5	25.8
2012 over 2011	13.4	8.9
2011 over 2010	15.3	4.9
2010 over 2009	8.0	11.9
2009 over 2008	6.8	6.0
2008 over 2007	11.1	16.7
2007 over 2006	13.5	24.0
2006 over 2005	17.8	20.0
2005 over 2004	9.6	42.6

The increase in claims paid in 2015 came about as a result of the increase in CMTPL insurance policy limits from Roubles 120,000 Roubles to 400,000 Roubles for claims involving physical damage to the vehicle or property and from 160,000 Roubles to 500,000 Roubles for claims involving bodily injury. These increased limits for physical damage applied to policies issued from 1 October 2014 and for bodily injury to policies issued from 1 April 2015. In this context, for CMTPL policies issued with effect from 1 April 2015, the policy limit in respect of bodily injury applies to each injured person whereas before that date the policy limit was the aggregate limit for all injured victims. In addition, the depreciation of the Russian Rouble against the major world currencies has led to an increase in the cost of parts and materials necessary for the repair of vehicles, as well as the cost of the related work, which led to changes in the average cost of spare parts, materials and labour time of the work listed in the handbooks used to determine the cost of the repair of a damaged vehicle. These factors combined to ensure that the average CMTPL claim payment increased.

The changes in the average claims payment for CMTPL policies are shown in figure 10.



AVERAGE CMTPL INSURANCE CLAIM PAYMENT

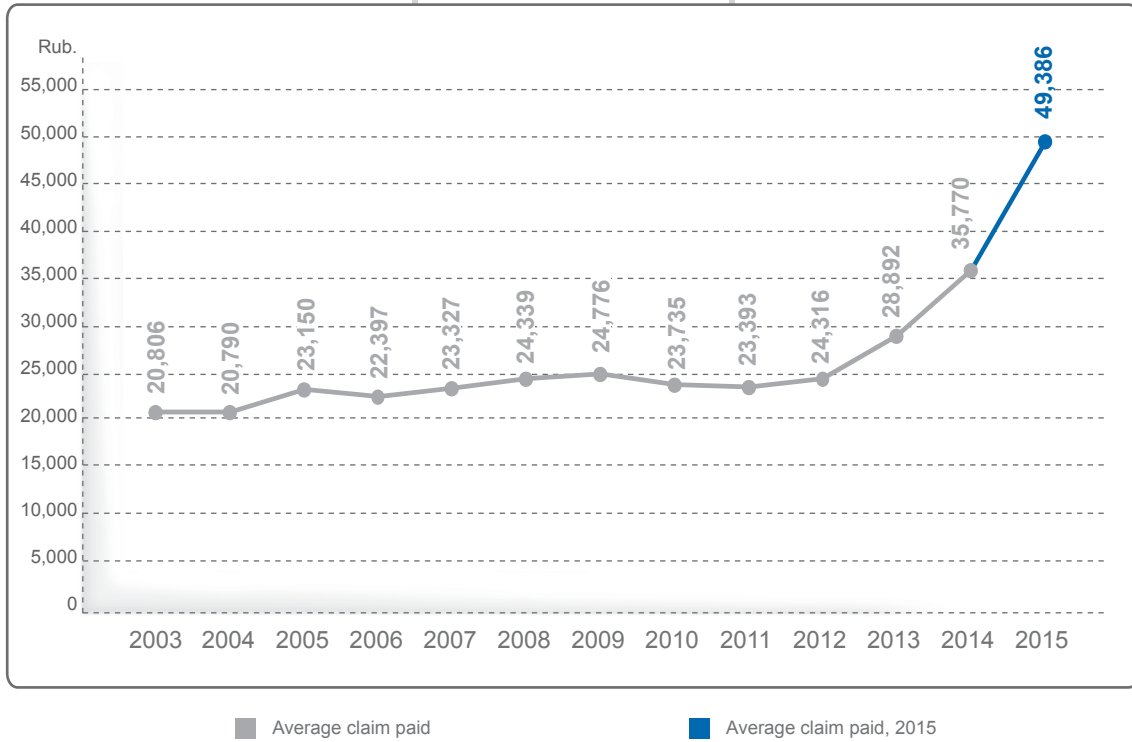
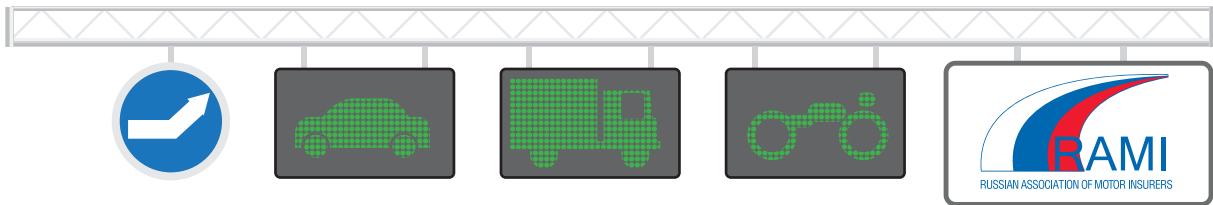


Figure 10
Average CMTPL insurance claim payment

It should be noted that in 2015 the actual number of accident victims receiving compensation was practically the same as the number who received compensation in the previous year (figure 11).



VICTIMS RECEIVING COMPENSATION AND TOTAL CMTPL CLAIMS PAYMENTS

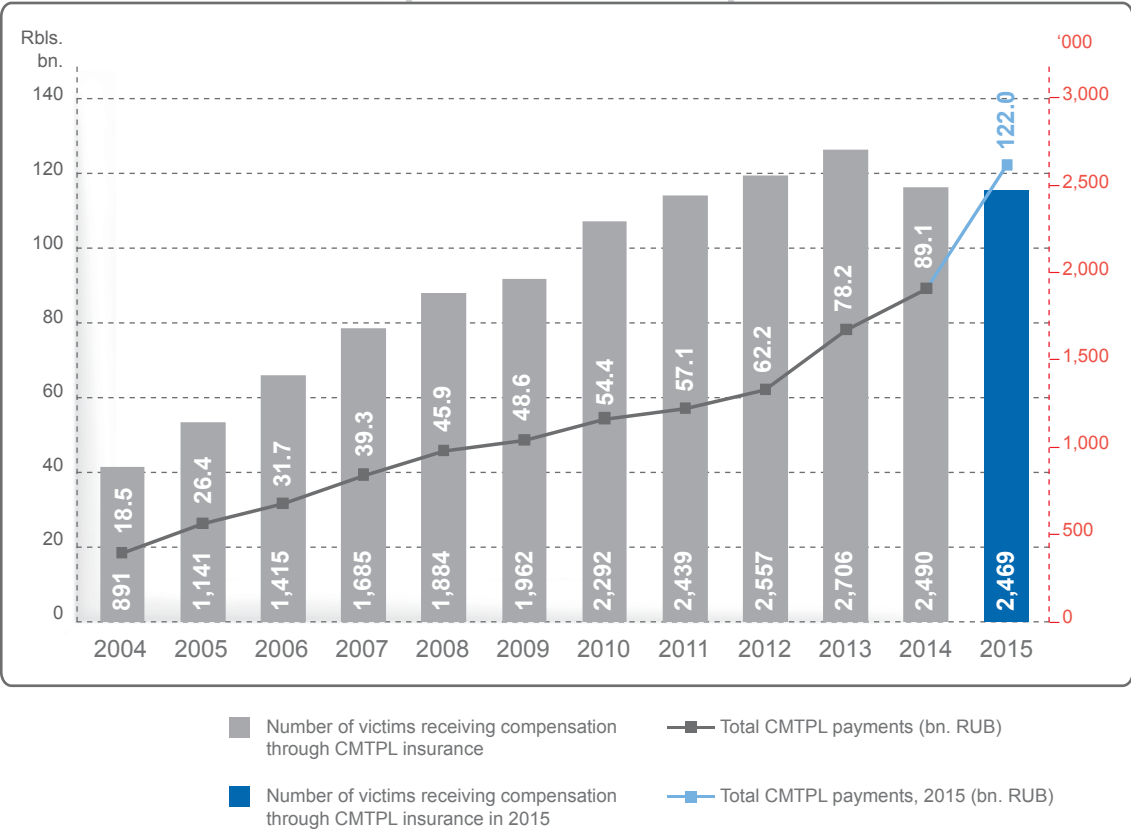


Figure 11
Victims receiving compensation and total CMTPL claims payments

One feature should be noted: there was a reduction in 2015 in the proportion of CMTPL insurance payments (to insured and uninsured parties) that were made following a court order. If in previous years there was an annual increase in the share of payments following court orders due to the actions of the courts and, in particular, the widespread use of consumer protection law, then the decrease in the proportion of claims paid following court orders in 2015 came as a result of the introduction of a mandatory pre-trial dispute resolution procedure.

Data on the proportion of CMTPL claims paid following a court order are set out in figure 12.



CMTPL CLAIMS PAYMENTS FOLLOWING A COURT DECISION AS A PROPORTION OF TOTAL CLAIMS PAYMENTS

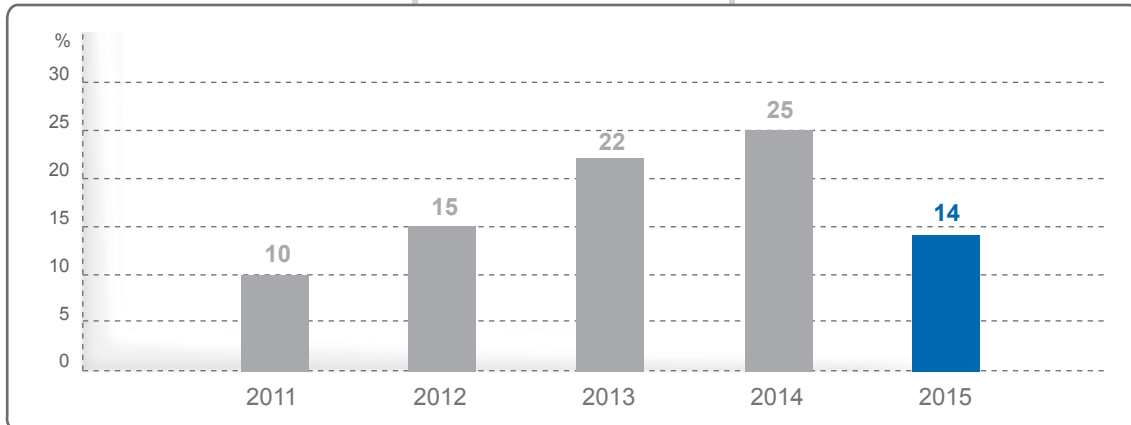


Figure 12

Data on the proportion of CMTPL claims paid following a court order

Despite the fall in the overall proportion of claims paid following a court order, the proportion of uninsured claims continues to grow rapidly.

UNINSURED CLAIMS PAID FOLLOWING A COURT ORDER AS A PROPORTION OF ALL CMTPL CLAIMS PAID FOLLOWING A COURT ORDER

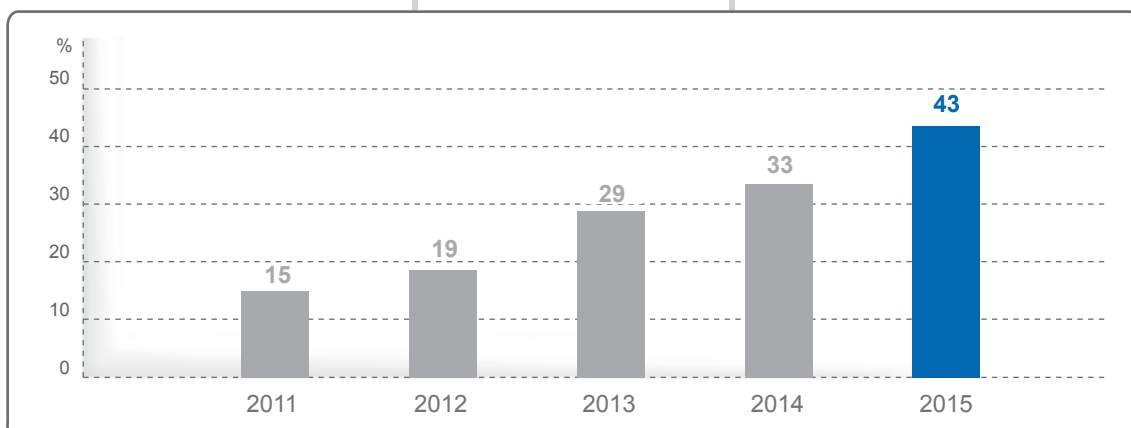
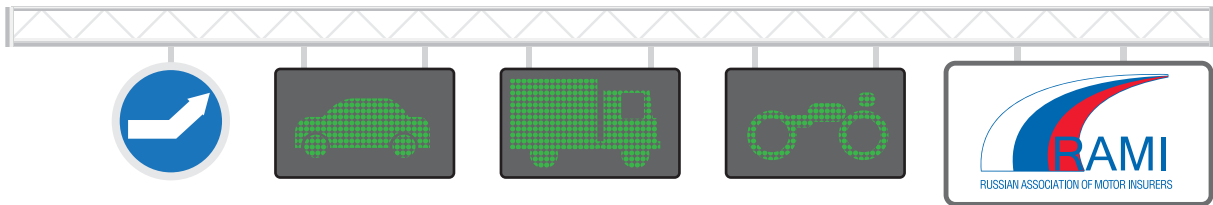


Figure 13

Uninsured claims paid following a court order as a proportion of all CMTPL claims paid following a court order



From the inception of CMTPL insurance in 2004 to 2015, the average premium has increased from 1,954 Roubles to 5,530 Roubles. However, if inflation is taken into account, the real value of the insurance premium has reduced by 5%. (Figure 14).

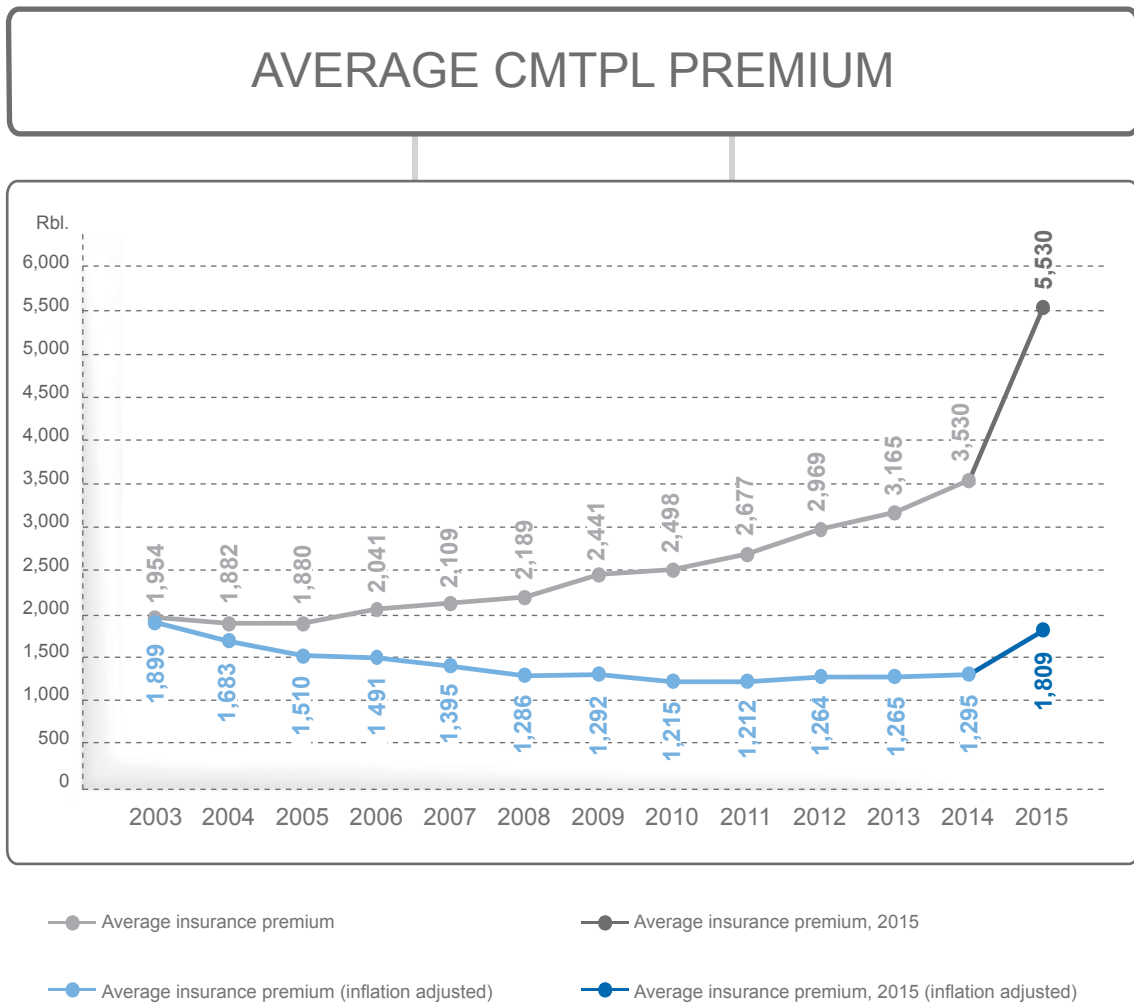


Figure 14
Average CMTPL premium

Figure 15 shows the ten leading regions of Russia in respect of CMTPL insurance claims paid by insurance companies.



LEADING RUSSIAN REGIONS IN TERMS OF CMTPL CLAIMS PAYMENTS (2015)

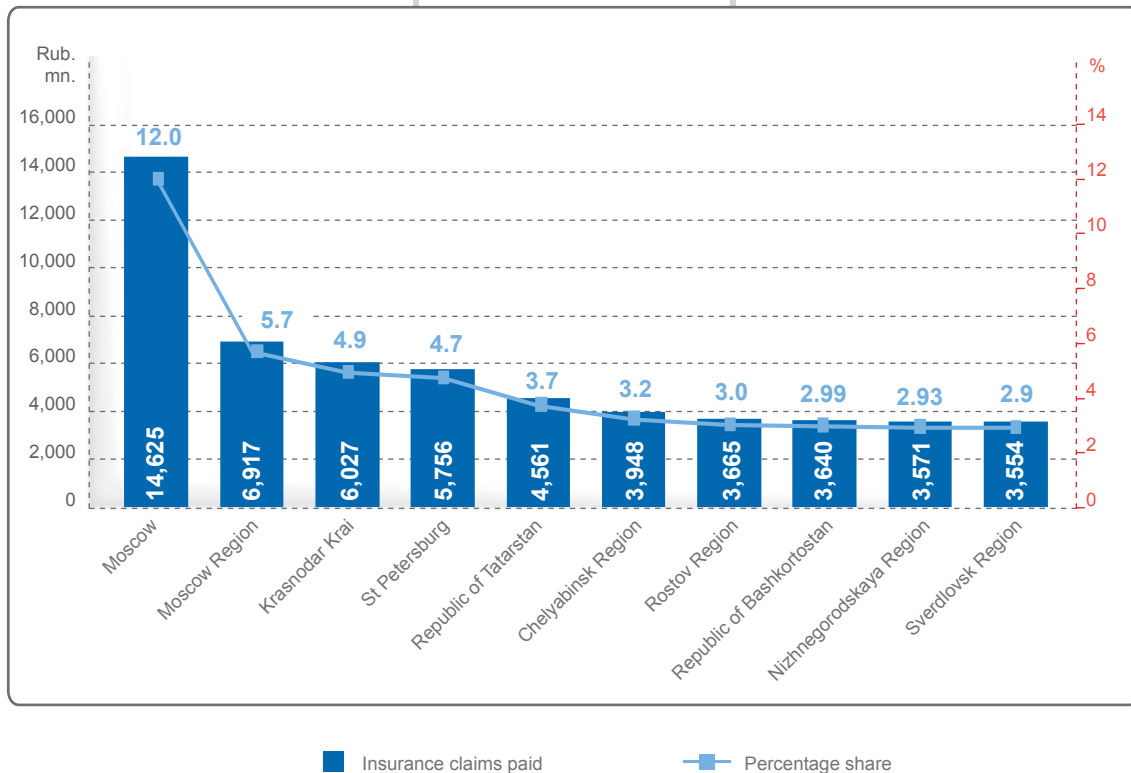


Figure 15
Leading Russian regions in terms of CMTPL claims payments (2015)

In 2015, Moscow was the region where the greatest amount of CMTPL claims were made (14.625 million Roubles, 12% of total payments), followed by the Moscow Region (6.917 million Roubles, 5.7% of the total) and Krasnodar Krai (6.027 million, 4.9% of the total).

Total claims paid between 3,554 million Roubles and 5,756 million Roubles (2.9% – 4.7% of the total) were made in the following regions of the Russian Federation: St Petersburg (5,757 million Roubles), the Republic of Tatarstan (4,561 million Roubles), Chelyabinsk Region (3,948 million Roubles), Rostov Region (3,665 million Roubles), Republic of Bashkortostan (3,640 million Roubles), Nizhny Novgorod Region (3,571 million Roubles) and Sverdlovsk Region (3,554 million Roubles).

Examining the Federal Administrative regions, the clear leader in respect of premiums gathered and claims paid is the Central Federal Region – 75,269 million Roubles (34.4% of total premiums) and 36,660 million Roubles (30.1% of total claims). (Figures 16 & 17).



CMTPL INSURANCE PREMIUMS

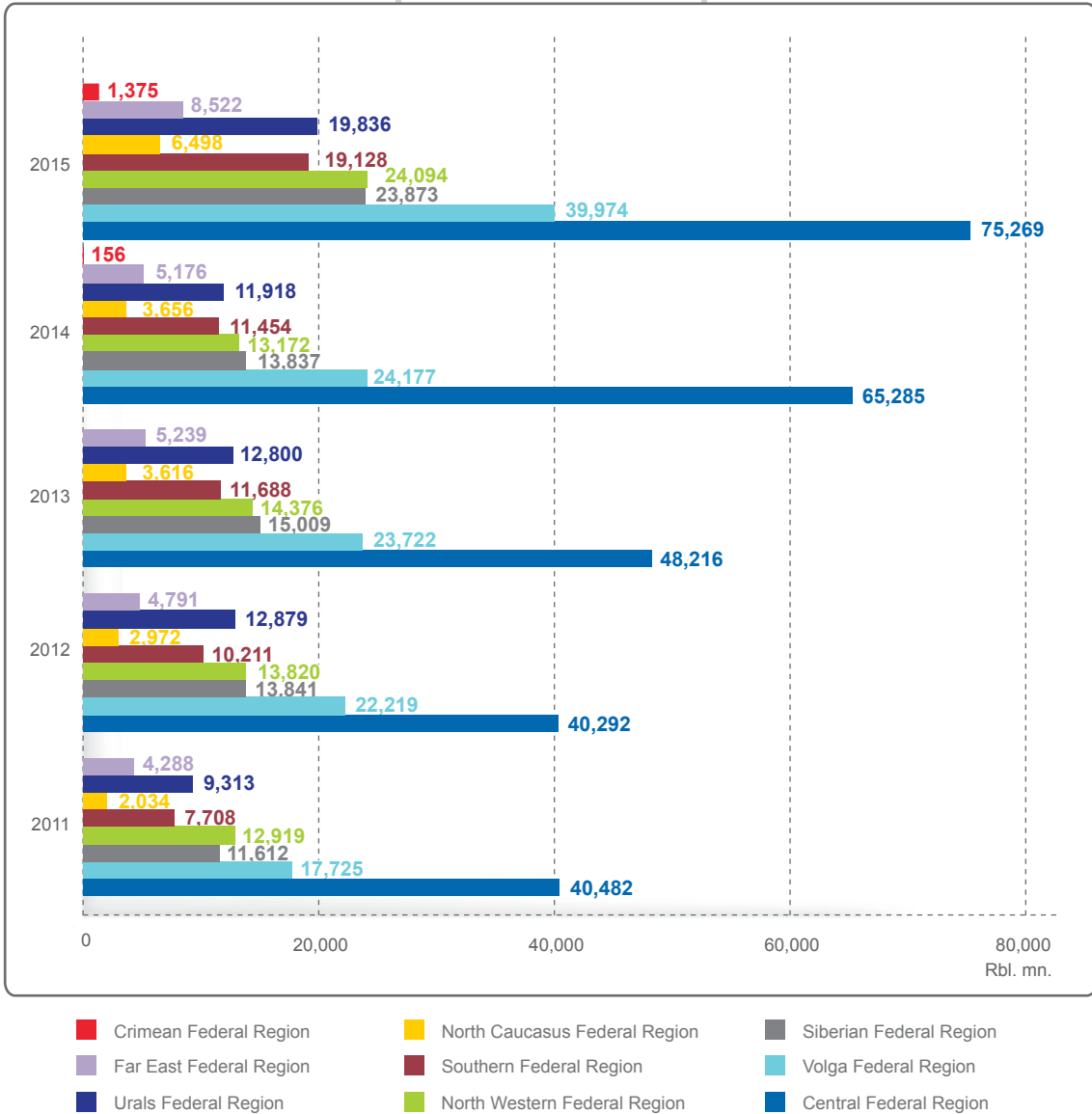


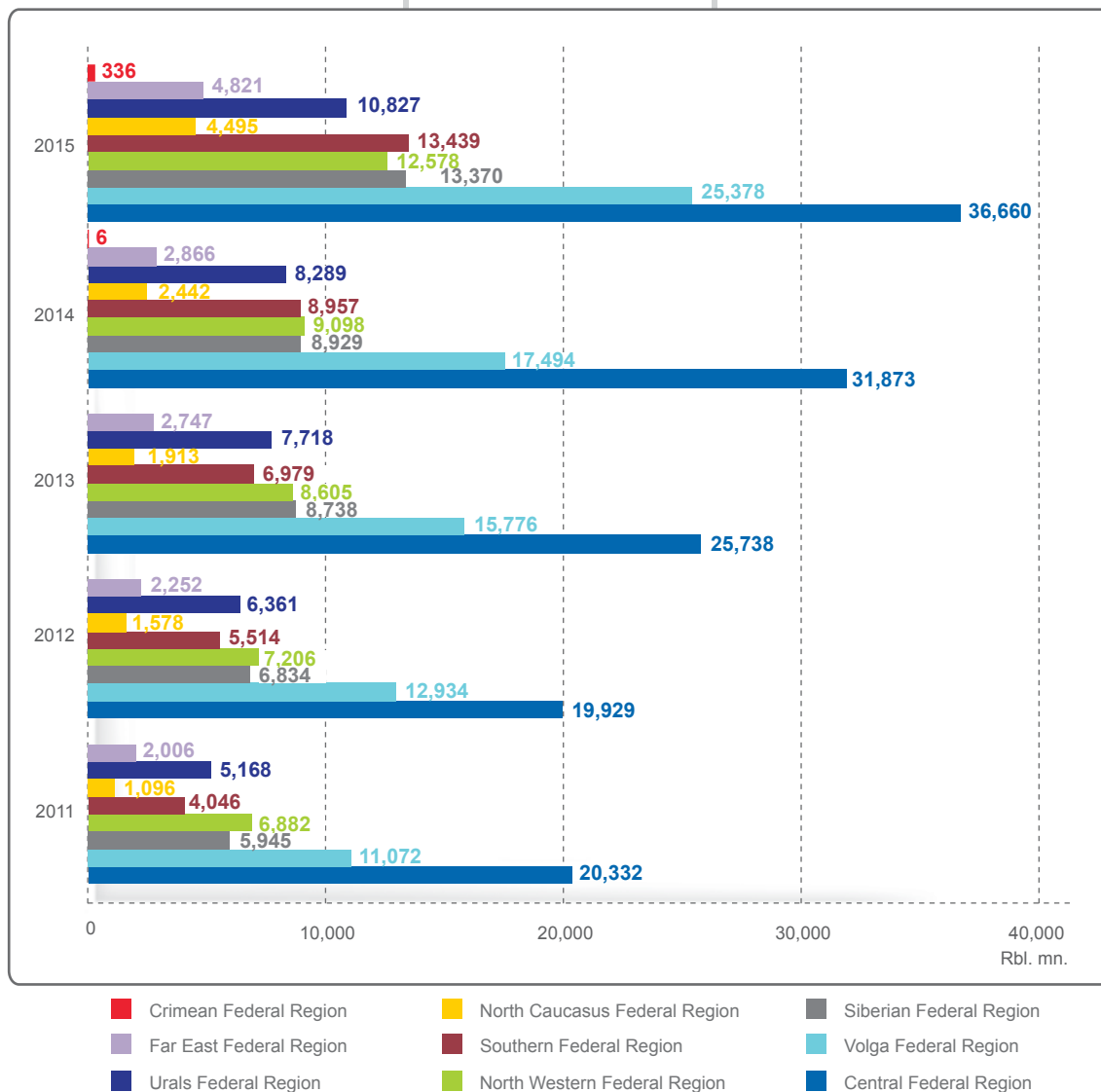
Figure 16
CMTPL insurance premiums

In 2015, 18.3% of total premiums collected came from the Volga Federal Region (39,974 million Roubles), 11% from the North Western Federal Region (24,094 million Roubles), 10.9% from the Siberian Federal Region (23,873 million Roubles), 9.1% from the Urals Federal Region (19,836 Roubles), 8.8% from the Southern Federal Region (19,128 million Roubles), 3.9% from the Far Eastern Federal Region (8,522 million Roubles) and 3.0% from the North Caucasus Federal Region (6,498 million Roubles).



