

ANNUAL REPORT 2016



RUSSIAN ASSOCIATION OF MOTOR INSURERS

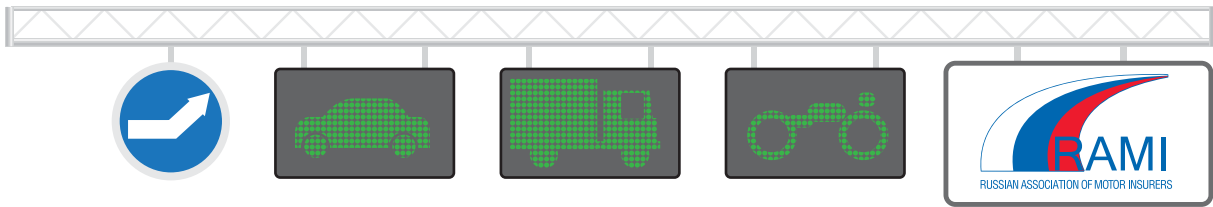


Table of contents

ABBREVIATIONS USED IN THE TEXT.....	4
1. THE RUSSIAN ASSOCIATION OF MOTOR INSURERS.....	5
2. THE MANAGEMENT AND ORGANISATIONAL STRUCTURE OF RAMI	9
3. COMPULSORY INSURANCE – 2016 IN FIGURES	17
Vehicle numbers and accident frequency.....	18
The CMTPL insurance market.....	26
CMTPL insurance as part of the Russian insurance market	36
CMTPL insurance premium tariffs	38
4. DEVELOPMENTS IN THE LEGAL AND REGULATORY FRAMEWORK OF CMTPL INSURANCE IN 2016.....	39
Improving the legal and regulatory framework of CMTPL insurance.....	40
Improving RAMI’s rules and regulations.....	42
5. THE NATIONAL DATABASE OF INSURANCE CONTRACTS	45
Adding data to the database.....	46
Methodological work.....	53
Upgrading the national insurance database software	54
6. THE ELECTRONIC CMTPL INSURANCE POLICY.....	55
7. ENSURING THE AVAILABILITY OF CMTPL INSURANCE.....	61
8. DIRECT SETTLEMENT OF CLAIMS	69
The statistics.....	70
The methodology of direct settlement of claims	75
9. SIMPLIFIED REPORTING OF ROAD ACCIDENTS (THE EUROPEAN PROTOCOL)	77
The ‘unlimited’ European Protocol.....	83





10. THE INTERNATIONAL GREEN CARD SYSTEM	85
The work of the Green Card Bureau in 2016.....	86
Claims in countries that belong to the Green Card system	88
Claims within the Russian Federation	90
Improving management and control of the Green Card system.....	91
Projects undertaken by the Board of the Green Card system in 2016	92
Participation in international, regional and national events	93
11. INTERNATIONAL ACTIVITIES OF RAMI IN 2016	95
Taking part in international events.....	96
Activity within the Eurasian Economic Union and the Commonwealth of Independent States (CIS)	97
12. INDEPENDENT TECHNICAL EXAMINATION OF MOTOR VEHICLES	99
Methodological support of independent technical examination.....	100
Publicising independent examination of motor vehicles	101
Organisational support of independent technical examination of motor vehicles.....	102
13. PERIODIC TECHNICAL INSPECTION OF MOTOR VEHICLES	103
Certification in 2016.....	104
The renewal of certification during 2016.....	106
Publicity work.....	107
Working on the periodic technical inspection of vehicles with regional authorities	107
14. INFORMATION TECHNOLOGY	109
Completing RAMI IT systems	110
Improving of the software module that registers enquiries from RAMI on the interdepartmental government IT system	111
Ensuring the technical feasibility of the operation of the interaction system used to ensure the availability of CMTPL policies	111
15. COMBATING INSURANCE FRAUD	113
Co-operating with government bodies.....	114
Fighting insurance fraud in the insurance community	115



16. MAKING COMPENSATION PAYMENTS	117
17. DEALING WITH ISSUES RAISED BY THE PUBLIC AND BY ORGANISATIONS IN VERBAL OR WRITTEN FORM.....	121
18. SUPERVISING THE WORK OF RAMI MEMBER COMPANIES	127
19. LEGAL AFFAIRS AND DEALING WITH THE BANKRUPTCY OF INSURANCE COMPANIES	135
Legal work	136
Intervening in bankruptcy proceedings of insurance companies that have lost their CMTPL license or have been excluded from the agreement on direct settlement	137
Combating illegal compensation payments.....	138
Intervening in cases relating to the Bonus Malus system.....	140
Intervention in cases that challenge the directories of the average cost of spare parts.....	140
Intervention in cases that challenge the actions of RAMI in the field of the annual technical inspection of motor vehicles	140
Intervention in cases brought by insurance companies challenging the actions of RAMI in the application of disciplinary sanctions.....	141
Compensation payments based on court decisions	141
20. THE RAMI ARBITRATION COURT.....	143
21. PUBLICITY AND PROMOTIONAL EVENTS SUPPORTING ROAD SAFETY ...	145
RAMI PR campaign	146
Promotional events supporting improvements in road safety.....	147
Providing information for the national and regional press and media.....	151
Other publicity campaigns supported by RAMI	152
APPENDICES	153
Appendix I.....	154
Appendix II.....	155
CONTACTS	156



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;
- The CMTPL insurance law – the Federal law of 25 April 2002 (№ 40-FZ) setting out the regulatory framework for CMTPL insurance;
- The law relating to the Crimea – The Federal law of 2 April 2014 (№ 37-FZ) that regulates the financial system in the Crimea during the transitional period;
- The 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'.



1. The Russian Association of Motor Insurers



1. THE RUSSIAN ASSOCIATION OF MOTOR INSURERS

The Russian Association of Motor Insurers (RAMI), a non-commercial organisation, is an All-Russian professional association to which all insurance companies that are licensed to carry on Compulsory Motor Third Party (CMTPL) are affiliated. The objectives of the Association are to enable its membership to take collective action and to draw up the rules that govern their professional activities as CMTPL insurers and govern 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 the CMTPL insurance law as a professional association of insurers. RAMI is entered into the insurance register (organisation number 68) as required by law.

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

As of 31 December 2016, RAMI had 76 insurance organisations in membership of which 69 were full members and 7 were observer members. During 2016 12 insurance organisations were expelled and 4 voluntarily resigned membership.

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

- 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;
- 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 ;
- making compensation payments to victims of road accidents according to the RAMI's charter and according to the CMTPL insurance law and its amendment and also carrying out the legal requirements set out in article 20 of the CMTPL law and point 15, article 13 of the law relating to the Crimea;
- providing for its members blank policy forms for CMTPL insurance and details of number of CMTPL contracts in electronic format and also blank policy forms used in the international insurance system and supervising the use of these blank policy forms;
- 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;
- developing and distributing publicity material relating to CMTPL insurance ;
- co-ordinating the activities of its members targeted against any insurance fraud and other illegal activities insofar as they affect CMTPL insurance and the Green Card system and also in combating unfair competition;
- organising, financing and developing activities to improve road safety in order to reduce the frequency of road accidents and to minimise any damage to be caused;



- developing and financing systems of certification and accreditation of the professional qualifications of those who provide professional services for the CMTPL insurance market and for the international Green Card insurance system;
- cooperating with members of the international Green Card system and performing various functions that are required by the system;
- developing international contacts and co-operation in the interests of the membership;
- collecting, collating and analysing data including statistics on CMTPL insurance;
- 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 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).



2. The management and organisational structure of RAMI





2. 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 a 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 a body that exercises collective control over the Association throughout the year. The Presidium coordinates, directs and exercises general supervision over all the activities of the Association within the period between General Meetings of Members and is accountable for its actions to the General Meeting of Members. The Presidium is empowered to study the 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 not less than 15. Members of the Presidium hold office until the next annual meeting of members. The membership of the Presidium consists of the RAMI President and elected representatives of current member companies. In addition, the Presidium includes one representative from each of the following:

- the government department responsible for developing and implementing policy and developing regulations for internal affairs;
- the government department responsible for developing and implementing policy and developing regulations for road transport;
- the government department responsible for developing and implementing policy and developing regulations for insurance business;
- the government body responsible for control and supervision of insurance business.

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) Ten highest ranked companies can each nominate one member to the presidium;
- b) No more than 7 members of the Presidium can be nominated by member companies ranked from 11 to 30 in terms of their ranking;
- c) 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 7 June 2016, the General meeting of the Association appointed the presidium. As of 31 December 2016, the membership of the presidium was as follows:

Table 1

MEMBERS OF THE RAMI PRESIDIUM

IGOR YURGENS	President of RAMI
ELENA ALEKSANDROVA	Managing Director, SOGAZ
NADEZHDA ARSHINOVA	General Director, 21st Century Insurance Company
NIKOLAI ASAUL	Deputy Minister of Transport of the Russian Federation
SERGEI BARSUKOV	Director of the department of Financial Policy, Ministry of Finance of the Russian Federation
ALEKSEI BOBILEV	General Director, Moskovia Insurance Company
SERGEI VASILEV	General Director, ENERGOGARANT Insurance Company
ALEXANDER GORIN	Deputy General Director, Alfa Insurance Company
BORIS JORDAN	President, Renaissance Insurance Group
VLADIMIR KUZIN	Deputy Chief State Inspector of Road Safety, Russian Federation
ARKADY LYUBAVIN	General Director, Yuzhural-ASKO Insurance Company
DMITRI MAKSIMOV	General Director, INTOUCH Insurance Company



Table 1 (continued)

MEMBERS OF THE RAMI PRESIDIUM

DMITRI MARKAROV	General Director, Rosgosstrakh
NADEZHDA MARTYANOVA	General Director, MAKS Insurance Company
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
ALEKSANDR USOV	First Deputy General Director, UralSib Insurance Group
IGOR FATYANOV	General Director, Zetta Insurance Company
MARGARITA FILIPPOVA	General Director, Nadezhda 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 15 January 2015, the General 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 7 June 2016 the General meeting of members of the Association appointed the following to the RAMI internal audit commission:

Table 2

MEMBERS OF THE RAMI INTERNAL AUDIT COMMITTEE

KIRILL BROVKOVICH	General Director, TRANSNEFT Insurance Company
IVAN MIRONENKO	Finance Director, Tinkoff Insurance Company
ALEXANDER POTITOV	Deputy General Director, Liberty Insurance Company
IGOR ZAGRADKA	Chairman of the Board, Megarus-D
NATALYA CHASOVIKOVA	General Director, Borovitskoe Insurance Company



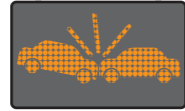
The Management Board of the Association is the body that coordinates day-to-day business of the Association. The Management Board reviews issues referred to it under the Charter of the Association, by the rules that govern professional behaviour of members and by other internal documents. The Presidium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

As of 31 December 2016, the following were members of the Management Board:

Table 3

RAMI MANAGEMENT BOARD

1	IGOR YURGENS	President of RAMI
2	ELENA ALEKSANDROVA	Managing Director, SOGAZ
3	ALEXANDER GORIN	Deputy General Director, Alfa Insurance Company
4	DMITRI MARKAROV	General Director, Rosgosstrakh
5	OLEG OVSYANITSKIY	General Director, VSK
6	DMITRI RAKOVSHIK	General Director, RESO-Garantiya
7	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 tariffs, statistics and reserving committee	The finance committee
The committee for calculating bodily injury damages	The committee for developing the bureau of 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	



3. Compulsory insurance – 2016 in figures





3. COMPULSORY INSURANCE – 2016 IN FIGURES

VEHICLE NUMBERS AND ACCIDENT FREQUENCY

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

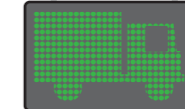
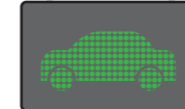
Last year, the number of vehicles on Russia's roads continued growing up. In 2016, while there was an increase in the number of vehicles, there was a fall in the number of people injured in road accidents.

Table 5 and Figure 2 set out the data relating to the growth in the numbers of motor vehicles between 2004 and 2016 in the Russian Federation.¹

Table 5

	Number of motor vehicles (min)	Increase (min)	Growth (%)
2016	57.1	0.5	0.9
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		

¹ Data from Department of road safety, Ministry of Interior.



NUMBER OF MOTOR VEHICLES IN THE RUSSIAN FEDERATION 2004–2016

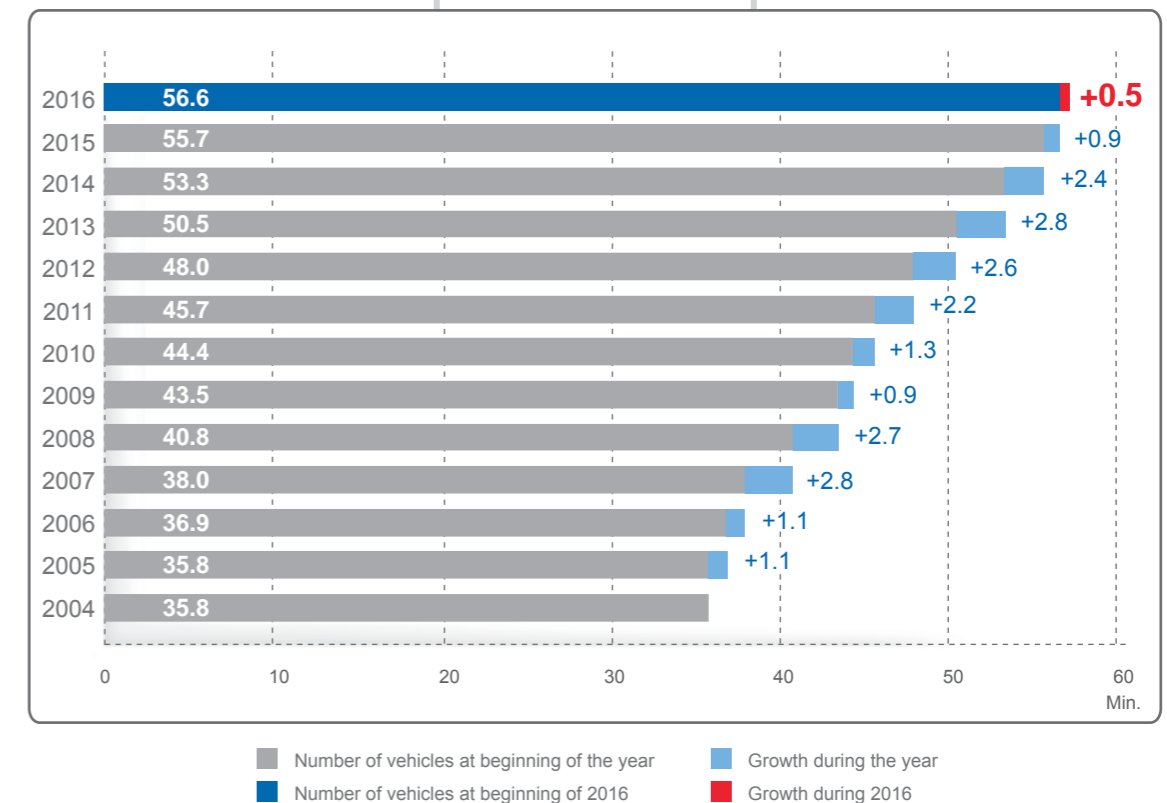


Figure 2
Number of motor vehicles in the Russian Federation 2004–2016

Between 2004 and 2015, the total number of vehicles on Russian roads grew constantly. From 2008 to 2010, such growth slowed down: 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 the years 2014–2016, there was once again a reduction in the rate of growth. Thus, in 2014 the number of vehicles grew by 4.5% (2.4 million additional vehicles), in 2015 – by 1.6% (900,000 additional vehicles) and in 2016 – by 0.9% (500,000 additional vehicles). The main factor causing the drop in the growth rate in 2015 and 2016 is the reduction in the sale of new vehicles. The types of vehicles on the roads in Russia in 2016 are set out in figure 3².

² Sourced from Department of Road Safety, Ministry of Interior.



TOTAL NUMBER OF VEHICLES BY VEHICLE TYPE IN 2016 (EXCLUDING TRAILERS AND SEMI-TRAILERS)

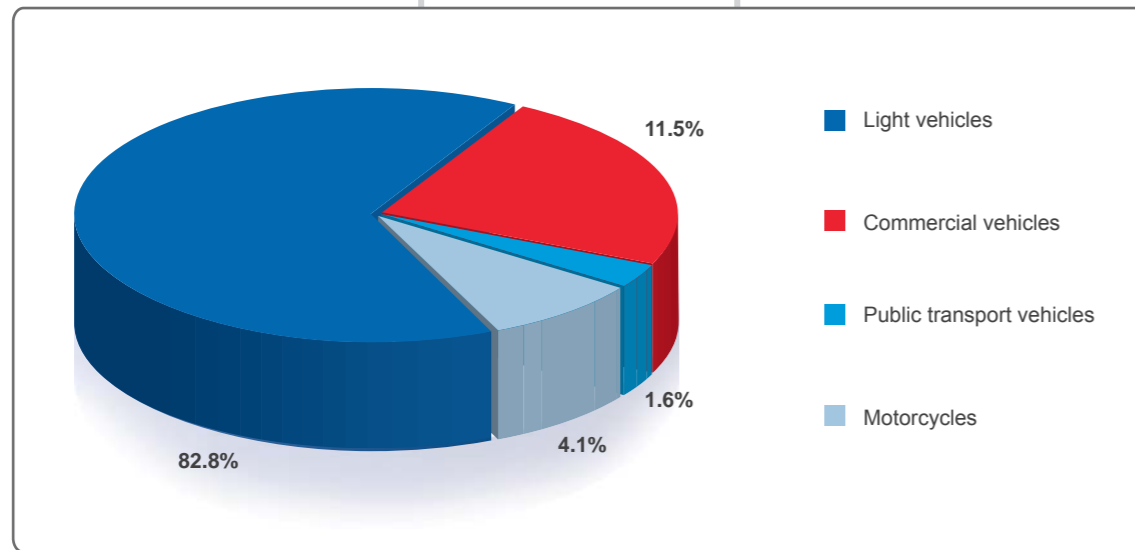
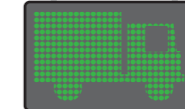


Figure 3
Total number of vehicles by vehicle type in 2016

In 2016, there was no significant change to the proportion of the various types of vehicle. The share of light vehicles increased from 82.5% to 82.8%, whilst the share of commercial vehicles reduced from 11.6% to 11.5. The proportion of motor cycles reduced from 4.2% to 4.1% and that of public transport vehicles remained constant at 1.6%. In comparison with 2015, the number of light vehicles increased by 1% and the number of commercial vehicles and motor cycles reduced by 0.1%.



The comparative data applied to the number of vehicles and the number of CMTPL insurance policies sold between 2004 and 2016 are shown in Figure 4.

NUMBER OF VEHICLES AND CMTPL POLICIES ISSUED

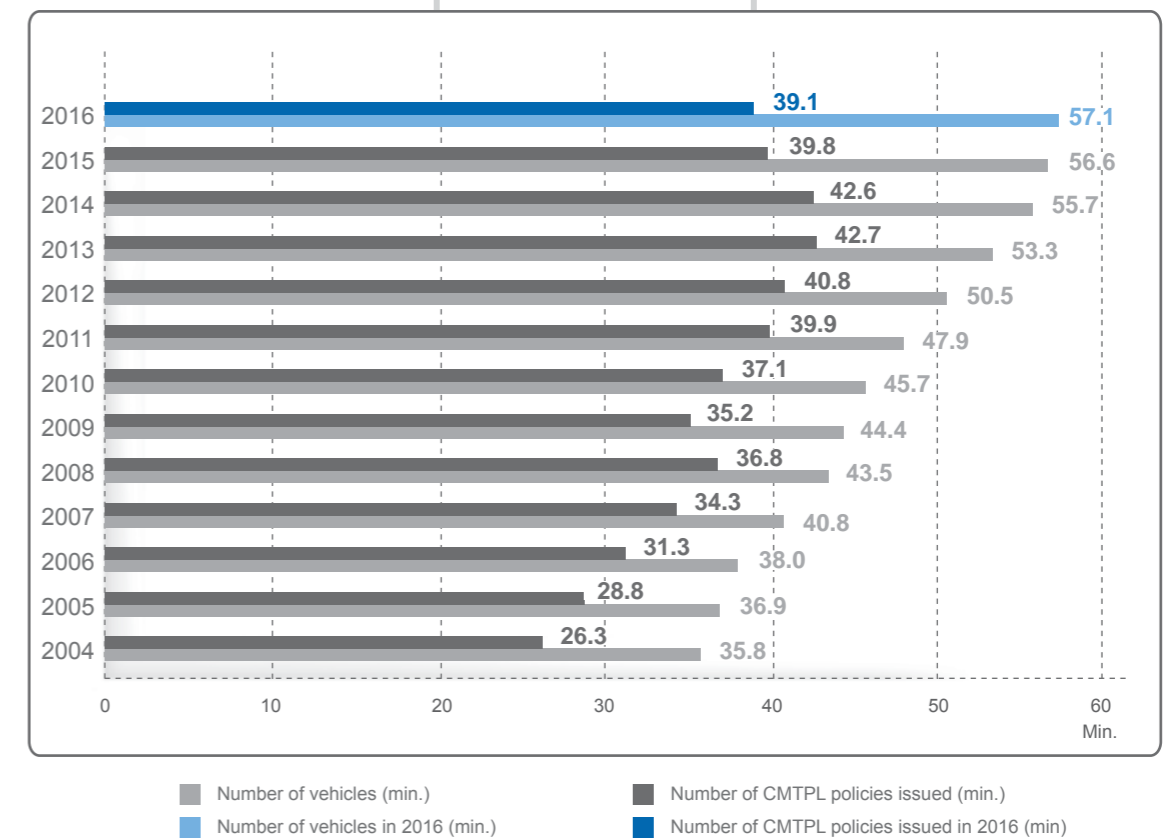
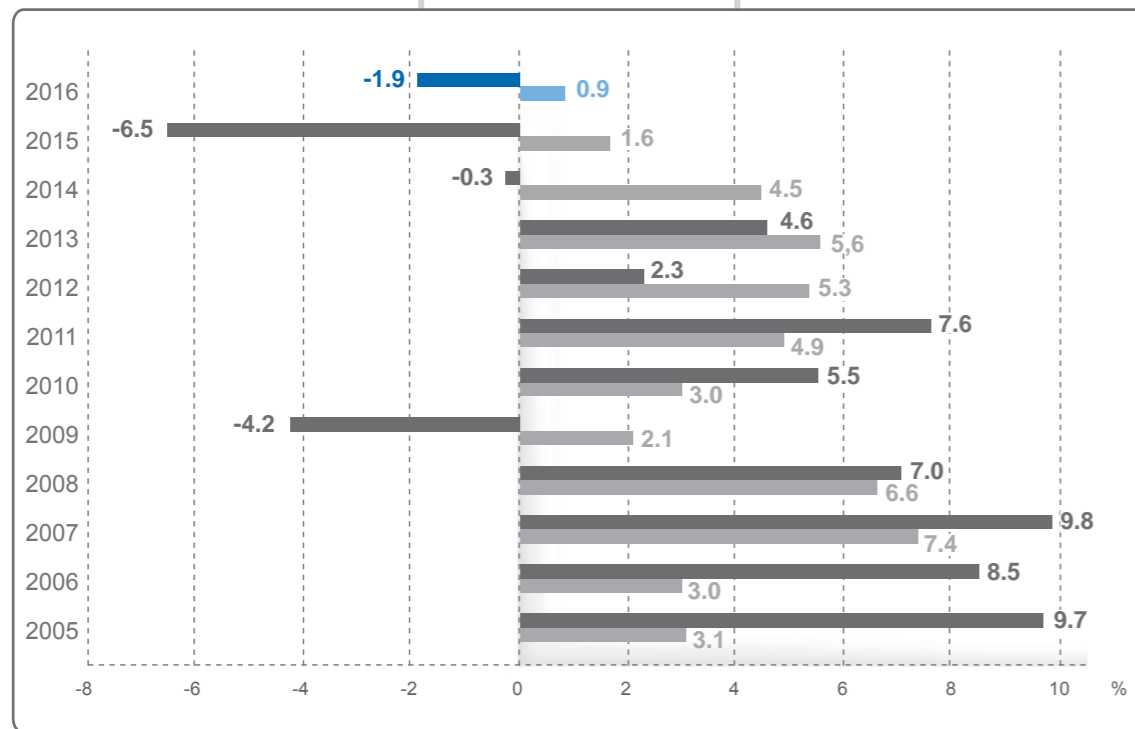


Figure 4
Number of vehicles and CMTPL policies issued



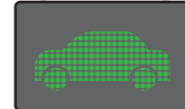
In 2016, 39.1 million CMTPL insurance policies were sold that was less by 1.9% as compared with 2015 (Fig.5).