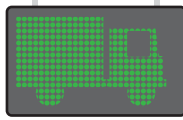
In terms of claims payments made, 20.8% were made in the Volga Federal Region (25,378 million Roubles), 11% in the Southern Federal Region (13,349 million), 10.9% in the Siberian Federal Region (13,370 million), 10.3% in the North Western Federal Region (12,574 million Roubles), 8.9% in the Urals Federal Region (10,827 million Roubles), 4% in the Far Eastern Federal Region (4,821 million Roubles) and 3.7% in the North Caucasus Federal Region (4,495 million Roubles).

CMTPL CLAIMS PAID



Bringing up the rear in terms of premiums and claims is the Crimean Federal Region. Here 1,373 million Roubles in premiums were collected (0.6% of the total) and 336 million Roubles in claims were paid (0.3% of the total).

Figure 17
CMTPL claims paid



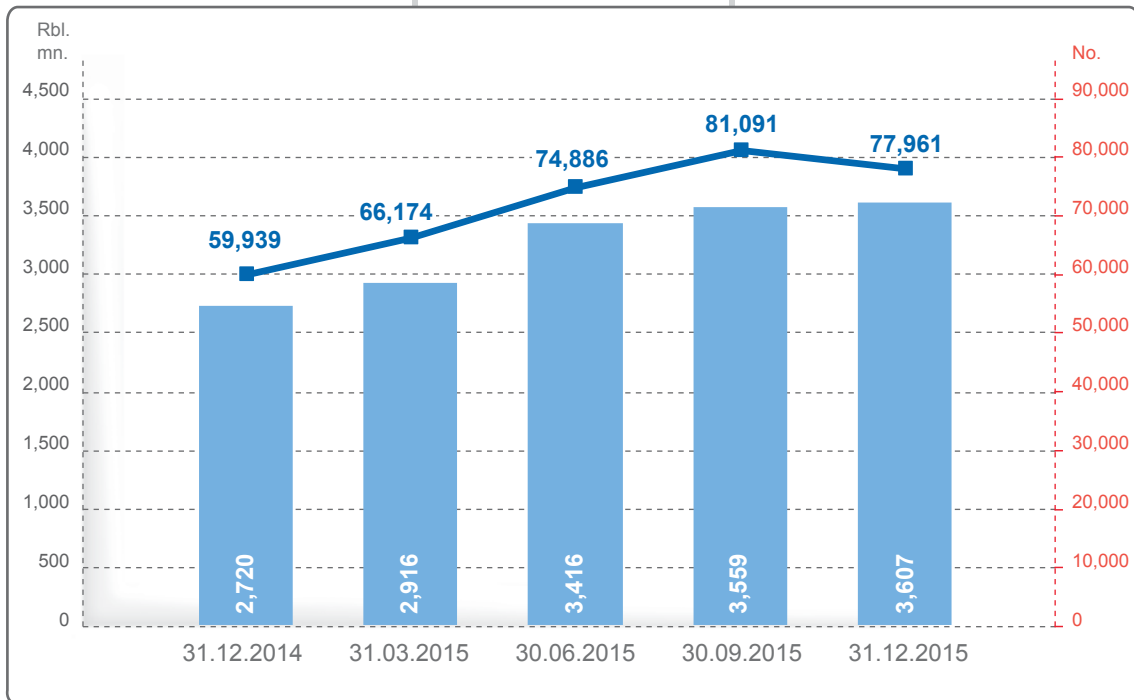
SETTLING SUBROGATION CLAIMS BETWEEN PHYSICAL DAMAGE AND LIABILITY INSURERS

In 2015, RAMI continued its work on collecting and analysing data relating to mutual claims between motor physical damage (KASKO) and motor liability insurers.

Mutual indebtedness between the two sets of insurers increased by 32.6% in 2015. On 31 December 2014 the amount of mutual indebtedness was 2.72 billion Roubles and this amount had increased to 3.61 billion Roubles by the end of the year.

Data showing the scale of mutual indebtedness is set out in figure 18.

MUTUAL OBLIGATIONS OF KASKO AND CMTPL INSURERS



■ Amount of obligations (Rbl. mn.)

■ Number of cases leading to indebtedness (No.)

Figure 18
Mutual obligations of KASKO and CMTPL insurers



Mutual indebtedness between physical damage (KASKO) insurers and CMTPL insurers that are members of RAMI grew in 2015 by 28.32%, from 2.58 billion Roubles at 31 December 2014 to 3.31 billion Roubles at 31 December 2015.

Data relating to the mutual indebtedness between physical damage (KASKO) insurers and CMTPL insurers that are members of RAMI are set out in figure 19.

THE MUTUAL INDEBTEDNESS BETWEEN PHYSICAL DAMAGE (KASKO) INSURERS AND CMTPL INSURERS THAT ARE MEMBERS OF RAMI

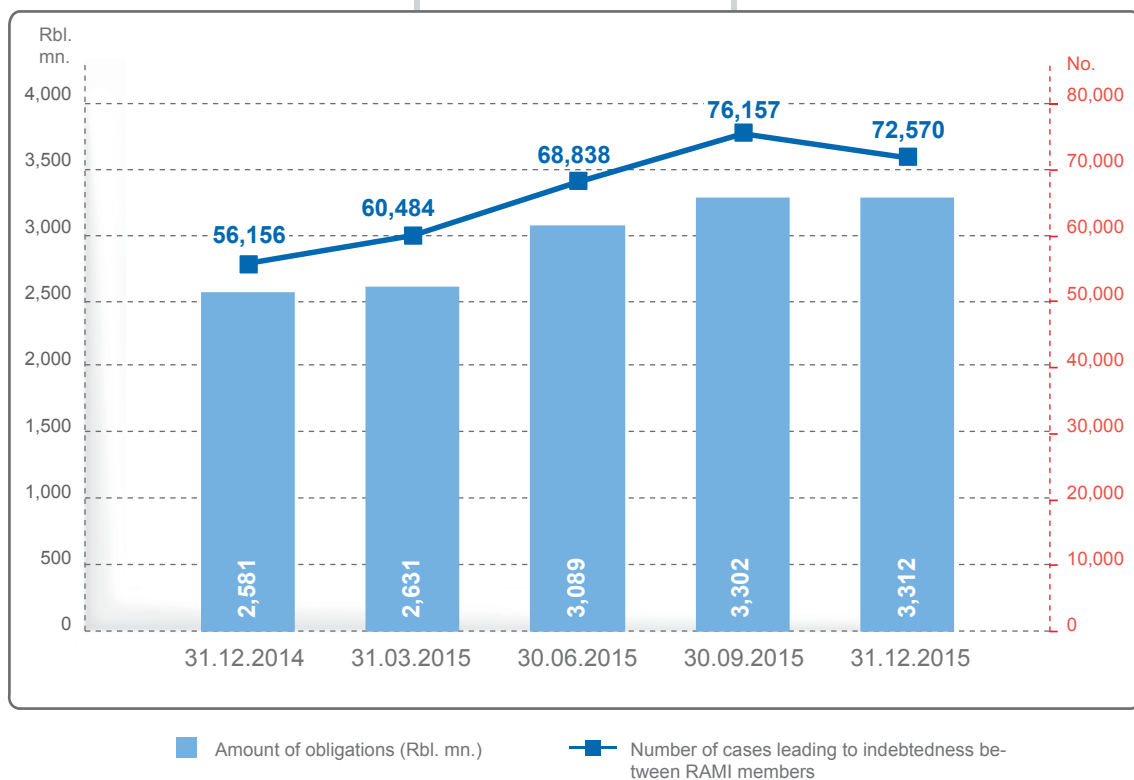
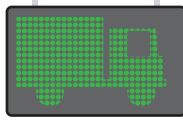


Figure 19

The mutual indebtedness between physical damage (KASKO) insurers and CMTPL insurers that are members of RAMI

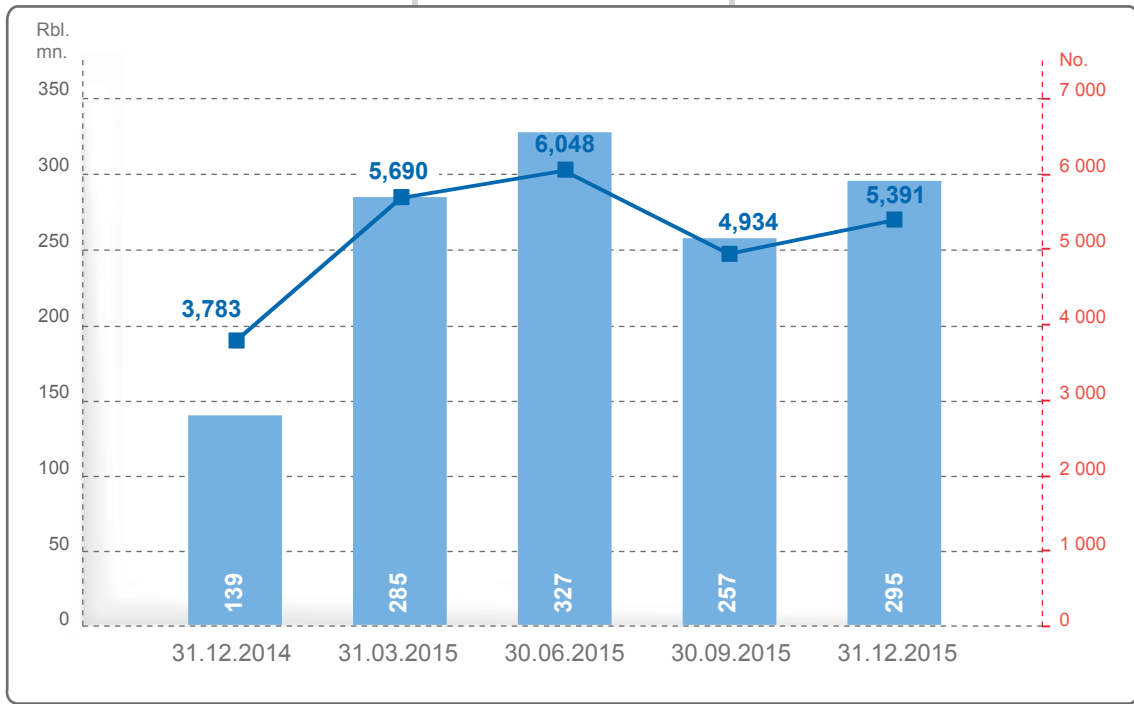
The mutual indebtedness between RAMI members grew by 13.64% as a result of a reduction in the time limit permitted for examining subrogation claims and a similar reduction in the time limit for reporting. Both these changes came into force in April 2015.

Mutual indebtedness between CMTPL insurers and KASKO insurers not members of RAMI (including obligations to RAMI) increased in 2015 by 111.88%, from 139 million Roubles on 31 December 2014 to 295 million Roubles on 31 December 2015.



In this context, the average amount of indebtedness of insurance companies that had either resigned or had been expelled from RAMI was 20% higher than the average level of indebtedness of RAMI members. Information concerning the indebtedness of former members of RAMI, including their obligations to the Association, are set out in figure 20.

THE INDEBTEDNESS OF FORMER MEMBERS OF RAMI, INCLUDING THEIR OBLIGATIONS TO THE ASSOCIATION



■ Amount of obligations including obligations to RAMI (Rbl. mn.)

■ Number of cases leading to indebtedness, including obligations to RAMI

Figure 20

The indebtedness of former members of RAMI, including their obligations to the Association



CMTPL INSURANCE AS PART OF THE INSURANCE MARKET OF THE RUSSIAN FEDERATION

As of 31 December, the state register of entities involved in insurance business included 344 insurance organisations⁴, of which 84 were in possession of CMTPL insurance licenses. Thus 24.4% of insurance organisations have CMTPL insurance licenses.

Data relating to the increase in premiums and claims for both CMTPL and for all types of insurance⁵ are shown in table 7.

Table 7

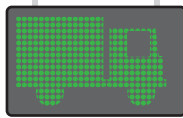
	2015
Total insurance premiums (Roubles bn.)	1,023.8
CMTPL insurance premiums (Roubles bn.)	218.7
CMTPL insurance as % of total premium	21.4
Total insurance claims paid (Roubles bn.)	509.2
CMTPL insurance claims paid (Roubles bn.)	123.6
CMTPL insurance as % of total claims paid	24.3

Data comparing CMTPL insurance premiums and claims with other classes of insurance⁶ are set out in figures 21 & 22.

⁴ Data from the Central bank of the Russian Federation.

⁵ Data from the Central bank of the Russian Federation.

⁶ Data from the Central bank of the Russian Federation.



BREAKDOWN OF TOTAL PREMIUMS BY CLASS OF BUSINESS IN 2015

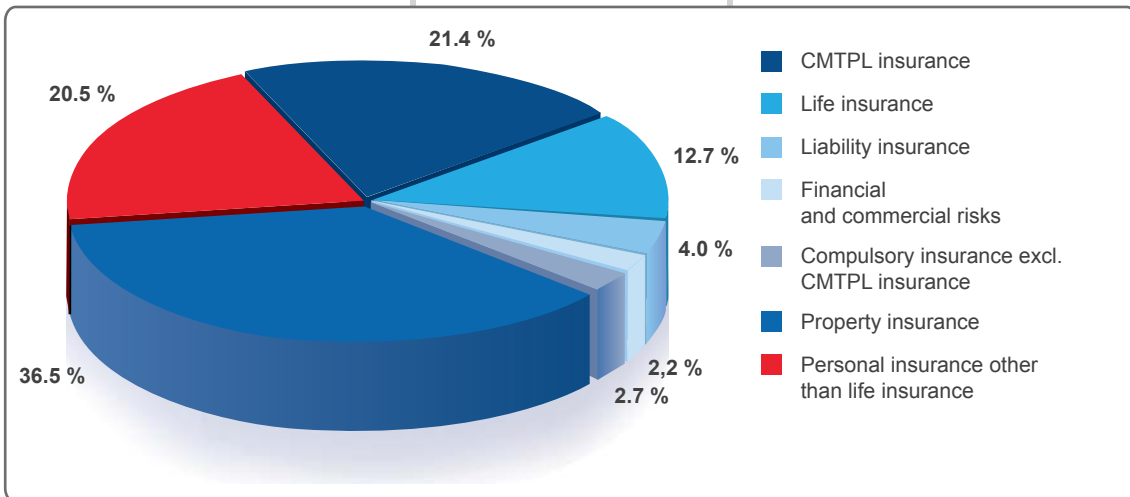


Figure 21
Breakdown of total premiums by class of business in 2015

BREAKDOWN OF TOTAL CLAIMS PAID BY CLASS OF BUSINESS IN 2015

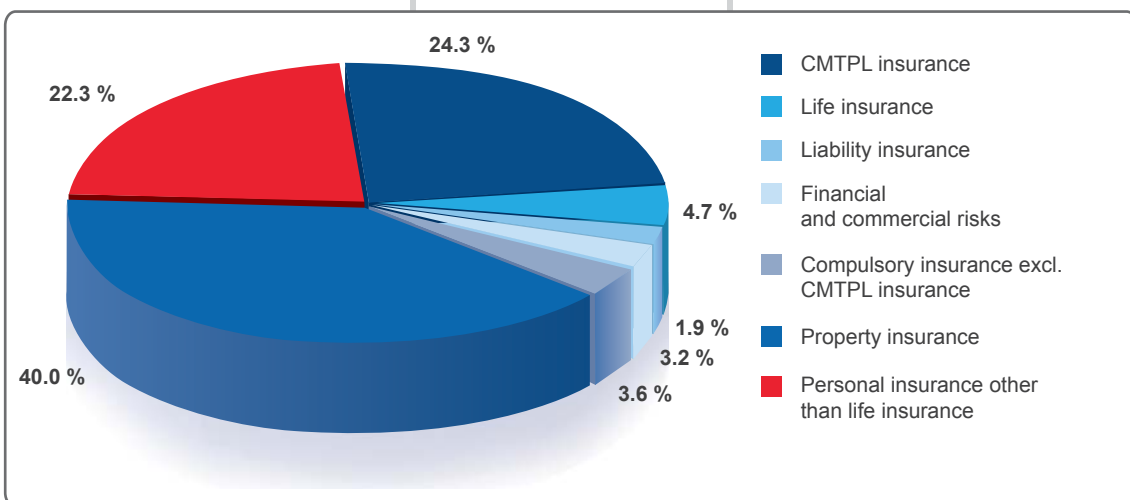


Figure 22
Breakdown of total claims paid by class of business in 2015



Figures 21 & 22 show that the largest class of business in 2015 is property insurance (including motor KASKO) which makes up 36% of premiums and 40% of claims made. This is a reduction of the proportion of both premiums and claims from property insurance as compared to 2014, when this class made up 42.6% of premiums and 47.5% of claims paid. In contrast, CMTPL insurance's market share increased, making up 21.4% of total premiums (15.3% in 2014) and 24.3% of claims paid (19.1% in 2014).

Amongst the other classes of insurance, the greatest share was taken by personal insurance (excluding life insurance); this class made up 20.5% of premiums and 22.5% of claims paid. Life insurance's share was 12.7% of premium and 4.7% claims paid.

All other classes of insurance combined (liability insurance, insurance of enterprises and financial risks and compulsory insurance other than CMTPL insurance) contributed 8.9% of premiums and 8.7% of claims made.

The total amount of premiums derived from compulsory insurance increased by 38% in comparison with 2014. Total premiums from voluntary classes of insurance reduced by 4%.

Total premiums from compulsory insurance in 2015 amounted to 246.2 billion Roubles as compared with 178.8 billion Roubles. Total claims from this class came to 141.8 billion Roubles in 2015 as against 109.2 billion Roubles in the previous year.

CMTPL INSURANCE PREMIUM TARIFF RATES

Every year RAMI carries out an actuarial analysis of CMTPL insurance premium tariff rates. In 2015, the RAMI Committee for tariffs, statistics and reserves initiated a number of scientific research projects:

1. Research into the adequacy of current CMTPL tariffs using data from insurance policies and claims paid from RAMI members in the period 1 July 2012 to 31 June 2015;
2. Research into the current Bonus Malus system and the development of proposals for its improvement;
3. Research into the possibility of calculating insurance premiums based on the number and type of road traffic violations.

The results of these research projects were used as the basis of proposals submitted to the Bank of Russia for changes in CMTPL insurance premium tariff rates.

In addition, a study was made of the possible effect of deductibles on tariff rates for CMTPL insurance premium tariff rates.



Developments in the legal and regulatory framework of CMTPL insurance in 2015



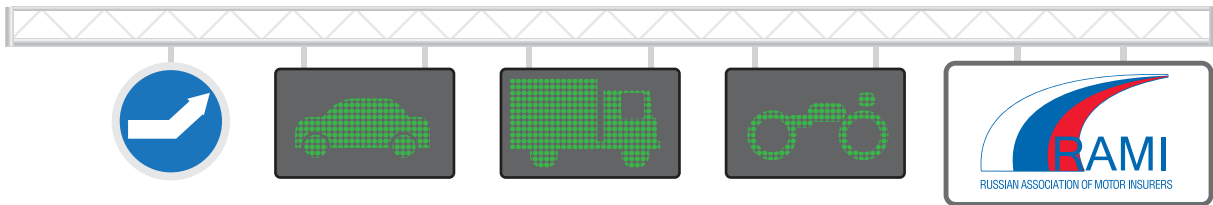


DEVELOPMENTS IN THE LEGAL AND REGULATORY FRAMEWORK OF CMTPL INSURANCE IN 2015

IMPROVING THE LEGAL AND REGULATORY FRAMEWORK OF CMTPL INSURANCE

During 2015, RAMI prepared a number of proposed amendments to CMTPL insurance law and sent them to the government bodies responsible for dealing with them. The main proposals submitted by RAMI aimed at improving the legal and regulatory framework for CMTPL insurance included the following:

- Reforming the system of insurer representation in the regions of the Russian Federation. In addition to the current system, to provide a representative with the ability to collect all documents relating to a claim on the instruction of the insurance company responsible for making the payment;
- Improving the tariff 'corridor' to make it possible to use factors other than the region where the vehicle is expected to be used when calculating basic tariff rates used to calculate the premiums for CMTPL insurance;
- Excluding information about the number and nature of claims payments and of future payments, of the duration of the insurance, of the issues and failure to meet claims of accident victims and other factors during the period the policy of CMTPL insurance was in force from the factors that determine the calculation of the Bonus Malus coefficient (establishing the RAMI database as the sole source of data for calculating Bonus Malus coefficients);
- Harmonising the legislation on CMTPL insurance and the law that regulates state and municipal contracts for the purchase of goods, work and services (fixing CMTPL insurance premium as at the date of the contract price);
- Organising a system of technical experts and controlling their work (licencing and controlling the work of technical experts);
- Excluding the loss of value of commodities from policy coverage in a CMTPL insurance policy;
- The necessity of bringing into line form for recording a road accident produced by the government of Russia and the form for reporting an accident from the Bank of Russia;
- Making it totally clear that drivers are permitted to use printouts from an electronic CMTPL policy as evidence shown to the police of the existence of a valid CMTPL insurance policy;
- Ensuring the possibility of renewing a CMTPL insurance policy not only on expiry but also at any time in the 60 days before the expiry of the contract;
- Clarifying a number of issues relating to the settlement of claims and the procedures whereby accident victims present their claims.



In addition, on the basis of experience gained from operating the RAMI Bonus Malus system, proposals were made to change the current system by amending the insurance law and regulations from the Bank of Russia. The objective of these proposed amendments was to improve and simplify the Bonus Malus system in order to prevent the development of dissatisfaction with the system amongst drivers.

RAMI also prepared draft amendments to the following legislation:

- Insurance Law – proposals to amend it to take account of the exchange of information in the context of the central insurance database;
- The Russian Code of Administrative offences permitting various technical methods to be used as evidence of administrative offences. Such technical methods include devices that automatically take photograph, films or videos;
- The decree from the Bank of Russia dealing with CMTPL insurance premium tariffs to amend the coefficients for calculating premiums and the basis for calculating base rates;
- The decree from the Bank of Russia setting out CMTPL regulations to clarify the definition of wear and tear, to increase the number of documents that need to be produced on the conclusion of a CMTPL insurance contract in circumstances when the vehicle is covered by a leasing contract and to clarify the calculation of penalties;
- The draft decree from the Bank of Russia setting out the rules for issuing and using CMTPL policies in electronic form to make it permissible to use a 'personal cabinet' not only to conclude a CMTPL insurance contract but also to conclude contracts of other types of insurance and to clarify the information that needs to be provided in order to issue a policy in electronic format; to reflect the situation whereby insurance brokers and agents are not permitted to provide services in concluding a CMTPL insurance policy in electronic format; making it possible to inspect a vehicle before issuing a CMTPL insurance policy in electronic format and to forbid the issuing of a CMTPL insurance policy in electronic format if the policyholder or owner of the vehicle is registered in a region of the Russian Federation where the insurance company has no branch.

IMPROVING RAMI'S RULES AND REGULATIONS

RAMI has introduced changes to the following internal regulations:

- The rules governing RAMI's fulfillment of compensation payments to accident victims in the event that the insurance company responsible for making the payment has insufficient funds;
- The rules of professional conduct governing the relations between RAMI members and insurance brokers or agents in respect of issuing CMTPL insurance policies;
- The procedures to be carried out by RAMI and its members in respect of limiting, suspending or revoking the licence of a member company to carry on CMTPL insurance business;
- The rules governing insurance payments and subrogation;
- The procedures to be followed by RAMI members in using blank CMTPL policy forms and for determining the number of CMTPL insurance policies issued in electronic format;
- The rules governing the imposition of sanctions and other measures on RAMI members, their directors, officers and employees;



- The rules of professional conduct governing the provision of services for CMTPL market;
- The rules of professional conduct governing the development and use of the RAMI information system;
- The rules of professional conduct governing the operation of the Bonus Malus system for CMTPL insurance;
- The procedure whereby RAMI makes compensation payments to individuals resident in the Crimea or in the Federal city of Sevastopol;
- The rules of professional conduct governing the operation of the direct settlement system;
- The rules of professional conduct governing the system of simplified reporting of road accidents in Moscow, the Moscow region, St Petersburg and the Leningrad region whereby data regarding damaged vehicles are reported using technical means that make it impossible to change or falsify the information provided;
- The rules of professional conduct governing the appointment of a temporary administrator over a member of RAMI;
- The rules of professional conduct that govern the protection of the rights of policyholders and the handling of complaints from the public about RAMI members;
- The rules of professional conduct that set out the rules for accounting to be used by members of RAMI in carrying on CMTPL insurance;
- The rules of professional conduct that set out the actuarial methods that are to be used in calculating insurance premium tariffs for CMTPL insurance;
- The regulations relating to membership fees for RAMI.



Information technology





INFORMATION TECHNOLOGY

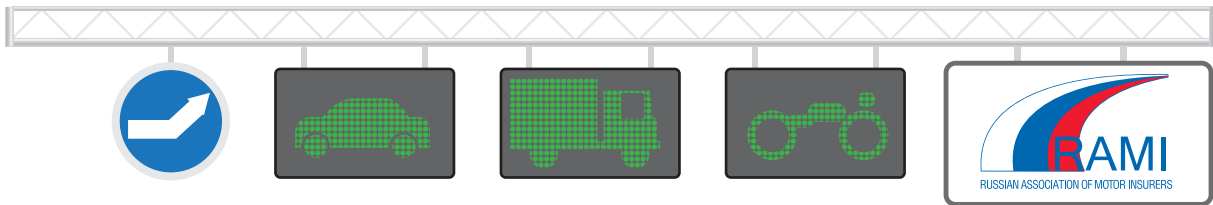
THE INSURANCE CONTRACTS AND BONUS MALUS SUBSYSTEMS

In 2015 the 'Insurance contracts' and 'Bonus Malus' subsystems were developed as follows:

- Increasing the maximum number of characters that can be transmitted so as to include the vehicle identity number (VIN), the chassis number and the body number;
- Changing the structure and algorithms of the information relating to claims and the transmission and storage of data about the method of payment to the accident victim;
- Adding an additional data field to the 'Contracts' and the 'Bonus Malus' subsystems to include data on the inclusion of a trailer under a CMTPL insurance contract;
- Correcting inaccuracies in the algorithm that calculates the Bonus Malus coefficient and making it possible to calculate the coefficient as of a date preceding the date that the enquiry is made;
- Changing the amount of information provided by insurers to calculate the Bonus Malus coefficient;
- Adding the possibility of returning information about a blank CMTPL insurance policy form in the event that the information about a contract is deleted from the database due to early termination of the contract;
- Posting on the RAMI website information about the vehicle's registration number that relates to the number of a CMTPL insurance policy;
- Changing the rules that govern the structure of the data transmission of data concerning additional contracts;
- Ensuring that data files provided by insurers relating to the Bonus Malus system can be downloaded;
- Implementing the automatic verification of the correct calculation of the Bonus Malus coefficient in the event that there have been no claims;
- Sending a text message and/or an email to a policyholder with details of a CMTPL insurance policy that has been issued in electronic format.

In addition, during 2015 the software of the Contracts and Bonus Malus subsystems was updated as follows:

- To provide information to policyholders and insurers about the possibility of calculating insurance premiums, checking whether payments have been made, and whether the vehicle has passed the annual technical inspection;



- Changing the algorithm for vehicle identification;
- Changing the rules that govern the structure of the data transmission of data relating to contracts, additional agreements and claims;
- Changing the processing and storing algorithm relating to unidentifiable data on vehicles;
- Producing statistical reports derived from data on the RAMI IT system and providing access to these reports.

PROVIDING DATA ON CMTPL INSURANCE CONTRACTS TO THE MINISTRY OF THE INTERIOR TO BE UTILISED BY THE STATE INTERAGENCY INTRANET SYSTEM

The regulations covering data exchange within CMTPL insurance system require RAMI to exchange data with the state interagency intranet system. RAMI was registered for testing purposes on version 3.0 of the intranet system on 17 July 2015 and on 22 July 2015, following the successful completion of the tests, RAMI's IT system was registered as a member of the system.

As part of the project to develop an electronic policy RAMI has developed a format for data on CMTPL insurance contracts that can be input into the state interagency intranet system. The data format was developed jointly with the Ministry of the Interior as part of the ministry's project to develop a database of motor vehicles and trailers for use by the traffic police. This data format was tested in the interagency intranet system on 28 August 2015 and became operational on 2 September.

Further revisions of the software were introduced on 1 October 2015 in line with version 3 of the guidelines, and on 17 December 2015, the data format was successfully tested by the Ministry of the Interior in the intranet system.

On 22 December 2015, RAMI was registered as an organization permitted to interface with the intranet system. The following day, the RAMI IT system was also registered as a supplier of data. Information about the service is now available on the state interagency intranet system.

PROVIDING PUBLIC ACCESS VIA THE INTERNET TO THE MANUAL CONTAINING DATA ON THE AVERAGE COST OF SPARE PARTS AND LABOUR COSTS

In 2015, the software was developed that allows public access via the internet to the manual that provides data on the average cost of spare parts and labour. Subsequently, software was also developed to give the public access to the data on the cost of materials. The software was further developed to give unlimited access to registered users to data and to provide lists of types of vehicles and brands so that the database can be queried as to the average cost of spare parts and labour.

In 2015, version 3 of the data relating to the costs of spare parts and labour was downloaded. This version relates to the period 1 December 2014 to 30 April 2016.



THE PROTOTYPE SUBSYSTEM OF THE RAMI IT SYSTEM FOR INSURANCE TELEMATICS

The development plan for the simplified reporting of road accidents using the European Protocol envisages the development of a prototype subsystem of the RAMI IT system for insurance telematics. The telematics system will use the GLONASS system and will transmit photographs and other data about a road accident.

The technical requirements for this subsystem were drawn up and successful tests of the prototype were carried out on 29 June 2015.

THE 'ACCIDENT EUROPROTOCOL' MOBILE TELEPHONE APPLICATION

A further development, carried out as part of the plan to improve simplified reporting of road accidents is the creation of software for the major mobile phone operating systems (Android and Apple iOS) which will allow mobile devices to be used following a road accident to transmit data. The mobile application that is being developed will enable a mobile device (smartphone or tablet) to take photographs of the accident and transmit them together with other data derived from the GLONASS system to the RAMI IT system. This mobile application was developed by a commercial organization and on the 4 June 2015, acceptance tests were carried out.



The electronic CMTPL insurance policy





THE ELECTRONIC CMTPL INSURANCE POLICY

On 1 July 2015, amendments to CMTPL insurance law came into force that made it possible to issue a CMTPL insurance policy in electronic format.

Work to allow such an electronic policy began in 2014 when, following a decision of the RAMI presidium, outline plans for an electronic policy were produced and draft amendments to CMTPL insurance law set out in a concept document produced by Accenture were agreed by the Central Bank.

This work continued in 2015. In particular, in order to facilitate the introduction of an electronic policy, RAMI had prepared and submitted proposals and commentaries setting out RAMI's position to the government of the Russian Federation, to the Ministry of Finance, to the Ministry of Telecoms and Mass Communications, to the Bank of Russia and to the Ministry of the Interior. RAMI's proposals and commentaries related to amendments to the following regulations:

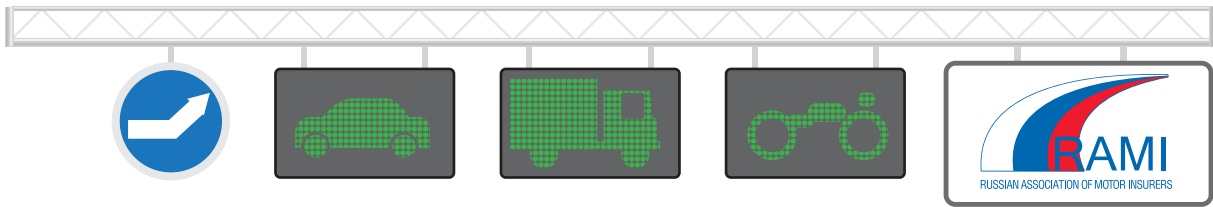
- a draft resolution from the Government of the Russian Federation amending previous resolutions, which would also make possible a wider exchange of information with the relevant bodies and organisations;
- draft guidelines from the Central Bank governing the use of electronic information exchange and electronic documents in CMTPL insurance;
- draft guidelines from the Central Bank establishing the principle that electronic CMTPL insurance policies can only be issued on the renewal of a contract.

To ensure that it would be possible to issue electronic policies from 1 July 2015 as the new law required, and following the approval of the drafts from the Central Bank and also on the basis of the agreed concept paper, RAMI began the work of changing the rules of professional conduct and making the necessary changes to the RAMI IT system as follows:

- on 11 February 2015, the management board of RAMI approved the necessary software changes to make it possible to issue electronic policies and to give access to the Ministry of the Interior to the RAMI IT system in order to obtain information about CMTPL insurance policies. In addition, work began on developing a new subsystem to operate the electronic policy system;
- on 23 April 2015, the Presidium of RAMI approved amendments to the rules of professional conduct that outlined the procedures to be followed by RAMI members in using blank CMTPL policy forms and for determining the number of CMTPL insurance policies issued in electronic format. They also ensure that the number of blank insurance policies and electronic CMTPL insurance policies issued coincide.

In June 2015, testing of the new electronic policy IT subsystem was completed successfully and on 1 July the system went into full operation. This allowed members of RAMI to connect to the system and to issue electronic policies as renewal policies to individuals.

On the 3 July 2015, the Central Bank brought into force regulations that by 30 September would allow electronic policies to be issued only as renewal policies but at the same time would permit adding additional drivers. Since the electronic policy IT subsystem was developed before the introduction of these new rules, it did not permit the adding of additional drivers at renewal of CMTPL insurance policy. The subsystem was therefore quickly updated and from August 2015, it was possible to add additional drivers at renewal. From the 1 October 2015, the IT subsystem was further amended to allow for the possibility of the renewal of CMTPL insurance policy not only with the original insurer but also with a different insurer.



On 16 September, the Central Bank published regulations that, with the exception of certain provisions, came into force on 27 September 2015. These regulations contained provisions covering the sending of data from the RAMI IT system to policyholders concerning the issue of an electronic CMTPL insurance policy after 1 January 2016 via text messages or by email. The electronic policy IT subsystem was amended accordingly to make this possible.

Other changes to the electronic policy IT subsystem were carried out during 2015 as follows:

- to establish control over the number of electronic CMTPL insurance policies issued by an insurer and to make it possible to ban a company from issuing electronic policies and to lift such a ban;
- making it possible to amend electronic CMTPL insurance policies electronically.

Between July and December 2015, 16 members of RAMI have carried out operations in respect of issuing electronic CMTPL insurance policies, 11 of which began to do so on 1 July. The list of those companies issuing electronic CMTPL policies is posted on the RAMI web site, which is regularly updated when information is received from members about their activities.

In total, between July and December 2015, in the region of 55,000 electronic CMTPL insurance policies were issued. The first electronic policy was issued to a vehicle owner on 1 July in the Volgograd region.

In the first months that electronic policies were available, successful sales were lower than in the succeeding months when the non-payment of premium meant that a successful proposal to issue an electronic policy did not end in the actual conclusion of a contract. This can probably be explained by interest in the new system and by people trying out how electronic CMTPL policy issuing works without having any real intention of buying such a policy. Thus in July 2015, 31,000 offers to conclude an electronic policy were issued, of which only 3,000 (less than 10%) resulted in actual contracts. However, by the end of the year, about 142,000 offers had been issued, of which about 55,000 resulted in contracts. 39% of offers, therefore had resulted in actual CMTPL insurance contracts.



On 1 October, it became possible to renew a CMTPL insurance policy using the electronic format not only with the existing insurer and as a result the number of policies issued in electronic format increased substantially.

NUMBER OF ELECTRONIC CMTPL POLICIES ISSUED (CUMULATIVE TOTALS JULY–DECEMBER 2015)

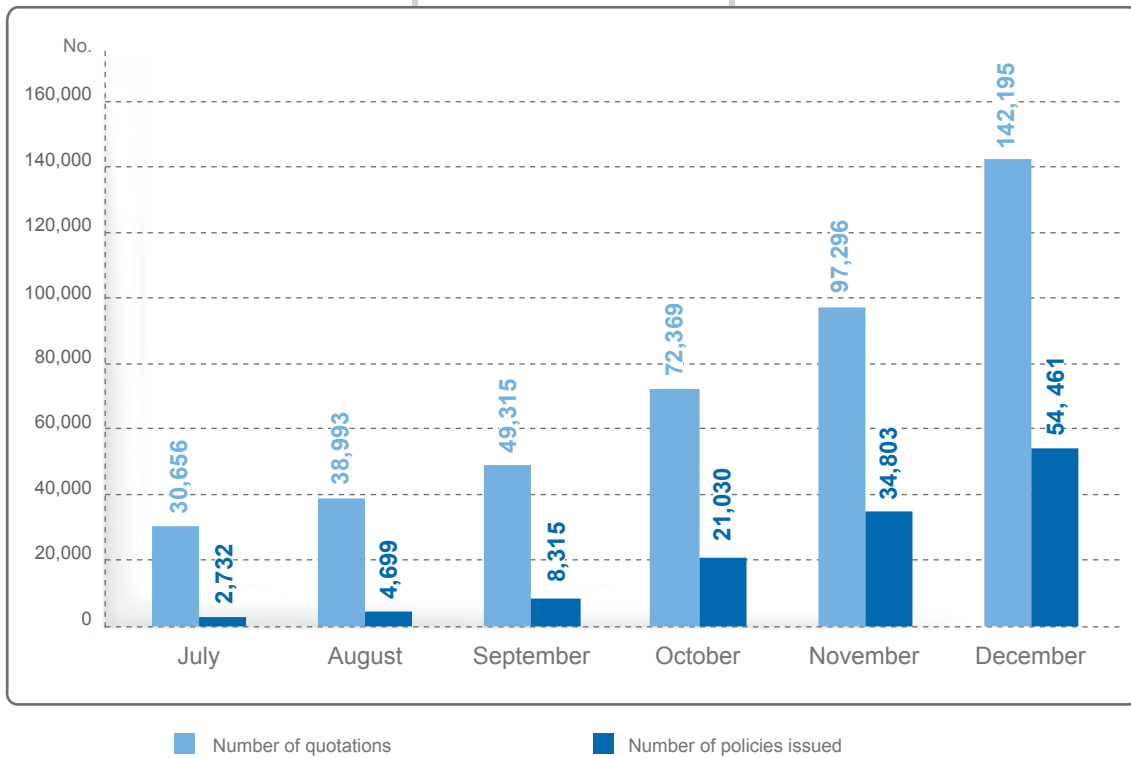
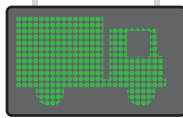


Figure 23
Number of electronic CMTPL policies issued (cumulative totals July–December 2015)



The region in which most electronic policies were issued issued in 2015 was Krasnodar Krai, with 6,341 policies. Figure 24 sets out data on a regional basis of CMTPL electronic policies issued.

REGIONS OF THE RUSSIAN FEDERATION ISSUING THE GREATEST NUMBER OF ELECTRONIC CMTPL POLICIES (JULY–DECEMBER 2015)

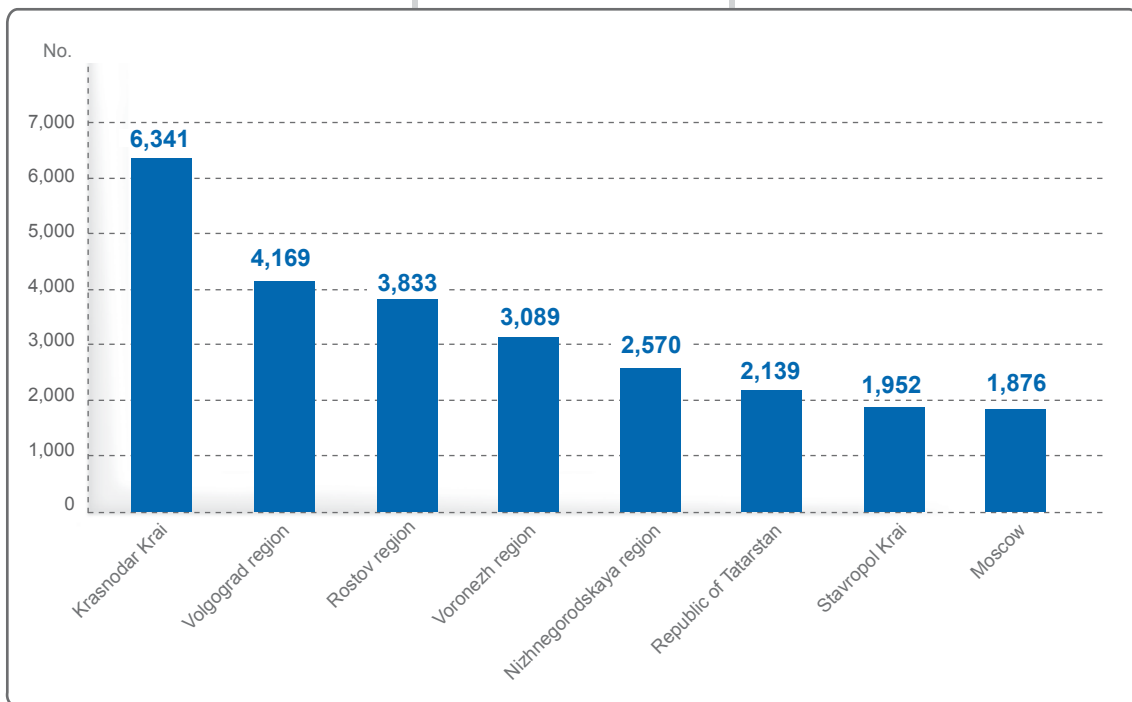


Figure 24

Regions of the Russian Federation issuing the greatest number of electronic CMTPL policies (July–December 2015)



In order to conclude an electronic contract of CMTPL insurance with an insurer, there is no need to provide all the documentation required by CMTPL insurance law, since the insurer has access to all the information included in these documents through the exchange of information in electronic form with the relevant bodies and organisations.

The list of information to be compiled and supplied by government bodies, insurers and other organisations was set out in the Government decree on information exchange in CMTPL insurance. On 1 July 2015, significant amendments to this decree came into force, which set out a new list of participants in the system of information exchange and the information they needed to provide, and provided for the exchange of information using the governmental intranet system.

In this context, work was carried out in 2015 to establish the necessary communication links within the governmental intranet between RAMI and the Ministry of the Interior. On 27 August, the technical details of information exchange were agreed to allow details of motor vehicles and trailers in the system of the Department of Road Safety of the Ministry of the Interior. This agreement set out the format and procedures for sending data from the RAMI IT system to the federal IT system of the road traffic police.

In December 2015, the RAMI IT system was registered as a part of the governmental intranet version 3.0, and information about this connection was included in the 'Information technology' section.

Due to the fact that a CMTPL insurance policy issued in electronic format is not evidenced by a paper policy in the correct format, it has been made possible for an officer of the road traffic police to check an electronic CMTPL policy relating to a vehicle owner by checking the RAMI database using the RAMI IT system. However, in certain regions there have been cases of road traffic police officers issuing tickets to drivers who have electronic CMTPL policies because they are not in possession of a policy in paper form. Information about these incidents have been sent to the Ministry of the Interior, which is able to overturn any such cases.



The direct settlement of claims



RUSSIAN ASSOCIATION OF MOTOR INSURERS



THE DIRECT SETTLEMENT OF CLAIMS

THE STATISTICS

In 2015, insurance companies settled claims that totalled more than 59.8 billion Roubles through the direct settlement system. In total, in the period between 1 March 2009 and 31 December 2015 during which the direct settlement system has been in force, victims of road accidents have received more than 137.8 billion Roubles. The growth rate of payments through the system in 2015 over 2014 was 90%.

In 2015, the level of operations of insurance companies in direct settlement increased substantially. The number of advices entered into the direct settlement IT system grew by 22% as compared with 2014. In the fourth quarter of the year, the level of payments was 34% higher than at the beginning of the year.

PAYMENTS TO ACCIDENT VICTIMS USING THE DIRECT SETTLEMENT SYSTEM

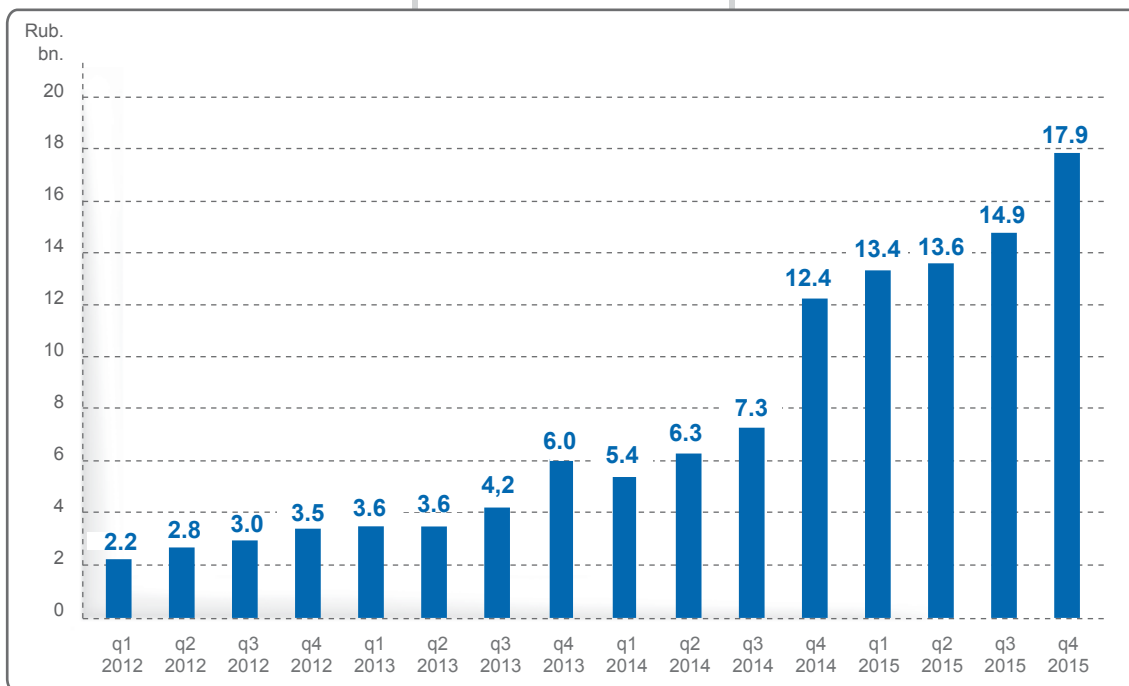


Figure 25
Payments to accident victims using the direct settlement system



AVERAGE CLAIM PAYMENTS UNDER DIRECT SETTLEMENT

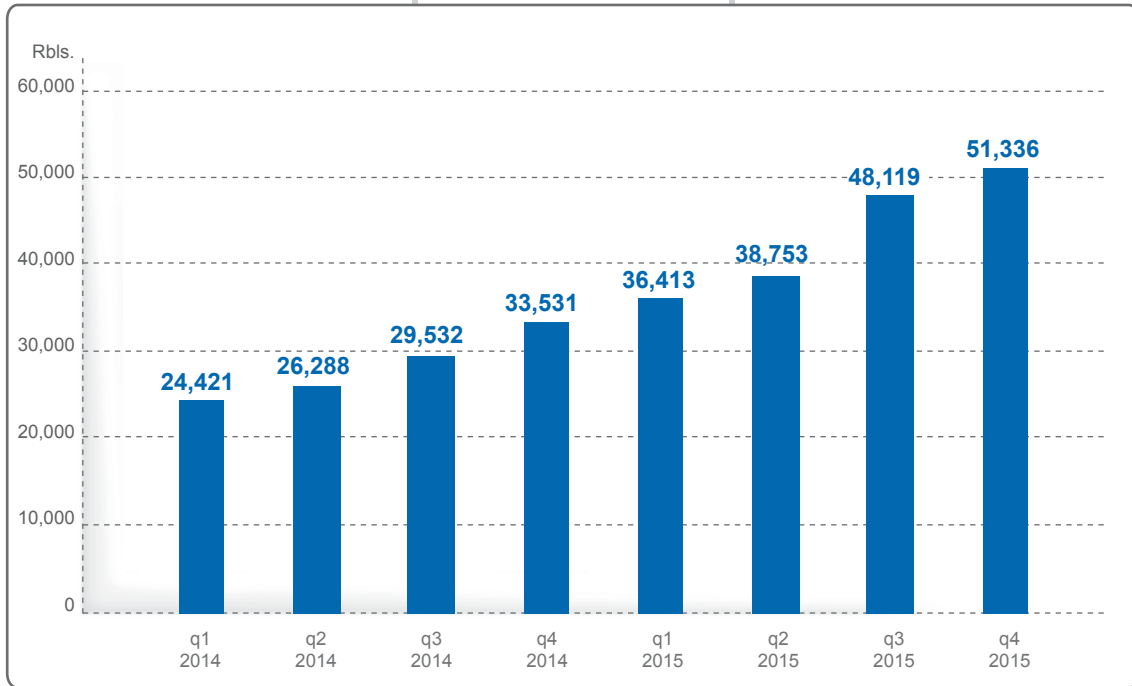


Figure 26
Average claim payments under direct settlement

The average claim payment paid to accident victims also grew in comparison with 2014, growing from 29,100 Rubles to 43,400 Rubles. During the year, the average payment grew every quarter, with the greatest increase in the third quarter.



PERCENTAGE OF CLAIMS ADVICES THAT WERE NOT ACCEPTED

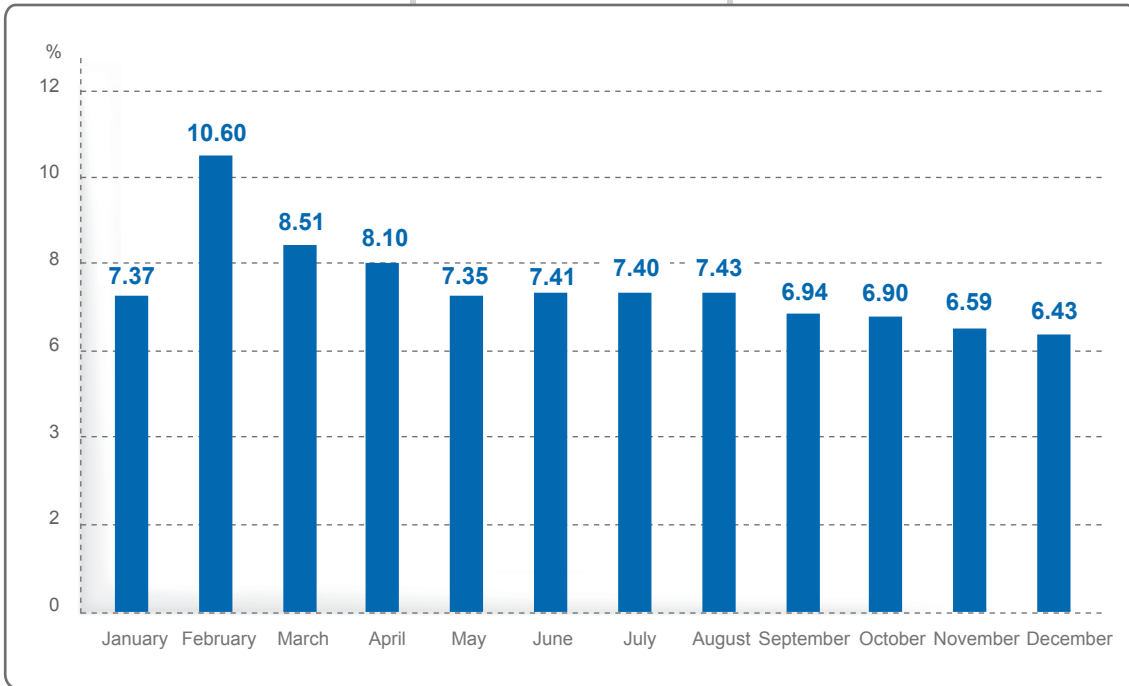
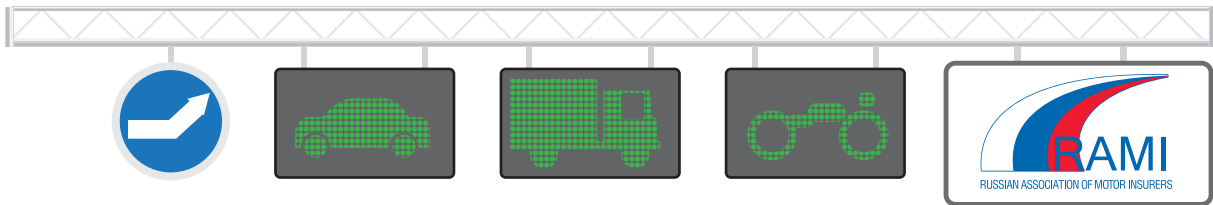


Figure 27
Percentage of claims advices that were not accepted

The proportion of claims advices submitted via CMTPL direct settlement IT system was 7.6%. As can be seen in the figure, the proportion of claims advices that have been rejected has reduced since February. The principal reason claims for the settlement of damages to a victim of a road accident are rejected by insurers is that there is no CMTPL insurance policy covering the driver who caused the damage in force at the time the accident happened. It should be noted that the existence of a valid CMTPL insurance policy is one of the conditions for the use of the direct settlement system.



THE DIRECT SETTLEMENT SYSTEM 2011–2015

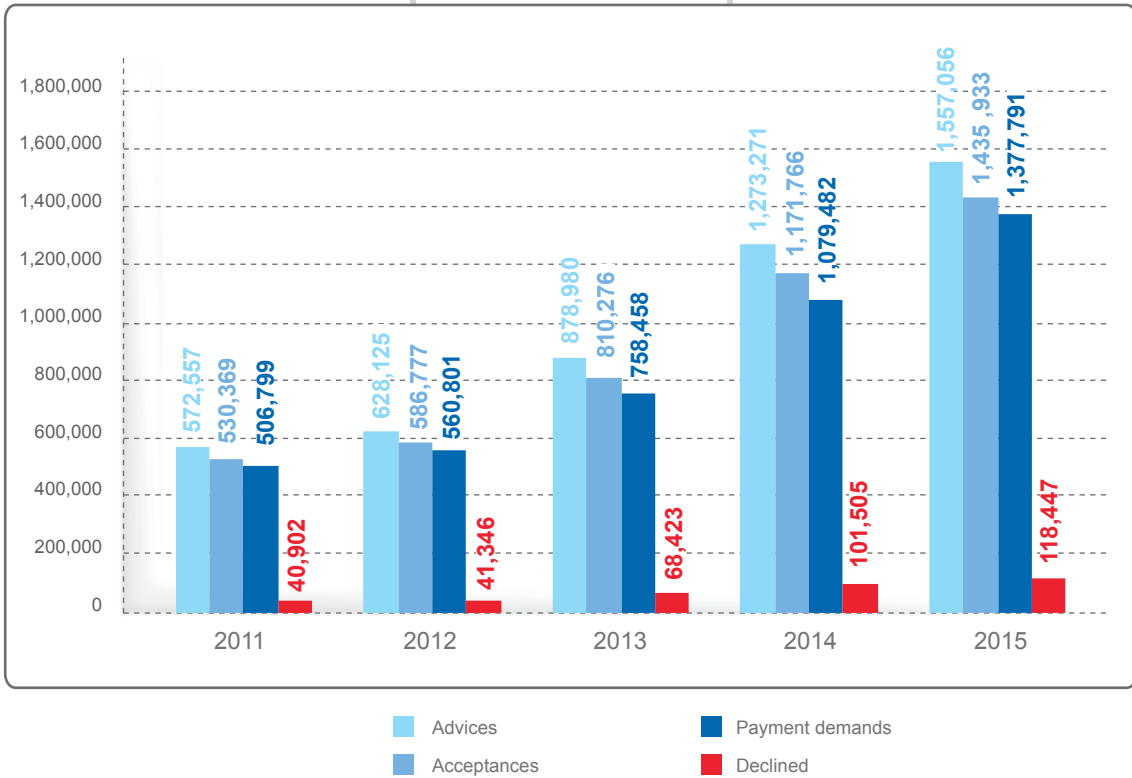


Figure 28
The direct settlement system 2011–2015

Figure 28 shows that the use of the direct settlement system by insurance companies had been growing in popularity even before it was made compulsory for victims in August 2014. At the same time the greatest growth in applications and the consequent growth in claims payment through the direct settlement system took place in 2014 and 2015, the primary cause of which was the removal of the alternative to direct settlement.

In 2015, 55.81% of losses settled by RAMI members were settled through the direct settlement system. In January 2015, 61.31% of claims were settled in this way, the highest proportion during the year.