GROWTH IN NUMBER OF CMTPL INSURANCE POLICIES ISSUED AND VEHICLE NUMBERS



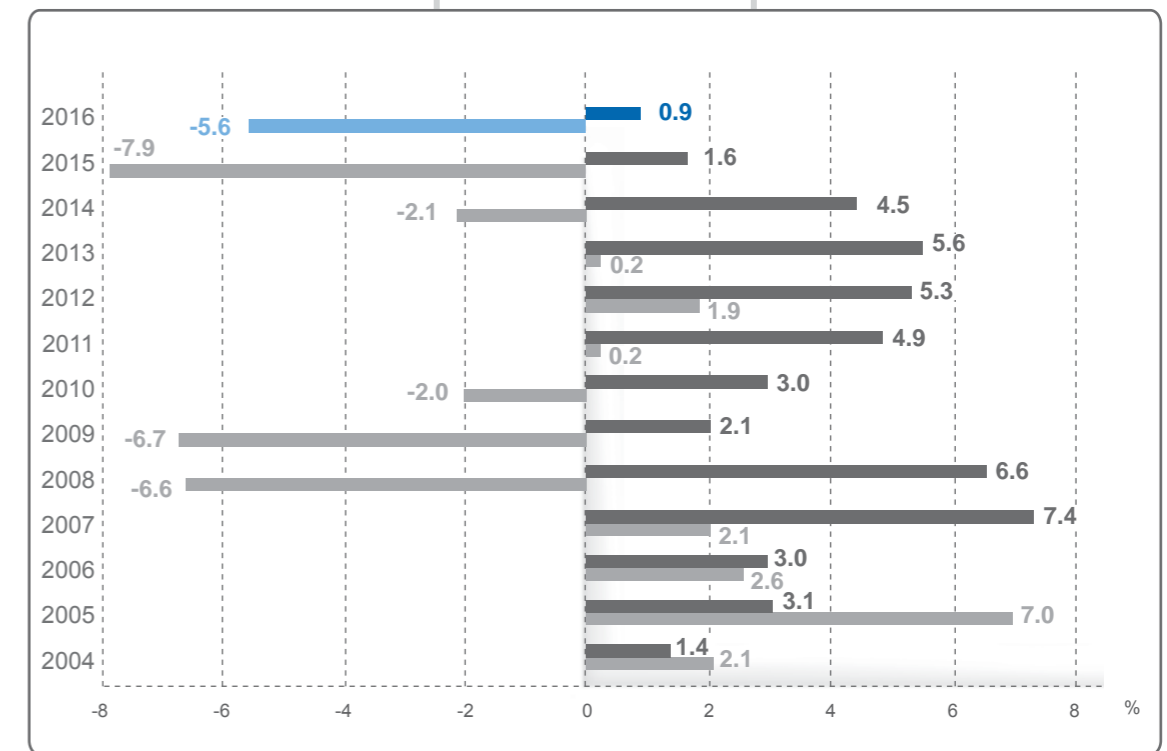
■ Annual growth in number of vehicles (%) ■ Annual growth in number of CMTPL policies (%)
 ■ Growth in vehicles during 2016 (%) ■ Growth in number of CMTPL policies during 2016 (%)

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



In 2016, the number of road accidents which resulted in bodily injury reduced by 5.6% as compared with 2015. There were 184,000 such accidents in 2016 and 173,300 in 2015. (Fig 6).

GROWTH IN NUMBER OF ROAD ACCIDENTS AND MOTOR VEHICLE NUMBERS



■ Growth in number of road accidents (%) ■ Growth in number of vehicles (%)
 ■ Growth in number of road accidents in 2016 (%) ■ Growth in number of vehicles in 2016 (%)

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



The number of people injured in road accidents reduced from 254,300 in 2015 to 241,400 in 2016, thus demonstrating a drop of 5.1%. Within this total, the number of accident victims who were killed reduced by 12.1% whilst the number of injured reduced by 4.3%. Figure 7 shows the statistics relating to accidents, injuries and deaths within the period of 2004 to 2016³.

ROAD ACCIDENT VICTIMS, KILLED OR INJURED (2004–2016)

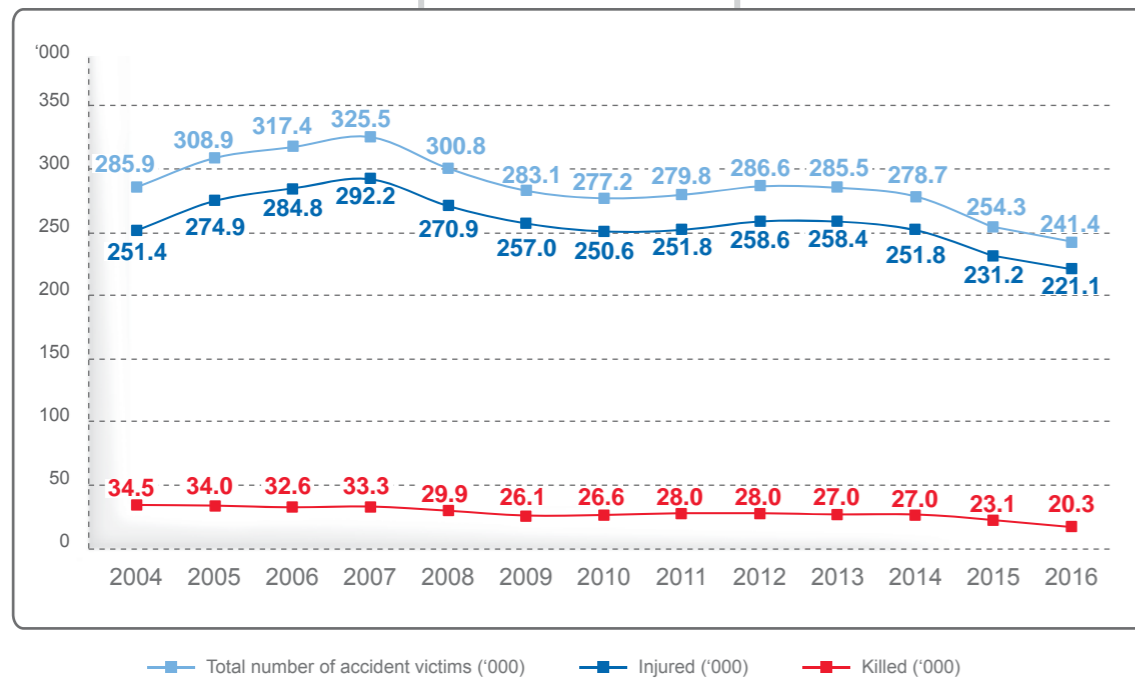


Figure 7
Road accident victims, killed or injured

³ Source: Department of Road Safety, Ministry of Interior.



As compared with 2015, in 2016 the number of accidents fell by 5.6%, whilst the number of insurance claims increased by 0.7% (figure 8).

GROWTH IN NUMBER OF ROAD ACCIDENTS AND CLAIMS MADE

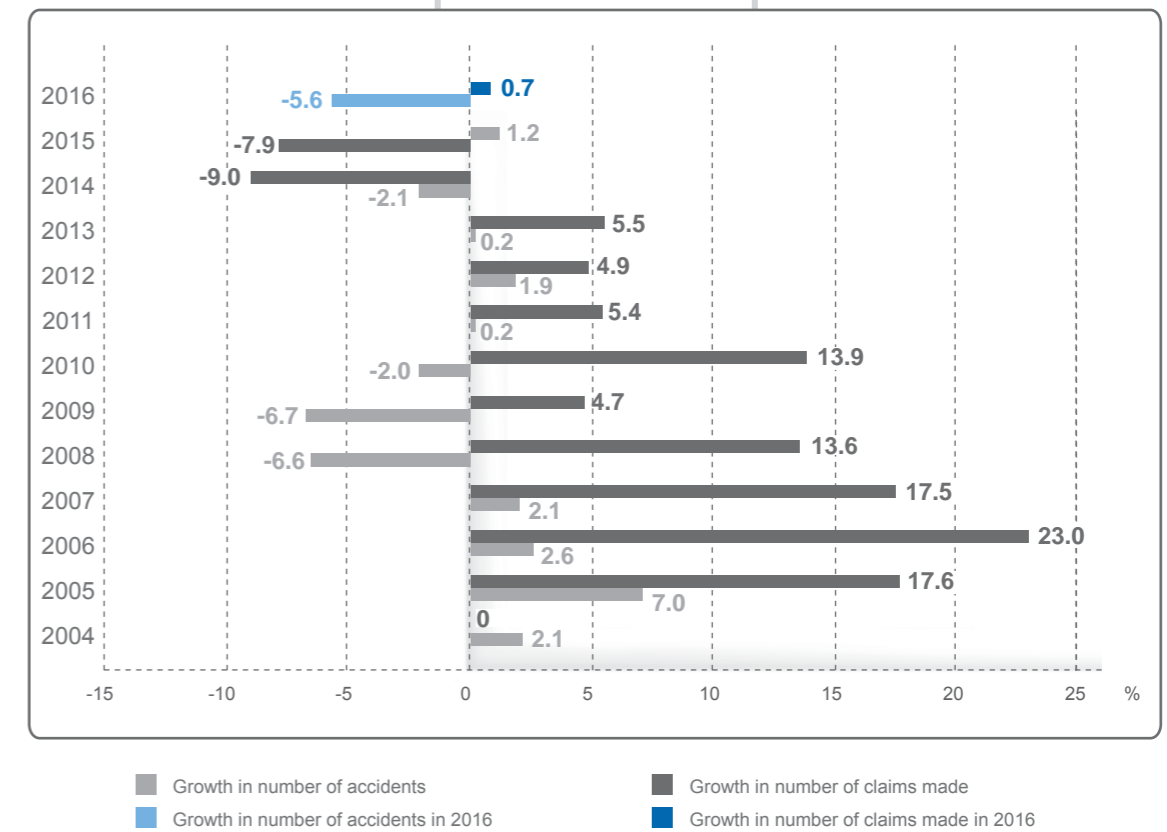


Figure 8
Growth in number of road accidents and claims made



THE CMTPL INSURANCE MARKET

Between 1 July 2003 and 31 December 2016, approximately 488 million policies of CMTPL insurance were issued, about 26.5 million accident victims received compensation for damage caused in a road accident and the total sum of compensation paid was 840.3 bn rubles.

In 2016:

- Number of policies issued – 39.1 mln;
- Total premium received – 235.6 bn rubles;
- Number of claims made – 2.55 mln;
- Number of claims settled – 2.4 mln;
- Total amount of claims paid – 166 bn rubles.

For the statistics of annual premiums and claims, see Figure 9.

CMTPL PREMIUMS AND CLAIMS 2003–2016

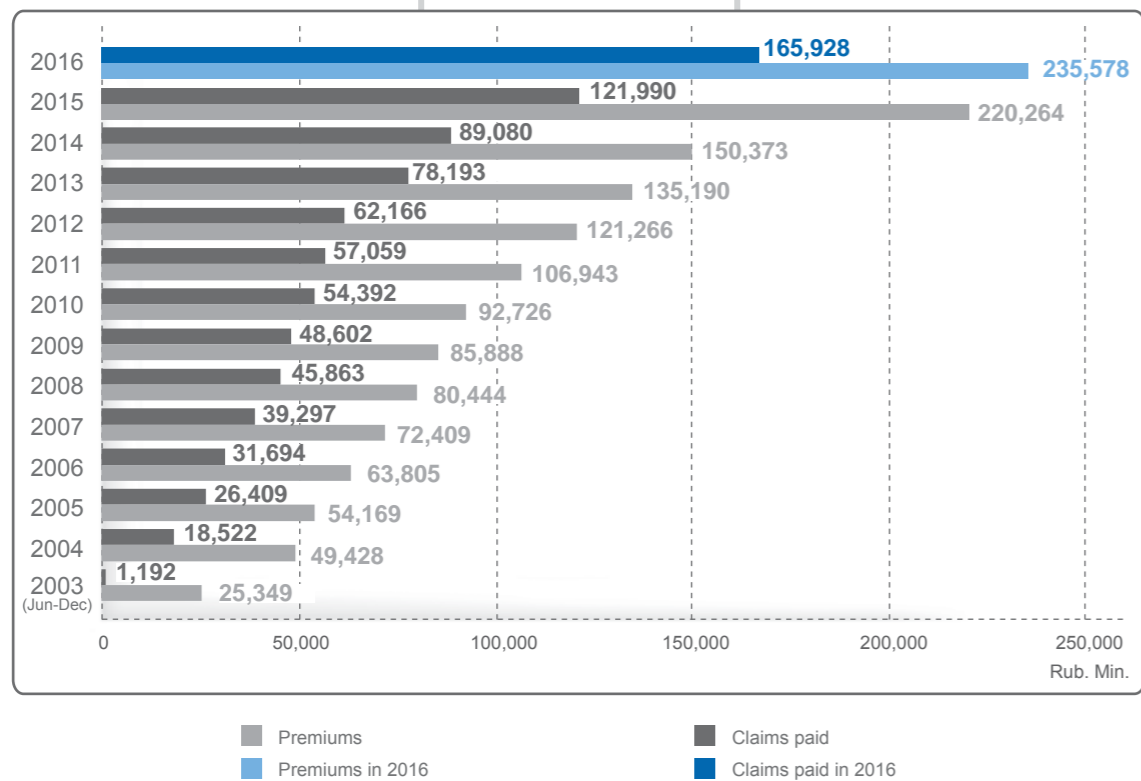


Figure 9
CMTPL premiums and claims 2003–2016

In Russia as a whole in 2016, for every 100 rubles collected in premiums, 70.4 rubles was paid out in claims.

Table 6 shows the details of the growth in premiums and claims.

Table 6

	Premium growth %	Claims growth %
2016	7.0	36.0
2015	46.5	36.9
2014	11.2	13.9
2013	11.5	25.8
2012	13.4	8.9
2011	15.3	4.9
2010	8.0	11.9
2009	6.8	6.0
2008	11.1	16.7
2007	13.5	24.0
2006	17.8	20.0
2005	9.6	42.6

The above increase in claims payments in 2016 is due to the increase in CMTPL policy limits in respect of property damage that applied to policies that came into force after 1 October 2014 and in respect of bodily injury that applied to contracts concluded after 1 April 2015. Property damage limits increased from 120,000 rubles to 400,000 rubles and bodily injury limits increased from 160,000 rubles to 500,000 rubles. At the same time, for CMTPL insurance contracts concluded from 1 April 2015, the policy limit in respect of bodily injury applies to each victim whereas before the limit was an aggregate amount applying to all the victims injured in the accident. A further cause of the increase in claims payments was depreciation of the Russian currency against major world currencies that led to an increase in the cost of parts and materials necessary for the repair of vehicles. These factors also caused the average CMTPL claim amount to increase.



Figure 10 shows the CMTPL average claim amount over time.

AVERAGE CMTPL CLAIM PAYMENT

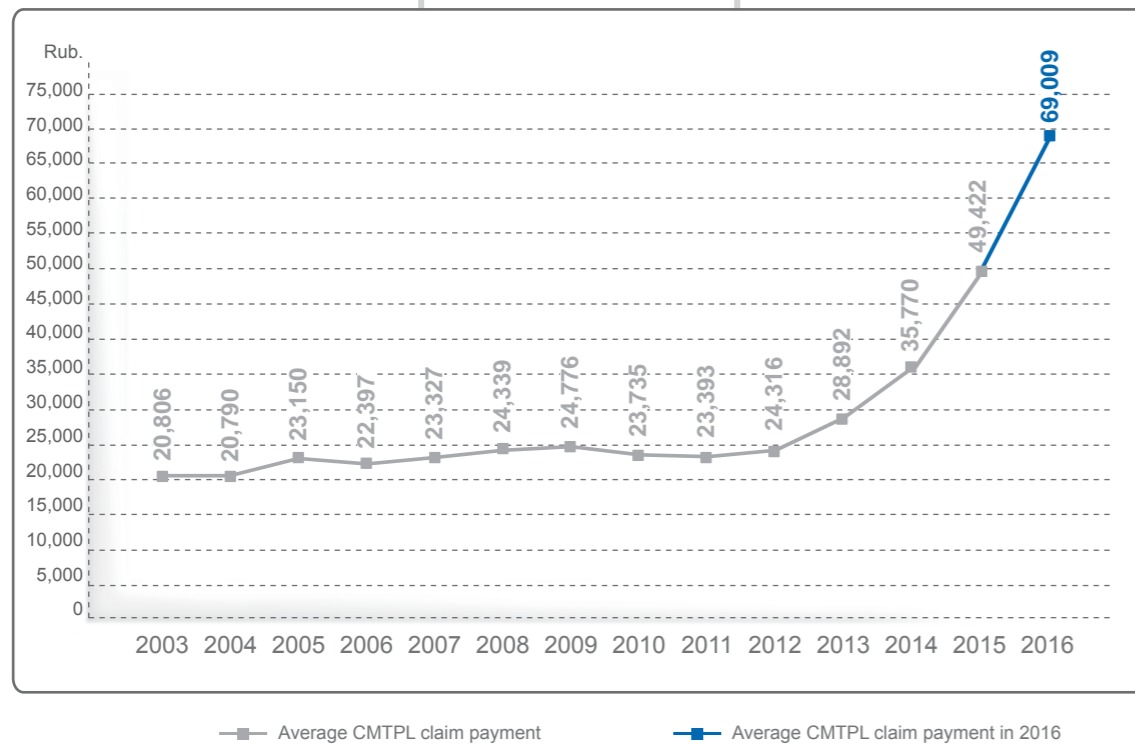


Figure 10
Average CMTPL claim payment

NUMBER OF VICTIMS RECEIVING COMPENSATION UNDER CMTPL INSURANCE AND TOTAL CLAIMS PAYMENT (2003–2016)

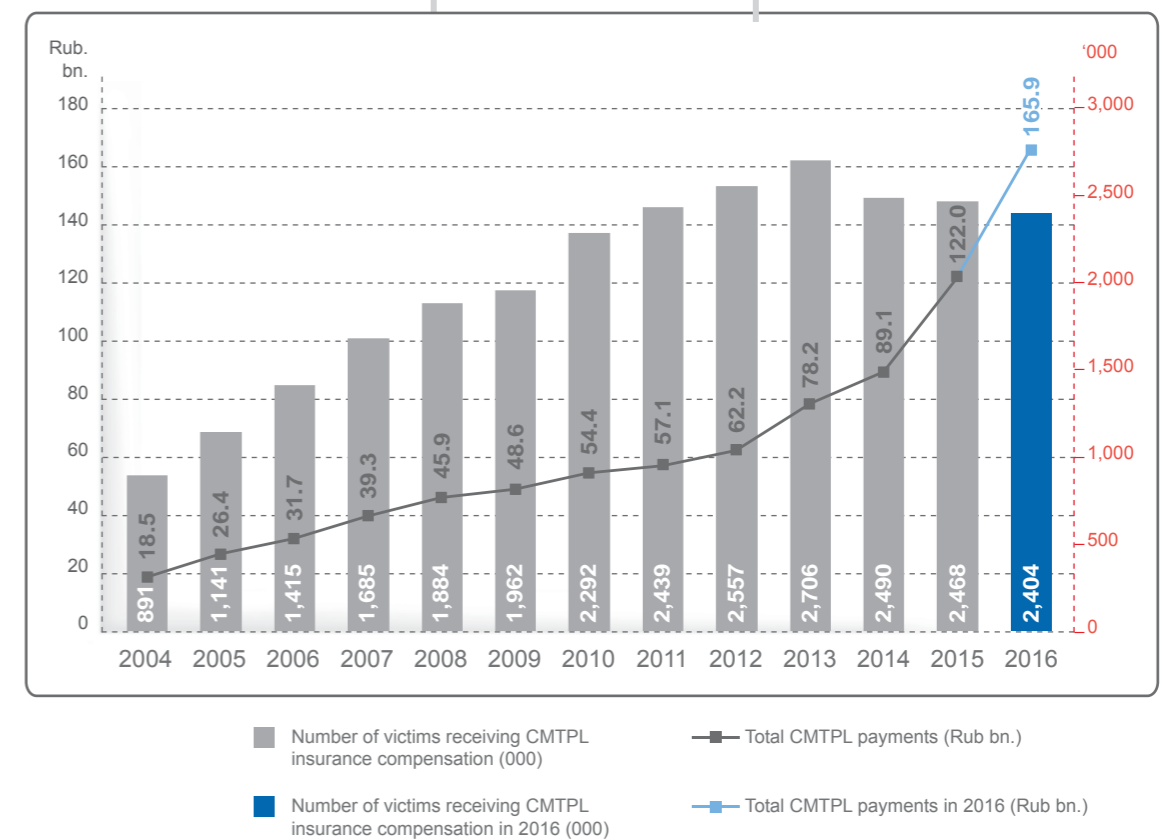


Figure 11
Number of victims receiving compensation under CMTPL insurance and total claims payment

In addition, payments made under a decision of a court had a strong impact on the volume of payments under CMTPL insurance policies. Within the period of 2011 to 2014 the proportion of claims where a court decision was involved increased every year. This increase is due to changes in court procedures that applied consumer protection legislation to CMTPL insurance. Between 2015 and 2016, the proportion of claims settled in the courts decreased and by the end of 2016 it stabilised at the level of 14%. This improvement can be explained, amongst other things, by the introduction of a mandatory pre-trial dispute settlement. At the same time, it must be said that, despite the fact that the proportion of claims settled in the courts stabilised during 2015 and 2016, the cost of these claims has continued



to grow at a high rate. Thus, at the end of 2015 the total amount claims settled in the courts, including court costs, was 18.4 bn rubles by the end of 2016, this figure had risen to 26.3 bn rubles, an increase of 43%.