THE PROPORTION OF CMTPL CLAIMS SETTLED THROUGH THE DIRECT SETTLEMENT SYSTEM JANUARY–DECEMBER 2015

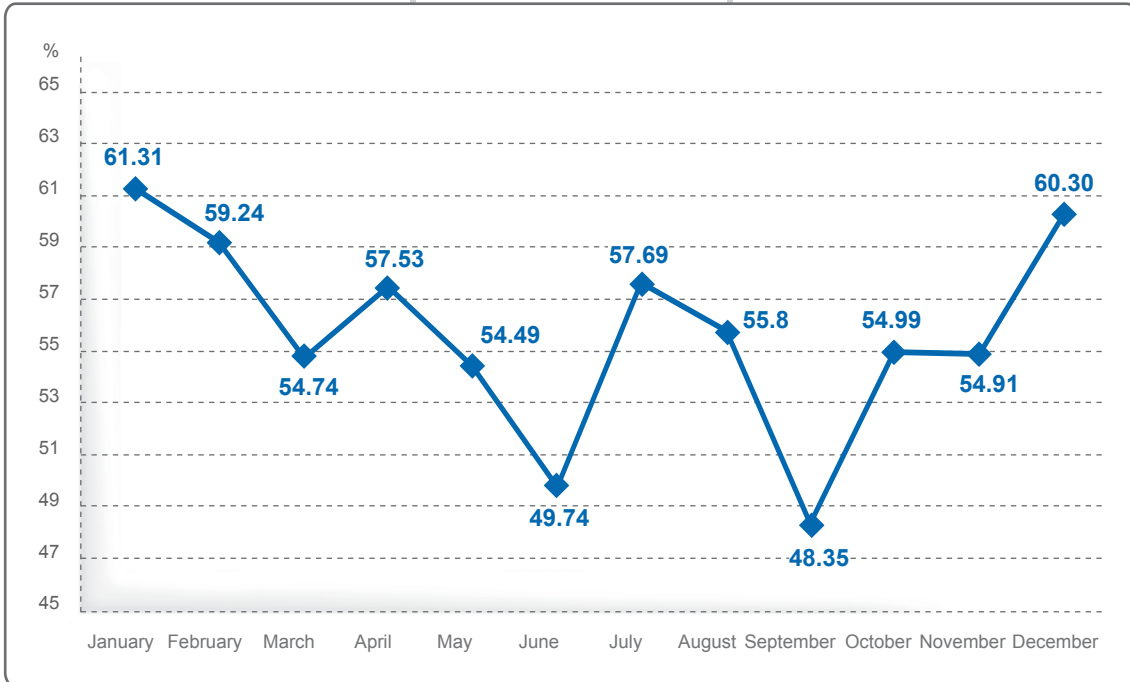
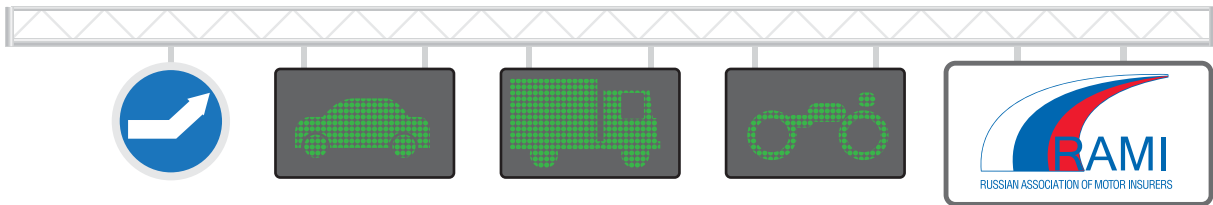


Figure 29

**The proportion of CMTPL claims settled through the direct settlement system
January–December 2015**



METHODOLOGICAL ISSUES IN THE DIRECT SETTLEMENT OF CLAIMS

During 2015, work on the analysis of the payment system for direct settlements (the so-called «Belgian model») was carried out on a continual basis. This work resulted in changes to the rules of professional conduct relating to the direct settlement agreement under which a revised procedure for calculating the average claim was introduced. It should be remembered that under the Belgian model the average claims amount is not known in advance and is calculated during each weekly accounting session for direct settlement using a random number.

The Belgian model was introduced at the beginning of 2014. Under the rules of this model, the calculation of the average claims payment which is used to determine intercompany settlements under the direct settlement system uses only the first payment of a claim but not subsequent payments relating to the claim. This calculation system was designed so that the insurer of the driver responsible for the accident has to transfer all amounts shown in all demands to the settlement account opened for the accumulation of funds, and the insurer of the accident victim receives an average amount only once, upon the initial request.

In November 2015, the RAMI Presidium approved amendments to the rules of professional conduct relating to the direct settlement system to bring them into line with the Belgian system in respect of additional claim payments. However, although additional claims payments are not taken into account when calculating the average claim payment, they do need to be accounted for in the system. This is achieved with the use of a 'nil' entry into the system.

It should be noted that in 2015, there was a significant increase in the number of disputes between insurers involved in direct settlement relating to claims that had been made following a court award. This led to the introduction of amendments to the agreement on direct settlement setting out the procedures that should be followed by insurers when dealing with such claims. The main change related to the data source used by insurers to identify the insurer of the driver that was responsible for causing the accident. In particular, it was made mandatory to use the RAMI database to ascertain the facts relating the insurance of the driver responsible for the accident. Previously, insurance companies had either used court documents or documents drawn up following the accident.

In addition to the above changes, the agreement on direct settlement and other documents governing the operation of insurers in the implementation of the direct damages were amended because of the emergence in practice of non-standard situations requiring changes either to the rules or to procedures.

All the amendments to the direct settlement agreement that had been approved by the RAMI Presidium were subsequently agreed by the Bank of Russia.

It should be noted that transactions between insurers participating in the direct settlement system as part of the insurance payments system comply with the law passed on 27 June 2011 setting up a national payment system. The insurance payment system is regulated by the Bank of Russia. The rules governing the insurance payment system have been finalised and similar changes have been introduced to those in direct settlement agreement, as both sets of rules need to conform with each other. In addition to regulating payments within the direct settlement system, the rules of the insurance payment system also govern other aspects of the insurance payment system. In this context and also because of the requirements of the regulator, frequent discussions are held involving all users of the system in order to further develop the system to meet the requirements of the insurance market and of legislation.



Simplified reporting of road accidents (the European Protocol)



RUSSIAN ASSOCIATION OF MOTOR INSURERS



SIMPLIFIED REPORTING OF ROAD ACCIDENTS (THE EUROPEAN PROTOCOL)

In 2015, the growth in the number of claims handled by CMTPL IT system which were registered without the participation of a police officer (simplified reporting of an accident using the European Protocol) amounted to 109% compared with 2014. The number of claims settled (payments made to the accident victim) also increased by 104%.

CLAIMS WHERE SIMPLIFIED REPORTING WAS USED UNDER THE DIRECT SETTLEMENT SYSTEM 2011–2015

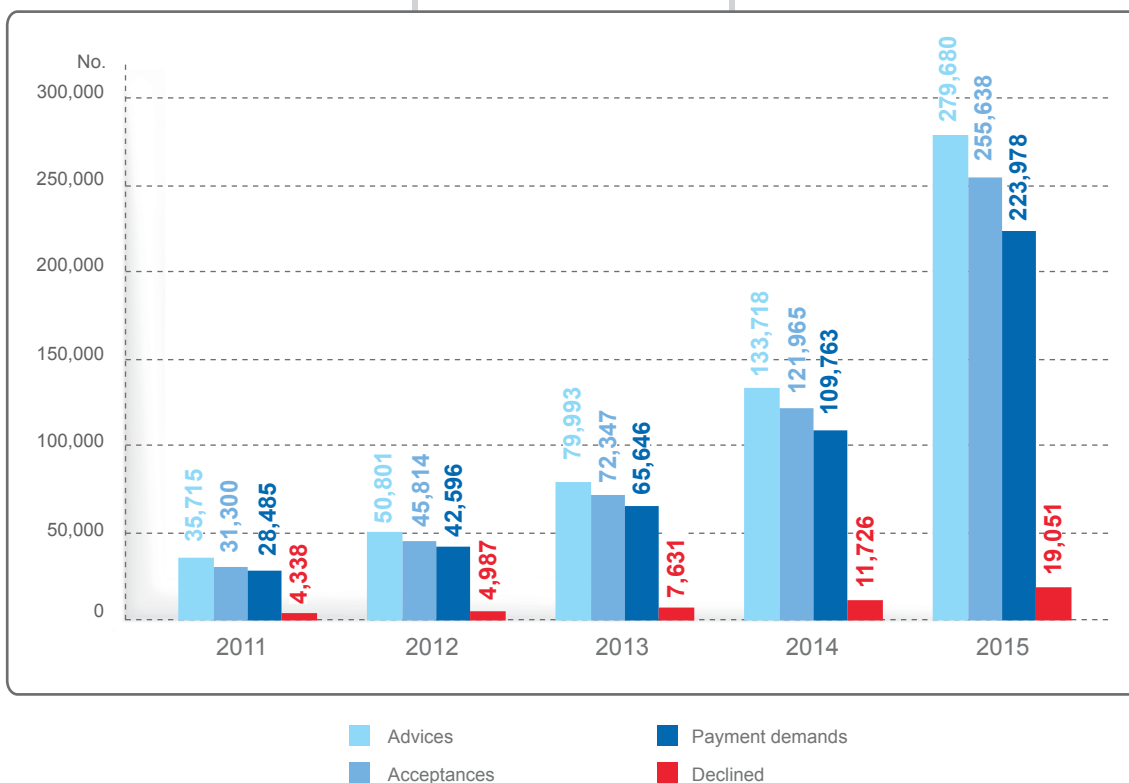
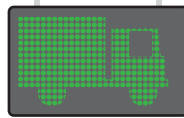
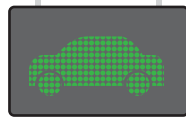


Figure 30

Claims where simplified reporting was used under the direct settlement system 2011–2015



In comparison with 2014, the proportion of applications made by accident victims under the direct settlement system using simplified reporting increased from 10.5% to 17.96%, a significant increase in comparison with previous periods when the increase was little more than 1%.

At the same time the proportion of claims submitted using the simplified reporting system and the European Protocol that were rejected has fallen. In 2015 6.8% of such claims were rejected compared with 9.6% in 2014. It is important to note that about 7.1% of all claim rejections were a result of a failure to register the accident properly. In 2014 the corresponding figure was 25.3%.

PERCENTAGE OF CLAIMS MADE USING THE SIMPLIFIED REPORTING SYSTEM IN 2015

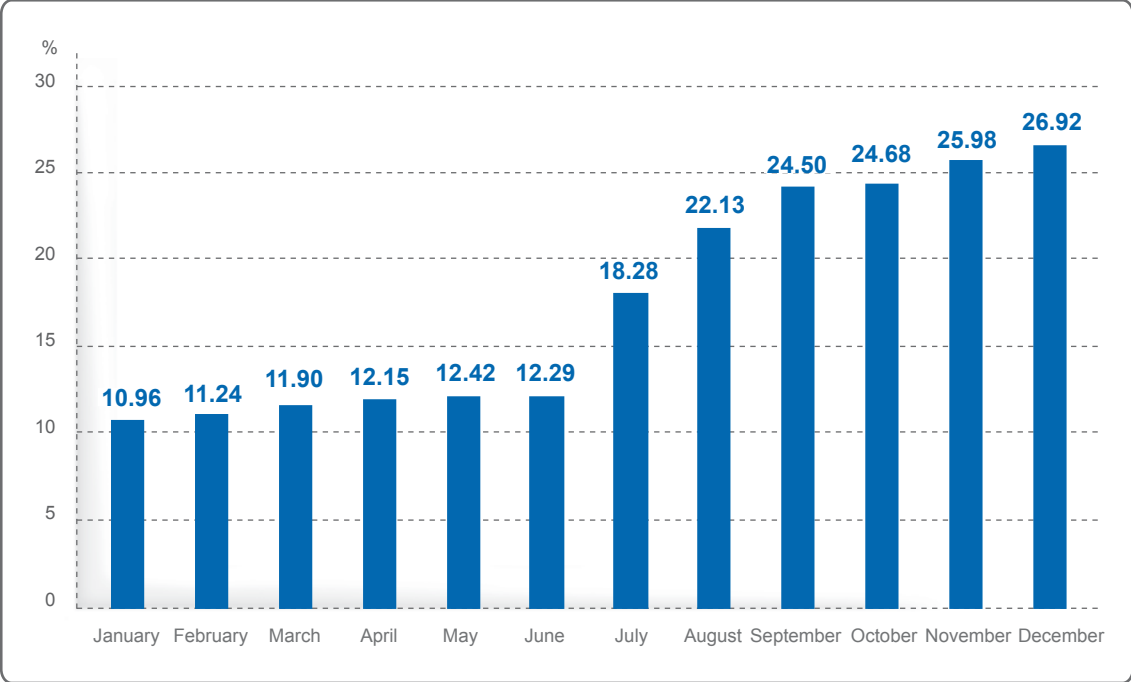


Figure 31
Percentage of claims made using the simplified reporting system in 2015

The increase in popularity amongst Russian motorists can be attributed to a number of factors. Perhaps most important is the fact that there has been a change in road traffic regulations. If drivers are involved in a road accident involving only damage to the vehicles they must move the vehicles to the side of the road so that traffic is not obstructed and then they must complete all the required documentation. At the same time RAMI has run a publicity campaign together with the Central Bank, the aim of which is to make simplified reporting better understood.



THE 'UNLIMITED' EUROPEAN PROTOCOL

The CTMPL insurance law states that in the event that an accident that occurs in Moscow, the Moscow region, St Petersburg or the Leningrad region and if the accident is documented without the involvement of the police, then the so called 'unlimited European protocol' should apply to the claim that arises from the accident. Normally, the simplified accident reporting system can only be used when the total damages to the vehicle are below 50,000 Roubles. Under the unlimited European protocol scheme there will be no such limit and the only limit that applies is the policy limit. However, in addition to providing written documentation of the claim, using the unlimited European Protocol procedure, claimants will also be required to provide photographic and/or video details of the accident and the vehicle damage using technical systems of control that ensure that the evidence cannot be tampered with. Claimants also must provide data provided by GLONASS, or by GLONASS together with another satellite navigation system.

In order to implement the unlimited European procedure, the RAMI Presidium approved a draft project plan. This plan contains draft rules setting out the procedures to be followed when examining claims using this procedure. It also outlines the nature of the technical control system that should be installed on the vehicle in order that the GLONASS satellite navigation system (or GLONASS together with another system) can be used as a monitoring system to determine key features of the accident and transmit this information to the necessary recipients. In this context RAMI has developed a system of voluntary accreditation of operators of vehicle monitoring systems and has also determined how operators can achieve accreditation. A number of organisations have already received accreditation through the RAMI procedure. A list of organisations that are currently accredited by RAMI is available on the RAMI web site. Research carried out by RAMI has confirmed that the necessary technical equipment is available for purchase in the market and that the data it produces is of sufficient quality to be used for settling claims under the unlimited European Protocol.

In order to provide the photographic or video evidence of the damage to vehicles, as required by CMTPL insurance law, drivers are encouraged to use computer devices such as smartphones or portable computers equipped with a special application developed by RAMI called 'Europrotocol for road accidents'. With the help of this application, people involved in accidents can take photographs of the vehicles and their injuries at the place of the accident. The data is then transferred automatically in a format that cannot be altered to the RAMI GLONASS database and then at the request of an insurer it can be forwarded to the company and used to settle a claim.

In order to ensure compliance with the provisions of CMTPL insurance law, and based on the practical experience of insurers, draft amendments were prepared to the government resolution that regulates the unlimited protocol. These give a clear legal status of the use of monitoring systems and mobile applications. The proposed amendments also clarify the procedure, set out in the government resolution, whereby data relating to the accident can be transferred from the state GLONASS database to the RAMI database. They will also provide for a transitional period during which the use of data on road accidents can be received by the RAMI database directly from the operators of vehicle monitoring systems. During the transition period, RAMI and the company that operates the GLONASS system will develop the requirements for a universal technical means of verification and control. The two organisations signed an agreement on co-operation on 3 December 2015.

Implementing the requirements for a universal technical means of verification and control will have two results. On the one hand, vehicles with such a system will comply with the vehicle safety requirements of the Customs Union, which call for the installation of equipment, which calls the emergency services in the event of an accident. On the other hand, the system can provide all the data necessary for the settlement of CMTPL insurance claims through the unlimited European Protocol.



Independent technical examination of motor vehicles





INDEPENDENT TECHNICAL EXAMINATION OF MOTOR VEHICLES

METHODOLOGICAL SUPPORT OF INDEPENDENT TECHNICAL EXAMINATION

The development of proposed amendments to the Bank of Russia's regulations that set out a uniform methodology for determining repair costs of damaged vehicles.

RAMI is implementing a project to improve the system of independent inspection of damaged vehicles in the context of CMTPL insurance and as part of this project, it has drawn up draft amendments to the Bank of Russia's regulations that set out a uniform methodology for determining repair costs of motor vehicles. These regulations require RAMI to develop reference manuals containing data of the average cost of spare parts, material and labour that can be used by insurance companies and by technical experts to determine the repair costs of damaged vehicles. The data in these reference manuals can be used to determine the value of claims on line.

Currently, RAMI has sole rights to these reference manuals and allows other organisations to use them under a licensing system.

Applications for the transfer of these rights are dealt with by the RAMI committee for independent technical examinations and the applicants attend the meeting at which the application is discussed. The members of the committee are able to use their expert opinions to decide whether any particular organisation should be awarded a license. The opinion of the committee can be taken into account by RAMI when deliberating as to whether to award a license, but a negative opinion expressed by the committee members cannot be grounds for rejecting an application.

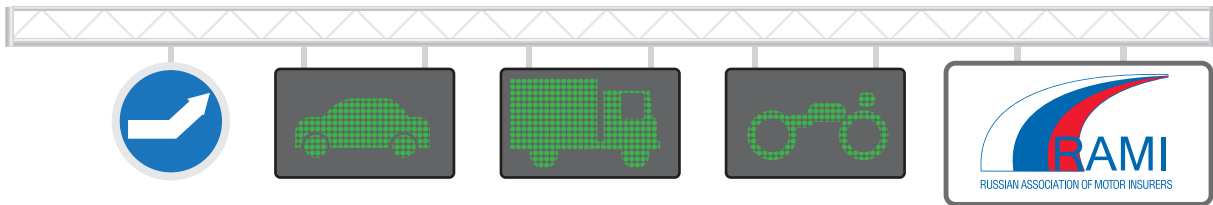
This is because the Central Bank regulations do not state how the software behind the reference books should be updated. There are no rules that govern the operation of organisations that carry out development and support.

For this reason, draft amendments to the Central Bank rules were drawn up providing for software development. In addition, the amendments give RAMI the right to decide on the distribution of licenses on the basis of decisions made by RAMI committees, commissions, working groups or expert groups.

PUBLICISING INDEPENDENT TECHNICAL EXAMINATIONS

During 2015, RAMI updated two of the reference manuals, which became operational on 1 May and 1 December respectively.

The reference manuals contain information about the average cost of spare parts, materials and labour in 13 regions and are prepared as part of the uniform methodology for determining vehicle repair costs as set out in the Central Bank rules. The use of this uniform methodology is compulsory for insurers and their representatives, for individual technical experts and for organisations that carry out technical examinations.



It is also compulsory for court appointed experts carrying out technical examinations of vehicles. The use of these reference manuals prevents a situation arising where different experts can reach different conclusions concerning the cost a claim for repairs to a damaged vehicle.

Under the Central Bank rules, RAMI is obliged to create and update these reference manuals and to make them available through software programmes that can estimate the cost of repairs of damaged vehicles. The public also has access to this data through the internet.

The average cost of spare parts in the updated version of the manual that came into force on 1 May 2015 (the first update) was 17–19% higher than the original version of the reference manual that came into force on December 1, 2014.

The average cost of spare parts in the updated version that came into force on 1 December 2015 (the second update) was 5–7% higher than in the first update and 23–27% higher than in the original version of the reference manual.

In order to ensure that these updates reached organisations who have received licences from RAMI to use the data to develop software from RAMI, they were sent the update versions and will continue to receive updates as and when they are produced. A list of these organisations and their software products can be found on the RAMI web site:

http://www.autoins.ru/ru/osago/tech_examination/sprav_sred_stoim.wbp

Also on the RAMI web site at <http://www.autoins.ru/ru/osago/spares/> information can be found from the reference guides for the public. Specially designed interfaces allow online access to information about the average cost of spare parts, materials and labour at the date of the enquiry (usually the date of the accident) taking into account the region as required by the Central Bank regulations.

ORGANISATIONAL SUPPORT FOR INDEPENDENT TECHNICAL EXAMINATIONS

During 2015, RAMI continued the programme of professional certification of technical experts carrying out independent technical examinations of motor vehicles.

On 19 December 2011, the ministries of transport, justice and the interior issued a decree that set up a joint ministerial committee to introduce a system of professional certification of technical experts carrying out the independent technical examinations of motor vehicles. RAMI is a member of the joint ministerial committee.

In 2015, RAMI continued to take an active part in the work of this committee.

During the year, RAMI put forward its position on 2,901 applications by technical experts put before the committee.

In 2015, RAMI took part in 8 meetings of the committee, the results of which were as follows:

- 2,901 applications for professional certification were examined;
- 2,624 were successful;
- 277 were unsuccessful.



The international Green Card system





THE INTERNATIONAL GREEN CARD SYSTEM

The Green Card Bureau is part of the Russian Association of Motor Insurers. Its members carry on motor third party liability insurance under the international Green Card insurance system. As of 31 December 2015, the Green Card Bureau had eight members.

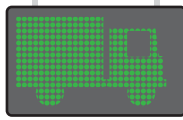
The head of the board of the Green Card Bureau is Nadezhda Arshinova, General Director of the 21st Century Insurance Company. This appointment was approved by the Management Board of RAMI on 26 June 2008.

THE WORK OF THE GREEN CARD BUREAU IN 2015

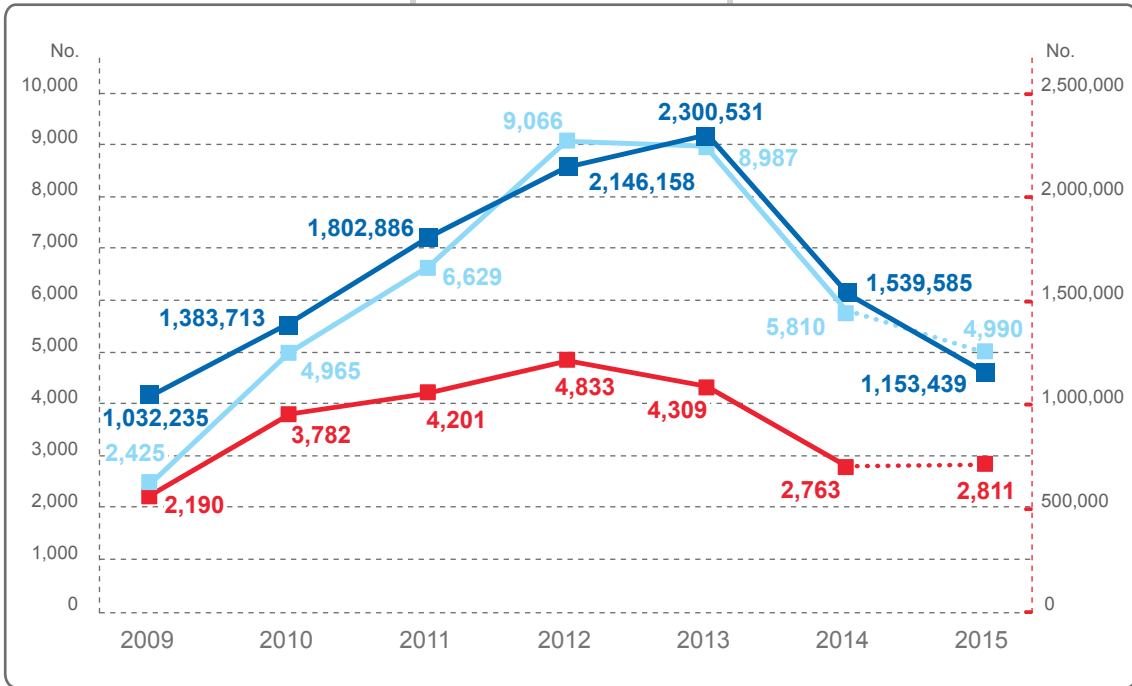
Approximately 1.2 million Green Card certificates were issued in 2015 by insurance companies that are members of the Green Card Bureau.

In total, since 2009, members of the Bureau have issued over 11 million Green Card certificates.

In 2015 the trend that began in 2014 continued: the number of Green Cards issued reduced because the number of trips abroad also reduced. The greatest reduction was to Ukraine because of the political situation there and to the countries of the European Union because of the fall in the value of the Rouble.



GREEN CARD CERTIFICATES AND ACCIDENTS 2009–2015



- Total number of certificates issued
- Accidents in Russia
- Accidents abroad

Figure 32
Green card certificates and accidents 2009–2015

(Data for 2015 are not complete since there is a delay under the Green card system in accidents being reported.)



CLAIMS IN COUNTRIES THAT BELONG TO THE GREEN CARD SYSTEM

In 2015, 2,811 accidents were recorded abroad where a driver with a Russian Green Card was involved. In total since 2009 there have been 25,495 accidents. The geographical location of these accidents reflects the change in travel patterns: Belarus remains the country with the most accidents and the proportion of accidents that occur in Belarus has increased from 22% in previous years to a third in 2015. On the other hand, the proportion of accidents in Ukraine has reduced from 13% to 1%. A similar reduction in the proportion of accidents occurred in Finland, from 10% to 6%.

ACCIDENTS OCCURRING ABROAD BY COUNTRY (2013 COMPARED WITH 2015)

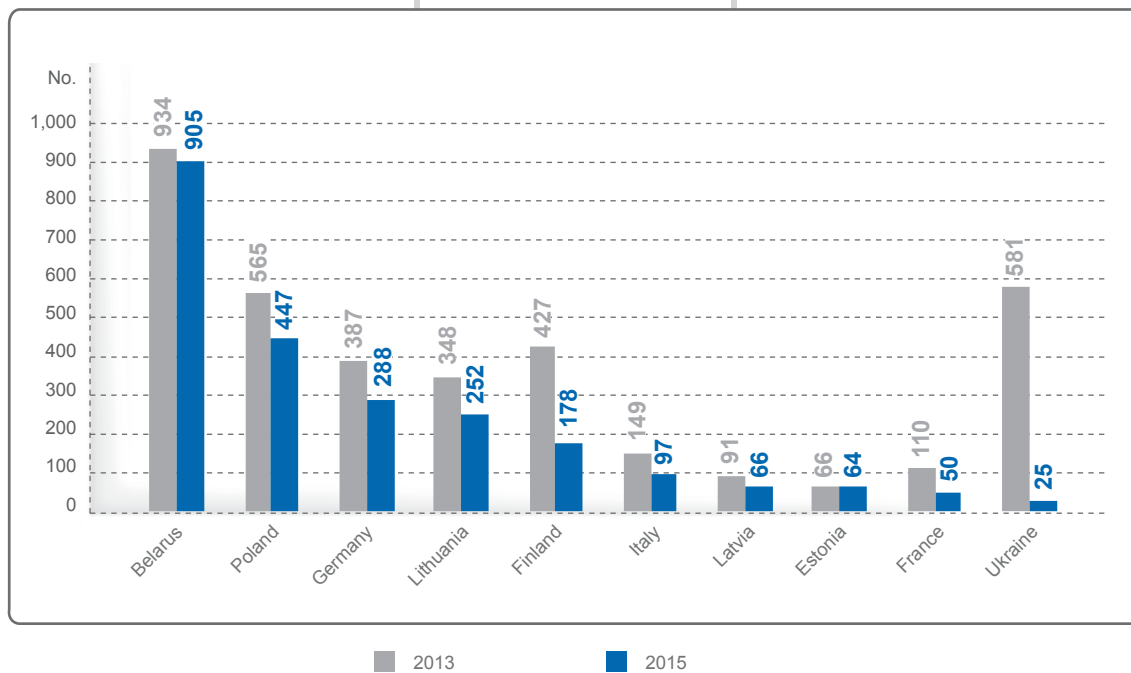


Figure 33

Accidents occurring abroad by country (2013 compared with 2015)

In total since 2009 there have been 50 claims incurring an amount (paid and reserved) greater than 200,000 Euros. Of these 9 were greater than 500,000 Euros, the level above which reinsurers become responsible. The largest loss to date came from an accident in Germany in 2010, which caused substantial bodily injury. The total amounts paid and reserved amount to 7.8 million Euros. Payments for this claim are made from the RAMI's special Green Card guarantee fund since the member of the Green Card Bureau that issued the certificate is bankrupt.



The reinsurance programme is also involved in two accidents that took place in Italy in 2012 and 2013. The incurred value of these claims amount to 854,000 and 1.03 million Euros respectively.

Substantial payments have been made and more are expected in the future relating to several road accidents in Finland (occurring between 2010 and 2013). These amount to 2.6 million, 1.6 million and 1.5 million Euros. A claim in Poland in 2012 is valued at 1.08 million Euros.

CLAIMS ON THE TERRITORY OF THE RUSSIAN FEDERATION

In 2015, 4,990 claims were made against drivers in possession of a foreign Green Card. In total, since 2009 there have been 44,250 such accidents. The countries from which these drivers came has not changed.

IMPROVING MANAGEMENT AND CONTROL OF THE GREEN CARD SYSTEM

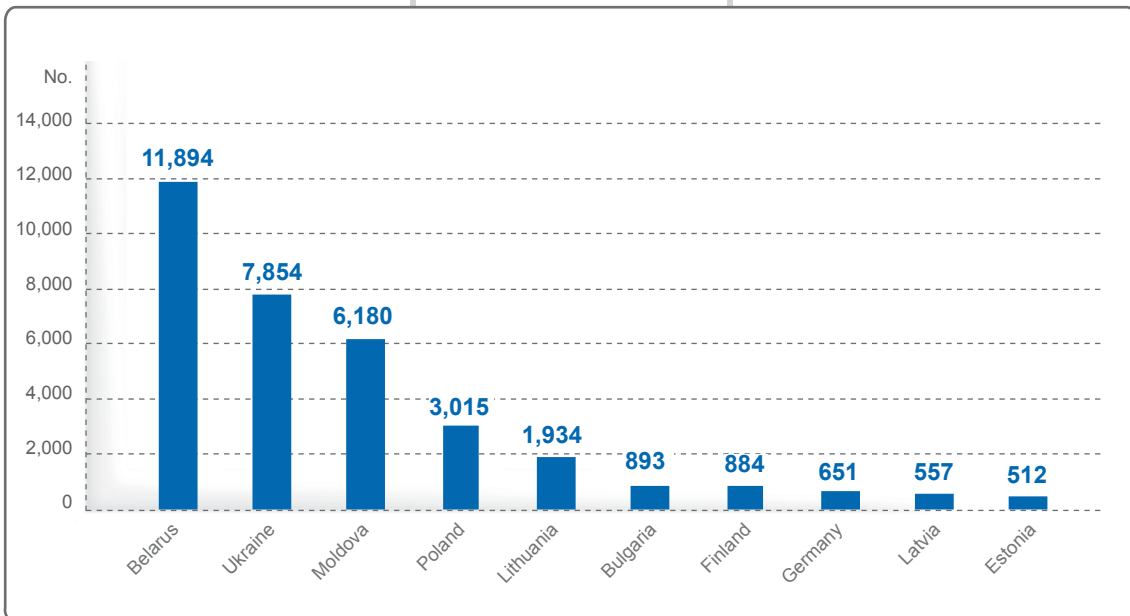


Figure 34

Breakdown of accidents by country of origin of the driver (2009–2015)



IMPROVING THE MANAGEMENT AND CONTROL OF THE GREEN CARD SYSTEM

Further improvements have been introduced to the automated processes for accounting and control of blank Green Card certificates, Green Card policies and claims (both in Russia and abroad). In 2015 the electronic issuance of 'Green Cards through insurers' corporate information systems was fully implemented, that allows control of the quality of the Green Card contracts and the provision of information about the contracts to the RAMI Green Card IT subsystem within five days of the issue of the Green Card policy. On average 99% of all contracts are uploaded to this system within the prescribed terms. In 2015, improvements were made to the RAMI Green Card IT subsystem, to increase the efficiency of an existing application which in real time checks that a contract has correctly been drawn up and that the correct premium has been charged. This year it is expected that the traditional form of off-site audits will cease.

The result of the effective management system is a very high level of financial discipline and full compliance with the rules and requirements of the Green Card system by the members of the Russian Bureau. Since 2009, there has been only a very small number of guarantee calls (all of which were caused by poor communications) presented to the Bureau because of delays by members in paying claims settled abroad.

In view of the fact that the statistical data relating to operations is some of the best in the Green Card system, on 28 May 2015, at the General Assembly of the Council of Green Card Bureaux, held in Sopot, Poland, the Russian Green Card Bureau was granted with Full membership status ahead of time. In 2008 under the original decision, RAMI was to have been a 'transitional' member until the end of 2018. The new status gives the Bureau the right to vote at meetings of the General Assembly and the opportunity to participate in the work of the Council of the governing bodies. It also gives the Bureau the right to carry out insurance of vehicles registered in countries that are not included in the Green Card system. Taking advantage of this opportunity, on December 15, 2015 the Management Committee of the Council of Bureaux agreed to authorise the Russian Green Card Bureau to issue Green Cards for vehicles registered in Kazakhstan.

In addition, the amount of the bank guarantee that the members of the Bureau have to provide towards the Council of Bureaux has been reduced from 11 million Euros to 9 million Euros. In 2016, work will continue to reduce the amount of the bank guarantee until it is abolished entirely.

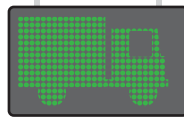
Also at that meeting, the General Assembly upheld the decision of its Management Committee on 11 December 2014, in relation to the territory of the Republic of Crimea and the Federal city of Sevastopol. According to this decision, RAMI is entitled to settle claims arising out of accidents with foreign Green Cards occurring in that region. This does not include vehicles registered in Ukraine.

PROJECTS UNDERTAKEN BY THE BOARD OF THE GREEN CARD BUREAU IN 2015

The following projects have been undertaken to provide technical, IT and organisational support for the work of the Bureau.

In order to bring Russian legislation and RAMI's internal rules into line with the rules of the Green Card system new versions and/or amendments were made to the following documents relating to the Green Card Bureau:

- Actions on the suspension, resumption and termination of the right to carry out operations within the international Green Card insurance system, approved by the Board of RAMI 12 November 2015;
- Instructions on the procedures for imposing discipline on members of the Green Card Bureau for violations of the rules when issuing insurance policies under the international Green Card insurance system, approved by the Board of RAMI 27 August 2015;



- The training manual for training employees of members of the Green Card Bureau: 'Manual No.1, Dealing with insurance contracts under the international Green Card system', approved by the Board of the Green Card Bureau, 12 February 2015;
- Regulations on the status of members of the Green Card Bureau approved by the RAMI management board 26 February 2015;
- Regulations on the Green Card insurance certificate approved by the RAMI management board 26 February 2015;
- Rules on the financing of activities under the Green Card system approved by the RAMI management board 30 July and 27 August 2015;
- Rules on settling claims under the international Green Card system approved by the RAMI management board 26 February 2015;
- Regulations for imposing sanctions and other measures on members of RAMI, their officers and employees approved 3 September 2015;
- Regulations relating to motor third party liability insurance under the international Green Card system, approved by the board of the Bureau 19 August 2015;
- Insurance premium tariffs for motor third party liability insurance under the international Green Card system, their structure and their application in determining insurance premiums approved by the RAMI management board 17 November 2015.

ACTUARIAL WORK

On the basis of an Order № 51Н issued by the Ministry of Finance on 11 June 2002, work was carried out to calculate the average claim payment made under the international Green Card system.

PARTICIPATION IN INTERNATIONAL EVENTS

Employees of the Green Card Bureau took part in the following events:

- Meetings of the national Green Card Bureaux from the 'group A' Green Card system (France, Italy, Poland, Great Britain, Spain, Germany and Russia) which took place in Brussels in February and Warsaw in September;
- A meeting of representatives of the Baltic group of Green Card Bureaux (Vilnius, March);
- The meeting of the General Assembly of the Council of Green Card Bureaux (Sopot, May);
- A meeting of the consultative committee for financial risks of the Eurasian Economic Commission (Bishkek, July);
- A meeting of representatives from the national Bureaux of the northern group of countries in the Green Card system (Latvia, Sweden, Denmark, Estonia, Finland, Norway and Russia) which took place in Helsinki in October;
- A meeting of the intergovernmental co-operative council of representatives of insurance supervisors from the CIS, chaired by the Bank of Russia (Kaliningrad, November).



International activities of RAMI in 2015





INTERNATIONAL ACTIVITIES OF RAMI IN 2015

In 2015, as in previous years, RAMI used its international contacts in order to benefit from international experience in organising CMTPL insurance and annual technical safety checks of vehicles by applying this experience to the circumstances of the Russian Federation.

ANNUAL BY PERIODIC TECHNICAL INSPECTIONS OF MOTOR VEHICLES

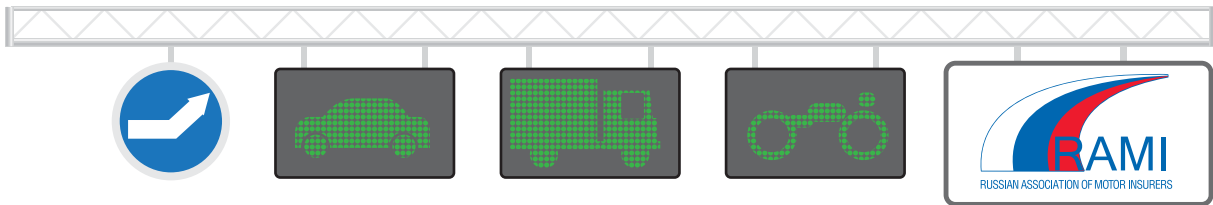
During the course of 2015, RAMI continued its work of integration with international organisations, and in particular, with those organisations that could transfer their experience in organising and implementing annual technical inspections of motor vehicles.

At the same time, considerable attention was paid to the development of business co-operation with those organisations in the states of the Eurasian Economic Union (Armenia, Belarus, Kazakhstan and Kyrgyzstan) responsible for organising and controlling annual technical inspections.

In an event jointly chaired by RAMI's President, Igor Yurgens, and by the deputy Minister of Transport and Communications of Armenia, Aram Arsenyan, a meeting took place of regulatory organisations and agencies in these countries. This event was also attended a representative of the Eurasian Economic Commission, the Governing body of the Eurasian Economic Union. The meeting was devoted to the development of co-operation in the field of annual technical inspection of vehicles on the territory of the member states of the Eurasian Economic Union and in particular, to the development of joint approaches to harmonising national inspection standards within the Union.

Participants also discussed how the interests of the countries of the Eurasian Economic Union could be furthered by developing increased cooperation with the International Motor Vehicle Inspection Committee (CITA), an international organisation that brings together 126 organisations from almost 60 countries of the world and which has a consultative status with the UN Economic and Social Council and with the European Commission. The meeting also discussed the possibilities of the development of professional cooperation on a bilateral and multilateral basis among organisations and agencies represented at the meeting.

RAMI joined CITA in 2014. In April 2015, representatives of the Association took part in in the biennial general meeting of CITA and attended the International Conference on «Improving the quality of technical inspection». Discussions have continued with representatives of the governing bodies of the International Committee with the objective of building a mutually beneficial business cooperation, which can facilitate the sharing of experience and the exploration of global best practices in the field of inspection of vehicles. One result of this co-operation can be to use it as the basis of the process of harmonisation of inspection standards in the states of the Eurasian Economic Union. This is particularly useful as Russia is the only member state that is affiliated with CITA. RAMI was also asked to participate in the work of experts to assist activities of an informal working group, which was created to examine the issue of the adoption of harmonised conditions for periodic technical inspections of wheeled vehicles and the reciprocal recognition of such inspections. This working group was set up under the auspices of the UN Economic Commission for Europe with the aim of modernising the 1997 Vienna Agreement. This proposal requires further study.



THE INSURANCE DATA BUREAU

On the 12 and 13 February 2015, RAMI organised consultative meetings in Paris to study the work of French insurance companies in the field of collecting insurance historical data. On the Russian side, representatives of a number of insurance companies took part, such as Ingosstrakh, Strazh and Tinkoff Online Insurance. Representatives of the Bank of Russia and senior management of RAMI were also present.

The agenda was well focused, drawn up by the French side at the request of members of the RAMI committee. The meeting included discussions with the management and leading experts from the Association for Information Management and Insurance Risks (AGIRA), an association that performs a similar function to that of the Russian insurance data bureau. Discussions also took place with the French insurance federation. Meetings were also organised for the Russian party with insurance companies. They met AXA France, a company that uses the services of the Insurance Data Bureau, and Société Générale Insurance, which does not. The data and materials that resulted from these meetings have been used by the RAMI committee and staff in the organisation of the insurance data bureau for Russian insurers.

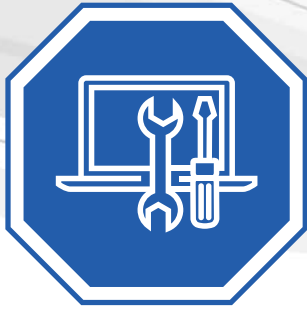
During 2015, RAMI received a request from the Kyrgyz State service for the supervision of financial market for a joint meeting. Accordingly, on 24 and 25 December, the management of RAMI received a delegation led by a member of the managing board of the state service, Nurlan Baibosunov. Other members of the delegation included representatives of the Kyrgyz association of insurers and a number of Kyrgyz insurance companies.

The need for such urgent consultation on the Kyrgyz side arose from the fact that a law establishing compulsory motor TPL insurance was going to come into force in February 2016. The Kyrgyz colleagues, in addition to general questions, were interested in discussing how the insurance data bureau is organised, the fight against insurance fraud, settling claims (including the use of the European protocol), the system of compensation payments and the introduction of the electronic policy. Detailed information was provided by members of the RAMI staff for the delegation. RAMI also invited representatives of the Bank of Russia and the National Union of Liability Insurers to take part.

RAMI'S PARTICIPATION IN ARIA'S INTERNATIONAL EVENTS

RAMI took part in the All-Russian Insurance Association (ARIA) 13th International conference, which took place on 27 May 2015 in Moscow. The title of this conference was 'Crisis trends in the economy – problems and solutions'. RAMI not only took an active role in organising and running the conference but also led a roundtable discussion as part of the conference programme on overcoming current problems in motor insurance and encouraging its development. This event attracted the attention not only of some of the largest insurers but also of leading representatives of legislative and executive bodies – the State Duma, the Ministry of the Interior of the Russian Federation and the Bank of Russia.

RAMI is participating in work to consolidate insurance associations and in the formation of a single self-regulating organisation. As part of this process, the Association took part in consultations with the German Insurance Association (GDV), which took place on 12 and 13 May 2015, in Berlin. The meeting was devoted to understanding the experience of German insurers who, about 20 years ago, underwent a reorganisation of insurance unions and associations similar to that proposed in Russia. In addition to the representatives of ARIA and the GDV, who jointly organised the consultations, the meeting was also attended by representatives of the Association of Life Insurers, the Interregional Union of Medical Insurers, the National Union of Agricultural insurers, the National Union of Liability Insurers, the Bank of Russia and the Ministry of Finance of Russia.



The annual technical inspection of motor vehicles



RUSSIAN ASSOCIATION OF MOTOR INSURERS



THE ANNUAL TECHNICAL INSPECTION OF MOTOR VEHICLES

On the 1 July 2011, a Federal law was passed, which amended the system of annual technical inspections of motor vehicles. One result of this new law was that from 1 January 2012, RAMI was assigned a number of new functions:

- The certification of operators carrying out the technical inspections of motor vehicles
- Ensuring that applicants for certifications satisfy the conditions for certification;
- Controlling the work of the operators and ensuring that they comply with the conditions of certification and the regulations governing the annual technical inspection of motor vehicles;
- The creation of a register of certified operators;
- Publishing details of the register and ensuring that it is available to the public.

CERTIFICATION IN 2015

Between 1 January and 31 December 2015, 6,896 issues related to technical inspection were dealt with. These included 1,888 cancellations or renewals of certification from 825 organisations or individuals:

- 632 notices were sent pointing out deficiencies that needed to be remedied;
- 573 cases relating to the refusal to grant certification were returned without detailed consideration;
- 336 operators received certification;
- 144 operators had their certification withdrawn;
- 203 operators had their certification renewed.



TOTAL APPLICATIONS RELATING TO CERTIFICATION OF OPERATORS CARRYING OUT TECHNICAL INSPECTION OF VEHICLES

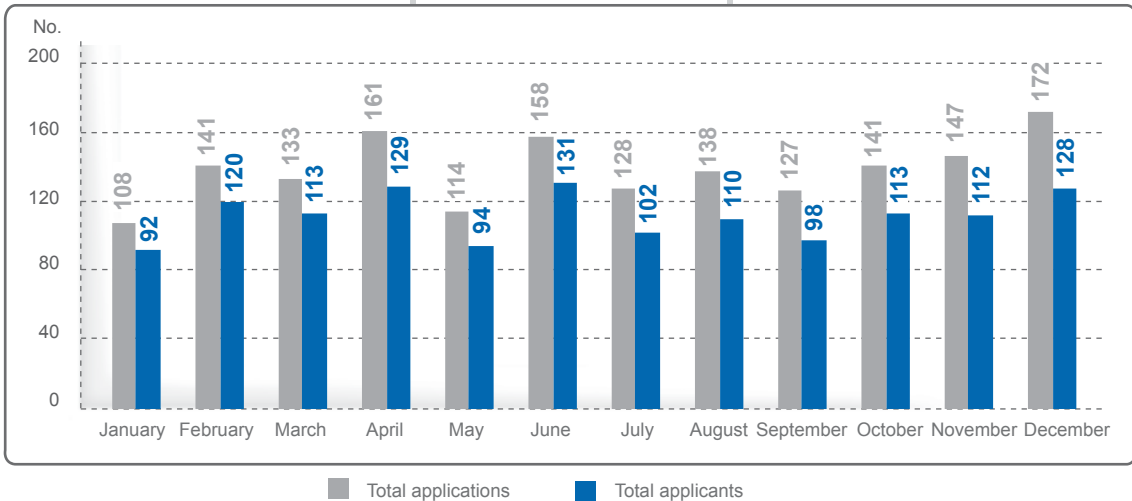


Figure 35

Total applications relating to certification of operators carrying out technical inspection of vehicles

COMPLAINTS RELATING TO TECHNICAL INSPECTIONS OF VEHICLES

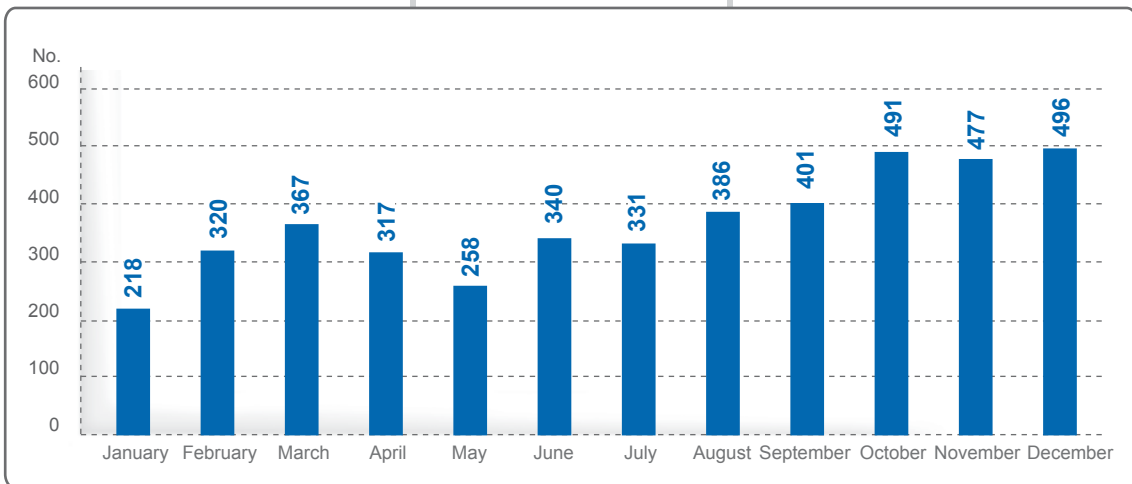


Figure 36

Complaints relating to technical inspection of vehicles



ISSUING CERTIFICATION CERTIFICATES IN 2015

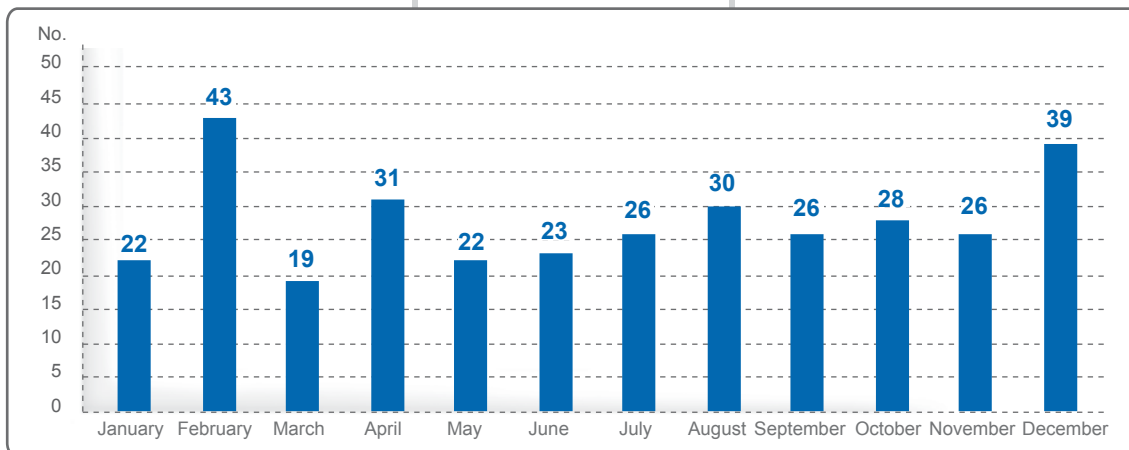


Figure 37
Issuing certification certificates in 2015

SUPERVISORY WORK

The law on the annual technical inspection of vehicles requires RAMI to supervise the work of the technical inspection operators and to ensure that they comply with the requirements of their certification. This includes:

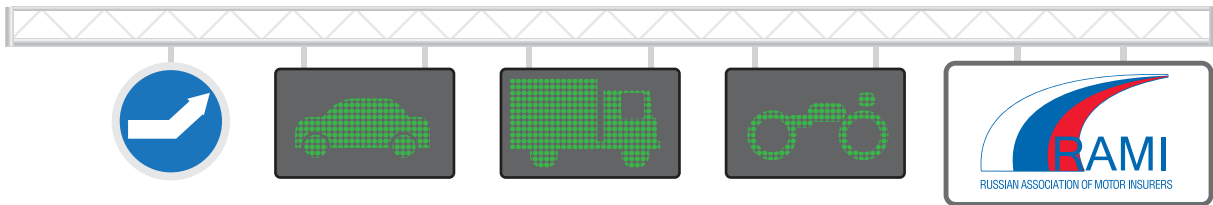
- Checking the accuracy of the documentation submitted by applicants for certification;
- Carrying out an on-site inspection in the event that there are doubts as to the truth of the information contained in the documents sent to support the application.

Grounds for a document check and/or an on-site inspection of an operator are:

- Statements from citizens, legal entities, state or local government bodies suggesting that the operator has not complied with the requirements of certification and/or the regulations that govern the annual technical inspection.

During 2015:

- 621 complaints were received from 460 complainants relating to 446 technical operators, claiming that they had not complied with their certification requirements or had broken the regulations relating to technical inspection. On the basis of complaints received, 763 checks were carried out;
- 69 on-site checks were carried out at 70 technical inspection garages relating to 66 organisations or individuals who had submitted an application for certification. The result of these inspections were that 25 operators were granted certification and 41 had their application refused;



- In respect of certified operators, RAMI carried out 269 document checks and 144 on-site visits (161 vehicle inspection points) involving 140 operators. The result of this supervisor activity was that 203 decisions were taken to suspend certification, 5 certifications were cancelled, in 86 cases, no violations were detected and in 10 cases, renewal of certification was refused;
- 205 notifications were received stating that the cause of the license suspension had been remedied. Following an inspection, in 68 cases it was decided not to renew the certification and in 105 cases certification was renewed.

PUBLICITY

In the course of 2015, RAMI:

- Updated the information on the section of its web-site related to the annual technical inspection of vehicles, amending the information about the legislation, adding recommendations, announcements and advertisements;
- Dealt with more than 6,300 enquiries from the public, from operators and applicants via e mail;
- Sent more than 6,900 responses to these enquiries by email.

WORKING WITH ASSOCIATIONS OF TECHNICAL INSPECTION OPERATORS

41 associations of technical operators from 33 regions of Russia have signed a partnership and co-operation agreement with the Russian Association of Motor Insurers. During 2015, 5 associations of operators signed the agreement and a further 7 have applied to do so.

RAMI has founded an advisory council to discuss issues relating to annual technical inspection of vehicles which has as its members 33 representatives from associations of operators that have signed the agreement. Three meetings of the advisory council took place in 2015, including one in the Crimea. In addition a high level meeting of the heads of the associations was held during the year.

Currently 734 technical inspection operators are represented on the advisory council through their associations.

THE CONFERENCE OF OPERATORS OF THE ANNUAL TECHNICAL INSPECTION OF VEHICLES

On 11 December 2015, the 4th Conference on technical inspection and road safety was held in Moscow organised by RAMI.

The aim of the conference was to encourage wide ranging discussion on issues relating to the development of public policy and legislation relating to technical inspection, especially as it relates to road safety.

The conference was attended by a wide range of participants in addition to representatives of technical operators. From the Government, there were representatives of the Central Bank, from the Ministry of Economic Development, the Federal Antimonopoly Service and the Ministry of Transport. A number of



scientific research institutes took part, as did representatives of associations of transport workers and drivers. Manufacturers of technical diagnostic tools also attended.

The consensus was that the following represented the current situation:

- Increasing the effectiveness of the current system of annual inspection of vehicles requires the joint efforts of all interested governmental bodies and associations of operators;
- There is a need to expand the legal powers that RAMI has in supervising the system so that greater control can be exercised over the work of technical operators;
- The IT system that supports the system of technical inspections lacks the means whereby technical operators can access it with a secure and personalised connection. This is a cause of breaches of the rules of technical inspection. Computer fraud and the sale of fake diagnosis cards to vehicle owners who have not had their vehicle inspected leads to a reduction in the volume of real inspections, which in turn leads to a reduction in road safety and bankruptcy for honest technical operators. In order to achieve the objectives set out by President Putin in his address to the Federation Council on 3 December 2015 and in order to ensure effective and professional supervision of the system of technical inspection, it is necessary to transfer responsibility for the running of the IT system of technical inspection to RAMI. Only if this is done, can it be developed and work can be commissioned to ensure the system's security;
- The price charged for the annual technical inspection in most regions does not cover the cost of the diagnostic work carried out. The current procedure for establishing the price charged for technical inspection is not conducive for the encouragement of competition in the market. Entrepreneurial activity by bona fide small and medium sized organisations in this area is not encouraged. What is needed is a conceptual revision in the light of market realities;
- Improvement in the system of technical inspection is only possible if a single All-Russia professional association of technical operators is created with membership being compulsory for all those carrying out annual technical inspection of motor vehicles;
- Work in 2016 should be dedicated to improving and harmonising the legislative and regulatory framework for technical inspection, taking into account the experience in this area of the Eurasian economic union.

RAMI will continue to work, together with regional associations of technical operators and governmental bodies to improve existing legislation in this area and to fight against fraud.



Combating insurance fraud



RUSSIAN ASSOCIATION OF MOTOR INSURERS



COMBATING INSURANCE FRAUD

As part of the Association's campaign to combat insurance fraud, RAMI detected 243 attempts to obtain compensation fraudulently, preventing claims payments valued at more than 15 million Roubles in total.

The Association also sent details of 10 attempts at receiving illegal payments amounting to 4.5 million Roubles to the law enforcement agencies, which resulted in 8 criminal cases. One of these resulted in a conviction whilst the remaining 7 are still being investigated.

Also in 2015, a group of more than 220 unknown people were detected receiving fraudulent compensation payments in the name of the company Lik-Resource. Information about this was sent to the police.

CO-OPERATING WITH STATE BODIES

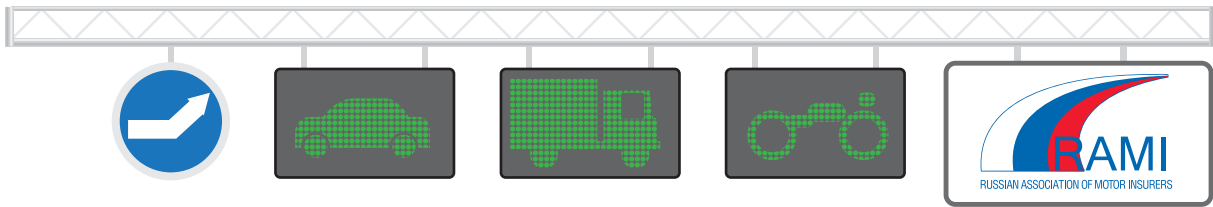
As part of the fight against insurance fraud, RAMI organised the following joint events with the law enforcement agencies and other state bodies in 2015:

- Held a meeting with the office of criminal investigation of the Moscow police force to discuss joint action in fighting crime in the area of motor insurance;
- Held a meeting with the Prosecutor General of the Russian Federation to discuss the criminal activity of persons making claims to insurance companies and to RAMI on the basis of the assignment of the rights of these policies by an accident victim and of persons who attempt to receive compensation on the basis of falsified documentation;
- Co-operated with the supervisory department of the General Procurator to improve effective control over regional prosecutors' offices when they examine cases related to property insurance raised by insurance companies.
- Held a round table on insurance fraud which was organised by RAMI, the Central Bank and the Ministry of the Interior Affairs, and also prepared proposals for consideration by the Expert Council of the Bank of Russia.