Data on court awards in relation to total CMTPL claims payments are shown in Figure 12 and Table 7.

Table 7

	Total claims payments rubles min.	Claims payments following court decisions incl. court costs	Growth (%)
2016	191,284	26,302	43
2015	130,233	18,401	-25
2014	98,959	24,448	34
2013	82,520	18,249	88
2012	64,760	9,720	68
2011	56,460	5,776	

COURT AWARDS IN RELATION TO TOTAL CMTPL CLAIMS PAYMENTS

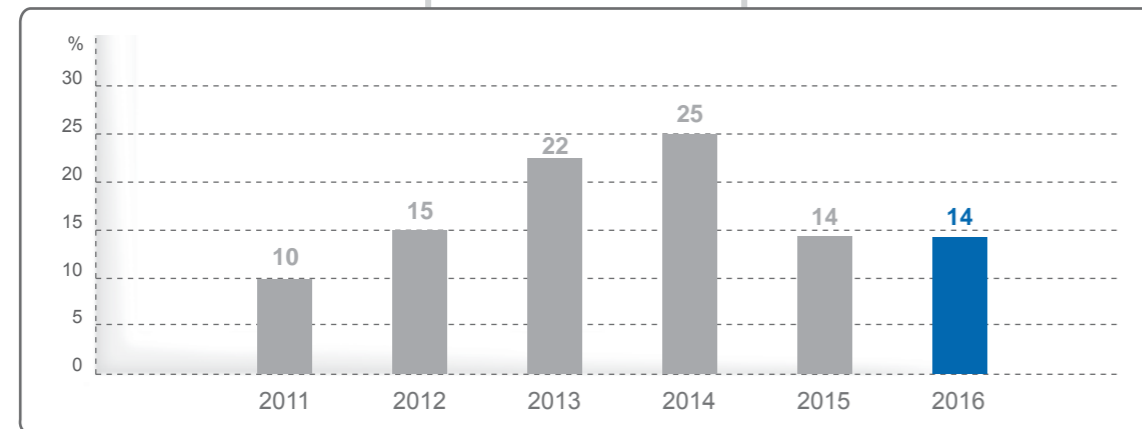


Figure 12
Court awards in relation to total CMTPL claims payments



In particular, it should be noted that, despite the fact that the proportion of claims settled in the courts has decreased, the proportion of judicial awards that are not related to the insurance contract continues to grow every year. The diagram in Figure 13 shows that at the end of 2011 the share of non-insurance judicial awards was only 15% of all court payments, whilst by the end of 2016 the share of such awards was already half of all the legal expenses incurred. This increase reflects the results of the activities of unscrupulous legal intermediaries and of organised insurance fraud.

NON-INSURANCE COURT AWARDS IN RELATION TO TOTAL CMTPL COURT AWARDS

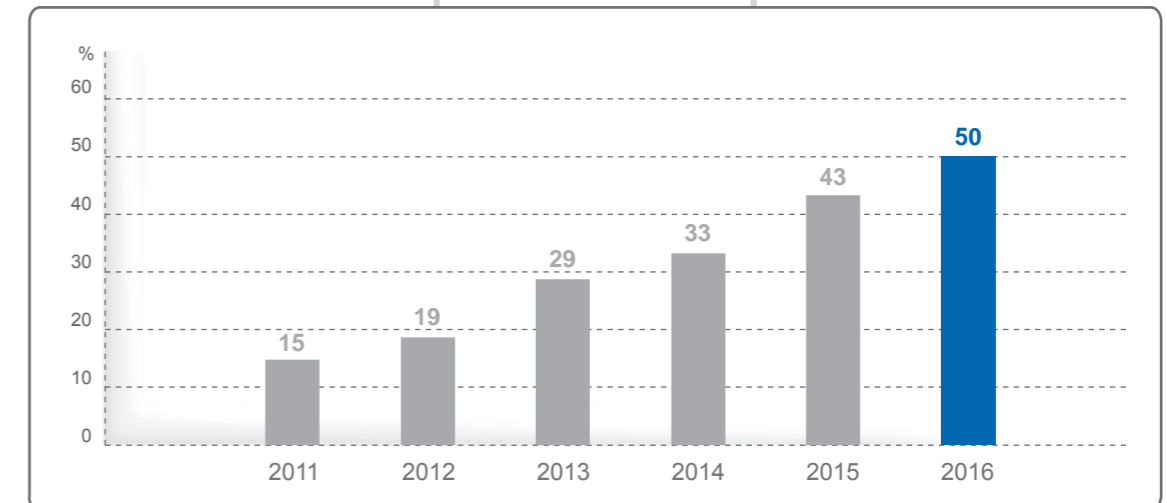
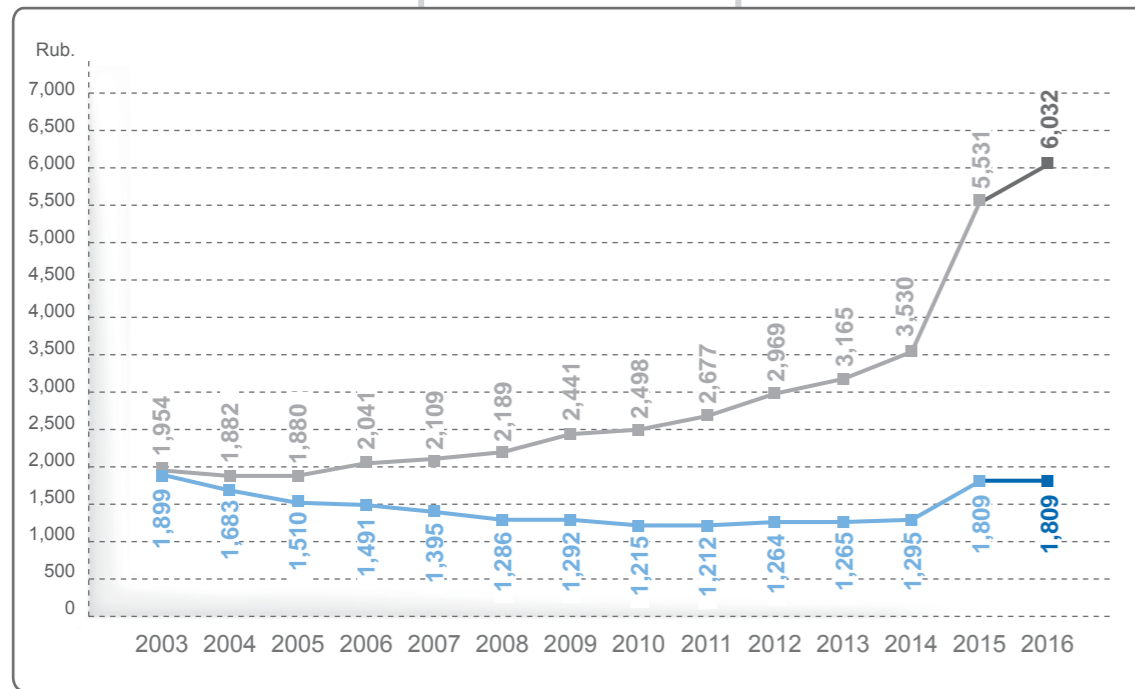


Figure 13
Non-insurance court awards in relation to total CMTPL court awards



Since the introduction of CMTPL insurance in 2004, the average premium has increased from 1,954 rubles to 6,032 rubles in 2016. However, if inflation is taken into account, the real average insurance premium decreased by 5% (Figure 14).

AVERAGE CMTPL INSURANCE PREMIUM



■ Average premium ■ Average premium in 2016
■ Average premium (inflation adjusted) ■ Average premium in 2016 (inflation adjusted)

Figure 14
Average CMTPL insurance premium



Figure 15 shows the 15 regions of Russia where the greatest amount of CMTPL claims are paid by insurance companies.

LEADING RUSSIAN REGIONS IN TERMS OF CMTPL CLAIMS PAYMENTS (2016)

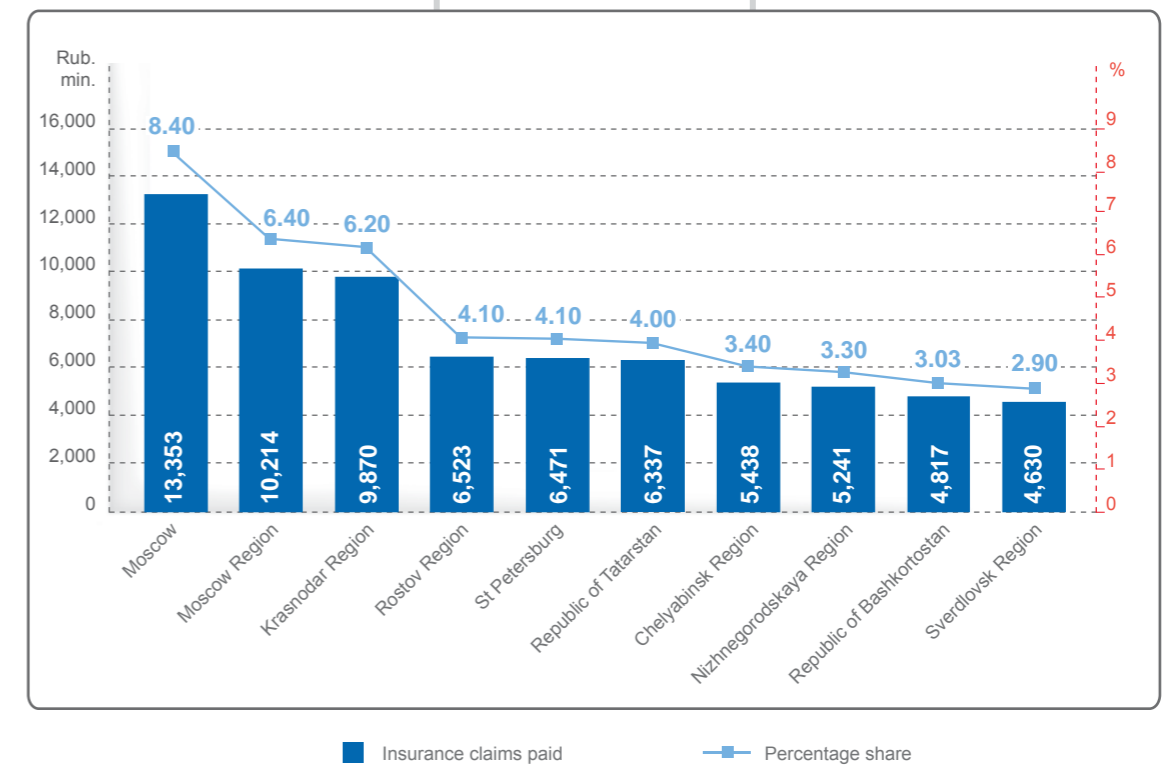
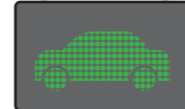


Figure 15
Leading Russian regions in terms of CMTPL claims payments (2016)

In 2016, the regions where most CMTPL claims were paid were as follows: Moscow – 13.353 bn rubles (8.4% of the total); Moscow Region – 10.214 bn rubles (6.4% of the total) and Krasnodar – 9.870 bn rubles (6.2% of the total).

Regions where claims payment were between 4.6 bn rubles and 6.5 bn rubles (2.9% to 4.1% of the total) were: Rostov Region – 6.523 bn rubles; St Petersburg – 6.471 bn rubles; Republic of Tatarstan – 6.337 bn rubles; Chelyabinsk Region – 5.438 bn rubles; Nizhegorodskaya Region – 5.241 bn rubles; Republic of Bashkortostan – 4.817 bn rubles and Sverdlovsk Region – 4.630 bn rubles.

As for the Federal Administrative Regions, there is no doubt that the leading administrative region in relation to both premiums collected and claims paid is the Central Federal Region. Here were collected 75.277 bn rubles in premiums (33.4% of the total) and total claims paid amounted to 42.474 bn rubles (26.8% of the total). Figures 16 and 17 give the details.



CMTPL INSURANCE PREMIUMS IN THE FEDERAL REGIONS (2011–2016)

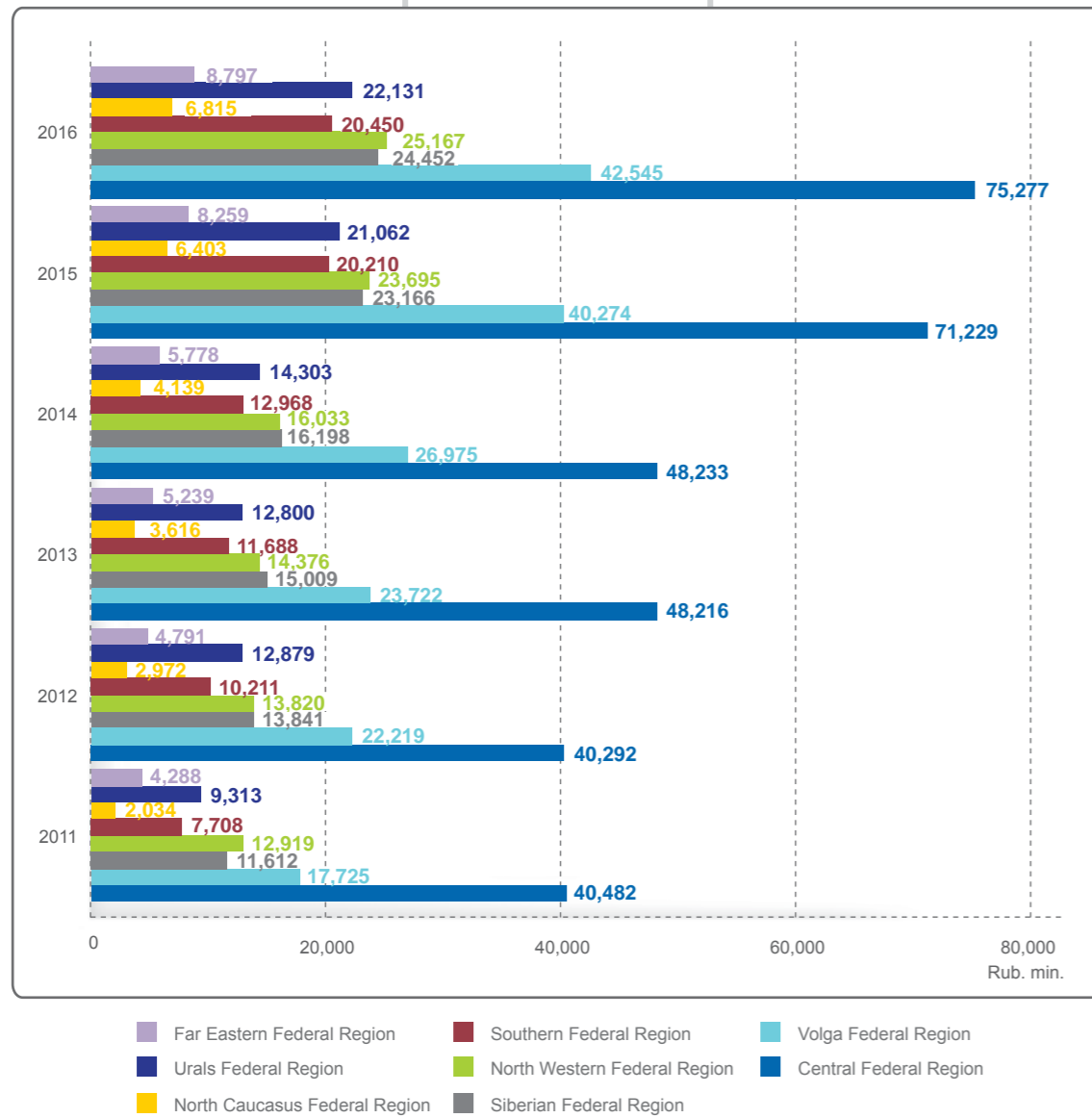


Figure 16

CMTPL insurance premiums in the Federal Regions

In 2016, 18.9% of total premiums were collected in the Volga Federal Region (42.545 bn rubles); 11.2% in the North Western Federal Region (25.167 bn rubles); 10.8% in the Siberian Federal Region (24.452 bn rubles); 9.1% in the Southern Federal Region (20.450 bn rubles); 3.9% in the Far Eastern Federal Region (8.797 bn rubles) and 3% in the North Caucasus Federal Region (6.815 bn rubles).

CMTPL CLAIMS PAID IN THE FEDERAL REGIONS (2011–2016)

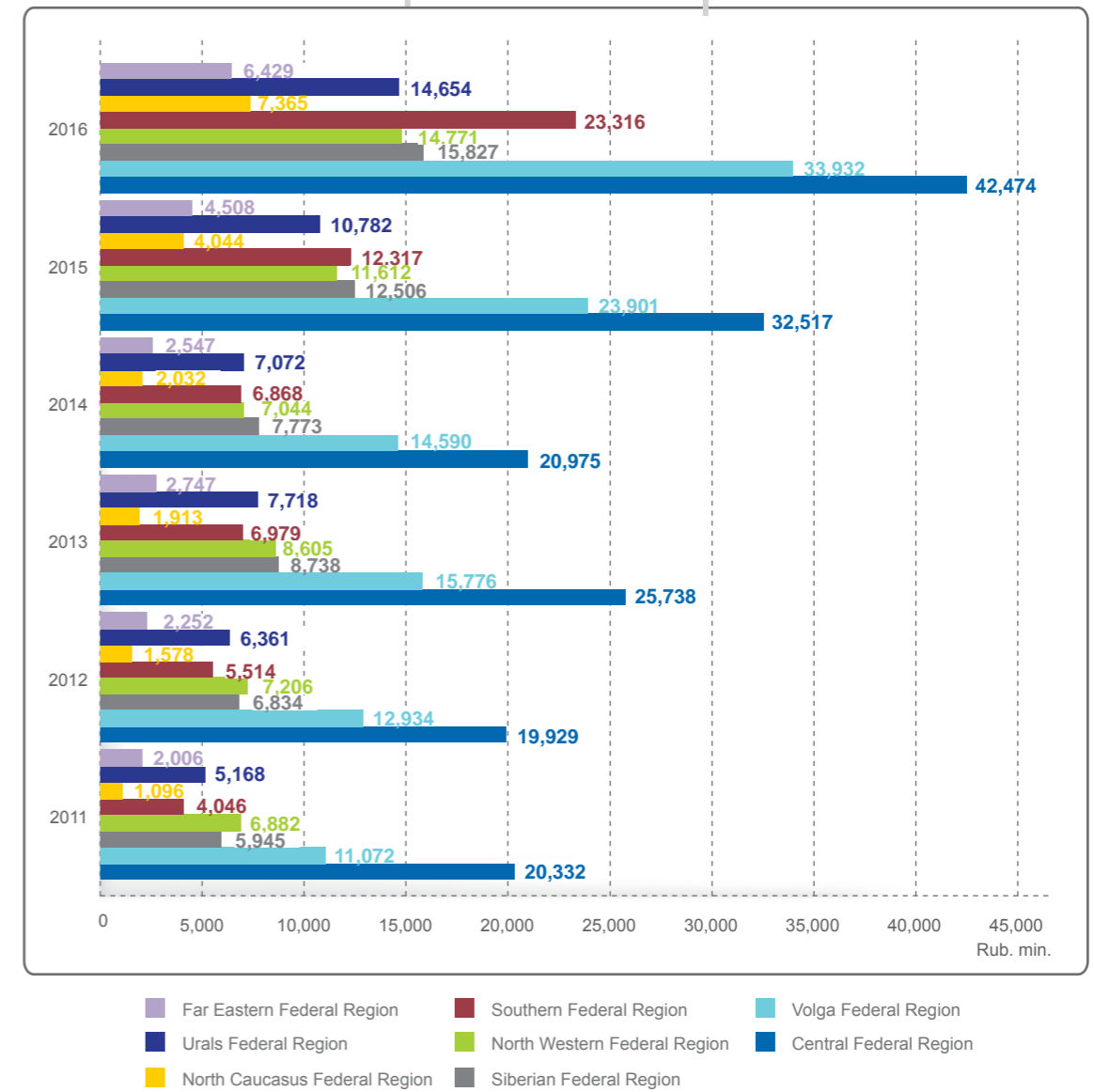
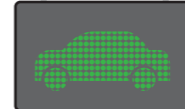


Figure 17

CMTPL claims paid in the Federal Regions

As for the claims paid in the Federal Administrative Regions the figures were as follows: 21.4% of total claims were paid in the Volga Federal Region (33.932 bn rubles); 14.7% in the Southern Region (23.316 bn rubles); 10% in the Siberian Federal Region (15.827 bn rubles); 9.3% in the North Western Federal Region (14.771 bn rubles); 9.2% in the Urals Federal Region (14.654 bn rubles); 4.6% in the North Caucasus Federal Region (7.365 bn rubles) and 4% in the Far Eastern Federal Region (6.429 bn rubles).



CMTPL INSURANCE AS PART OF THE RUSSIAN INSURANCE MARKET

As of 31 December 2016, the state register of insurance organisations contained 268 insurance organisations⁴, of which 70 were licensed to underwrite CMTPL insurance, which is 26.2% of all insurance organisations. Table 8 shows the details of total market premiums and CMTPL insurance premiums.

Table 8

	2016
Total insurance premiums (bn rubles)	1,180.6
CMTPL insurance premiums (bn rubles)	234.4
CMTPL insurance premiums as a proportion of the total (%)	19.9
Total claims paid (bn rubles)	505.8
CMTPL claims paid (bn rubles)	172.6
CMTPL insurance claims as a proportion of the total (%)	34.1

Figures 18 and 19 show CMTPL figures in comparison with other classes of insurance.