COMBATING INSURANCE FRAUD IN INSURANCE COMPANIES

In 2015, as part of the process of organising collective security in the delivery of CMTPL insurance, the following projects were undertaken:

- Developed a points system to identify insurance fraud amongst two groups: amongst those making traditional CMTPL claims and amongst those using the direct settlement scheme;



- In order to standardise the actions of insurance companies in identifying the signs of insurance fraud in the direct settlement system, developed a list of recommended activities to be implemented to ensure further verification of the events surrounding claims.

To prevent the illegal trade in blank CMTPL insurance policies not printed by the official supplier of these documents, RAMI prepared publicity materials for drivers warning of the consequence of driving with a forged CMTPL insurance policy. Also, in order to limit the sale of counterfeit CMTPL insurance policies via the internet, RAMI signed a contract with the 'Information Security Group' to develop a number of measures to identify and limit access via the internet to information about the distribution of blank CMTPL insurance policies, blank Green Card certificates and also policies not printed by the official supplier. Within two months of the signing of this contract (between November and December 2015) approximately 300 sites selling blank CMTPL insurance policies were identified and blocked.



The Insurance Data Bureau



RUSSIAN ASSOCIATION OF MOTOR INSURERS



THE INSURANCE DATA BUREAU

DEVELOPMENT OF THE INSURANCE DATABASE

On 28 August 2014, in conformity with CMTPL insurance law, RAMI approved a development plan for the Insurance Data Bureau, which involved the creation of an insurance database by 31 December 2014.

The technical terms of reference were approved and on 26 December 2014, the database went into full operation. From January 2015, insurance companies began to test their interfaces with the database.

The establishment and operation of the insurance database are governed by regulations determined by the Bank of Russia. These regulations also set out who can have access to the information on the database and what information insurance companies are required to provide. The rules state further that insurance companies must provide data on motor material damage (KASKO) insurance policies and voluntary third party liability insurance policies that commence after 1 August 2015.

Since the latest set of regulations require insurance companies to provide additional data to that on the basis of which the insurance database was developed, RAMI developed changes to the database to ensure that all the data required by the regulations could be entered into the database.

The changes to the database were completed by July 2015 and now insurers are able to download all the data required by the Central Bank regulations.

Another requirement of the Central Bank is that the process of sharing information should be covered by agreements between insurance companies and RAMI. In May 2015, the RAMI Presidium approved a standard contract governing the sharing of information between insurance companies and RAMI. On 8 July 2015, the Central Bank approved this standard contract.

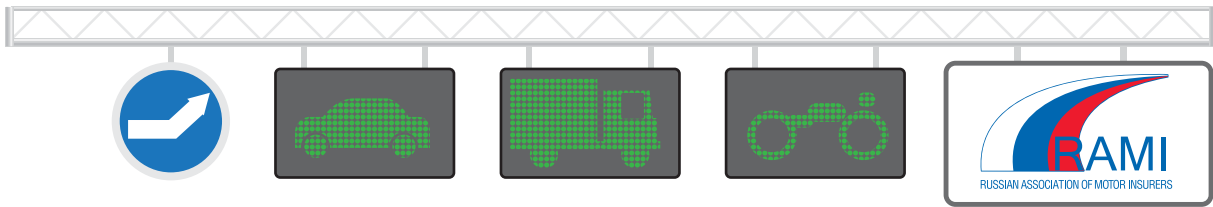
RAMI has produced a full set of documents relating to the operation of the Insurance Data Bureau. The Association has provided insurance companies with support through the process of signing contracts to exchange information and has provided technical consulting services to assist insurers develop their interface with the database.

METHODOLOGICAL WORK

In July 2015, a number of changes were made to the standard contract on the exchange of information clarifying the procedures for insurers to sign the contract and to ensure compliance with Russian legislation on personal data security. The RAMI Presidium approved draft amendments, which were agreed by the Central Bank.

In September 2015, further amendments to the standard contract were approved by RAMI and agreed by the Central Bank. These introduced additional provisions governing the access of data held on the database by insurance companies.

In October 2015, as a result of these changes, RAMI prepared the functional requirements for changes to the database that would permit insurance companies to request and receive data concerning the historic record of a driver and the insurance history of a vehicle. The changes based on these functional



requirements were completed by April 2016.

In accordance with the regulations established by the Central Bank and following its own development plan, RAMI has drawn up its own set of procedures and regulations governing the operation of the insurance database containing information about insurance contracts. These procedures and regulations have been approved by the Central Bank.

In October 2015, on the basis of the RAMI procedures and regulations, functional requirements were drawn up for making changes to the database to allow policyholders to have access to data on insurance contracts concluded by themselves..

In December 2015, RAMI gave to policyholders the opportunity to access this data but it is expected that the data that will be available from 1 August 2015 will be more popular because at that time the first data on expired KASKO and voluntary third party liability insurance will become available.

ARRANGING THE ADHERENCE OF INSURERS TO THE CONTRACT OF INFORMATION EXCHANGE

Insurance companies adhering to a contract of information exchange and gaining access to the insurance database are set out in the standard contract of information exchange. The agreement on information exchange is a multilateral accession agreement, described in article 428 of the Civil Code of the Russian Federation, the terms of which are determined by RAMI and agreed by the Central Bank. Such an agreement does not require all sides to sign a separate document but requires insurers to make an application to RAMI to adhere to the agreement, submitting the necessary documentation and paying the appropriate fee. A condition of adherence to the agreement is that an insurer's IT system has been updated to ensure first that data on KASKO and voluntary third party liability insurance policies can be downloaded to the database as the regulations require and secondly, that the system is able to transmit the data over a secure connection using 'Zastava' software. In order to ensure that an insurer can meet these conditions, a test is carried out and the insurer has to successfully transmit data to the database on at least one contract, supplementary agreement and one claim.

Work to link insurers to the insurance database began in June 2015.

RAMI organised more than 20 seminars dealing with issues connected with linking insurers to the Insurance Data Bureau. These included seminars in Samara, Ekaterinburg, Novosibirsk, St. Petersburg and Khabarovsk. Representatives from more than 80 insurance companies attended these seminars.



THE NUMBER OF INSURERS THAT ADHERED TO THE AGREEMENT ON THE EXCHANGE OF INFORMATION DURING 2015

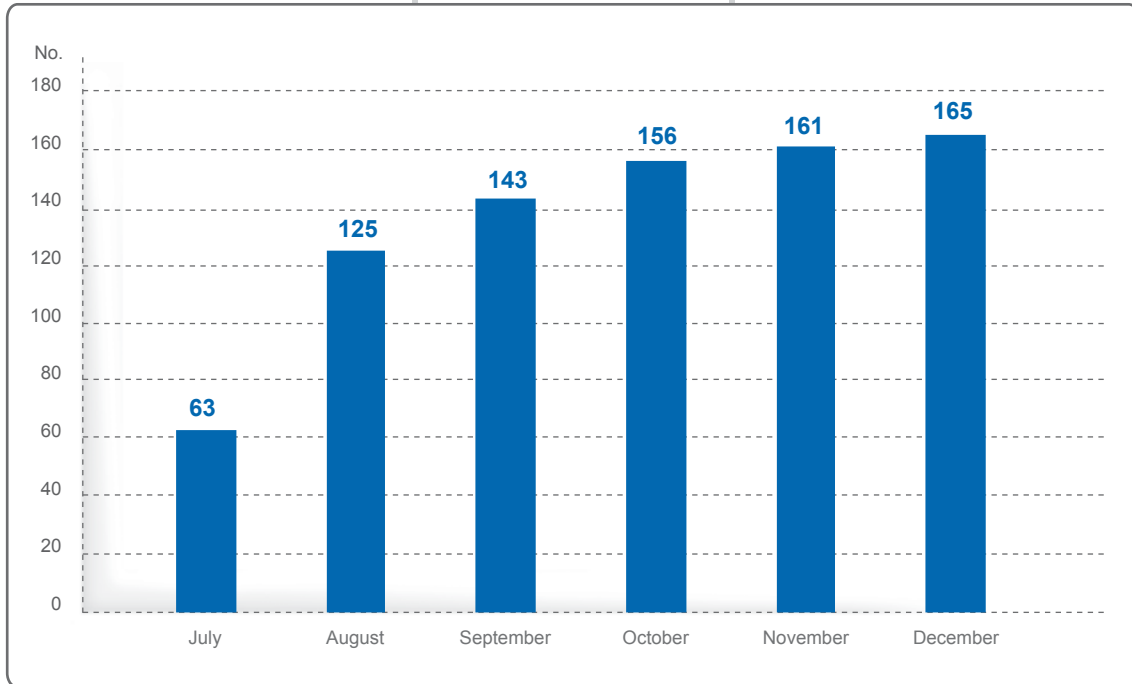
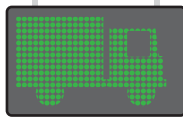


Figure 38

The number of insurers that adhered to the agreement on the exchange of information during 2015

The result of this work was that by September 2015, 143 insurers had adhered to the agreement on the exchange of information. This included 95% of the members of RAMI. By the end of the year the number had risen to 165 insurance companies and included all RAMI members.



INSURANCE COMPANIES INTERFACING WITH THE INSURANCE DATABASE IN 2015

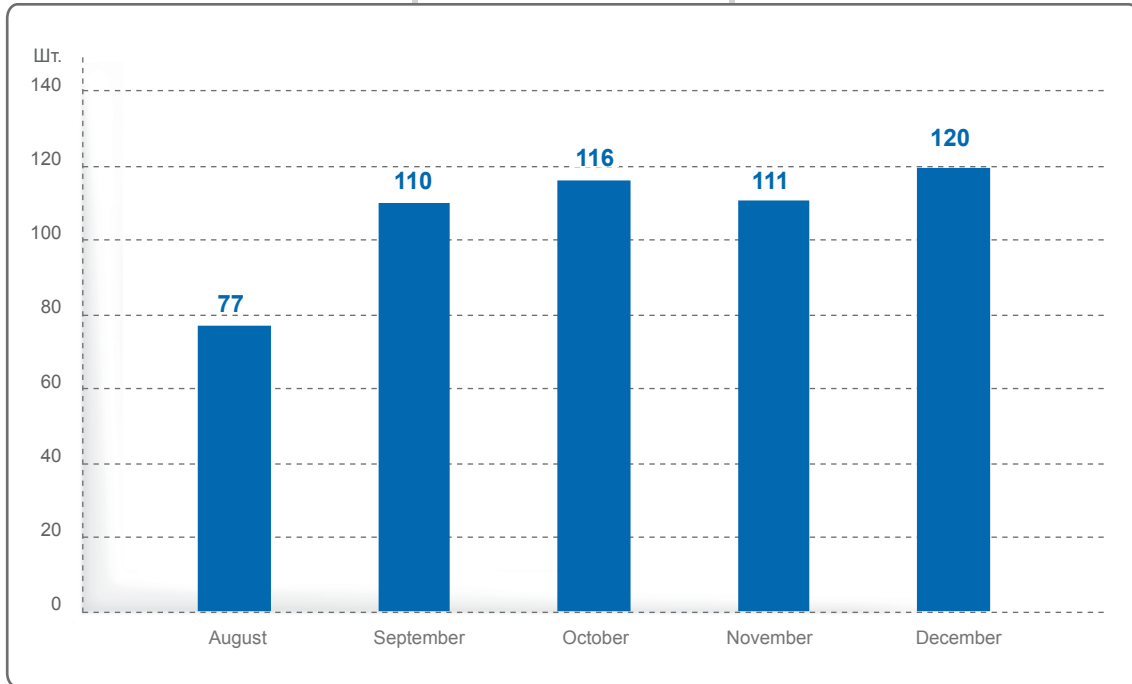


Figure 39

Insurance companies interfacing with the insurance database in 2015

The obligation to adhere to the agreement on information exchange established by the Central Bank regulations applies to all insurance companies who issue KASKO and voluntary third party liability insurance policies. However not all insurance companies issue such policies on a regular basis. For this reason, the number of insurance companies that actually transmit data to the insurance database is lower than the number of companies that have adhered to the agreement on information exchange and are connected to the database.



STATISTICS ON THE USE OF THE DATABASE

The number of insurance contracts where data has been supplied by insurers to the insurance database has increased month by month since operations began. In August 2015 data from less than 50,000 contracts was provided but by December information from more than 500,000 contracts had been transmitted.

NUMBER OF KASKO AND VOLUNTARY TPL POLICIES WHERE DATA HAS BEEN SENT TO THE INSURANCE DATABASE IN 2015

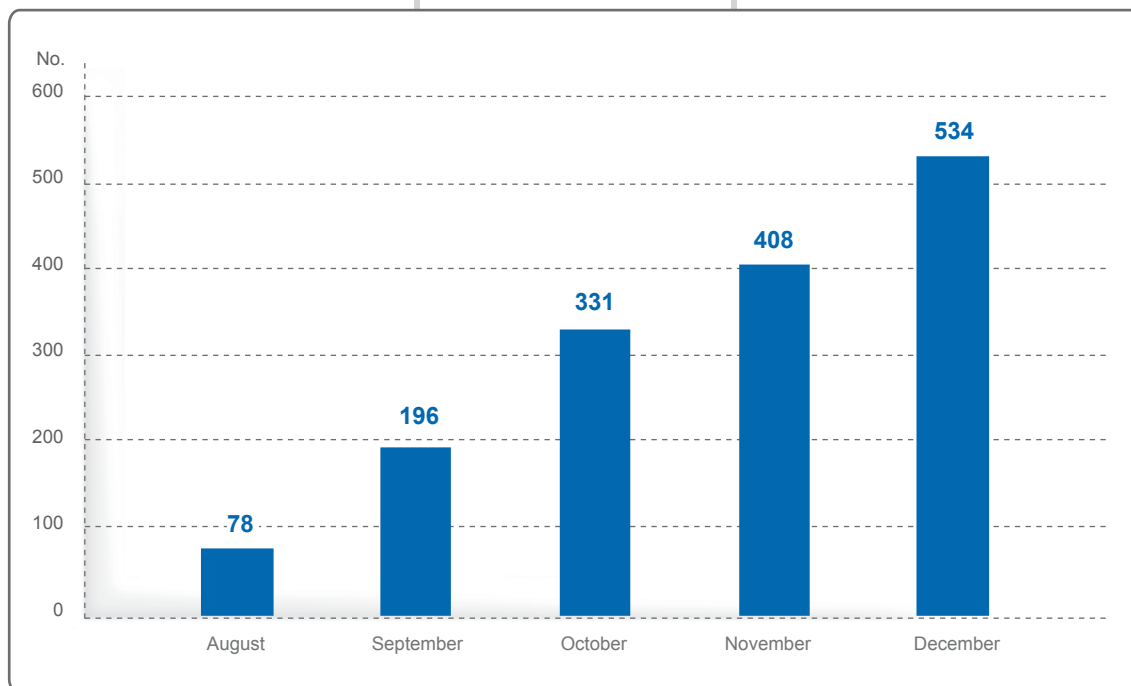
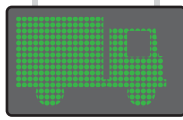


Figure 40
Number of KASKO and voluntary TPL policies where data has been sent to the insurance database in 2015

The requirement to supply data on KASKO and voluntary TPL insurance policies only applies to contracts commencing after 1 August 2015 and the regulations state that claims data only has to be supplied on claims relating to these policies. This means that the claims data held by the database only relates to the latest policies issued by insurers. Due to a number of objective factors such as the exposure, the average time to settle a claim as well as the fact that insurers have 30 days to transmit data on paid claims, the amount of paid claims as shown by the database does not reflect the actual number of claims actually settled and the amounts incurred in 2015 in these classes of insurance.



NUMBER OF SETTLED CLAIMS WHERE DATA HAS BEEN SENT TO THE INSURANCE DATABASE IN 2015

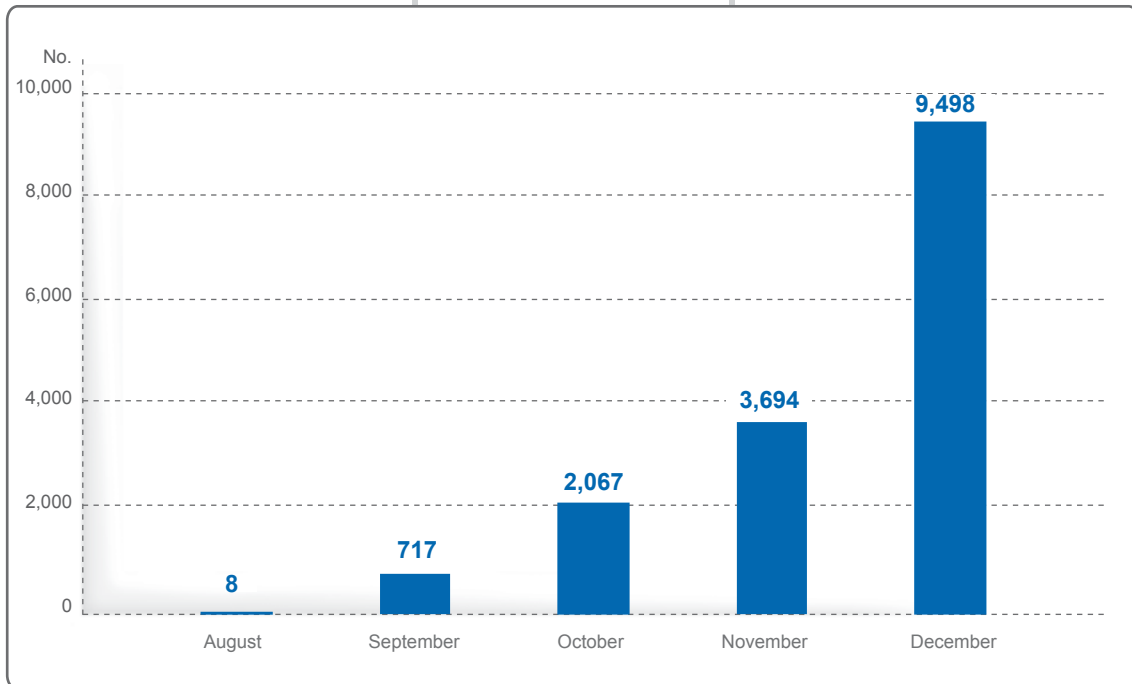


Figure 41

Number of settled claims where data has been sent to the insurance database in 2015

Despite this, the rate of growth in the claims data transmitted to the database has been growing almost exponentially and by the end of 2015 data of over 16,000 settled claims were held on the database.

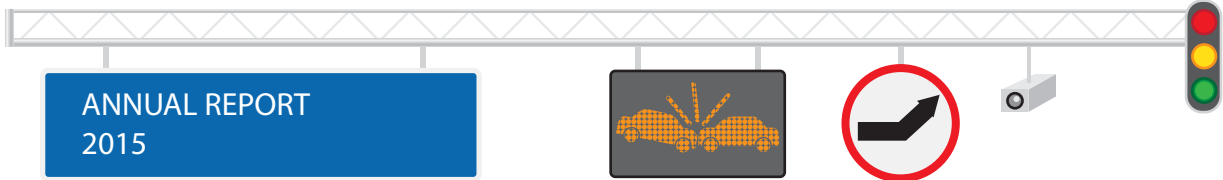
RAMI expects the number of settled claims where data has been transmitted by insurers to the insurance database to grow rapidly until the end of 2016 or the first quarter of 2017 when the number will stabilise.

FUTURE PROSPECTS

The system update to allow the provision of data automatically to policyholders and insurers in accordance with the agreed technical requirements should be completed by April 2016.

It is expected that the data on KASKO and voluntary TPL insurance contracts will complement the current statistics on accidents and will be able to be used in the Bonus Malus system.

The insurance database will provide a good deal of data which can be used in the fight against insurance fraud.



ANNUAL REPORT
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Legal work and dealing with the bankruptcy of insurance companies



RUSSIAN ASSOCIATION OF MOTOR INSURERS



LEGAL WORK AND DEALING WITH THE BANKRUPTCY OF INSURANCE COMPANIES

Under Russian insurance legislation, RAMI has the right to recover compensation payments made in the following circumstances:

- From a person or a legal entity responsible for causing damage. RAMI pays compensation to an accident victim who suffered bodily injury when the driver who caused the injury cannot be traced and also if the driver who caused the injury is not in possession of a valid CMTPL insurance policy;
- From insurance companies. RAMI pays compensation to victims when the insurance company responsible for making the compensation payment has lost its license or has commenced bankruptcy proceedings or has been suspended from the direct settlement agreement;
- From either the insurer or the individual responsible for causing the damage. In the Crimea, RAMI is legally responsible for making compensation payments to individuals in Crimea in the event that a non-bank financial institution fails to make the payment under a contract of insurance entered into under the laws of Ukraine.

In the above situations, in order to protect funds allocated to making compensation payments and to ensure their rational use, RAMI takes the following actions:

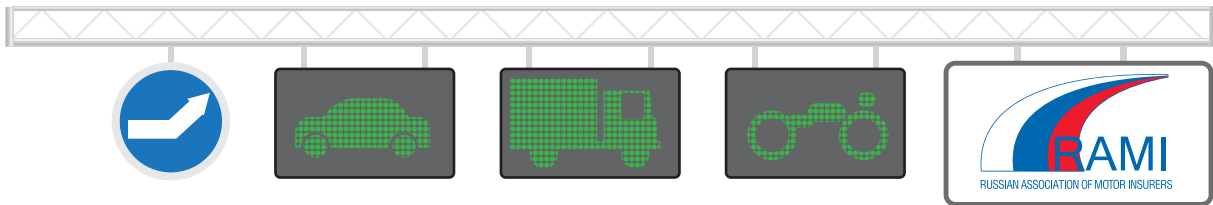
- Intervening in bankruptcy cases regarding insurance companies;
- Recovering compensation payments made by RAMI either to individual victims of road accidents or to insurance companies through the direct settlement scheme when the insurance company responsible for these payments has had its license withdrawn or has been excluded from the direct settlement system;
- Recovering compensation payments made by RAMI to victims of road accidents from the individual who had caused the damage or from the insurance company in the event of the failure of the non-bank financial institution responsible for making the payment under a contract of insurance entered into under the laws of the Ukraine.

INTERVENING IN THE BANKRUPTCY PROCEEDINGS OF INSURANCE COMPANIES

In 2015, RAMI intervened in 28 court cases relating to the bankruptcy of insurance companies.

These interventions resulted in the recovery of 35.3 million Roubles, (35% of the total amount recovered in these proceedings) from cases involving four insurance companies: Skif Tver, Metroton, Rosstrakh and Nika Plus.

During the year, RAMI submitted claims as creditor amounting to 2.9 billion Roubles. Of these claims, 585 million Roubles were successfully registered in 2015, a figure that includes applications made in 2014.



Also in 2015, RAMI submitted claims for current needs amounting to 20.1 million Roubles, of which 7 million were accepted as current needs by arbitrators.

DEBT COLLECTION

1. The recovery of payments made to victims of road accidents who were injured where the person that caused the injury was either not in possession of a valid CMTPL insurance policy or was untraced.

In 2015, RAMI obtained positive decisions from the court in the amount of 1.1 million Roubles, having made claims of 646,900 Roubles. Following these awards, RAMI actually recovered 428,200 Roubles.

2. Recovering duplicate payments made following a single accident.

RAMI recovered 4.2 million Roubles from the duplication of payments.

3. Recovery of compensation payments made by RAMI either from the individual responsible for the accident or from the insurance company in the Crimea.

During 2015, RAMI made 1,176 claims for the recovery of compensation payments made in the Crimea amounting to 67.9 million Roubles, of which 700,000 Roubles was actually recovered. Also in 2015, RAMI commenced court proceedings in 891 cases to recover 54.7 million Roubles. These resulted in 508 awards amounting to 31.7 million Roubles whilst 383 cases remain pending.

In 2015, RAMI made an application for the recovery of compensation payment made through the direct settlement system. 14 claims were made amounting to 400,000 Roubles of which one was successful and resulted in the recovery of 30,000 Roubles.

COMBATING ILLEGAL COMPENSATION PAYMENTS

In 2015, work continued to invalidate counterfeit contracts of assignment. In total, RAMI filed 23 lawsuits declaring the assignment of contracts null and void in order to obtain the return of more than 2.3 million Roubles of claims for compensation that had been obtained illegally. A number of these cases were based on allegations from individuals that they had not entered into these contracts. In 9 cases the actions were successful. 8 cases remain pending. In 6 cases, due to the fact that the contract of assignment had been declared null and void, the right of the assignees to claim damages was denied.

The main areas of work in countering illegal payments were as follows:

- 1) LLK Resource

LLK Resource is a company that made 281 claims against EVROSIB Insurance Company.

Following an analysis of the documentation of the suspected fraudulent actions, letters were sent to accident victims asking them to confirm that they had assigned their rights to receive compensation. Twenty accident victims denied they had assigned their rights and the court annulled the contracts of assignment.

In 254 court cases, 279 claims for compensation to be paid by RAMI were examined and denied. In 25 cases, compensation paid by RAMI was recovered. In these cases, statements have been received from accident victims that they did not assign their rights to compensation.

In two cases, the original decision was reversed on appeal and has been sent back for a new trial.



2) Senat and Vostok Alliance

Senat and Vostok Alliance are companies that filed 29 claims on the basis of contracts of assignment concluded with Severnay Kazna Insurance Company and signed by the General Director, A.V. Merenkov. These contracts were concluded after the General Director had been suspended, after the insurance company had been forced into temporary administration by the insurance supervisor.

Three cases were withdrawn, one case was not proceeded on and 25 were accepted by the court for consideration.

RAMI has been accepted by the court as a party to the dispute.

3) Cases in the district court of the Kirov region in the city of Makhachkali, Republic of Dagestan, related to the claims for compensation from RAMI.

In the Kirov district court in Dagestan, claims for compensation against RAMI are being examined, despite the absence of supporting documentation, including court decisions.

A number of court awards have been made by this court against RAMI. RAMI is filing 130 appeals against these awards in the higher court, having failed to be granted the right to appeal in the courts. The Dagestan High Court received forged notices that RAMI's appeals had been unsuccessful. Due to the fact that these documents were not sent to RAMI, the Association sent a letter to the High Court denying the facts in the forged documents and asking for a review of the cases based on this new evidence. This appeal was successful, the forged documents were overturned and the cases were returned to the district court.

A complaint about the action of the judges was filed by the President of the court.

In 20 cases, the award was cancelled without consideration. Other cases remain pending.

Work is continuing on solutions to problems caused by the debiting of accounts following the court orders.

4) GriMaNiK

In 2015, the company "GriMaNiK" submitted applications to RAMI for compensation payments, on the basis of which the Association made 16 payments totaling 1.3 million Roubles. In the course of an audit, it was discovered that the application was supported by an expert opinion produced by an organisation that was not qualified to provide such an opinion.

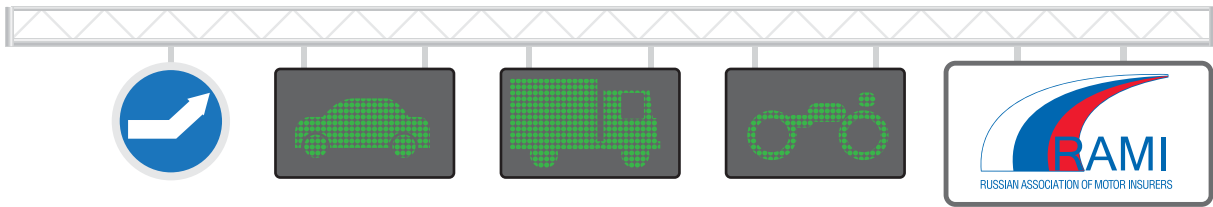
RAMI has therefore applied to the company for the return of the illegal payments of 1.3 million Roubles.

During the proceedings, the company submitted new expert opinions. Examination of these documents showed that the organisation that issued the new experts opinion was also not qualified to do so.

Following a review of this case, RAMI continues to hold that the company obtained 1.3 million Roubles illegally.

CASES RELATED TO THE IMPLEMENTATION OF THE BONUS MALUS SYSTEM FOR CMTPL INSURANCE

In 2015, 22 claims were filed by individuals against RAMI. Of these, RAMI's position was upheld in 14 cases, one case was withdrawn following the rejection of the claim, 6 cases are pending and one case



resulted in RAMI being required to provide information from its IT system about the operation of the Bonus Malus system. RAMI is appealing this case.

CASES CHALLENGING THE LEVEL OF COSTS OF SPARE PARTS SET OUT IN THE RAMI REFERENCE MANUALS

During 2015, a case was brought in the civil courts that claimed that the reference manual, prepared by RAMI, cataloguing the cost of spare parts had not been prepared in accordance with the regulations and contained errors. The proceedings were terminated when it was decided that the civil court was not the appropriate court for such proceedings.