INSURANCE PREMIUMS BY CLASS OF BUSINESS – 2016

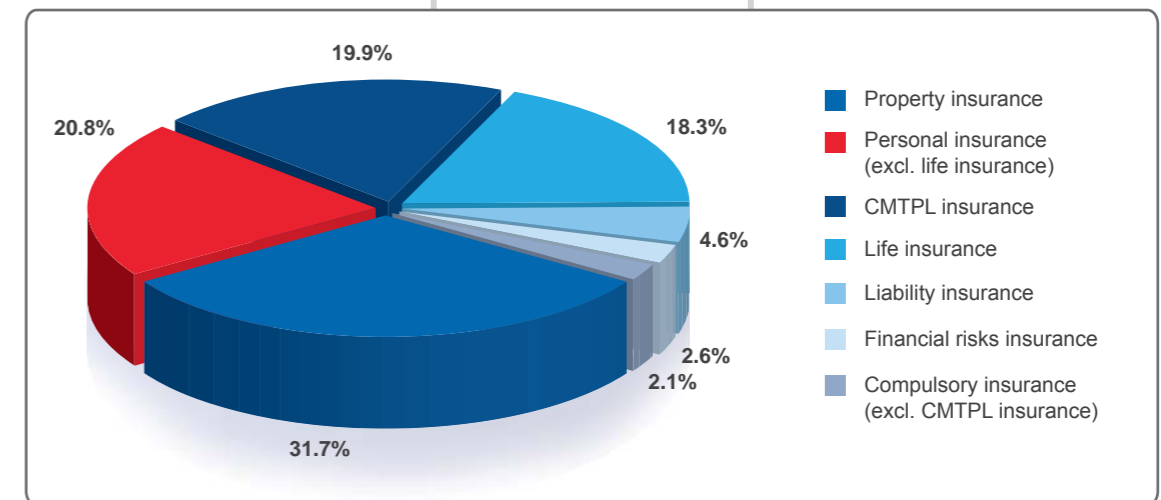


Figure 18
Insurance premiums by class of business – 2016

CLAIMS PAID BY CLASS OF BUSINESS – 2016

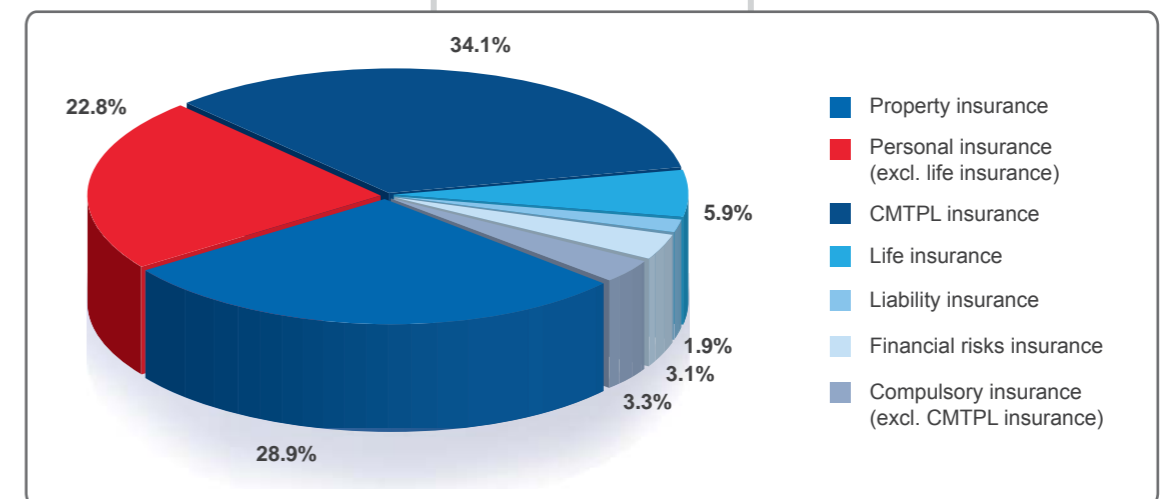


Figure 19
Claims paid by class of business – 2016



As specified in Figure 18 regarding 2016, property insurance (including motor physical damage) is the largest insurance class with 31.7% of all premiums. Personal insurances (excluding life insurance) have the second largest share of total premiums with 20.8%. CMTPL insurance is the third largest class. Its premiums comprise 19.9% of the total. As for the life insurance, liability insurance and financial risks, they have the 4th, 5th and 6th class-rank, with market shares of 18.3%, 4.6% and 2.6% respectively. Finally, compulsory classes of insurance (excluding CMTPL insurance) make up 2.1% of premiums in the market.

The class of business where most claims were paid in 2016 was CMTPL insurance. This class could be rated at 34.1% of all claims paid during the year. Property insurance (including motor physical damage) makes the second largest volume of claims (28.9%) following which was personal insurance excluding life insurance (22.8%). The next three places were made up by life insurance (5.9%), compulsory insurance (excluding CMTPL insurance) (3.3%) and financial risks (3.1%). Liability insurance makes the smallest volume of claims rated as 1.9% of total claims.

It is important to note that the share of CMTPL claims in total claims increased between 2015 and 2016. In the former year, CMTPL claims made up 24.4% of the total whilst this figure had increased to 34.1% of claims in 2016. At the same time, the share of CMTPL insurance premiums reduced from 21.4% in 2015 to 19.9%.

Total CMTPL insurance premiums increased by 5% during 2016, whilst premiums from other classes of voluntary insurance increased by 18%. Total CMTPL claims paid during 2016 were fully 34% higher than in 2015, whilst the volume of claims paid in other classes of voluntary insurance reduced by 14%.

Total CMTPL insurance premiums amounted to 259.2 bn rubles in 2016. The corresponding figure for 2015 was 246.2 bn rubles. Claims paid in 2016 amounted to 189.5 bn rubles as compared with 141.8 bn rubles in 2015. Total premiums in other voluntary classes of premium amounted to 921.4 bn rubles. In 2016 as compared with 777.6 bn rubles in 2015. At the same time the volume of claims in other classes was 316.3 bn rubles in 2016 compared with 36.7 bn rubles.

Total insurance premiums from both compulsory and voluntary classes of insurance in 2016 amounted to 1,180.6 bn rubles. Total claims paid were 505.8 bn rubles.

CMTPL INSURANCE PREMIUM TARIFFS

Every year RAMI arranges actuarial research into CMTPL insurance tariffs. In 2016, the RAMI tariffs, statistics and reserves committee commissioned scientific research based on premium and claims data provided by RAMI members within the period of 1 July 2013 to 30 June 2016. The object of the research was to examine the extent to which current CMTPL insurance tariffs related to the actual loss ratios experienced by the companies. The data that resulted from the research were used to prepare proposals for changing insurance tariffs for CMTPL insurance and these were sent to the Bank of Russia.



4. Developments in the legal and regulatory framework of CMTPL insurance in 2016





4. DEVELOPMENTS IN THE LEGAL AND REGULATORY FRAMEWORK OF CMTPL INSURANCE IN 2016

IMPROVING THE LEGAL AND REGULATORY FRAMEWORK OF CMTPL INSURANCE

In 2016, RAMI, on its own initiative, prepared proposals for improving the regulatory framework for CMTPL insurance.

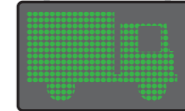
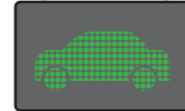
The key RAMI proposals duly applied the fact that in many regions of Russia CMTPL insurance loss ratios were so high that it was becoming difficult to buy CMTPL insurance in these regions. The main cause of the high loss ratios is the activity of fraudsters and unscrupulous legal intermediaries aimed at obtaining maximum profit at the expense of insurers using various mechanisms to inflate the cost of insurance claims.

In order to remedy the situation, RAMI prepared proposals for change and sent them to the relevant government bodies and to the Central Bank of Russia. The key point in these proposals was to make the standard form of compensation under a CMTPL insurance policy the repair of the vehicle rather than a cash sum.

In addition, RAMI prepared a number of other proposals for amendments in the CMTPL insurance law:

- the need to ensure that the law prohibits a vehicle to cross the border without a valid CMTPL insurance policy and that existence of a valid CMTPL insurance policy is checked as a vehicle clears customs control;
- giving to RAMI the right to claim recourse against a person who caused the damage in a motor accident after RAMI has paid compensation to the victim on the same grounds provided for by the CMTPL insurance law for insurance companies;
- new regulations governing the procedures under which RAMI pays compensation to an accident victim. Examples of such regulations include setting a deadline for an appeal against a decision by an accident victim; requiring that the victim can only be represented by a person who has a notarised power of attorney; prohibiting the action of assigning rights to compensation to another person;
- clarification the position so that the calculation of an insurance premium for CMTPL insurance contract concluded within the framework of a state or municipal contract is carried out in accordance with the insurance tariffs that were applied to calculate the price of a state or municipal contract.

RAMI also prepared proposals to amend the law and Central Bank decrees in the relation to the Bonus Malus system relating to individuals and organisations.



On July 1 2017, electronic passports of vehicles (electronic passports of vehicle chassis) will be introduced and from July 1, 2018 of electronic passports of self-propelled machines and other types of equipment will also come into force. In preparation for this, RAMI prepared and sent to the state authorities and the Central Bank of Russia proposals for a number of regulatory changes:

- amending the CMTPL insurance law to ensure that the electronic vehicle passport is include in a list of documents provided to insurers when concluding a CMTPL insurance contract;
- Amending Central Bank regulations to ensure that electronic passports are added to a list of documents submitted to the insurer on the conclusion of a CMTPL insurance, as well as the addition of electronic passports to a list of documents required when victims present claims for reimbursement of expenses for the acquisition of special vehicles;
- draft amendments to the law introducing electronic passports which include RAMI in a list of those who, without charge, are provided with information contained in electronic passports. In particular, information about the place of residence of the owner of the vehicle should be provided, since such information is necessary for the calculation of the premium of a CMTPL insurance contract.

In addition, the RAMI prepared the following proposals for amendments in Central Bank regulations, which were sent to the relevant authorities:

- proposals to amend a draft law introducing changes to a number of laws and regulations that establish the following:
 - a standard form of compensation under a CMTPL insurance policy shall be the repair of the vehicle rather than the payment of a cash sum;
 - loss of market value during repair is not refundable;
 - RAMI shall not be required to introduce or amend information provided by insurance companies to the RAMI database;
 - CMTPL insurance cases should not be dealt with by the courts under the simplified procedure;
 - There should be no time limit relating to the mandatory pre-trial procedure for the settlement of CMTPL insurance disputes;
- Proposed amendments to the insurance law designed to regulate the activities of specialists in the provision of insurance related services (insurance underwriters, insurance surveyors, loss specialists), setting out their legal status, regulating their activities, and determining their rights, duties, responsibilities as well as establishing requirements for their professional qualifications and the supervision of their activities.;
- Amendments to a draft decree from the Central Bank of Russia dealing with the requirements for the use of electronic documents and the procedure for the exchange of information in electronic form in the implementation of CMTPL insurance contracts;
- amendments to a draft decree from the Central Bank setting out a new form of the CMTPL insurance policy;
- amendments to a draft decree from the Central Bank regarding the requirements for ensuring the continuity of the functioning of official websites of insurers and professional associations of insurers that are used in the process of concluding compulsory insurance contracts in the form of electronic documents.



IMPROVING RAMI'S RULES AND REGULATIONS

In 2016, RAMI continued to update existing internal rules and regulations and to develop new internal regulations, with the overall objective of strengthening RAMI's role in regulation of the industry.

During 2016, the General meeting of members of RAMI approved the following statements:

- It should be a matter of priority for the Russian Association of Motor Insurers to ensure the availability of CMTPL insurance;
- It should be a matter of priority for the Russian Association of Motor Insurers to ensure the possibility of concluding a CMTPL insurance contract in the form of an electronic document from 1 January 2017.

The Presidium of RAMI last year approved the following:

- Amendments to the rules of professional behaviour relating to accounting and reporting by insurance companies carrying on CMTPL insurance;
- Amendments to the Direct settlement of claims agreement;
- Amendments to the rules for the application of sanctions and other measures in relation to members of the RSA, their officials and employees;
- Amendments to the rules of professional activity governing the transfer of insurance portfolios.
- Amendments to the rules of professional activity covering actuarial calculations of insurance tariffs for CMTPL insurance;
- Amendments to the rules of professional behaviour covering the creation and use of RAMI databases containing confidential information and the means of protecting this confidential;
- Amendments to the rules of professional activity establishing the procedure for providing the members of the Russian Union of Motor Insurers with blank forms of insurance policies for CMTPL insurance, the use of these forms and the method of establishing of the number of compulsory insurance contracts concluded in the form of electronic documents;
- Amendments to the rules of professional behaviour covering the conclusion of CMTPL insurance contracts in the form of electronic documents;
- Amendments to the rules of professional behaviour governing the operation of the Bonus Malus system;
- Amendments to the rules of professional behaviour that set out how members of RAMI their representatives should communicate with each other when considering the claims for compensation of victims of road accidents and how payments should be implemented;
- Amendments to the rules of professional behaviour governing the operation of the direct settlement of claims system;
- Rules of professional behaviour governing the interaction of RAMI members to ensure the availability of CMTPL;
- a standard form of an agreement ensuring the availability of CMTPL insurance in the Russian Federation (accession agreement);



- Rules of professional behaviour aimed at countering insurance fraud in the implementation of the direct settlement of claims system;
- Amendments to the procedures to be followed by RAMI and its members when appointing the temporary administration of an insurance company that is a RAMI member;
- Amendments to the rules for carrying out inspections of the activities of RAMI members.



5. The national database of insurance contracts





ADDING DATA TO THE DATABASE

Those insurance contracts, which data has been uploaded by insurers to the national database of insurance contracts, has been in demand since the creation of the database. By 31 December 2015, data relating to 557,000 contracts had been transferred. As of the end of 2016, the figure had risen to 5,790,000 contracts. The proportion of motor physical damage (KASKO) contracts transferred has remained stable throughout the period. About 75% of contracts transferred to the database have been KASKO contracts.

THE NUMBER OF KASKO AND CMTPL INSURANCE CONTRACTS ADDED TO THE NATIONAL DATABASE OF INSURANCE CONTRACTS IN 2016 (CUMULATIVE)

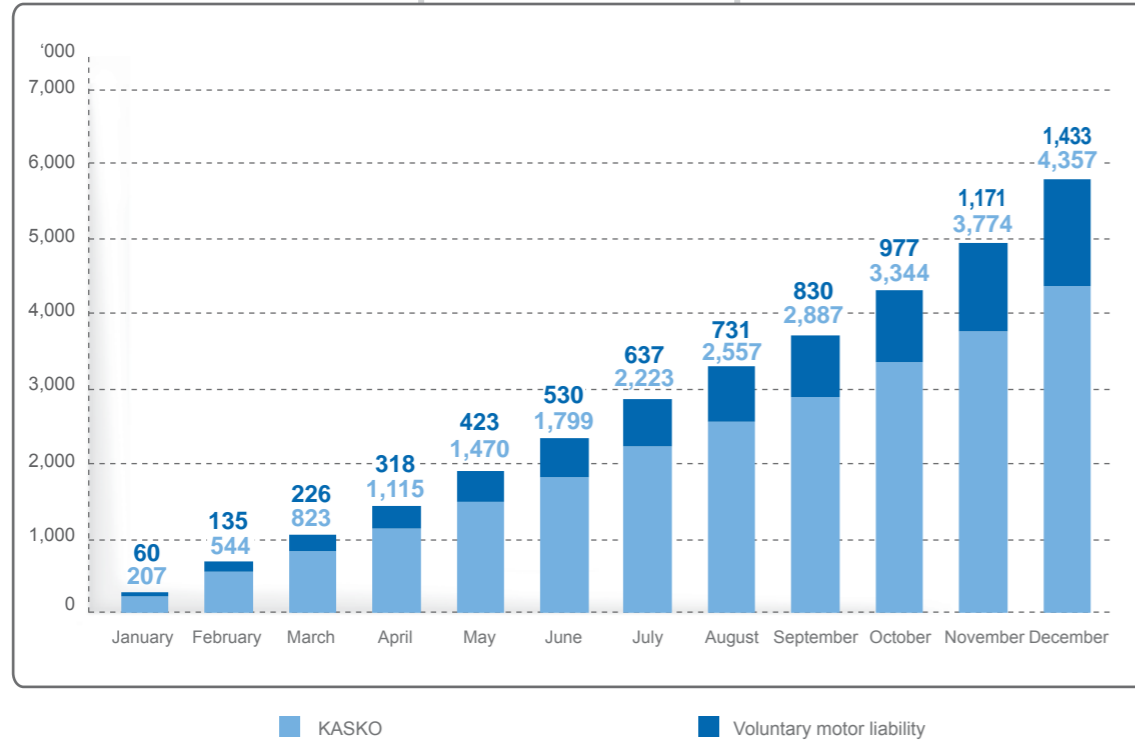
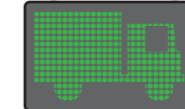
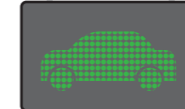


Figure 20
The number of KASKO and CMTPL insurance contracts added to the national database of insurance contracts in 2016 (cumulative)



NUMBER OF KASKO AND VOLUNTARY MOTOR LIABILITY INSURANCE CONTRACTS TRANSFERRED TO THE DATABASE IN 2016

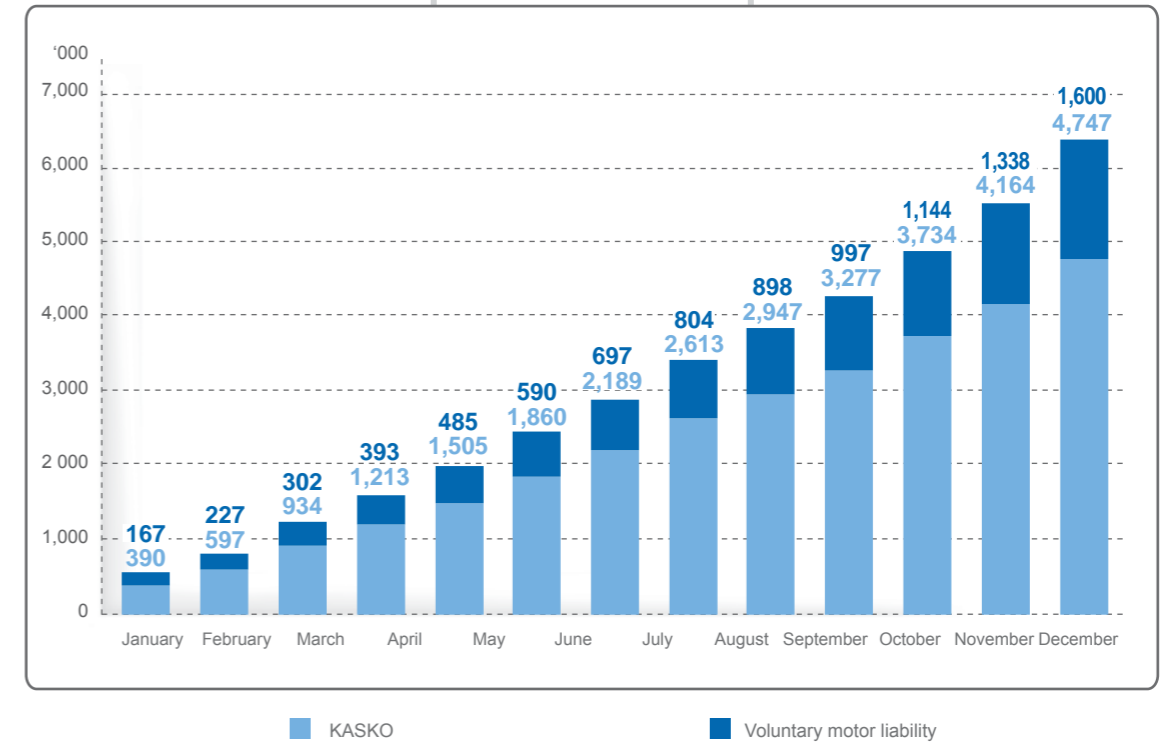


Figure 21
Number of KASKO and voluntary motor liability insurance contracts transferred to the database in 2016 (by date of conclusion of contract)



NUMBER OF 2016 CONTRACTS OF KASKO AND CMTPL INSURANCE TRANSFERRED TO THE DATABASE IN 2016 BY DATE OF CONCLUSION OF THE CONTRACT ('000)

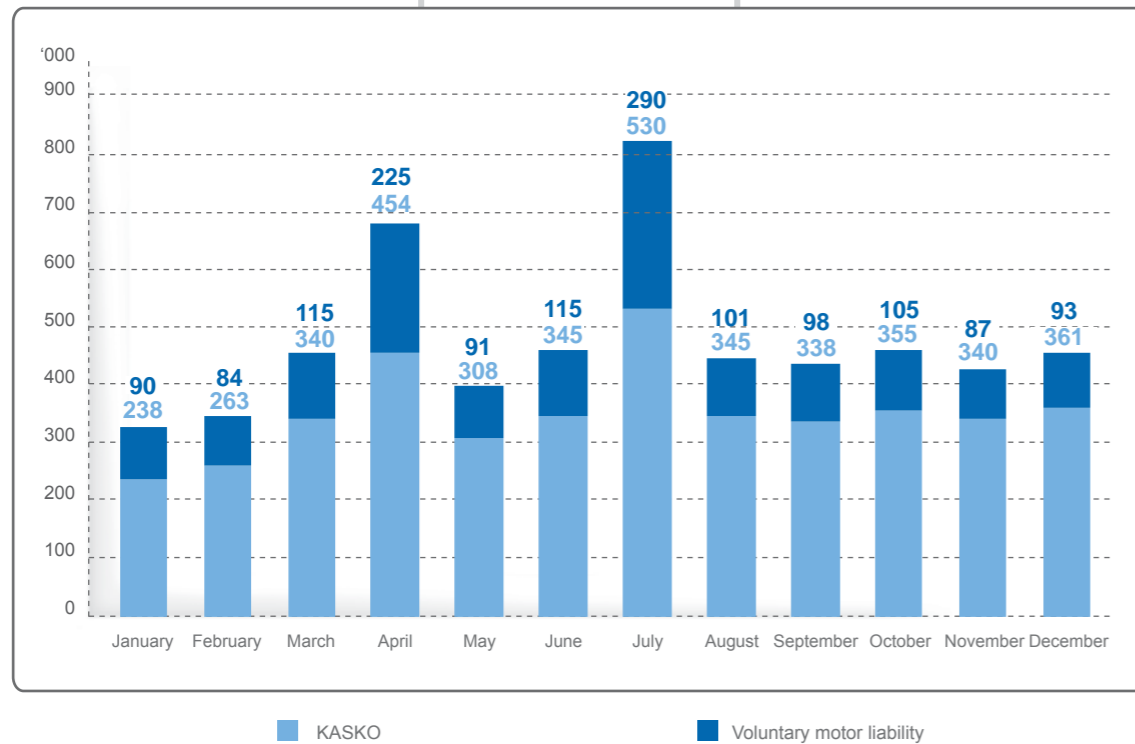


Figure 22
Number of contracts of KASKO and CMTPL insurance transferred to the database in 2016 by date of conclusion of the contract

As can be seen from the figures, by August 2016, the upward trend in the number of insurance contracts transferred to the database had stabilised, as by then all insurance contracts concluded since 1 August 2015 had been transferred. Since then, only new insurance contracts were being transferred.

Since the obligation of insurers to transfer data on KASKO and CMTPL insurance came into force only on 1 August 2015, and according to Central Bank instructions, insurers must transmit further information to the database only in respect of contracts, the details of which have been transferred, claims data is only provided on those contracts that have been transferred. A number of factors have ensured that the provision of claims data has lagged behind the provision of contract data and the figures in 2016 do not accurately reflect the actual frequency of claims for both KASKO and CMTPL insurance. The main causes of the slow provision of claims data include the fact that it takes time to settle losses (especially large losses, including theft and constructive destruction of the vehicle) and the 30-day period allowed for the transfer of information about the claim by the insurer.

ACCUMULATIVE FIGURES FOR CLAIMS DATA FROM KASKO AND CMTPL INSURANCE POLICIES TRANSFERRED TO THE NATIONAL DATABASE IN 2016

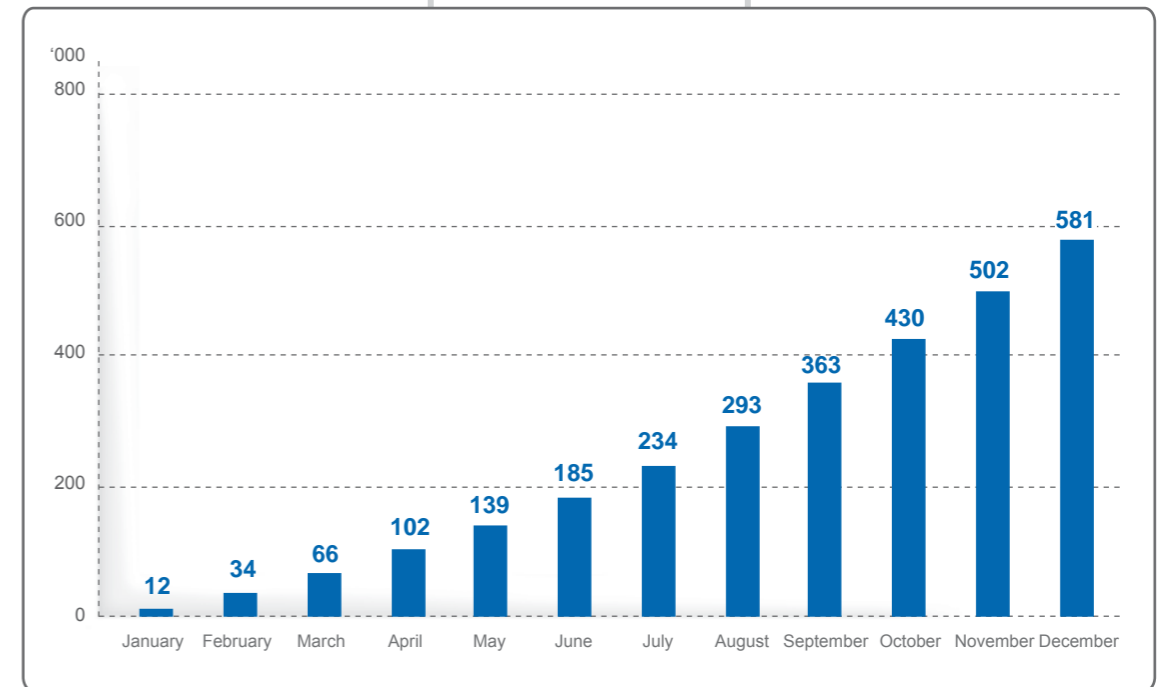
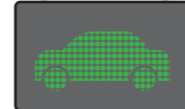


Figure 23
Accumulative figures for claims data from KASKO and CMTPL insurance policies transferred to the national database in 2016



NUMBER OF CLAIMS UNDER KASKO AND CMTPL INSURANCE CONTRACTS TRANSFERRED TO THE NATIONAL DATABASE IN 2016 BY ACCIDENT DATE

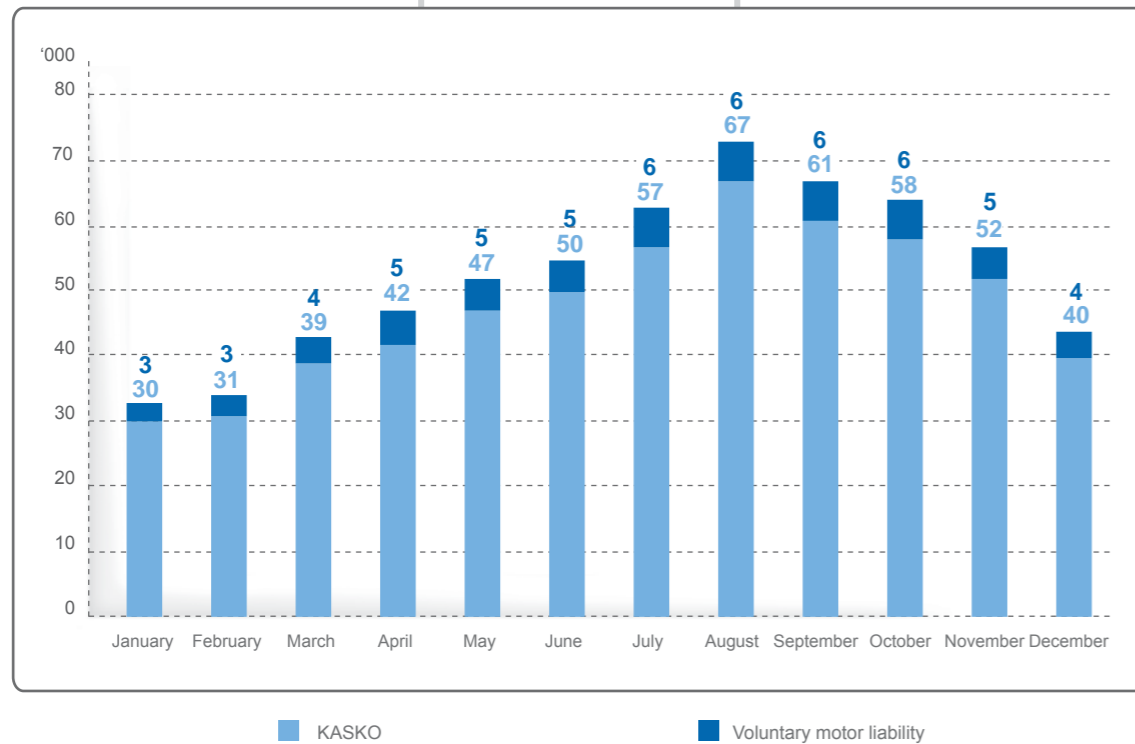


Figure 24
Number of claims under KASKO and CMTPL insurance contracts transferred to the national database in 2016 by accident date

NUMBER OF SETTLED CLAIMS TRANSFERRED TO THE DATABASE IN 2016 ('000)

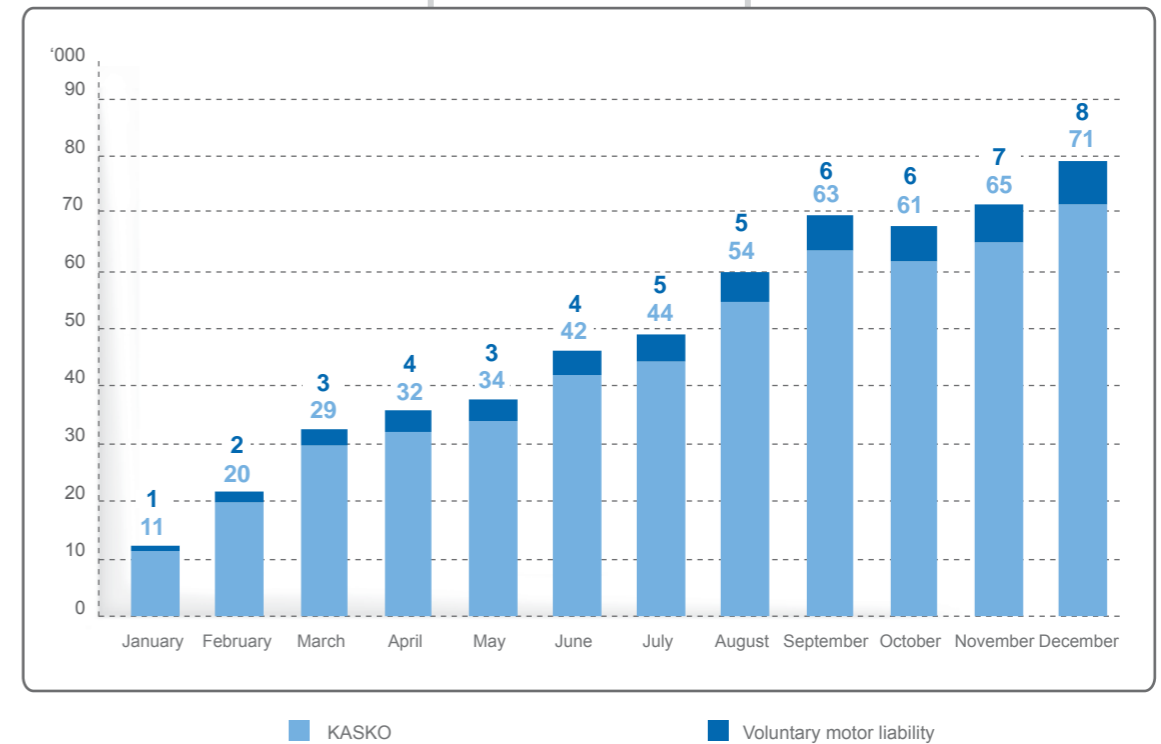


Figure 25
Number of settled claims transferred to the database in 2016

As set out by the above figure, the number of settled claims is steadily growing, gradually «catching up» with the number of concluded contracts. The frequency has also levelled out due to claims where there is not a constructive total loss or where the cause is the theft of the vehicle.



THE NUMBER OF THEFT CLAIMS REPORTED TO THE NATIONAL DATABASE IN 2016

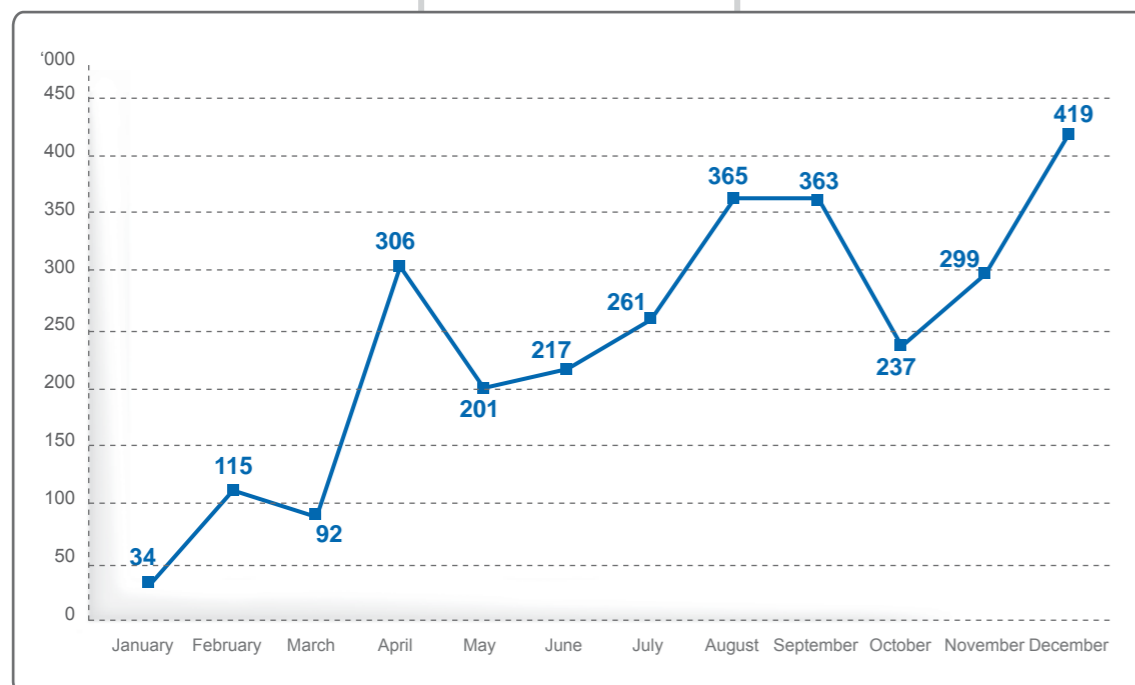


Figure 26
The number of theft claims reported to the national database in 2016

The graph that shows the number of claims due to theft produces a much longer settlement period for such claims, since the number of claims transmitted continues to grow despite the fact that the growth in the number of contracts reported to the national database has stopped.

Despite the relatively small number of losses in quantitative terms, the growth rate of the number of insurance payments, reported by insurers to the national database increased almost in a geometric progression. Thus in January 2016, information about 12,000 claims payments was transferred to the database; by the end of 2016 the total number that had been sent was 581,000.

METHODOLOGICAL WORK

In June 2016, the form of the agreement on information exchange was amended to specify the procedure for transferring an insurance portfolio in accordance with the Insurance law and how information on transferred contract should be sent to the national database.

During 2016, on a monthly basis, in order to ensure that insurers comply with the Central Bank requirements on data transfer e compliance of information transmitted by insurers to the national insurance database, work was carried out to identify the reasons why insurers send incorrect or incomplete data to the national database. In the course of this work, a procedure was developed that checked the completeness of the insurance data transferred to the national database. This procedure was used to identify those insurance companies that failed to comply with the rules that govern the transfer of data to the national database.

In December 2016, amendments were made to the agreement on information exchange in order to make it possible to add mutual insurers to the list of participants in the agreement.

The above changes in the agreement on information exchange have been ratified by the Bank of Russia.

Also, changes were made in the rules of professional activity that govern inspections of RAMI members to permit inspection of corporate IT systems to ensure that they comply with the regulations and are able properly to transfer data to the national database.

In June 2016, functional requirements were developed to update the national database software so that it could detect signs in contract or claims data that indicate that further investigation is required. The updated software is scheduled for introduction in 2017 and will be particularly useful in identifying through an automated system signs of many types of risk including the signs of insurance fraud. The list of checks carried out the list of information provided to the insurer once signs are identified are flexible and easily configurable.

The various checks that the software makes were designed following input from the RAMI committee for developing the bureau of insurance records and for combating insurance fraud.

Using the updated software to make the automated checks can assist an insurance company avoid risks both when entering into contracts and when settling claims.

In accordance with the Roadmap for the Development of the national insurance database, sent to RAMI by the Central Bank of Russia in December 2016, RAMI is also considering the development of the database so that it can include data from types of insurance other than CMTPL insurance.



UPGRADING THE NATIONAL INSURANCE DATABASE SOFTWARE

On 10 May 2016, upgrades to the national insurance database software were implemented so that insurance companies could obtain reports on the insurance history of an applicant or the insurance history of a vehicle.

In August 2016, further upgrades to the software were introduced to automate the provision of information from the national insurance database to insureds. Permitting insureds to query the database implemented a strategy that had been approved by the RAMI Presidium and ratified by the Bank of Russia and was in accordance with the insurance law.

In the autumn of 2016, the database was modified to make changes that made it possible to identify vehicles more accurately when querying the database on contracts and claims.

Also, by November 2016, the functional requirements were completed to update the database in order to identify signs that require additional verification.



6. The electronic CMTPL insurance policy



6. THE ELECTRONIC CMTPL INSURANCE POLICY

From 1 July 2015, the possibility of concluding a CMTPL insurance in the form of an electronic document was introduced. Work to ensure the possibility of insurance companies that are members of RAMI, issuing electronic CMTPL policies was continued in 2016. One result of this work was a decree from the Central Bank of Russia that makes it possible for legal entities to enter into CMTPL insurance contracts.

During 2016, under a decree issued by the Bank of Russia, RAMI's IT system gained the following capabilities:

- the ability to send text messages from the RAMI system to the subscriber number allocated by the mobile radiotelephone service operator and/or the e-mail address of the insured that contains information on the concluded (or renewed) electronic CMTPL contract, since 1 January 2016;
- control over assignment of serial numbers to insurance companies for concluding electronic CMTPL insurance contracts, and the means of introducing and removing a ban on the conclusion of CMTPL electronic policies with since 16 February 2016;
- giving to insurance companies the opportunity to conclude electronic contracts of CMTPL insurance with legal entities as the policy holder since 1 July 2016;
- making it possible to make electronic changes to electronic contracts of CMTPL insurance since 19 December 2016;
- making it possible for insurance companies to carry out identification of an insured individual in the RAMI IT system in order to provide him with a simple electronic signature key since 19 December 2016.

Based on the statistics available to RAMI it can be stated that there is currently no great interest amongst legal entities in the possibility of concluding electronic CMTPL insurance contracts. In fact, between July and December 2016, legal entities concluded only 49 electronic CMTPL contracts.

On 23 June 2016 amendments to the CMTPL insurance law were passed that introduced a number of changes to the CMTPL e policy system that came into force on 1 January 2017:

- an insurance company is obliged to make it possible for every applicant for an electronic CMTPL insurance policy to conclude an agreement;
- it should be possible to provide the insured with electronic copies of the documents necessary for the conclusion of a CMTPL insurance contract;
- insurance companies and RAMI have to ensure that their official web-sites remain up and running to ensure the possibility that clients can purchase electronic CMTPL insurance;
- the right to refuse to issue a CMTPL insurance contract was withdrawn in the event that there is a discrepancy between the information provided by the insured and information contained on the RAMI database or if there are no records in the RAMI database;



- the right of the insured to require the conclusion of an electronic contract of CMTPL insurance using a paper format;
- provides the insurer's right to present to the insured a claim for recourse in the event that the insured gives inaccurate information when signing an electronic CMTPL contract leading to a substantial reduction of the insurance premium;
- provides the possibility of access to the web-site of an insurance company in order to conclude an electronic CMTPL insurance policy through the RAMI web-site.

RAMI prepared and sent to the Central Bank of Russia the following draft decrees from the Central Bank of Russia, designed to implement, as of 1 January 2017, the changes envisaged in the new law:

- Amendments to Bank of Russia Regulation of 19 September 2014 setting out the policy wording for policies of CMTPL insurance;
- Amendments to Bank of Russia Order 24 May 2015 setting out requirements for the use of electronic documents and the procedures for the exchange of information in electronic format when concluding CMTPL insurance contracts;
- A draft decree on the requirements to ensure the continuity of official websites of insurers and professional associations of insurers to ensure the possibility of concluding CMTPL insurance contracts in the form of electronic documents.

In order to comply with the requirements of the amendments to the CMTPL insurance law before 1 January 2017, and before the approval of the relevant decisions of the Central Bank of Russia, RAMI began working on amendments to the rules of professional activities and on completing the RAMI IT software as follows:

- On 22 December 2016, the RAMI Presidium of the RSA approved the Rules of Professional Conduct covering the conclusion of CMTPL insurance policies in the form of electronic documents. These rules govern the conclusion of electronic CMTPL insurance contracts from 1 January 2017. These rules were agreed by the Central Bank of Russia on 30 December 2016;
- On 29 December 2016, RAMI placed on its web-site a list of insurance companies that are prepared to conclude electronic contracts of CMTPL insurance together with hyperlinks providing a direct transfer to the internet sites of the insurance companies ready to conclude electronic policies of CMTPL insurance;
- by 1 January 2017, the software of the RAMI IT system was updated to cover the situation of inconsistency or lack of information in the RAMI IT system provided by the insured when applying for an electronic CMTPL insurance policy.

On 29 December 2016, the following decrees of the Central Bank of Russia were registered by the Ministry of Justice of Russia:

- A decree of the Central Bank of Russia of 14 November 2016 covering the requirements for the use of electronic documents and the procedure for the exchange of information in electronic form in the implementation of CMTPL insurance contracts;
- A decree of the Bank of Russia of 14 November 2016 covering the requirements for making official websites of insurers and RAMI operate on a continuous basis in order to ensure the possibility of concluding CMTPL insurance contracts in an electronic format;
- A decree of the Central Bank of Russia of 14 November 2016 covering policy wordings for CMTPL insurance.



These decrees of the Central Bank of Russia were published in the «Bulletin of the Bank of Russia» on 30 December 2016.

As compared to 2015, in 2016, sales of electronic CMTPL insurance policies have significantly increased. The growth in the sales of electronic CMTPL insurance policies was greatly caused by the increase in the number of insurance organizations that were prepared to conclude electronic policies during the year.

In total, about 330,000 electronic CMTPL insurance contracts were concluded in 2016 (in 2015, 55,000 such contracts were concluded), and as Figure 27 shows, the growth took place each month.