Also in 2015 an administrative petition was sent to RAMI appealing against the calculation of some spare parts for the Audi A6 and obliging SAR to bring the cost of these parts into line with their actual price, as required by the uniform methodology for determining the amount of expenditure on the repair of a damaged vehicle. Currently this case is pending.

CASES RELATING TO THE SYSTEM OF ANNUAL INSPECTION OF MOTOR VEHICLES

In 2015, RAMI received four claims that the Association had acted illegally in making decisions about technical inspections of motor vehicles. In three cases, the actions were withdrawn following their rejection and one case is pending.

CASES RELATING TO THE APPLICATION BY RAMI OF DISCIPLINARY SANCTIONS AGAINST INSURANCE COMPANIES

In 2015, two cases were brought against RAMI based on the Association's actions in disciplinary cases against insurance companies. RAMI's position was upheld in both cases.

MAKING COMPENSATION PAYMENTS ON THE BASIS OF COURT AWARDS

On the basis of court awards, RAMI paid compensation as follows:

- 129.05 million Roubles were paid to court officials on the basis of court decisions;
- 434.19 million Roubles were paid on the basis of collection orders.



ACTIVITIES RELATING TO THE RECOVERY BY RAMI OF COMPENSATION PAYMENTS ON THE BASIS OF THE LAW RELATING TO THE CRIMEA

Court cases in the Crimean Republic

Article 13 of the Federal Law relating to the Crimea states that compensation to victims of road accidents through a CMTPL insurance policy should only be paid to accident victims who own the damaged property and who live in the Crimea.

192 claims were filed in the Crimea on the basis of this law.

In 143 cases, the applications were denied whilst in 20 cases RAMI was successful in recovering amounts paid, no appeals being made in 9 of these cases (RAMI recovering only the amount of compensation made). The other cases are ongoing. 28 cases remain pending in the lower courts and work continues in reviewing these claims and attending hearings.

Court cases in other regions

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Court cases in other regions

Regional courts (located outside the territory of the Republic of Crimea) considered five cases for compensation from RAMI made by accident victims under the law relating to the Crimea who do not reside in the territory of the Republic of Crimea.

In four cases, the application for compensation from RAMI was rejected. In one case, the application was upheld. The Association is appealing this case.

Court cases in the Moscow court of arbitration brought under the law relating to the Crimea.

13 cases under the law relating to the Crimea were brought in the Moscow court of arbitration against RAMI by Express Alliance, a company that has received the assignment of the legal rights of accident victims who are residents of the Crimea.

All these cases were unsuccessful in obtaining compensation payments.



Compensation payments



RUSSIAN ASSOCIATION OF MOTOR INSURERS



COMPENSATION PAYMENTS

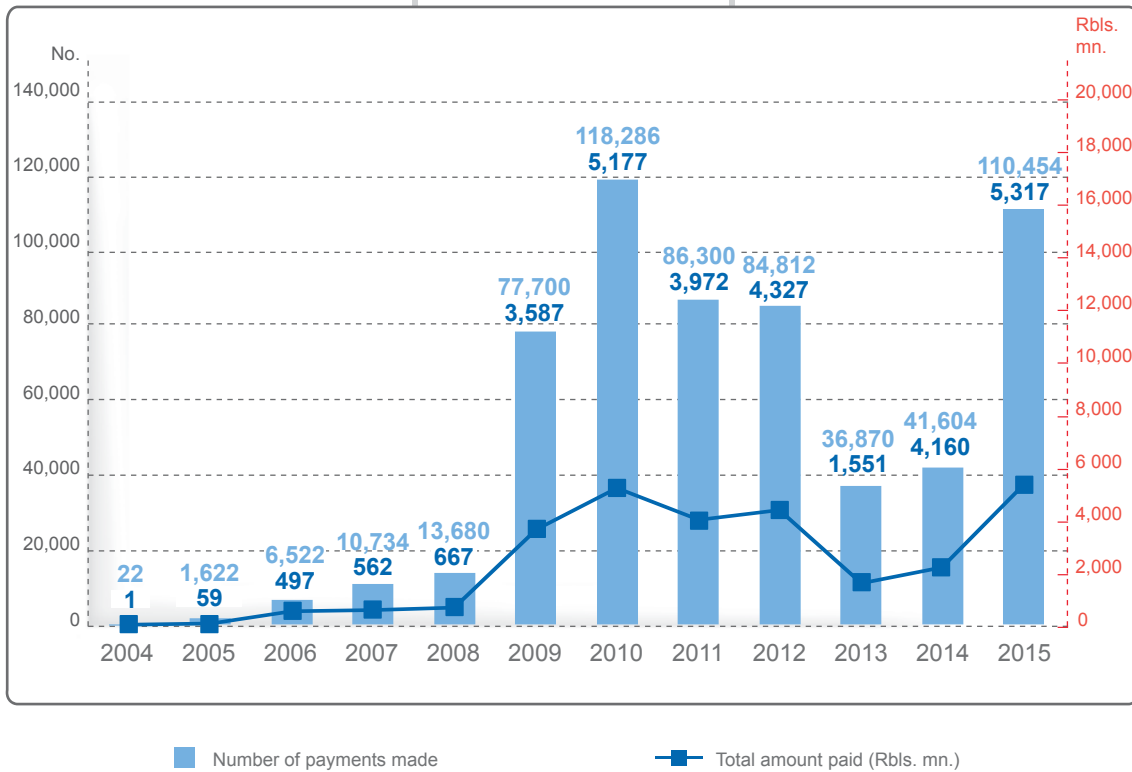
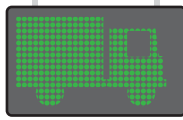


Figure 42

Compensation payments

Between 1 July 2004 and 31 December 2015, RAMI has handled 664,929 applications for compensation payments made by victims of road accidents. Of these, 588,606 applications were successful and the total amount of compensation paid amounts to 27.833 billion Rubles.

98% of these payments were made as a result of an insurance company losing its license to carry on CMTPL insurance.



INSURANCE COMPANIES LOSING THEIR LICENSE 2005–2015

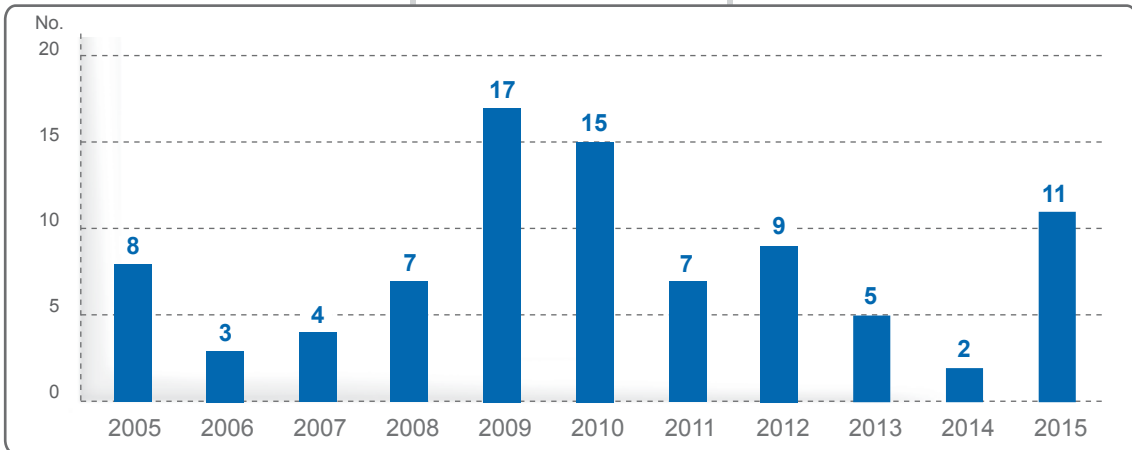


Figure 43
Insurance companies losing their license 2005–2015

RAMI has made compensation payments on behalf of 88 insurance companies, 11 of which lost their CMTPL insurance licenses in 2015.

COMPENSATION PAYMENTS IN 2015

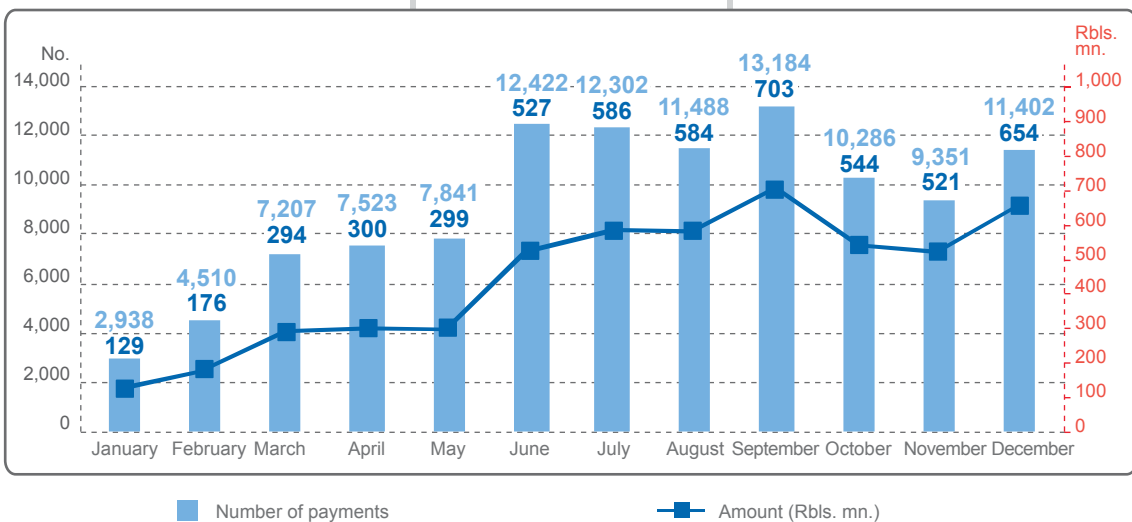


Figure 44
Compensation payments in 2015



RAMI became party to the direct settlement agreement on 16 January 2015. RAMI's participation in this agreement came about as a result of amendments to CMTPL law, which require RAMI to make compensation payments to insurance companies under the direct settlement system in the event that the insurance company that should make the payment has not done so as a result of bankruptcy, its exclusion from the direct settlement system, or the loss of its license to carry on CMTPL insurance business.

The first accounting session between companies in which the Association took part took place on 19 January 2015.

The result of RAMI's activities in paying compensation under the system of direct settlement resulted in 76,885 applications being received during 2015 from insurance companies through the direct settlement IT system. In 53 accounting sessions held in 2015, RAMI processed 74,688 payments amounting to 2,937 million Roubles.

In total, during 2015, 136,190 claims for compensation were made. Of these, 110,454 were successful and payments were made amounting to 5,317 million Roubles.

Thus, during 2015, 70% of all compensation payments were processed through the direct settlement system.

It should be noted that RAMI's participation in the direct settlement system, as required by CMTPL insurance law, necessitated amendments being made to RAMI's internal regulations. At the same time, the procedures whereby the Association examined claims made by insurance companies for compensation had to be developed. In this context, during 2015, amendments were made to the rules of professional conduct that regulate RAMI's activities in making compensation payments and the operation of the direct settlement system to ensure consistency in the settlement of all compensation claims.

It is important to note that in 2015 RAMI introduced a number of internal measures aimed at optimising internal resources and at improving internal business processes. These changes led to a 13% reduction in the average amount paid in compensation. In 2015 the average compensation payment was 48,000 Roubles, whilst the corresponding figure in 2014 was 55,000 Roubles.

At the same time, it should be noted that the average compensation payment made by RAMI in 2015 was 39,000 Roubles, which is less than the average claim payment under the direct settlement system, which was 43,400 Roubles. This is because the settlements between RAMI and insurance companies are made on the basis of the actual amount of the claim payment, whereas the intercompany settlements under the direct settlement scheme are based on average claim amounts.

RAMI continued to make compensation payments in the Crimea as required by law. In 2015, 635 payments were made amounting to 39 million Roubles. The total amount of payments made in the Crimea is 113 million Roubles from 1,978 payments.



Dealing with communications from the public



RUSSIAN ASSOCIATION OF MOTOR INSURERS



DEALING WITH COMMUNICATIONS FROM THE PUBLIC

RAMI continues to examine oral and written communications from the public and from organisations. This public function is an obligation that the Association has under Russian law and the procedures followed by RAMI are set out in the appropriate rules of professional conduct, approved by the RAMI Presidium.

In 2015, the management of RAMI and its representatives in the regions received 60,120 written complaints from individuals and organisations, of which:

- 4 698 related to insurance company obligations under CMTPL insurance policies;
- 43 067 were complaints about the application of the Bonus Malus system;
- 12 355 were requests from courts, state bodies or individuals for data held on RAMI's IT system.

Communications from the public and from organisations are a source of useful information that can be helpful in problems in CMTPL insurance system. They give an important insight into the operation of insurance companies and are an effective instrument for improving the RAMI IT system.

COMMUNICATIONS RECEIVED BY RAMI 2013–2015

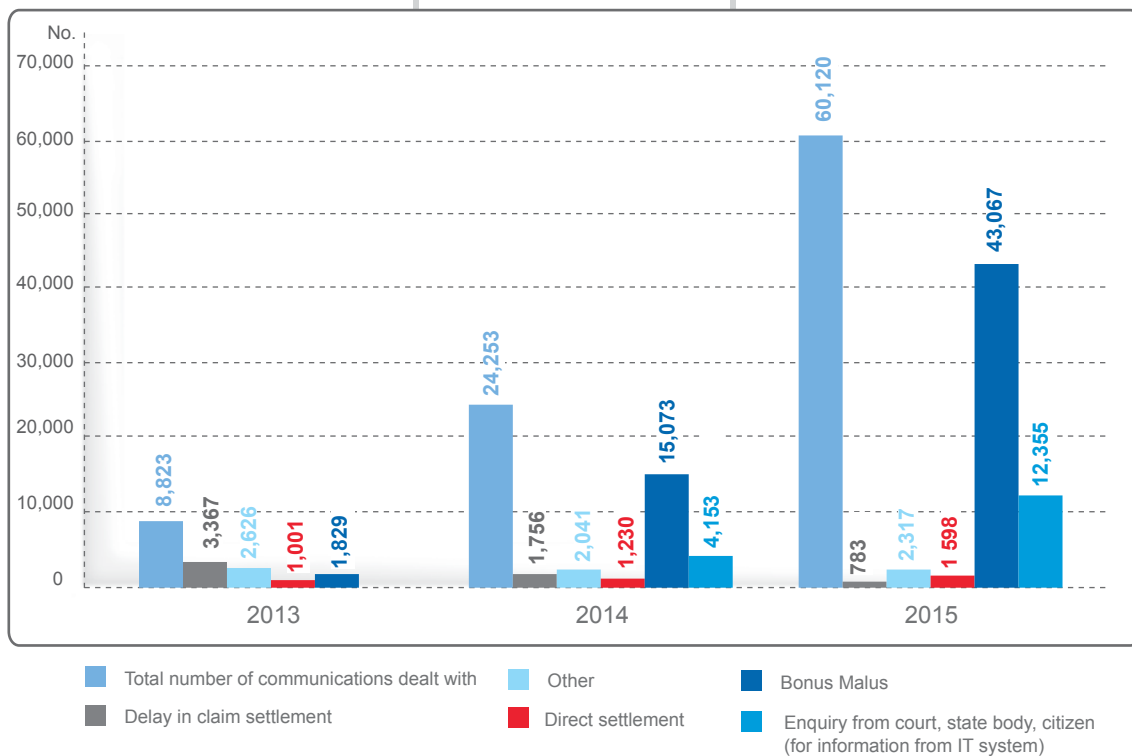
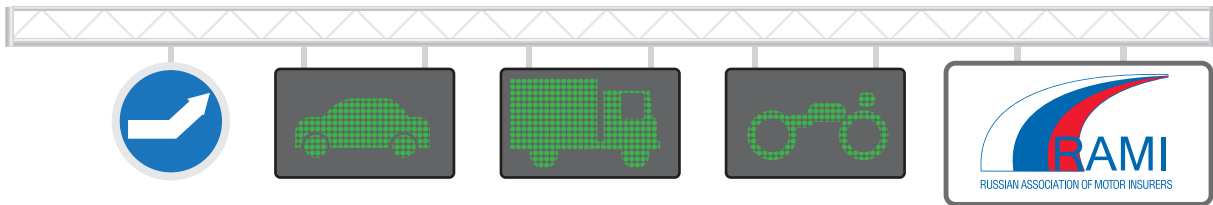


Figure 45 **Communications received by RAMI 2013–2015**

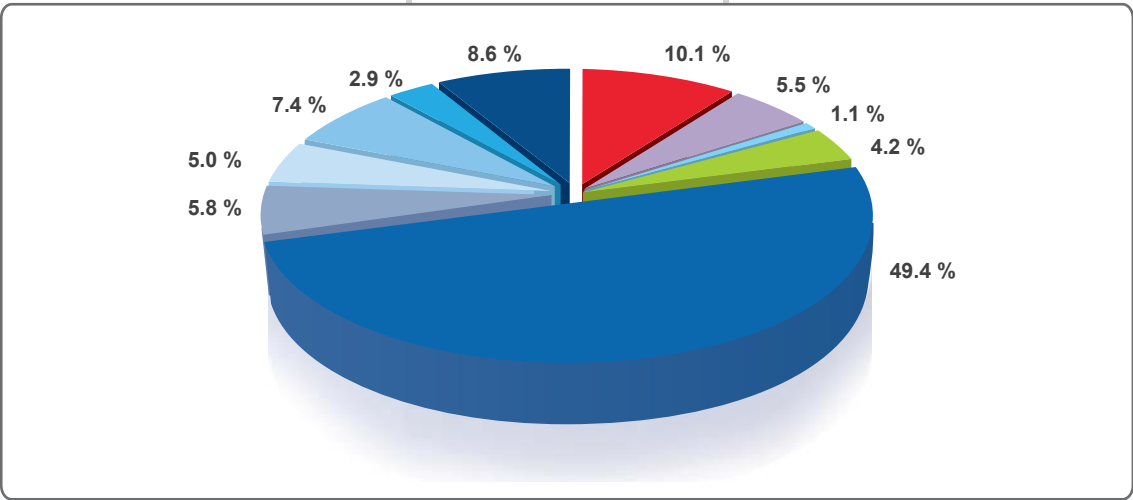


THE RAMI HOT LINE

The primary function of the RAMI hot line is to deal with questions that individuals might have concerning CMTPL insurance and the system of annual inspection of motor vehicles. Through the hot line, people can be advised as to the progress of compensation payments and on what is happening to complaints made to RAMI. The work of the RAMI hot line is governed by the regulations within which the Communications from the public department of the RAMI management operate.

In 2015, the hot line received 725,019 calls.

THE MAIN HEADS UNDER WHICH CALLS WERE MADE TO THE RAMI HOT LINE IN 2015



- Bonus Malus
- Return premiums
- Questions relating to the settlement of liability claims
- Information about the progress of a compensation payment
- Explanation of direct settlement and simplified reporting
- Advice about compensation payments
- The status of the license of 'problem' insurers
- Technical inspections (timing, costs, location of operators)
- Contact details of an insurer (name, telephone number, address)
- Other (contact with services, phone call with company, accident, other types of insurance, complaints against insurance companies)

Figure 46
The main heads under which calls were made to the RAMI hot line in 2015



Supervising the activities of members of RAMI



RUSSIAN ASSOCIATION OF MOTOR INSURERS



SUPERVISING THE ACTIVITIES OF MEMBERS OF RAMI

The basis of RAMI's supervision of the activities of its members is the following:

- Legislation covering CMTPL insurance;
- RAMI's statutes;
- The rules of professional conduct;
- Decisions of RAMI managing bodies.

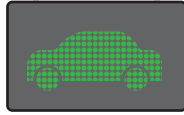
The main objectives of the supervisory system are to prevent RAMI members from breaking the rules and to identify in a timely fashion problems in the activities of insurance companies so that corrective action can be taken.

The method of exercising control by RAMI is through inspections and audits, either on-site or off-site.

In 2015, the on-site inspections of RAMI members were carried out on the basis of decisions made by the management board of RAMI and resulted from the need to react quickly to signs that insurance companies were breaking the law or not following the rules of professional conduct. A quick response is necessary both to record the violations and make sure that they cease and to take measures to minimise the negative impact that these violations can cause.

Off-site inspections and audits of RAMI members in 2015 were carried out on a continuous basis by monitoring and analysing data from the RAMI database, from reports submitted by the companies to RAMI and from other information.

The two most common breaches of the rules identified during audits in 2015 were first, delays or failure to supply data on CMTPL insurance contracts, claims or other data required by the rules governing the RAMI database and second, breaches in the rules of the direct settlement system.



INFRINGEMENTS IDENTIFIED DURING AUDITS

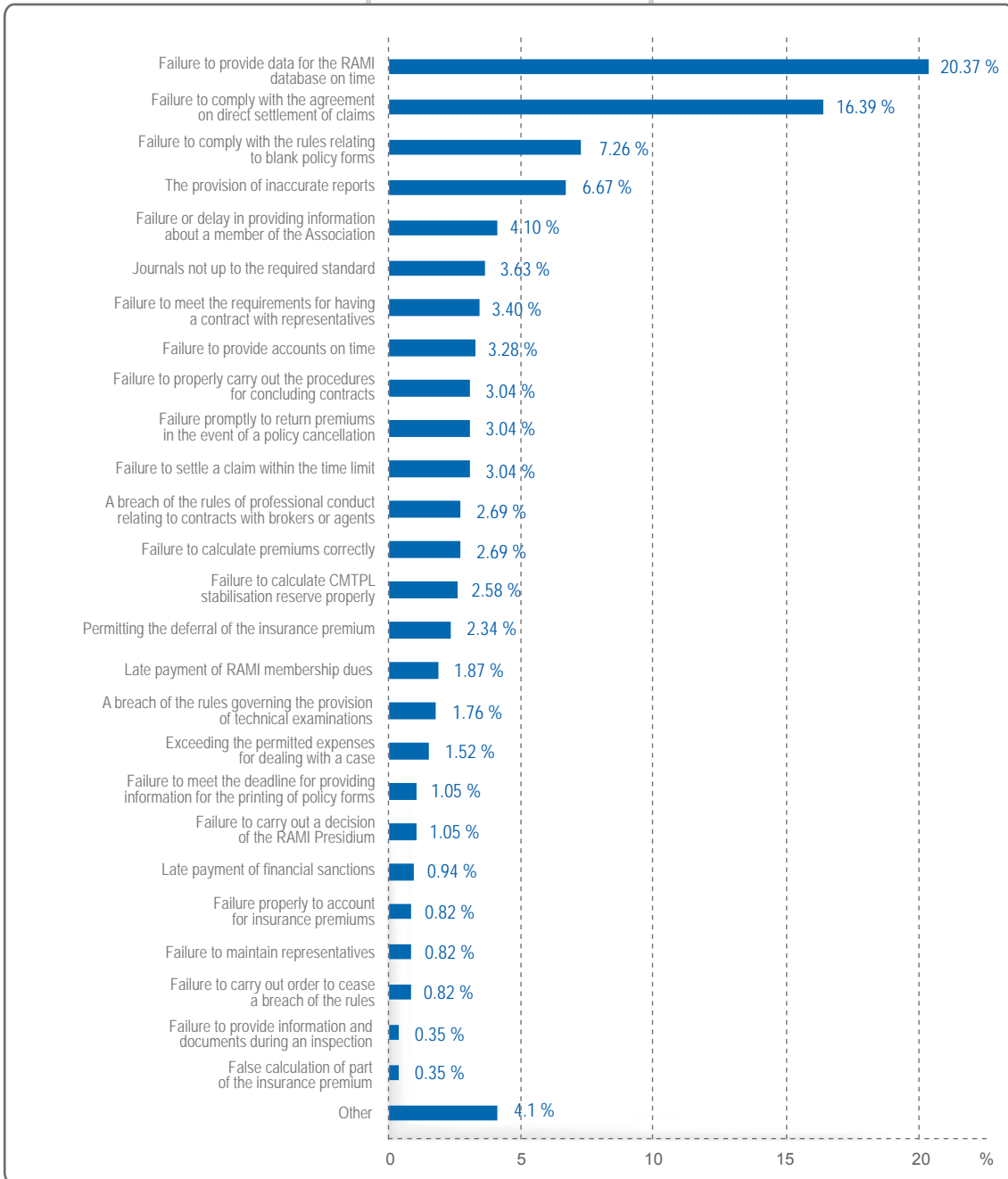


Figure 47
Infringements identified during audits



It should be noted that during 2015, 9 meetings of the disciplinary commission took place at which 170 issues were discussed.

The results of the supervisory activity in 2015 were that, following decisions of the managing bodies and of the disciplinary commission, 838 disciplinary actions were taken of which 494 involved financial penalties and 344 involved reprimands. Disciplinary rehabilitation proceedings were implemented on 6 insurance companies.

11 insurance companies entered temporary administration in 2015 supervised by RAMI employees. Rules have been drawn up governing the activities of administrators operating in an insurance company that is a member of RAMI and has been taken into temporary administration.

During 2015 13 insurance companies were expelled from RAMI for failure to comply with insurance legislation or with the rules of professional conduct, and three members resigned their membership voluntarily. Four insurance companies were accepted into membership of the Association.



The RAMI court of arbitration



RUSSIAN ASSOCIATION OF MOTOR INSURERS



THE RAMI COURT OF ARBITRATION

In 2015, 163 applications were made to the court of which:

- 161 involved the recovery of compensation payments;
- 1 involved the performance of representation by a member;
- 1 involved the necessity of making a compensation payment.

The court considered and made decisions in 113 cases. Of these:

- In 47 cases the court ruled in full in favour of the plaintiff;
- In one case the court ruled partially in favour of the plaintiff;
- In 45 cases the claim was dismissed.

16 cases were discontinued due to failure to comply with pre-trial out of court settlement procedures.

58 claims were returned on formal grounds.

14 cases are pending and will be dealt with in 2016.

18 cases dealt with in 2015 were commenced in 2014.



Road safety publicity and other activities aimed at increasing road safety





ROAD SAFETY PUBLICITY AND OTHER ACTIVITIES AIMED AT INCREASING ROAD SAFETY

RAMI'S PR CAMPAIGN

During 2015, RAMI ran a public relations campaign entitled 'the stabilisation of CMTPL insurance market'. This is a campaign aimed at making car owners more aware of key issues in CMTPL market and prepared to support changes to stabilise the market. The campaign is also aimed at improving the public attitude towards CMTPL insurance. The main themes of the campaign were as follows:

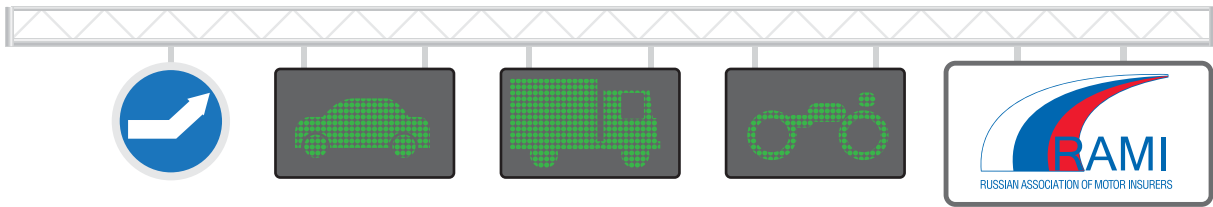
- explaining the benefits and advantages arising from the recent changes in the law that establish a uniform methodology for calculating the costs of repairs to a vehicle damaged in an accident, and that increase the limit of damages that can be paid to accident victims suffering bodily injury in an accident;
- promoting the use of the European Protocol following an accident;
- explaining why it is necessary further to increase tariff rates (before and after approval) and regional loadings in the context of the increase in the limit of damages for bodily injury following a road accident that came into force in April 2015;
- publicising successful co-operation between the state and commercial organisations in solving the problems in CMTPL insurance market; stressing the argument that this constructive co-operation should continue and can encourage greater insurance protection for the public and can form the basis of a civilised market for insurance services in Russia;
- promoting the image of the insurance industry as being transparent, socially aware and working with high international.

In addition to the PR campaign, RAMI supported a number of research projects aimed at demonstrating the economic effectiveness of the recent reforms to CMTPL system: research was carried out on how documents for recording details of an accident (the European Protocol) are used in a number of countries. Public opinion on the reforms introduced into CMTPL system during 2014 and 2015 was also investigated. A further project studied the basic methods used to carry out fraud under CMTPL system and, based on worldwide experience, developed counter methods against these fraudulent schemes.

The results of the research were distributed amongst the mass media (print, electronic, television, radio, agencies and the internet). Publications and other material outlining the main themes of the PR-campaign were prepared, as well as info-graphic materials that demonstrate the results of the research and opinion surveys.

It is the Association's aim to reach the widest possible audience using modern information technology and the potential benefits of the internet. To do this, a number of on line conferences, on line surveys and on line discussions were organised so that RAMI's views on key issues could be disseminated to targeted audiences.