CUMULATIVE FIGURES FOR THE NUMBER OF ELECTRONIC CMTPL INSURANCE POLICIES ISSUED, JANUARY – DECEMBER 2016

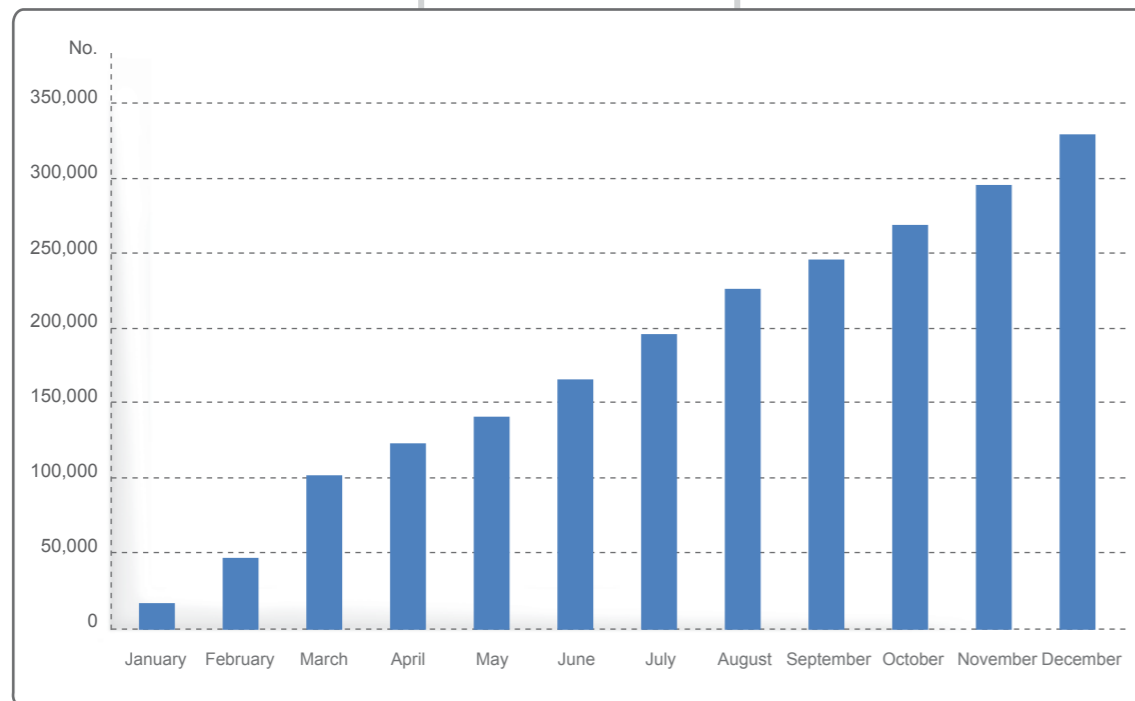
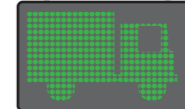
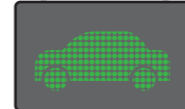


Figure 27
Cumulative figures for the number of electronic CMTPL insurance policies issued, January – December 2016



In terms of numbers of electronic policies issued in 2016, the leading Region, as in 2015 was Krasnodar where about 81,000 such policies were issued. Figure 28 shows those Regions where most CMTPL insurance policies were sold in electronic format.

REGIONS OF RUSSIA WHERE MOST CMTPL INSURANCE POLICIES WERE SOLD IN ELECTRONIC FORMAT (JANUARY – DECEMBER 2016)

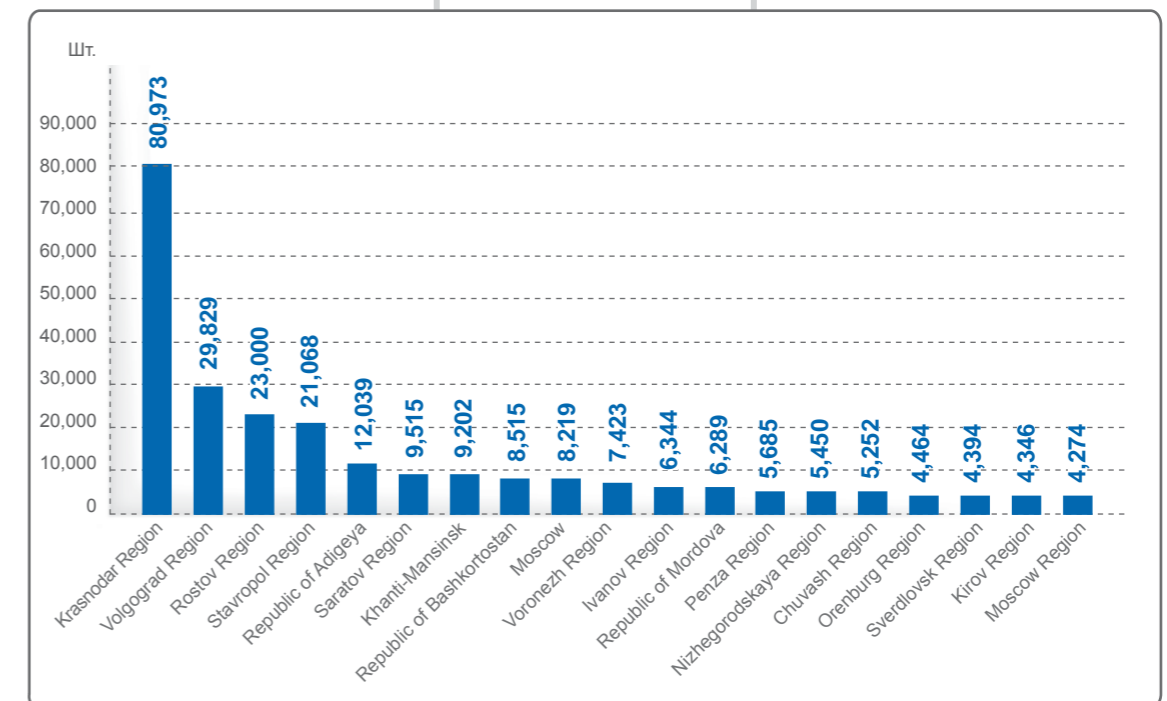


Figure 28
Regions of Russia where most CMTPL insurance policies were sold in electronic format (January – December 2016)



It should be noted that since 1 January 2017 although the law requires insurance companies to issue electronic CMTPL insurance policies to all applicants and although the law also requires insurance companies and RAMI to ensure that their web-sites operate continuously, there still remains the possibility that an insurance company will not be able to actually issue a policy. The reasons for this situation may be, for example, the fact that the company has exhausted the serial numbers quota provided for the conclusion of electronic CMTPL insurance contracts or the internet sites of the insurer may be out of access.

In order to provide each applicant for a policy with an additional opportunity to conclude an electronic CMTPL insurance contract in the event that, for any reason, the conclusion of the contract on the Internet site of the insurance company chosen by the insured turns out to be impossible, the RSA has developed a system that substitutes another insurer.

The basic principles of this system of substitution were set out by RAMI in a document approved at an extraordinary General Meeting of Members of RAMI on 8 December 2016. The details of the functioning of the substitution system, which came into force on 1 January 2017, are described in the rules that govern the issuing of electronic policies.

The system of substitution makes it possible for an applicant for CMTPL insurance with one company to conclude an electronic CMTPL contract with another insurer (the replacement insurer) in the event that the web-site of the first insurer is not working. Participation of RAMI members in the substitutions system is mandatory.

The rules of issuing specific e-policies also establish the guidelines that determine how the applicant is referred to another insurer. The applicant is referred to a replacement insurer if the proportion of CMTPL contracts concluded by it within the framework of the system of interaction between RAMI member companies carrying on CMTPL insurance (see below Section 7), as well as the proportion of electronic contracts concluded is lower than the total market share within Russia of the insurer. Each of the replacing insurers is given a weekly list of vehicle passport numbers. Thus, the selection of insurers as replacement insurers is carried out via the vehicle passport number, which appears on the CMTPL proposal form.

The transfer of the applicant to the internet site of the replacement insurer is not an ultimatum. The applicant is given the name of the replacement insurer and is required to consent to the conclusion of a contract with that insurer. To prevent the applicant carrying out a large number of actions on the sites of the insurers selected and proposed as substitute insurers, it is envisaged that a large part of the data entered by the applicant into the internet site of the initially selected insurer will be stored on the RAMI IT system.

By the end of 2016, the necessary software development for the substitution system within the RAMI IT system had been completed. RAMI members will start operating the system from 1 January 2017.

In 2016, RAMI continued to develop a unified system of inter-agency electronic interaction between the RAMI and state authorities (primarily the Ministry of Internal Affairs of Russia). This work is carried out in compliance with a decree of the Russian government dated 14 September 2005 which authorised such data transfer.

Joint projects with the Ministry of the Interior on the basis of the governmental decree included developing systems for providing information on road accidents and providing information on driving licenses.

In addition, on 1 July 2016, two applications were submitted to the Ministry of Communications of Russia for the connection of the RAMI IT system to the Ministry of Internal Affairs database on vehicle registration and owners.

In order to establish cooperation between RAMI and the Federal Customs Service of Russia, on 29 December 2016, the Ministry of Communications of Russia sent an application to give RAMI access to the test environment of the FCS database of temporarily imported vehicles.

In addition to the above, RAMI held consultations with department of road safety of the ministry of internal affairs and with the government of Moscow with the aim of establishing with the department of road safety a system that could exchange information and identify drivers without a valid CMTPL insurance policy using photographic and video data.



7. Ensuring the availability of CMTPL insurance





7. ENSURING THE AVAILABILITY OF CMTPL INSURANCE

In 2016, the situation with regard to the availability of CMTPL insurance in a number of regions of Russia became much worse. Long queues were seen at insurance company offices and many vehicle owners were unable to find a company that was prepared to issue them the CMTPL insurance policy that they were obliged by law to possess. The primary cause of this situation was the fact that insurance companies were experiencing extremely high loss ratios in these regions the cause of which was organised insurance fraud assisted by unscrupulous legal intermediaries.

In order to solve the problem, on 7 June 2016, the RAMI General Assembly of Members of the RSA approved regulations aimed at ensuring the accessibility of MTPL services, which established a system of interaction between RAMI member companies while carrying on CMTPL insurance. These rules were amended on 18 August 2016 at an extraordinary General Meeting of members of RAMI. All RAMI members have to take part in the interaction system.

The interaction system is a set of measures aimed at ensuring the accessibility of CMTPL insurance and it is adopted for use in a number of regions of Russia. These regions are determined by the RAMI presidium on proposals from the Central Bank of Russia. The system is being implemented as a matter of priority on a phased basis. Initially (from 1 June 2016), the interaction system was implemented only through recommendations from the RAMI Presidium to member companies that they increase the number of CMTPL contracts concluded in those regions where the system operates using existing sales channels. The increase in the number of such contracts meant that not only the companies that already operated in the affected regions increased their CMTPL sales volume, but also that new companies entered the regions and began to sell policies. Subsequently, all RAMI members adhered to the 'Agreement to ensure the availability of MTPL insurance' the terms of which, were defined by RESO-Garantia on 28 June 2016, and the standard form was approved by the RAMI Presidium. As the law requires, the agreement received preliminary approval from the Federal anti-monopoly service.

The interaction of insurers under the new agreement began on 2 August 2016 and operated in parallel with the previous agreement to increase sales. The agreement provides for the conclusion of CMTPL insurance contracts by insurers, represented in the regions where the system operates (insurer-agents), on behalf of other insurers (insurer-principals) with a minimum fee of 10 rubles, irrespective of any subsequent amendment to the CMTPL contract. The conclusion of OSAGO contracts on behalf of the insurer-principals is made by the insurer-agents using their own forms of CMTPL insurance policies. In order to ensure that there are sufficient blank CMTPL insurance policies, the rules of professional conduct relating to the provision and use of blank CMTPL insurance policies were amended to increase the number of blank policies that are distributed to insurer-agents. These rules of professional activity also now require insurers to obtain more blank CMTPL insurance policies in the regions where the scheme operates so companies can increase their sales.

The procedure for determining which company will be the principal-insurer is set out in rules of the system and in the agreement. An insurance company will be added to the list of insurer-principals in the regions if the company's market share of CMTPL insurance policies issued in the regions of operation of the scheme is lower than its market share in the whole for the Russian Federation. Depending on the ratio of these market shares, each of the insurer-principals are assigned lists of vehicle passport numbers, identifying the vehicles, for which the insurer-agent has issued a CMTPL insurance policy on behalf of the insurer-principal. The list of insurer-principals and their share of policies are reviewed weekly.

To regulate the activities of the parties to the Agreement, the Rules for professional activities governing



the interaction of RAMI members to ensure the availability of CMTPL insurance services were approved by the RAMI Presidium on 18 August 2016 and have repeatedly been amended subsequently.

In total during 2016, within the framework of the Agreement, 42 insurance companies acted as insurer-agents, and 60 as insurer-principals.

Special software, «UNICUSWEB», has been developed by «ELT-SEARCH» to support the system whereby the insurer-agents issue contracts on behalf of the insurer-principals. The software integrates the vehicle passport numbers assigned to the principals and the insurance tariffs used to calculate the insurance premium.

During 2016, the software was repeatedly updated, to include the production of agent reports and summary reports on contracts. Amongst other capabilities, it also was able to deal with the cancellation of policies.

A list of regions where the interaction system is in force was gradually drawn up and by the end of 2016 there were 16 Regions covered by the scheme. At the first stage, in accordance with the decision of the Presidium of the RSA of 30 May 2016, the preliminary system of interaction in terms of increasing the insurers own sales was introduced from 1 June 2016 in five constituent entities of the Russian Federation: Krasnodar, Volgograd, Rostov, Murmansk and Chelyabinsk Regions. Since 2 August 2016, the interaction of insurers under the agreement in these Regions has been in force. Subsequently, the list of Regions covered by the system grew. The Ivanovo Region was added on 24 August 2016; the Arkhangelsk Region, the Republic of Bashkortostan and the Republic of Tatarstan (all added on 30 August 2016); the Republics of Mordovia, Stavropol Territory, Kirov, Nizhny Novgorod and Ulyanovsk Regions (all added on 27 September 2016); the Republic of North Ossetia – Alania (added on 10 November 2016) and the Saratov Region (added on 6 December 2016).

The system of interaction for ensuring accessibility is valid until 1 July 2017. It may be extended if necessary following a decision of the General Meeting of RAMI members.

More than 460,000 CMTPL insurance contracts were by RAMI members under the framework of the system of interaction between 2 August 2016 and 31 December 2016. The statistics relating to the conclusion of CMTPL insurance contracts within the framework of the agreement for the months of 2016 are shown in figure 29.



CMTPL INSURANCE CONTRACTS ISSUED UNDER THE AGREEMENT

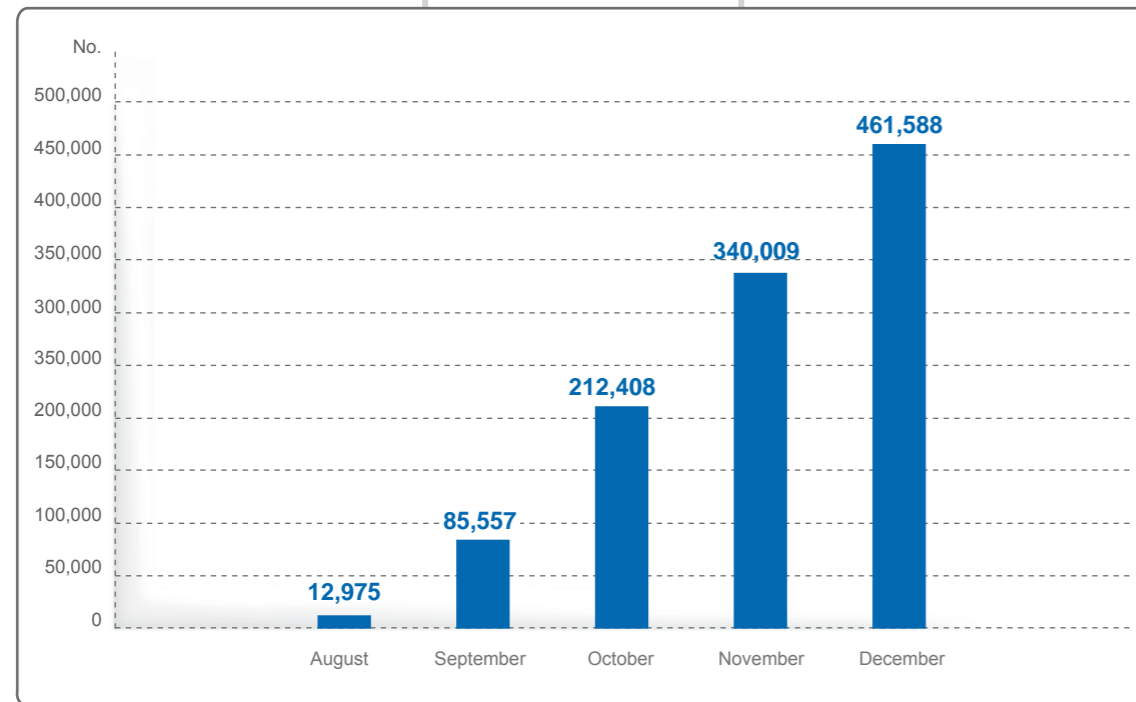
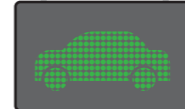


Figure 29
CMTPL insurance contracts issued under the agreement

Regarding the number of CMTPL contracts concluded in 2016 for under the agreement, the leaders are the Krasnodar Territory (about 145 thousand contracts), the Volgograd Region (about 100 thousand contracts) and the Rostov Region (more than 73 thousand contracts). Data on the number of concluded CMTPL insurance contracts by region of operation of the Interaction System as of 31 December 2016 are shown in Figure 30.



NUMBER OF CMTPL INSURANCE CONTRACTS BY REGIONS IN WHICH THE INTERACTION SYSTEM IS IN FORCE

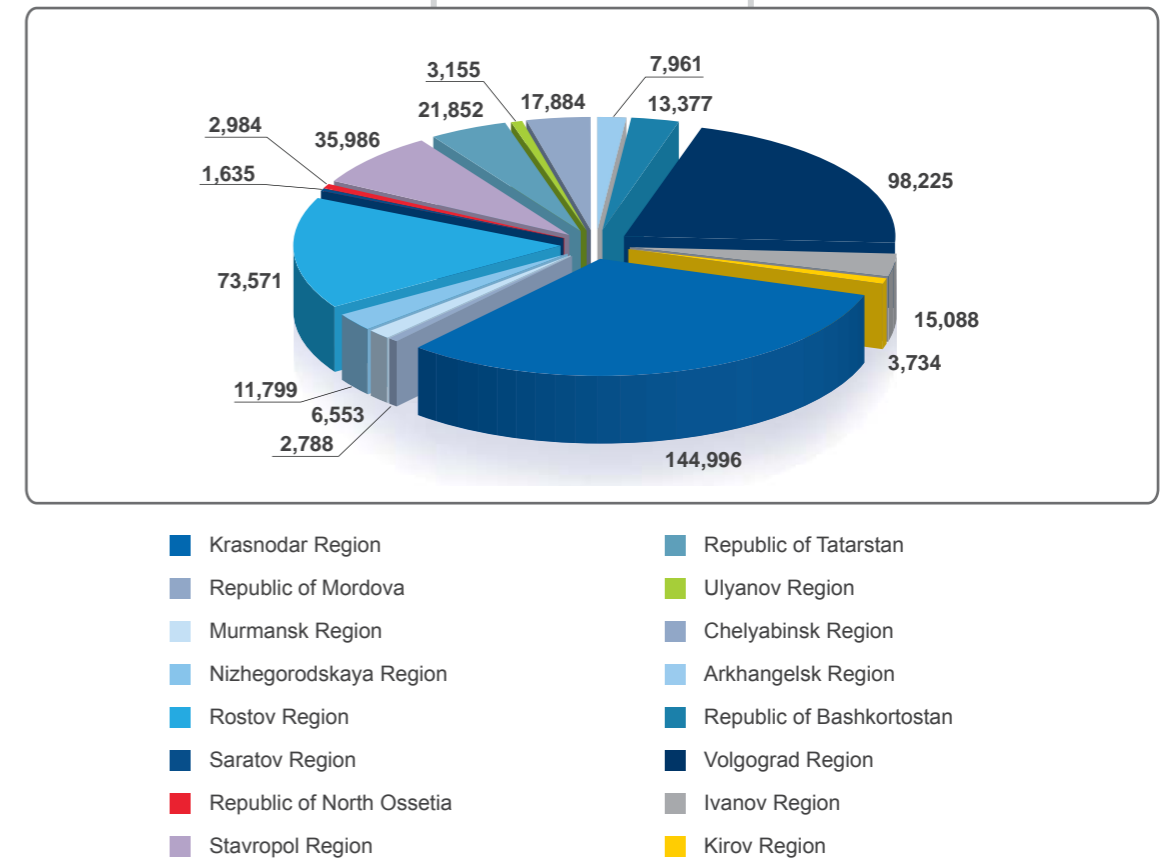


Figure 30
Number of CMTPL insurance contracts by regions in which the interaction system is in force

When the interaction system initiated, the Presidium of the RSA decided to supplement the initial list of regions where the system was in force with new regions following a written proposal from the Central Bank. At the same time, a decision was made on the need to involve regional authorities in the solution the problem of the inaccessibility of CMTPL insurance. The consequence of this decision was the introduction of the following procedure: after receiving a written proposal from the Central Bank of Russia, the RAMI Presidium recommends that RAMI members increase the number of concluded CMTPL insurance contracts in the proposed region. However, the proposed region is not added to the regions covered by the agreement until meetings have been held between representatives of the Central Bank, RAMI and the relevant regional authorities and a report has been drawn up that identifies the causes of the problem and list potential



solutions that will increase the availability of CMTPL insurance. In this context, RAMI has developed recommendations to the regional authorities of the Russian Federation (including executive authorities, law enforcement and judicial bodies), which if adopted, would significantly improve the negative situation in the region.

In addition, RAMI has developed a system of indicators, illustrating the situation in the market of CMTPL in each of the regions of the Russian Federation. These indicators include the frequency of occurrence of insured events, the average amount of insurance payment, the ratio of judicial payments to non-judicial payments, the ratio of legal expenses to non-judicial (insurance) in the total amount of claims, and a coefficient that reflects the level of claims payments, taking into account the costs of conducting business. Monitoring the situation in the regional CMTPL insurance markets with the use of these indicators makes it possible to identify the presence of problems with the availability of CMTPL insurance in a region and to understand the causes of the situation.

Table 9 shows an analysis of all the regions of Russia, based on the above noted indicators, sorted by those with the worst results to those with the best results. The table also contains data from the Russian Federation as a whole.

Table 9

Position	Region	Claim frequency	Average claim amount	The ratio of litigation costs to legal expenses	The ratio of court expenses to the amount of the claim	Combined loss ratio
	Russian Federation	5.8%	71,768	14.0%	100%	91%
1-2	Adygea	8.2%	135,858	24.4%	125%	223%
1-2	Volgograd	9.1%	83,525	36.2%	144%	205%
3	Karachaevo-Cherkesskaya	9.5%	132,314	12.3%	138%	301%
4	Kamchatka	6.2%	95,208	60.8%	132%	116%
5	Arkhangelsk	6.6%	68,080	27.1%	205%	94%
6	Rostov	5.4%	118,744	17.9%	155%	152%
7-8	Ivanov	7.3%	119,727	22.9%	48%	193%
7-8	Chelyabinsk	7.3%	81,394	14.6%	139%	119%
9	Krasnodar	5.8%	121,999	26.6%	87%	147%
10-11	Bashkortostan	6.2%	80,425	24.5%	104%	115%
10-11	North Ossetia-Alania	4.8%	101,570	20.5%	222%	133%
12	Amur	6.7%	90,750	32.9%	41%	133%
13	Lipetsk	6.8%	82,306	44.6%	83%	140%
14	Murmansk	6.8%	98,360	32.1%	58%	111%
15	Orenburg	5.5%	74,643	16.8%	135%	103%
16	Nizhegorodskaya	6.8%	90,375	20.8%	90%	126%
17	Saratov	5.2%	73,317	30.3%	113.8%	101%
18	Ingushetia	4.8%	118,357	7.7%	118%	209%
19	Kabardino-Balkarskaya	5.2%	83,246	8.2%	158%	122%
20	Stavropol	4.9%	91,269	22.9%	85%	129%

Table 9 (continued)

Position	Region	Claim frequency	Average claim amount	The ratio of litigation costs to legal expenses	The ratio of court expenses to the amount of the claim	Combined loss ratio
21	Voronezh	5.6%	77,459	36.7%	108%	105%
22	Buryatia	6.1%	81,194	10.2%	63%	157%
23	Mari El	6.2%	59,425	27.1%	155%	99%
24	Kalmykia	5.3%	78,104	16.7%	87%	123%
25	Dagestan	6.5%	79,896	11.5%	120%	146%
26	Astrakhan	6.6%	59,112	12.9%	111%	99%
27	Mordovia	6.4%	74,171	17.9%	66%	116%
28	Kemerovo	5.8%	60,678	15.5%	150%	75%
29	Yaroslavl	6.3%	63,172	16.8%	95%	97%
30	Primorsky	5.7%	71,128	9.7%	143%	106%
31	Kirov	5.0%	73,613	25.3%	76%	104%
32	Sverdlov	5.7%	69,906	19.1%	96%	84%
33	Ulyanov	6.3%	102,374	10.8%	52%	148%
34	Kurgan	6.0%	64,480	5.9%	105%	122%
35	Krasnoyarsk	5.9%	59,687	10.1%	123%	85%
36	Tatarstan	7.1%	78,824	11.1%	62%	108%
37	Perm	4.8%	65,748	14.4%	158%	67%
38	Penza	5.8%	57,519	14.9%	118%	96%
39	Khakassia	4.9%	57,419	7.6%	140%	98%
40	Tiva	4.7%	68,506	5.4%	110%	132%
41	Novosibirsk	5.6%	62,756	8.3%	119.7%	84%
42	Vologda	6.1%	50,715	11.2%	97%	73%
43	Chuvash	6.9%	52,206	10.9%	104%	86%
44	Khabarovsk	5.3%	67,961	8.8%	114%	75%
45	St Petersburg	6.6%	65,983	11.1%	79%	69%
46	Altai	4.9%	58,313	9.3%	110%	86%
47-48	Vladimir	5.6%	58,095	8.4%	128%	80%
47-48	Tyumen	5.1%	61,076	9.6%	114%	61%
49	Tomsk	6.3%	51,736	4.3%	150%	79%
50	Smolensk	4.8%	58,626	12.5%	114%	88%
51-52	Samara	6.4%	62,534	6.7%	76%	91%
51-52	Chechnaya	3.0%	91,188	6.7%	133%	103%
53	Irkutsk	5.2%	66,710	6.6%	96%	90%
54	Magadan	4.2%	68,280	3.9%	167%	95%
55	Kaluga	5.4%	61,093	11.3%	100%	83%
56	Belgorod	4.8%	55,551	25.9%	122%	78%



Table 9 (continued)

Position	Region	Claim frequency	Average claim amount	The ratio of litigation costs to legal expenses	The ratio of court expenses to the amount of the claim	Combined loss ratio
57	Leningrad	5.2%	74,909	8.1%	84%	92%
58	Udmurtia	5.6%	50,291	14.9%	94%	76%
59	Tambov	5.1%	56,738	9.9%	116%	84%
60	Kursk	6.0%	47,150	10.8%	89%	85%
61-62	Briansk	4.6%	65,764	8.0%	110%	87%
61-62	Tver	5.2%	57,731	6.2%	139%	82%
63	Omsk	5.6%	51,775	8.5%	88%	68%
64	Moscow City	6.1%	62,822	9.4%	69%	56%
65	Evreiskaya	3.8%	70,687	5.8%	96%	110%
66	Komi	5.1%	48,655	11.9%	106%	57%
67	Moscow Region	6,0%	66 138	6,4%	86%	73%
68	Ryazan	5.4%	54,249	8.5%	92%	79%
69	Oryol	4.9%	52,986	9.4%	98%	82%
70	Zabaikalskiy	2.8%	64,671	7.8%	97%	77%
71	Khanti-Mansinsk – Yugra	6.0%	56,400	0.0%	0%	59%
72	Baikonur	1.7%	69,122	0.0%	0%	49%
73-74	Karelia	5.4%	47,696	4.5%	67%	75%
73-74	Kostroma	4.9%	48,951	7.3%	99%	71%
75	Kaliningrad	4.9%	54,939	3.5%	74%	78%
76	Novgorod	4.8%	51,844	4.8%	60%	70%
77	Sevastopol	3.7%	59,807	3.2%	114%	84%
78	Sakhalin	4.7%	64,100	2.9%	102%	66%
79	Crimea	2.5%	67,362	4.3%	116%	64%
80	Tula	5.1%	57,022	6.4%	82%	74%
81	Altai	3.7%	54,969	6.2%	98%	67%
82	Yamalo-Nenetsky	4.2%	60,635	0.0%	0%	52%
83	Pskov	4.2%	62,459	5.0%	59%	83%
84	Sakha(Yakutia)	3.9%	53,754	4.4%	83%	70%
85	Nenetsky	4.4%	48,786	0.0%	0%	58%
86	Chukotka	2.4%	54,501	5.2%	48%	45%



8. Direct settlement of claims



8. DIRECT SETTLEMENT OF CLAIMS

THE STATISTICS

During 2016, insurance companies paid out more than 81.8 bn rubles in claims using the direct settlement scheme. Since the scheme began on 1 March 2009, the total amount of claims settled under the scheme has amounted to more than 219.6 bn rubles. The amount of claims settled under the scheme grew by 36.7% in 2016 as compared with 2015.

In 2016, the number of claims processed through the direct settlement schemes increased. The number of applications sent to the direct settlement IT system increased by 7% over to 2015. At the same time, in the fourth quarter of 2016 the volume of direct settlement payments exceeded by 46% the volume of payments for the 1st quarter of the year.

PAYMENTS MADE TO ACCIDENT VICTIMS UNDER THE DIRECT SETTLEMENT SCHEME

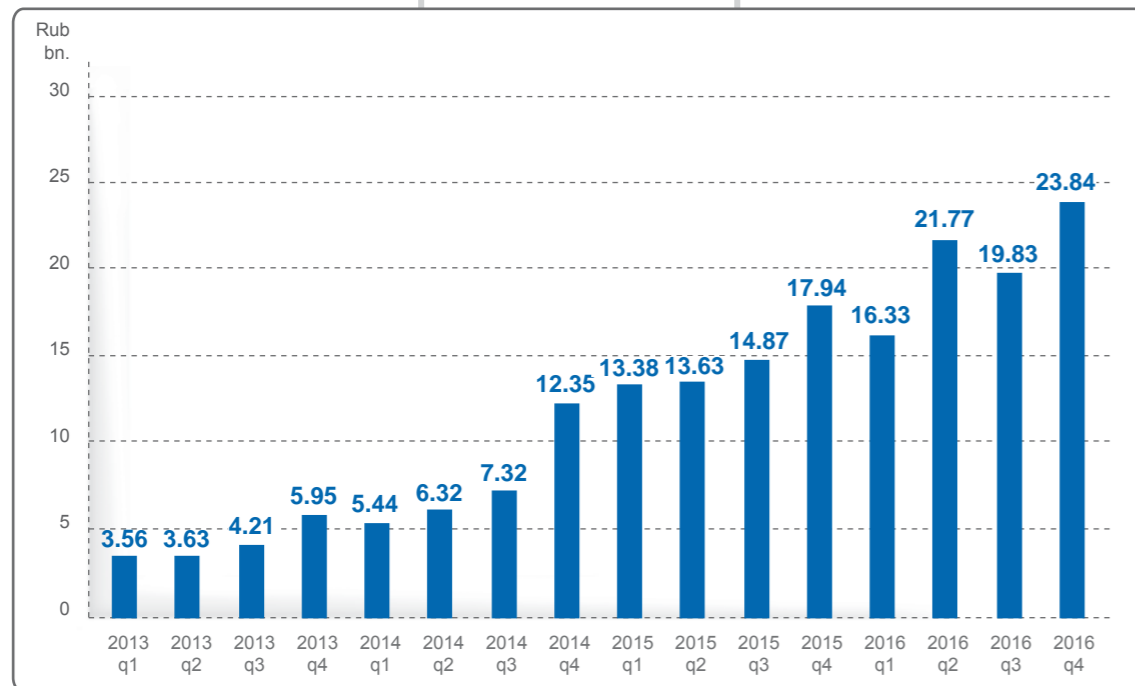


Figure 31
Payments made to accident victims under the direct settlement scheme



AVERAGE CLAIM PAYMENT UNDER THE DIRECT SETTLEMENT SCHEME

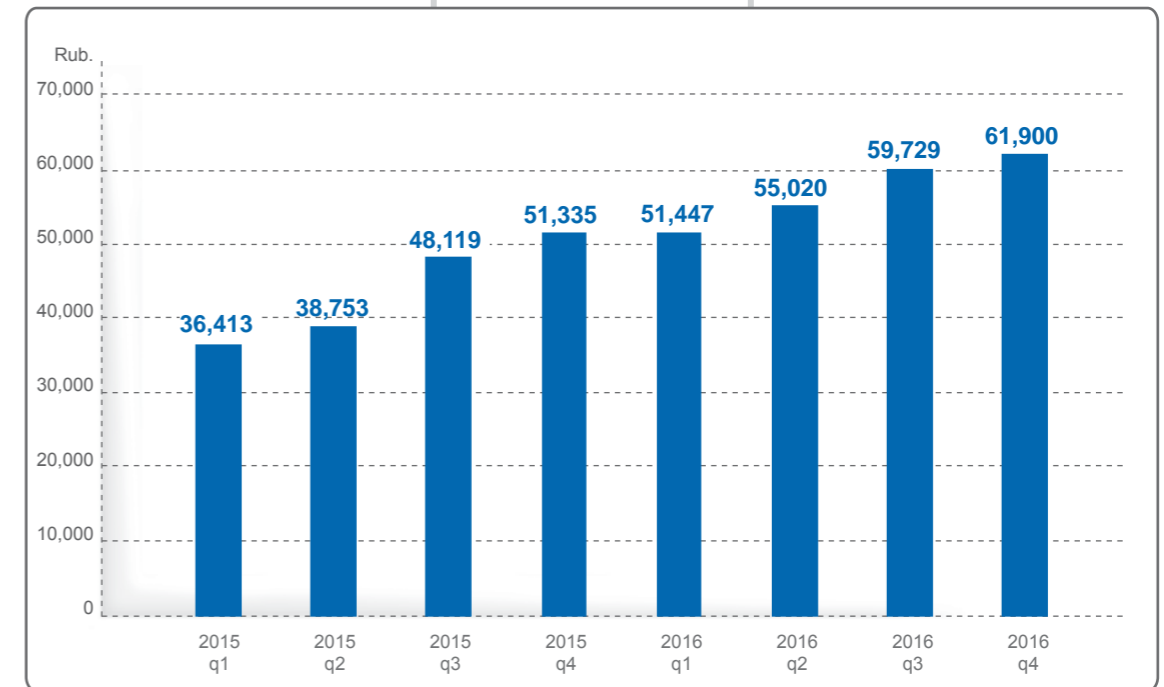


Figure 32
Average claim payment under the direct settlement scheme

The average compensation payment to a victim in 2016 at 57,000 rubles increased compared to 2015 where the corresponding figure was 43,400 rubles. The average claim payment increased during each quarter of 2016.



THE PROPORTION OF CLAIMS ADVICES THAT ARE REJECTED

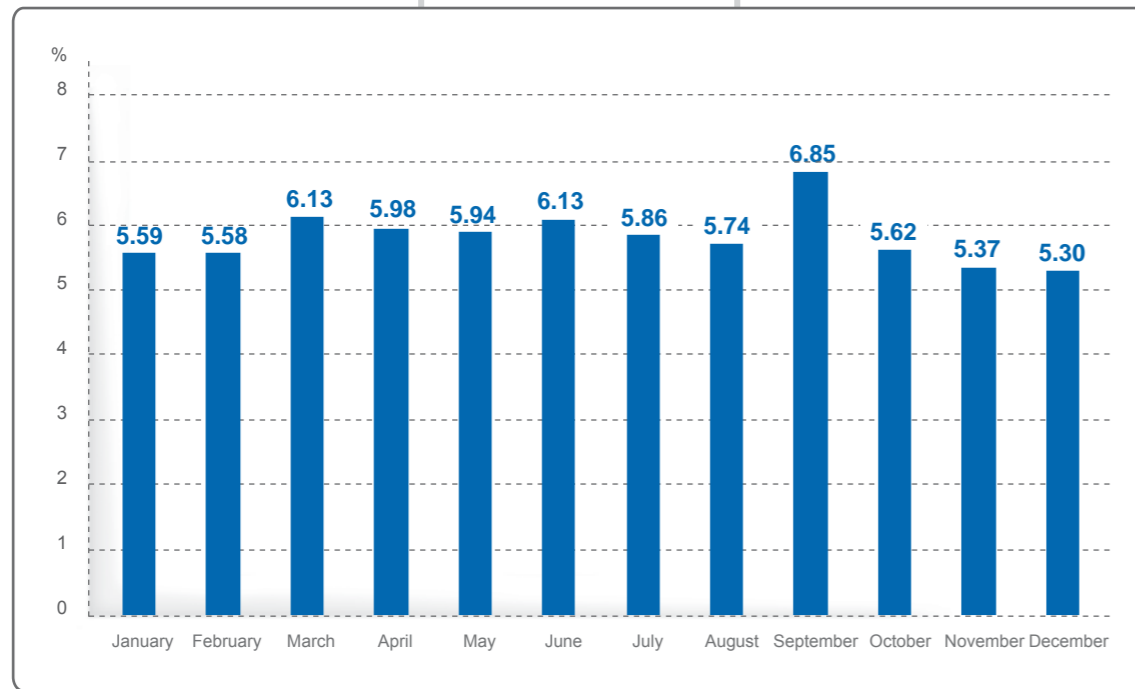


Figure 33
The proportion of claims advices that are rejected

The proportion of initial claim advices sent to the direct settlement IT system that were rejected was 6.2. At the same time, as can be seen from the graph, since October 2016 the number of rejections has declined. The reason for rejection of the initial claims advices is an inability to confirm the existence of a valid CMTPL insurance policy at the time of the accident.



THE DIRECT SETTLEMENT SYSTEM 2012 – 2016

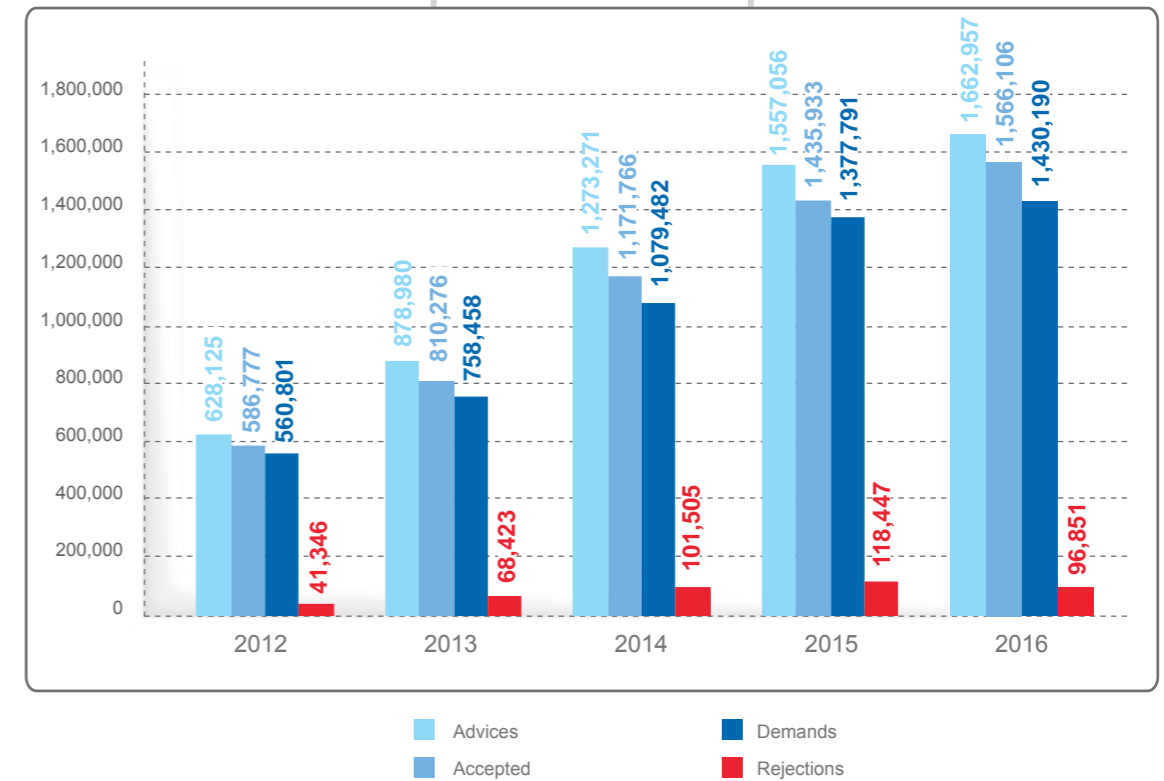
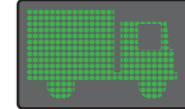
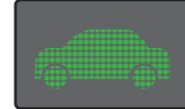


Figure 34
The direct settlement system 2012 – 2016

The performance indicators for direct settlement for the last 5 years demonstrate the effectiveness of the system. Thus, in 2016, 59.62% of CMTPL insurance losses settled by RAMI members were settled through the direct settlement system. This is an increase over 2015 where the proportion of claims settled under the direct settlement system was 55.81%. The highest proportion of claims settled through the system was rated at 66.33% in May.



THE PERCENTAGE OF CMTPL INSURANCE CLAIMS SETTLED UNDER THE DIRECT SETTLEMENT SCHEME DURING 2016

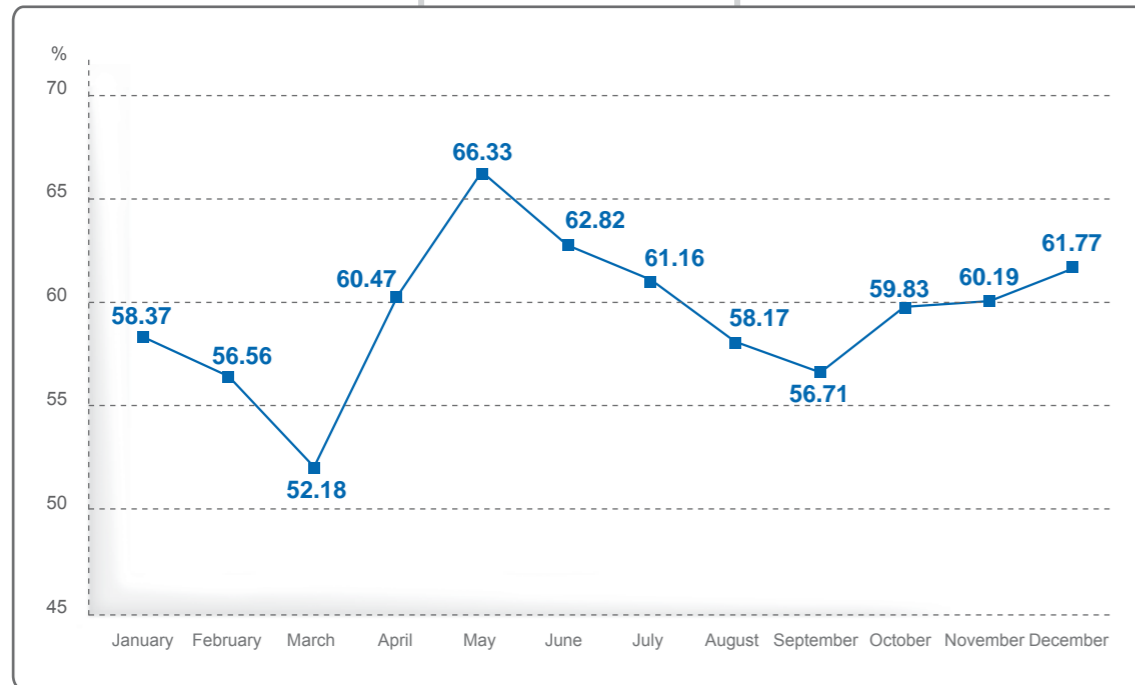


Figure 35
The percentage of CMTPL insurance claims settled under the direct settlement scheme during 2016

THE METHODOLOGY OF DIRECT SETTLEMENT OF CLAIMS

There were no significant changes to the system of direct settlement of CMTPL insurance claims during 2016. Proposals to amend the rules of professional activity linked to the direct settlement agreement were mainly aimed at clarifying existing provisions, in particular, clarifying the position when compensation had been paid to a victim following a court decision. In addition, these rules were amended based on proposals from the Central Bank of Russia that were received during 2016. RAMI also in 2016 circulated a document entitled 'standard answers to questions relating the direct settlement', which clarified the correct response to a number of disputed issues that had arisen in the system.

All the above changes to the rules of professional behaviour were approved by the RAMI Presidium and subsequently endorsed by the Central Bank.

The settlements between the parties to the direct settlement agreement are carried out through a payment system, which is established by law. The rules governing the settlement process are regularly updated to ensure compliance with the law.

One practical issue has arisen. During 2016, some insurance companies that are parties to the direct settlement agreement transferred their CMTPL insurance portfolio to other insurers voluntarily in accordance with the rules of professional activity of RAMI. When coordinating this process, a number of bottlenecks occurred requiring changes to the terms of participation of the company that transferred the CMTPL insurance portfolio to the direct settlement agreement after the transfer has taken place. In this regard, proposals have been developed to amend the rules of professional activity to determine the procedure and conditions for the termination of a company's participation in the system after it has transferred its CMTPL insurance portfolio to another insurer. These proposals will form the basis for changes in other documents that regulate the procedure for making direct settlements.