Events organised as part of the PR campaign 'stabilising the market' have been organised up to March 2016.



EVENTS ORGANISED TO PUBLICISE THE ROAD SAFETY CAMPAIGN

One of RAMI's main priorities is to support road safety measures that protect the interest of the public by reducing the number of road accidents and by minimizing the damage caused by these accidents. In 2015, the Association continued actively to pursue measures to improve road safety

Between September 2014 and May 2015, RAMI organised a major campaign (Forecast Safety!) aimed at increasing the safety of road users.

The objective of this campaign was to reduce the number of accidents that occur as a result of drivers not taking into account weather conditions when driving. Speed in particular needs to be reduced in adverse weather conditions and in times of darkness. Drivers need to be aware of the effect of different types of precipitation, how visibility is reduced at night and what the effects of temperature are on road conditions.

As part of this campaign, a video (Macromir) was produced which was shown on Channel 1, Russia 24 and NTV.



Figure 48
Macromir

In addition, audio clips were produced which were broadcast on a number of radio stations including VESTI FM, Road Radio and Europa Plus.

Banners were prepared as part of the campaign which were posted on the web sites most popular with those interested in the theme of the campaign.

A further component of the campaign was a 26-minute educational film called 'The Invisible Threat', which was shown at all the campaign events.



Such events were held in 10 Russian cities (Voronezh, Elista, Krasnodar, Astrakhan, Volgograd, Sevastopol, Simferopol, Ufa, Iushkar-Ola, Tyumen and Chelyabinsk).

As part of the campaign research was carried out which showed that:

- 43% of Russia's population had been aware of the 'Forecast Safety!' PR campaign;
- Effective PR-campaign coverage was estimated 72%.

The statistics gathered by the Department of Road Safety of the Ministry of the Interior showed that for the whole country there was a reduction of accidents in the period January to April 2015 as compared with the same period in the previous year:

- the number of accidents reduced by 3%;
- the number of fatalities reduced by 6.8%;
- the number of injuries reduced by 3.3%.

Throughout the whole campaign promotional and PR events were held.

On the web site BEZDTP (bezntp.ru), a page was posted promoting the campaign.

In all, more than 30 articles and 6 three page articles were prepared and published over the internet on sites such as BEZDTP, blogi.autonews.ru, bezntp.livejournal.com.

Social networks such as Facebook, Vkontakte and Twitter were used by placing links to the BEZDTP website. (Vk.com/bezntp_ru, Facebook.com/bezntp, Twitter.com/bezntp_ru).

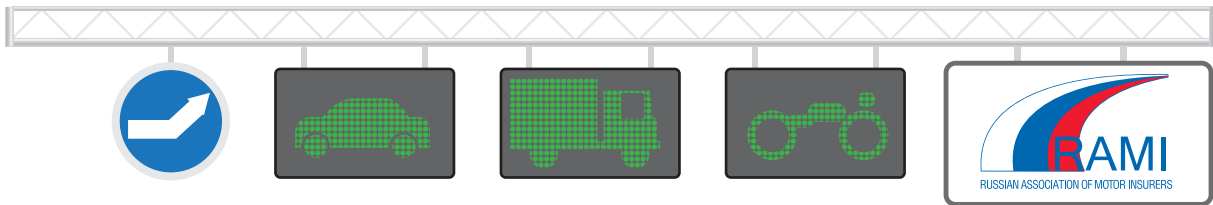
Both national and regional media were used to spread information about the campaign.

More than 3,370 campaign materials were initiated in a wide range of media outlets in order to provide information about the campaign.

Research by the public opinion research organization VTsIOM showed that the press campaign, the use of social networks such as Vkontakte, Facebook, and Twitter, and the creative contests on the Internet were successful in involving a wider audience in the campaign..

The 'Forecast Safety!' campaign won the All-Russian contest of social advertising amongst government bodies ('Impulse'). The project, aimed at reducing the number of accidents in bad weather, was awarded a Grand Prix.

In addition, the video 'Macromir', produced as part of the campaign, was also awarded a first prize. The sound clips also received a silver medal in the appropriate section.



AWARDS RECEIVED BY 'FORECAST SAFETY!'



Figure 49
Awards received by 'Forecast Safety!'

These awards demonstrate RAMI's road safety campaigns are of a high quality, a fact that is recognised both domestically and internationally. Awards received suggest that campaigns to promote road safety, conducted by RSA, are at a high level and are recognised both domestically and abroad. 'Forecast safety' received another award – a statuette in the contest for 'best social projects of Russia'. This is the 33rd Russian or international award received by RAMI in the last eight years.



THE PRIZE WON BY RAMI FOR THE BEST SOCIAL PROJECT OF RUSSIA



Figure 50

The prize won by RAMI for the best social project of Russia

Starting in October 2015, work began on a new road safety campaign 'Keep Your Distance'.

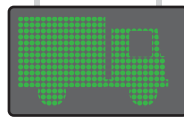
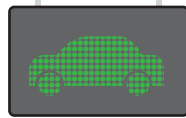
The purpose of this campaign is to reduce the number of traffic accidents that occur when drivers fail to take account of road conditions when judging what is a safe distance between vehicles.

Throughout the year, every edition of the newspaper 'Good Roads for Children' contains an 'Advice from RAMI' article at preventing road accidents involving children and offering advice to children and teachers how to act to avoid accidents on the roads and streets.

GENERATING PUBLICITY IN NATIONAL AND LOCAL PRESS AND MEDIA

PCA is taking active steps to raise public awareness of the principles of CMTPL insurance system and how it works. During 2015, the RAMI committee for Public Relations:

- organised publicity about CMTPL insurance system and the system of annual vehicle inspections and how both can be improved;
- held 18 press conferences on current issues that involved RAMI and its work;



- arranged for television programmes to appear on national television channels, including programmes on the work of RAMI in making compensation payments and on the system of annual technical inspections of vehicles;
- arranged for RAMI employees to appear on radio programmes broadcasted by a number of radio stations including Auto Radio, City FM, Vesti FM, Business FM and Mayak;
- published 15 interviews and more than 200 commentaries by employees and specialists from RAMI, as well as from representatives of member insurance companies serving on relevant committees of the Association. These appeared in both national and specialist newspapers and in the regional press. The papers included Vedomosti, Kommersant, Rossiski Gazetta, Izvestiya, Novie Izvestiya, Moskovski Komsomolets, Komsomolskaya Pravda, Moskovskie Novosti, Za Rulyom, Avtorevue, Avtomobili, Klakson and Delovoi Peterburg. In terms of national and regional television and radio channels information was included on a number of television programmes such as 'Today', 'Morning' and 'Main Roads' (on NTV), 'Moscow news', '24 News' and Morning Russia (Rosiya), Channel 1 News, TVts, Channel 5, Ren TV, Moscow Region, Russia 24 and Moscow 24. Radio channels included Vesti FM, Avto Radio, Business FM, Radio Rossiya, Mayak and City FM. Fig. 51 below shows media activity in 2015 as compared with 2014⁷.

NUMBER OF REFERENCES TO RAMI IN THE MEDIA 2014–2015

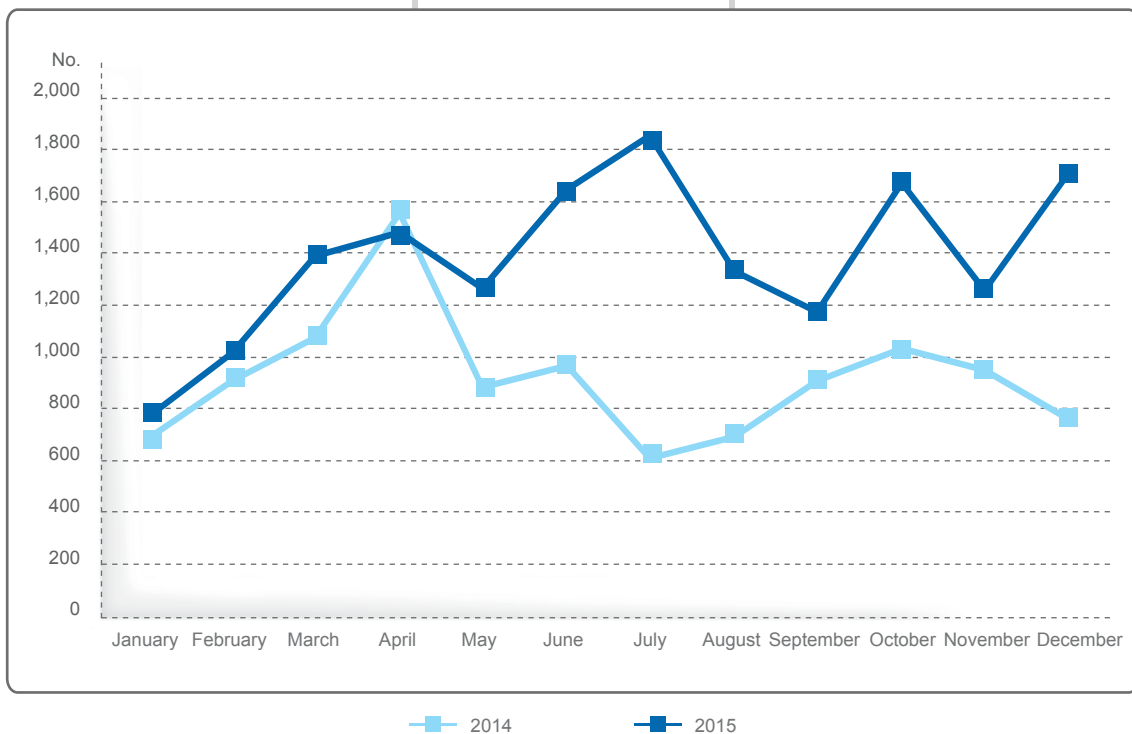


Figure 51
Number of references to RAMI in the mass media 2014–2015

⁷Data supplied by 'Integrum'.



The number of references to RAMI in the media during 2015 grew as compared with 2014. In 2014 there were 11,146 references whilst the corresponding figure for 2015 was 16,598.

NUMBER OF REFERENCES TO IGOR YURGENS, RAMI PRESIDENT, IN THE MEDIA 2014–2015

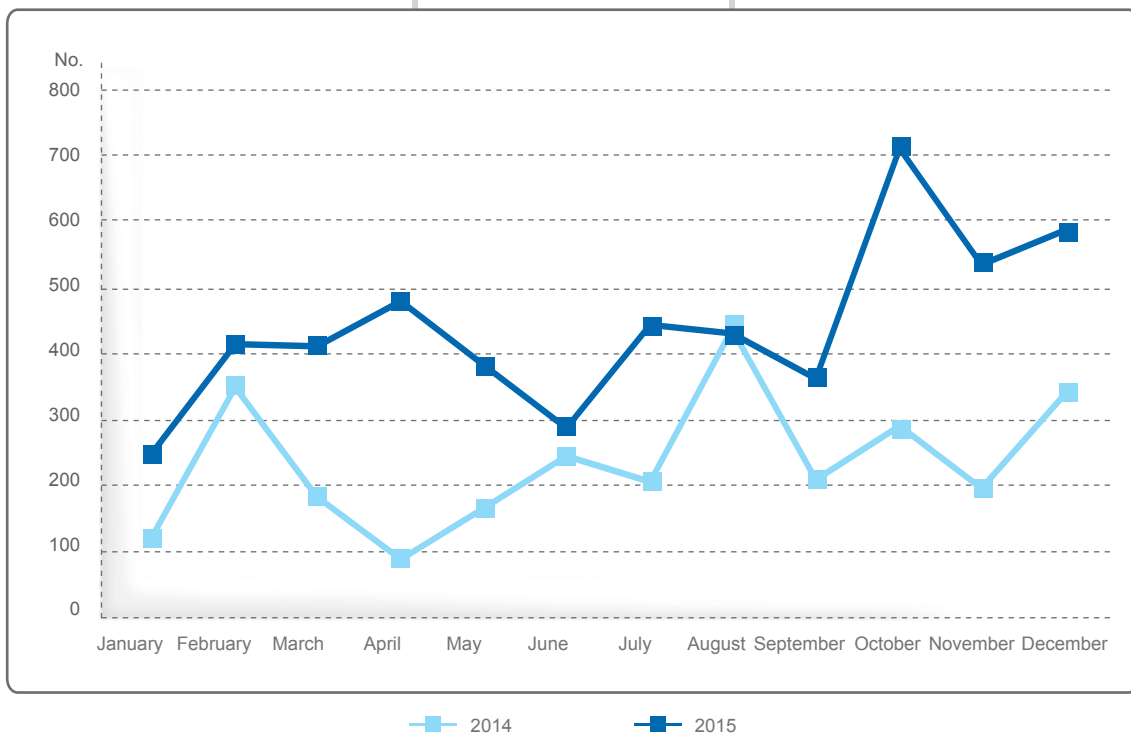
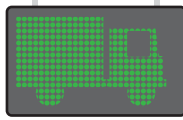


Figure 52

Number of references to Igor Yurgens, RAMI President, in the media 2014–2015

The number of references to Igor Yurgens, RAMI's President, also grew in 2015 over 2014: there were 2,838 references to him in 2014 and 5,309 in 2015.

From an analysis of information gained from a search for 'Igor Yurgens Insurance'.



THE NUMBER OF REFERENCES TO CMTPL INSURANCE IN THE MEDIA 2014–2015

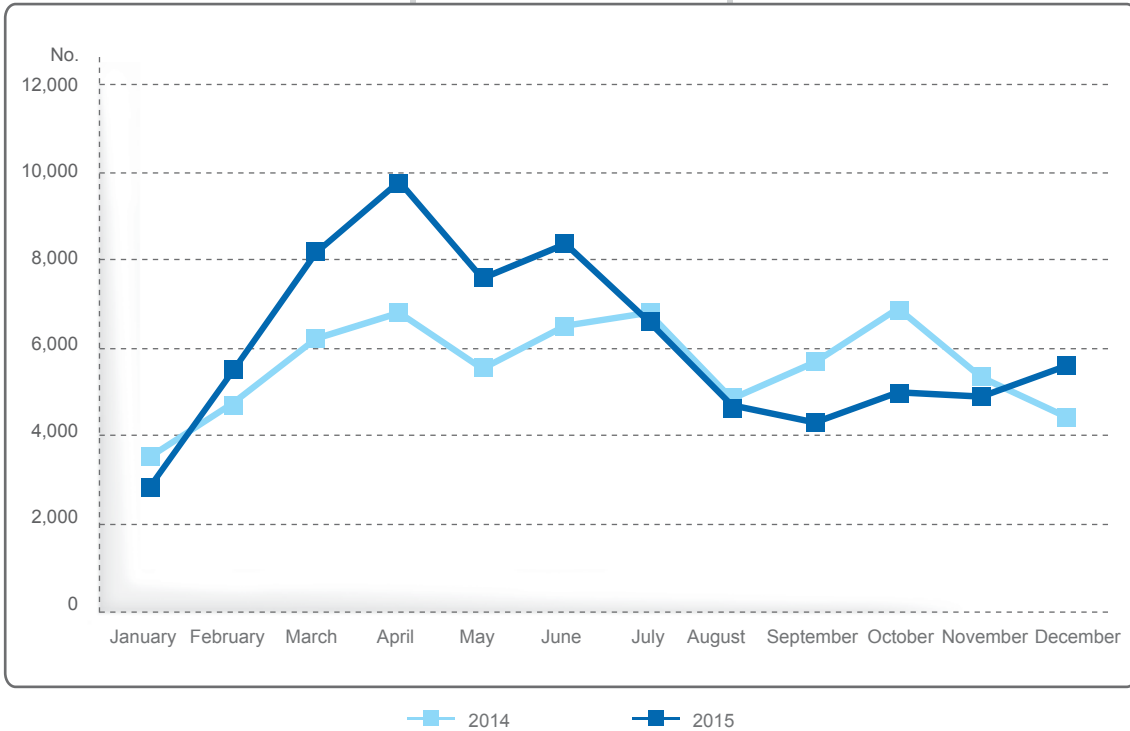


Figure 53

The number of mentions of CMTPL insurance in the media 2014–2015

The number of references to CMTPL insurance in the media during 2014 was 67,310 whilst the corresponding figure for 2015 was 73,423.

From an analysis of information gained from a search for 'CMTPL insurance'.



NUMBER OF REFERENCES TO THE EUROPEAN PROTOCOL IN THE MEDIA 2014–2015

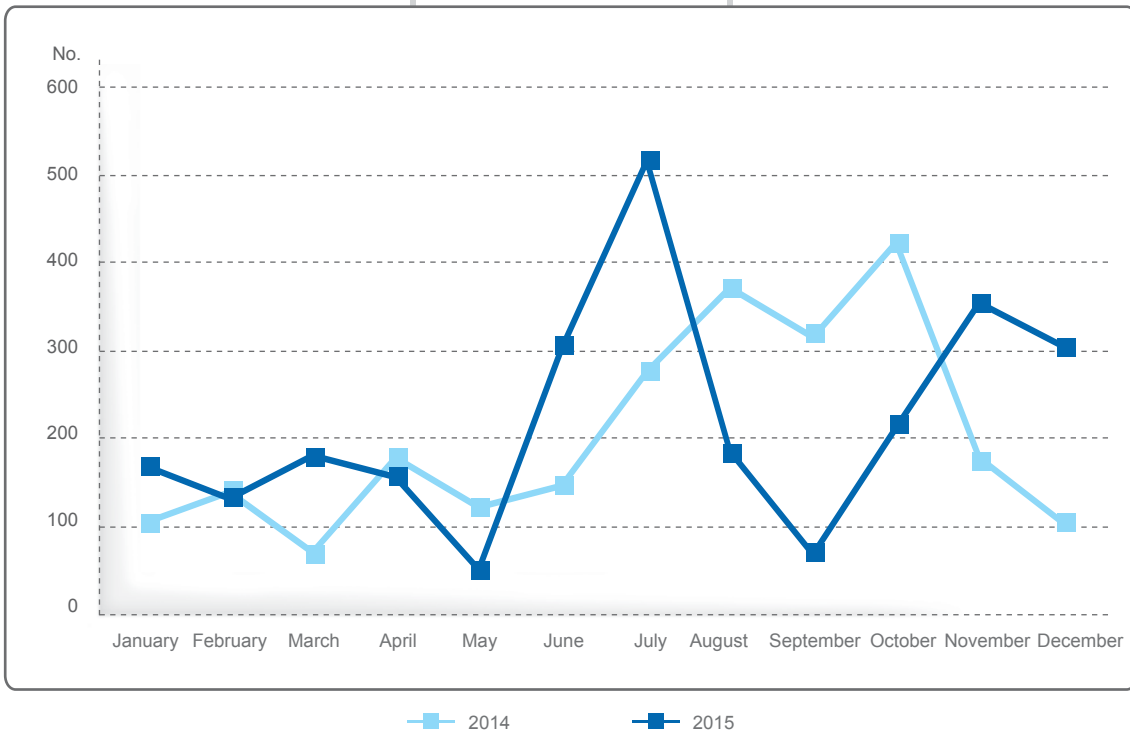
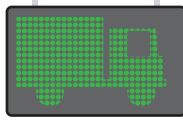


Figure 54
Number of references to the European Protocol in the media 2014–2015

The number of references to the European Protocol in the mass media was stable between 2014 and 2015 – in 2014 there were 2,425 references and in 2015 2,646.

From an analysis of information gained from a search for 'European Protocol'.



NUMBER OF REFERENCES TO THE ELECTRONIC CMTPL INSURANCE POLICY IN THE MEDIA 2014–2015

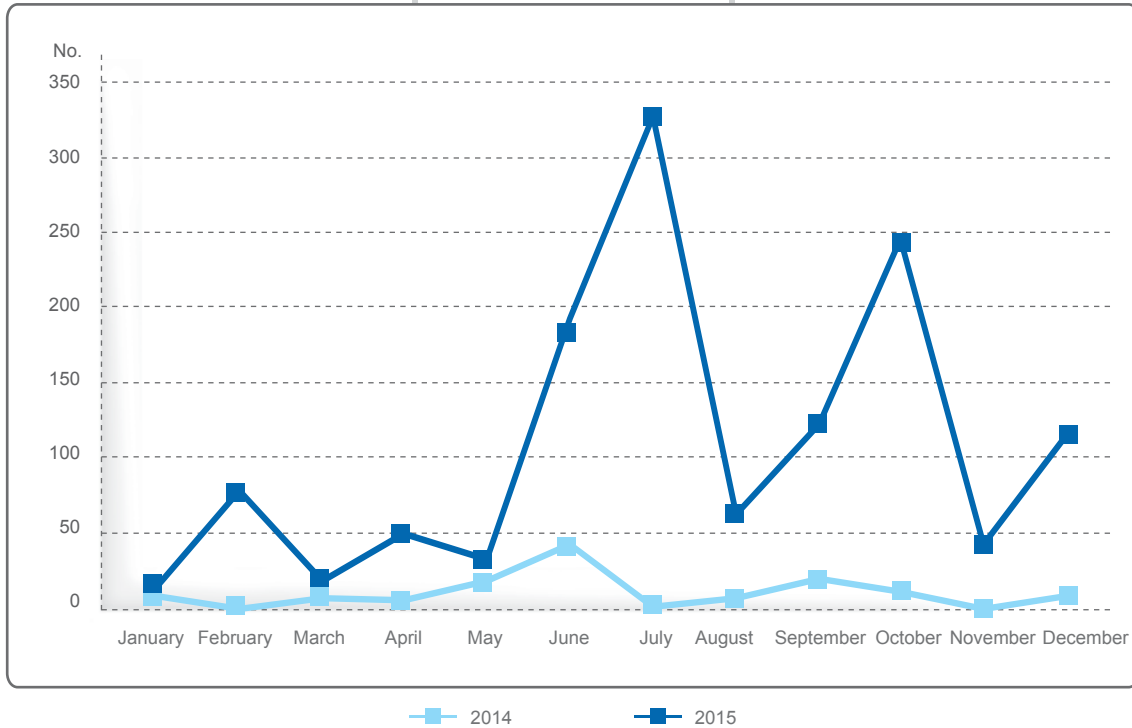


Figure 55
Number of references to the Electronic CMTPL insurance policy in the media 2014–2015

The number of references to the Electronic CMTPL insurance policy in the media in 2015 (1,300 references) tripled in relation to the previous year (455 references).

From an analysis of information gained from a search for 'Electronic CMTPL insurance policy'.



NUMBER OF REFERENCES TO THE BONUS MALUS SYSTEM IN THE MEDIA 2014–2015

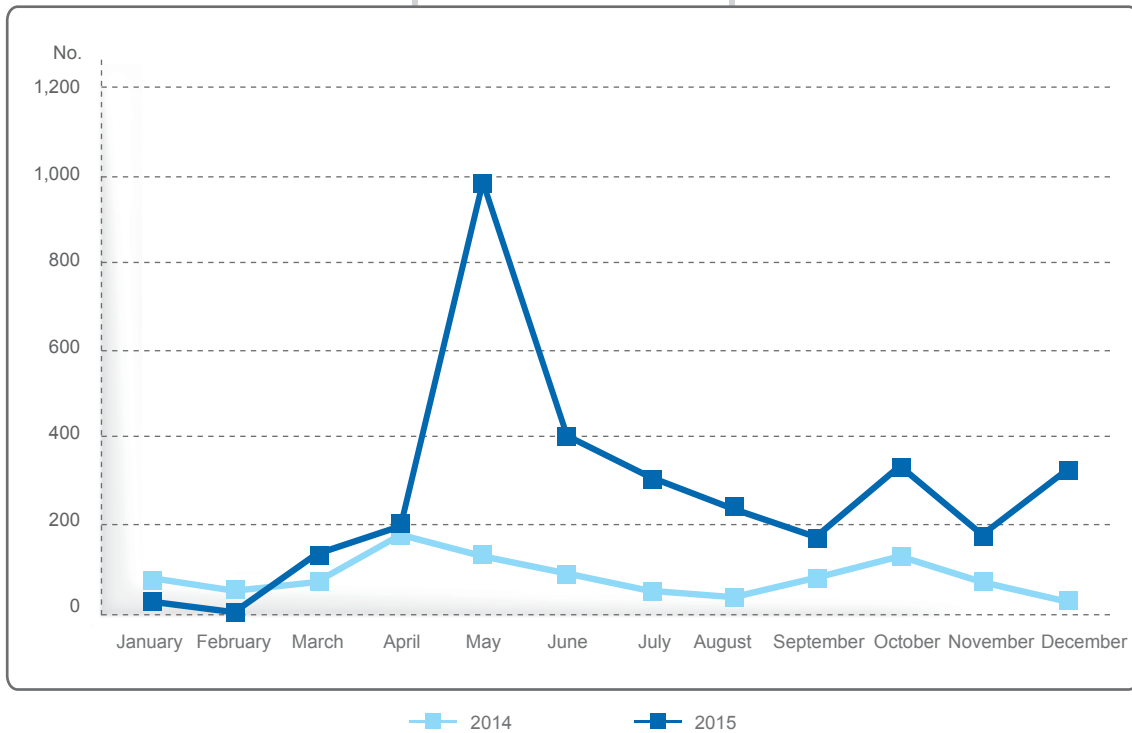
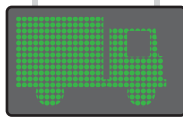


Figure 56
Number of references to the Bonus Malus system in the media 2014–2015

The number of references to the Bonus Malus system in the media during 2015 (3,350 references) was more than three times the number of references in 2014 (995).

From an analysis of information gained from a search for 'Bonus Malus system'.



ORGANISING AND PUBLICISING OTHER EVENTS

- publicity events of RAMI (conferences, seminars, round tables, events for invited delegates);
- a round table at RIA Novosti and conferences on annual technical inspections of motor vehicles and a number of other events;
- a seminar for regional journalists;

SEMINAR FOR REGIONAL JOURNALISTS



Figure 57
Seminar for regional journalists



- organised participation and addresses by leaders of RAMI at insurance congresses, conferences and round tables, publicised these activities and also prepared presentations by RAMI representatives at international forums of insurers;
- RAMI supported the annual international insurance conference organised by the All Russia insurance Association. During this conference a special session on CMTPL insurance was held;

THE INTERNATIONAL INSURANCE CONFERENCE



Figure 58
The international insurance conference



THE INTERNATIONAL INSURANCE CONFERENCE



Figure 59
The international insurance conference

In addition, as part of the Central Bank's strategy of development of the financial market during 2016–2018, RAMI executives conducted financial literacy classes for pupils and students in Moscow and in the regions.

Appendices





APPENDIX I

Extract from the opinion of the Auditors, BDO Unicon, on the RAMI accounts for 2015:

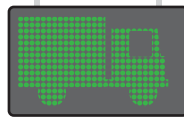
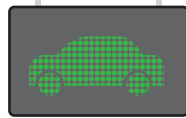
'In our opinion, the Accounts of RAMI reflect accurately in all significant respects the Russian Association of Motor Insurer's financial position as of 31 December 2015 and the results of the Association's financial and commercial operations between 1 January and 31 December 2015 (inclusive) in accordance with the legislation of the Russian Federation in respect of the preparation of accounts.'

BDO Unicon

Partner L.V. Efremova

signed 25 March 2016





APPENDIX II

**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 by RAMI 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 of 31 December 2014 and of the financial results of the Association's operations between 1 January and 31 December 2014 and have been prepared in accordance with the federal law of 6 December 2011 covering the preparation of accounts and the following of accounting rules and guidelines: 'Accounts of Organisations' (decree PBU 4/99 of the Ministry of Finance, 06/07/99, No 43n), 'Accounting rules in the RF' (decree of the Ministry of Finance of the Russian Federation, 29/7/98 no 34n) and also in accordance with the Decree of the Ministry of Finance of the Russian Federation of 2 February 2010 (No 66n.) ('The format of accounts of organisations').

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

The accounts of the use of income and expenditure of RAMI and of the 'Green Card Bureau' for 2015 are accurate, and in conformity with the constitution and other documents that set out the powers and activities of RAMI.

The members of the Internal Audit Commission carried out inspections of the work of the following RAMI departments or subdivisions during 2015:

- The Department for dealing with appeals from the public;
- The Department of Analysis and Control;
- The Department for Information Technology;
- The Department for making compensation payments;
- The Department of the European Protocol;
- The Department for developing insurance methodologies;
- The Department of Public relations;
- The Directorate of the Green Card Bureau;
- The Department of Legal Affairs and Bankruptcy proceedings;
- The Department for developing technical examinations;
- The Department for organising technical inspections and certification;
- The Department for managing insurance data;
- The Security Department.

We saw no breaches of regulations in any of the above departments or sub-divisions of RAMI during 2015. The work of all of the above departments or subdivisions of RAMI was carried on in conformity with the requirements of Russian Federal Law and with the rules of the Association.

Chairman of the internal audit commission	Natalya Chasovikova
Member of the internal audit commission	Fedor Voronin
Member of the internal audit commission	Igor Zagradka
Member of the internal audit commission	Nikolai Galaguza
Member of the internal audit commission	Kirill Brovkovich

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