At the same time, in 2016, proposals on changing the rules of professional activity dealing with direct settlement and other rules dealing with RAMI's activities were developed within the framework of RAMI's project to automate the subrogation process between RAMI members.

In addition to the above, on 21 April 2016, the RAMI Presidium approved plans for development of the direct settlement IT system that had been produced in the first half of the year. In accordance with the plan, the technical requirements for the information system were developed, and the basic principles for integrating the IT system with the other RAMI IT systems. Completing this project will improve the current processes of direct settlement, and reduce the number of actions insurance companies have to take to transfer to the RAMI IT system information on claims.



9. Simplified reporting of road accidents (the European Protocol)





9. SIMPLIFIED REPORTING OF ROAD ACCIDENTS (THE EUROPEAN PROTOCOL)

During 2016, the number of accidents that were entered into the database where no police report had been filed and where the European Protocol had been used, increased by 77% compared with 2015. The number of claims where a settlement was reached and the accident victim received compensation likewise increased by 85%.

CLAIMS USING SIMPLIFIED REPORTING SETTLED THROUGH THE DIRECT SETTLEMENT SYSTEM, 2012 – 2016

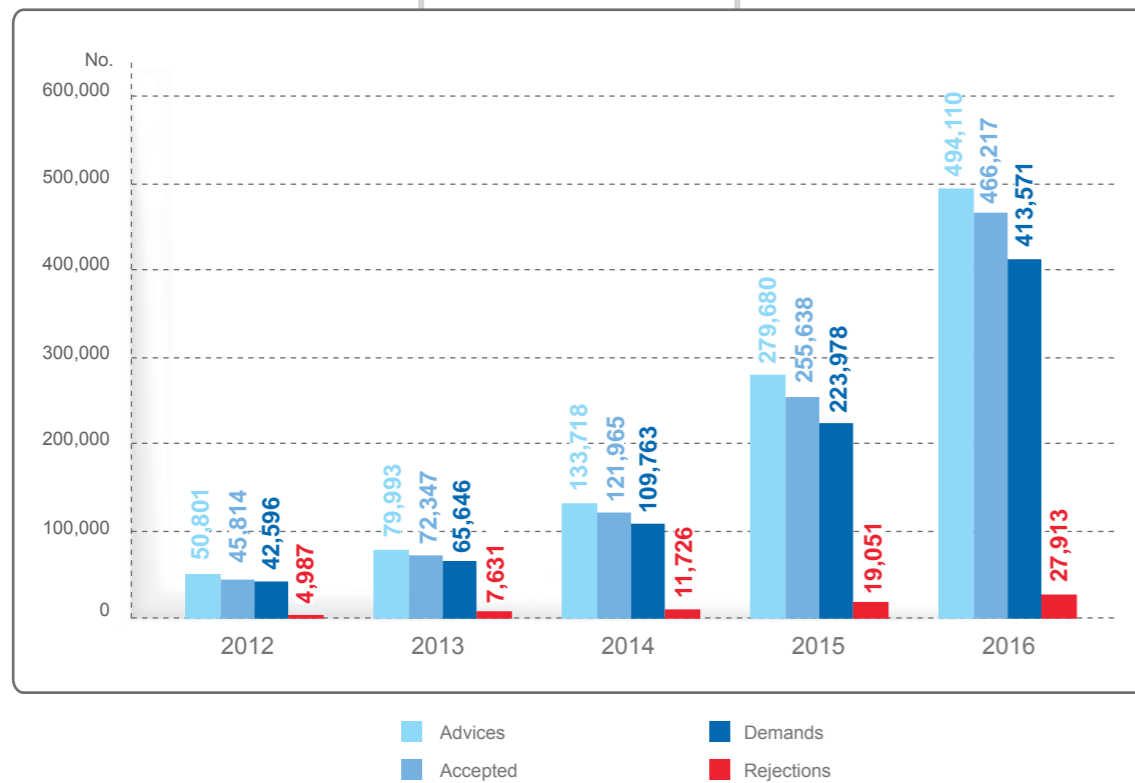


Figure 36
Claims using simplified reporting settled through the direct settlement system, 2012 – 2016



As compared to 2015, the proportion of applications for compensation following a road accident using the simplified procedure increased from 17.96% to 29.71%. The data specified in Figure 36 show that the use of the simplified procedure continues to grow.

At the same time, the proportion of applications using the simplified procedure that were not accepted has fallen. In 2015, 6.8% of such claims were not accepted, whilst in 2016, the figure was 5.7%, a fall of 16.2%.

THE PROPORTION OF CLAIMS WHERE THE SIMPLIFIED PROCEDURE WAS USED TO REPORT AN ACCIDENT DURING 2016

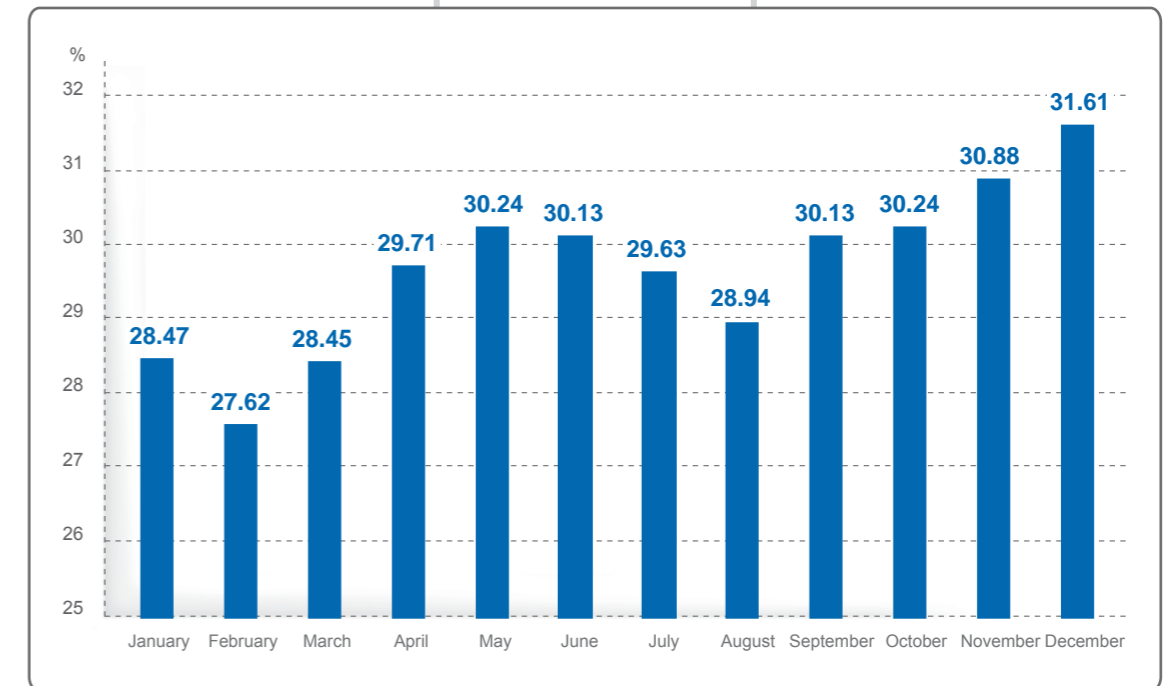


Figure 37
The proportion of claims where the simplified procedure was used to report an accident during 2016

All the above statistics confirm that the use of the European Protocol in the simplified procedure for reporting claims has significantly increased in 2016. This indicates that motorists have much greater confidence in the European Protocol.



The average claim payment where the European Protocol was used in 2016 was 22,846 rubles. There are a number of regions, in which a high proportion of traffic accidents are reported using the European protocol is used. These include the Republic of Sakha (Yakutia), the Chechen Republic, the Republic of Dagestan, the Volgograd Region, and the Primorsky Territory. In the Volgograd Region, there was an increase in the proportion of claims reported using the European protocol against the backdrop of an increase in claims frequency.

Table 10

Region	Average claim payment where European Protocol was used.	Average CMTPL claim payment, rubles .	CMTPL frequency	Proportion using European protocol
Adigeya Rep.	25,208	135,858	8.2%	26.4%
Altai Rep.	22,718	54,969	3.7%	22.8%
Altaysky Region	23,252	58,313	4.9%	9.2%
Amur Region.	36,330	90,750	6.7%	30.3%
Arkhangelskaya Region.	23,301	68,080	6.6%	24.1%
Astrakhan Region.	25,895	59,112	6,6%	26.4%
Baikonur	16,232	69,122	1.7%	50.0%
Bashkortostan Rep.	23,135	80,425	6.2%	26.2%
Belgorod Region.	24,660	55,551	4.8%	56.7%
Bryansk Region.	19,372	65,764	4.6%	19.1%
Buryatia Rep.	24,977	81,194	6.1%	27.6%
Vladimir Region.	19,177	58,095	5.6%	18.8%
Volgograd Region.	35,655	83,525	9.1%	63.4%
Vologodskaya Region.	17,284	50,715	6.1%	21.0%
Voronezh Region.	24,693	77,459	5.6%	17.9%
Dagestan.	29,783	79,896	6.5%	68.7%
Jewish Aut. Region.	23,794	70,687	3.8%	45.4%
Zabaikalsky Region	26,066	64,671	2.8%	13.9%
Ivanovskaya Region.	20,215	119,727	7.3%	30.6%
Ingushetia Rep.	33,559	118,357	4.8%	53.1%
Irkutsk Region.	24,642	66,710	5.2%	24.8%
Kabardino-Balkkarskaya Rep.	29,905	83,246	5.2%	55.4%
Kaliningrad Region.	20,989	54,939	4.9%	49.4%
Kalmikia Rep.	32,029	78,104	5.3%	55.4%
Kaluga Region.	18,785	61,093	5.4%	7.8%
Kamchatka	41,814	95,208	6.2%	1.7%
Karachaevo-Cherkesskaya Rep.	27,164	132,314	9.5%	42.3%
Karelia Rep.	18,508	47,696	5.4%	41.1%
Kemerov Region.	22,266	60,678	5.8%	30.8%
Kirov Region.	19,786	73,613	5.0%	29.3%
Komi Rep.	20,741	48,655	5.1%	46.5%
Kostromo Region.	16,903	48 951	4.9%	38.5%
Krasnodar Region	24,873	121,999	5.8%	18.4%

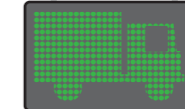
Table 10 (continued)

Region	Average claim payment where European Protocol was used.	Average CMTPL claim payment, rubles .	CMTPL frequency	Proportion using European protocol
Krasnoyarsk Region	21,500	59,687	5.9%	33.8%
Crimea Rep.	25,883	67,362	2.5%	54.1%
Kurgan Region.	18,751	64,480	6.0%	33.6%
Kursk Region.	21,844	47,150	6.0%	48.3%
Leningrad Region.	21,590	74,909	5.2%	33.7%
Lipetsk Region.	26,745	82,306	6.8%	15.7%
Magadan Region.	29,718	68,280	4.2%	52.9%
Mari El Rep.	21,917	59,425	6.2%	11.3%
Mordovia Rep.	18,830	74,171	6.4%	30.2%
Moscow	20,328	62,822	6.1%	28.8%
Moscow Region.	19,200	66,138	6.0%	26.6%
Murmansk Region.	28,491	98,360	6.8%	2.4%
Nenstsky Aut. Region	21,836	48,786	4.4%	7.3%
Nizhegorodskaya Region	21,496	90,375	6.8%	15.9%
Novgorod Region	18,375	51, 844	4.8%	40.0%
Novosibirskaya Region	21,723	62,756	5.6%	19.5%
Omsk Region	22,786	51,775	5.6%	41.8%
Orenburg Region	19,193	74,643	5.5%	8.3%
Orlov Region	19,028	52,986	4.9%	36.5%
Penzenskaya Region	26,280	57,519	5.8%	45.8%
Perm Region	17,900	65,748	4.8%	18.0%
Primorsky Region	31,078	71,128	5.7%	60.1%
Piskov Region.	19,570	62,459	4.2%	26.5%
Rostov Region.	26,011	118,744	5.4%	43.5%
RF.	22,846	71,768	5.8%	29.8%
Ryazan Region.	18,697	54,249	5.4%	36.4%
Samara Region	19,604	62,534	6.4%	33.7%
St Petersburg	20,785	65,983	6.6%	31.5%
Saratov Region.	22,561	73,317	5.2%	24.7%
Sakha/Yakutia Rep	26,663	53,754	3.9%	73.1%
Sakhalin	27,444	64,100	4.7%	51.0%
Sverdlov Region	22,260	69,906	5.7%	36.3%
Sevastopol	21,431	59,807	3.7%	46.5%
North Osetia Rep	25,607	101,570	4.8%	48.0%
Smolensk Region.	19,094	58,626	4.8%	37.2%
Stavropol Region	27,317	91,269	4.9%	19.2%
Tambov Region	19,907	56,738	5.1%	22.7%
Tatarstan Rep	19,412	78,824	7.1%	8.4%



Table 10 (continued)

Region	Average claim payment where European Protocol was used.	Average CMTPL claim payment, rubles .	CMTPL frequency	Proportion using European protocol
Tver Region	20,423	57,731	5.2%	45.6%
Tomsk Region	19,346	51,736	6.3%	22.2%
Tula Region	18,573	57,022	5.1%	16.8%
Tiva Rep.	24,759	68,506	4.7%	57.2%
Tyumen Region	18,097	61,076	5.1%	14.5%
Udmurtia Rep.	18,485	50,291	5.6%	28.7%
Ulyanov Region	19,930	102,374	6.3%	31.3%
Khabarov Region	27,920	67,961	5.3%	31.3%
Khakasia Rep.	21,784	57,419	4.9%	54.7%
Khanti-Mansisky Aut Region/Yugra Aut Region	18,678	56,400	6.0%	49.4%
Chelyabinsk Region	21,671	81,394	7.3%	23.4%
Chechen Rep.	40,438	91,188	3.0%	69.6%
Chuvashia	16,556	52,206	6.9%	44.7%
Chukotski Aut. Region	31,857	54,501	2.4%	34.8%
Yamal Aut. Region	19,551	60,635	4.2%	42.2%
Yaroslav Region	18,464	63,172	6.3%	38.5%



THE 'UNLIMITED' EUROPEAN PROTOCOL

The CMTPL insurance law states that it should be possible to use the simplified procedure for reporting claims for all claims up to the limit of liability of the CMTPL insurance policy. In other words, there should be no limit on the use of the simplified procedure, hence its name 'the unlimited European Protocol'. RAMI has set up a project to plan the implementation of this part of the law.

In order to use the «Unlimited European protocol», following an accident, the driver making the claim must provide extra evidence in addition to completing the accident notification form. The driver must provide the insurance company with details of damage caused by the accident together with data from the GLONASS satellite navigation system or from GLONASS and another satellite navigation system.

The RAMI project aims to create draft national standards for technical methods of reporting the circumstances of damage to a vehicle as a result of a road traffic accident. In accordance with these standards, information will be transferred from the technology installed in vehicles to the Governmental Automated Information System «ERA-GLONASS». In order to further this objective, in July 2016, RAMI signed an agreement with GLONASS JSC to develop jointly draft national standards for technical means of monitoring the circumstances of damage to a vehicle because of a traffic accident. In addition, it was agreed to obtain Rosstandard's approval for these proposals.

Developing requirements for technical control equipment jointly will have two main results. First, it will ensure that such equipment meets the requirements of the technical regulation of the Customs Union Technical Regulation (TR TS 018/2011) that deals safety of motor vehicles and with devices or systems that contact emergency services. Second, it will allow using this equipment, recording the data required for the settlement of CMTPL claims under the 'Unlimited European Protocol'.

At the present time, there are new technical solutions available, and in order to select exactly the equipment that meets the RAMI's requirements some benchmark tests and additional tests procedures were carried out in 2016. A number of models of the equipment presented by various organisations successfully passed these tests..

At the same time, it should be noted that although technical means of control ensure the recording of the fact that the accident has taken place and its exact location, in order to fulfill the requirements of the CMTPL insurance law, it is also necessary to provide photographic or video evidence relating to the damage of the vehicle, so that the claim can be settled under the 'unlimited European protocol'. For this purpose, mobile devices (handheld personal computer, smartphone or cell phone) equipped a mobile app called «DTP.Europrotocol» can be used. This app was developed at RAMI's request as part of the 'unlimited European protocol' project. With its help, the vehicles and their damages can be photographed on the scene of the accident, after which the images with the necessary data attached to them are automatically transmitted in an uncorrected form to the RAMI GLONASS database. Then, at the request of the insurer, the images and data can be transferred to the insurance company and used in the claim settlement process.

The legal status of the data on accidents recorded with the use of the technical means of control and using the mobile application is set out in a decree from the government of the Russian Federation. This decree also establishes the composition of the information on the road accident and the procedure for submitting such information to the insurer, taking into account the requirement that the data cannot be amended. RAMI has sent proposed amendments of this decree to the ministry of transport to take account of the results of the project.



10. The international Green Card system





10. 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 at 31 December 2016, the Green Card Bureau had seven 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 2016

Approximately 1.2 million Green Card certificates were issued in 2016 by insurance companies that are members of the Green Card Bureau.

In total, since 2009, members of the Bureau have issued over 12 million Green Card certificates.

In general, the number of certificates issued in 2016 is similar to 2015, a year that was characterised by a reduction in the number of trips abroad. Much of the reduction was in trips to the Ukraine (due to the difficult political situation in the region) and to the countries of the European Union (which was due to a sharp increase in the Euro against Ruble).



GREEN CARD CERTIFICATES ISSUED AND ROAD ACCIDENTS 2009 – 2016

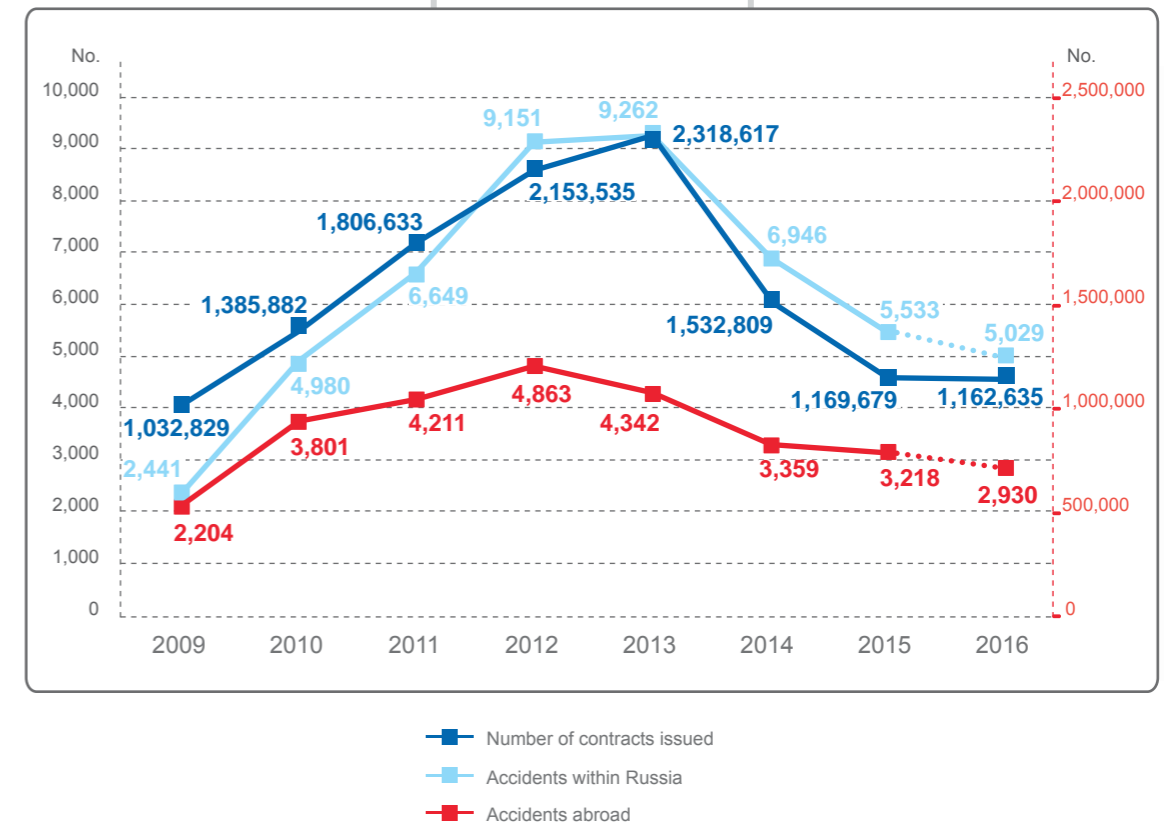


Figure 38
Green Card certificates issued and road accidents 2009 – 2016

(Data for 2016 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 2016, 2,930 accidents were recorded abroad where a driver with a Russian Green Card was involved. Generally, since 2009, there have been 28,928 such accidents. The geographical location of these accidents reflects the change in travel patterns: Belarus still has the highest proportion of accidents that took place abroad and the proportion grew during 2016. One quarter of all foreign accidents took place in Belarus in 2015 and in 2016, this proportion had grown to one quarter. Likewise, both the number of trips and claims to the Baltic countries increased (from 15% to 17%) in 2016. At the same time, the number of losses in Finland (from 7% of the number of road accidents abroad in 2015 to 5% in 2016) and in Poland (from 16% to 13%) decreased somewhat compared with the growth of the popularity of the Baltic. There was a slight increase in traffic going to the Ukraine, which is confirmed by an increase in the number of accidents on the territory of the country (1.6% of the total number of accidents in 2016 against 0.8% in 2015).

In total, since 2009, 53 losses have occurred abroad, where the amount of claims payments and reserves amounted to more than EUR 200,000. Nine of these resulted in claims of more than EUR 500,000. These are the responsibility of reinsurers.

The largest number of claims involving the reinsurance protection program occurred in Finland – for four accidents that occurred between 2010 and 2013, the total amount of payments and reserves is between EUR 833,000 euros and EUR 2.2 million. In second place, a number of serious accidents applies to Italy with three loss (2012–2014), which are estimated in the amount between EUR 595,000 and EUR 1.03 million.

Also, one major accident occurred in Poland in 2012, the aggregate amount of payments and reserves for this accident amounted to EUR 1.55 million.

Up to the present, the most serious loss has resulted from an accident in Germany, which occurred in 2010 where the payments and outstanding reserves amount to 8 million Euro. The payments have been made by RAMI since the company that issued the Green Card became bankrupt.

THE NUMBER OF ACCIDENTS IN 11 MAIN COUNTRIES (2016 IN COMPARISON WITH 2013 AND 2015)

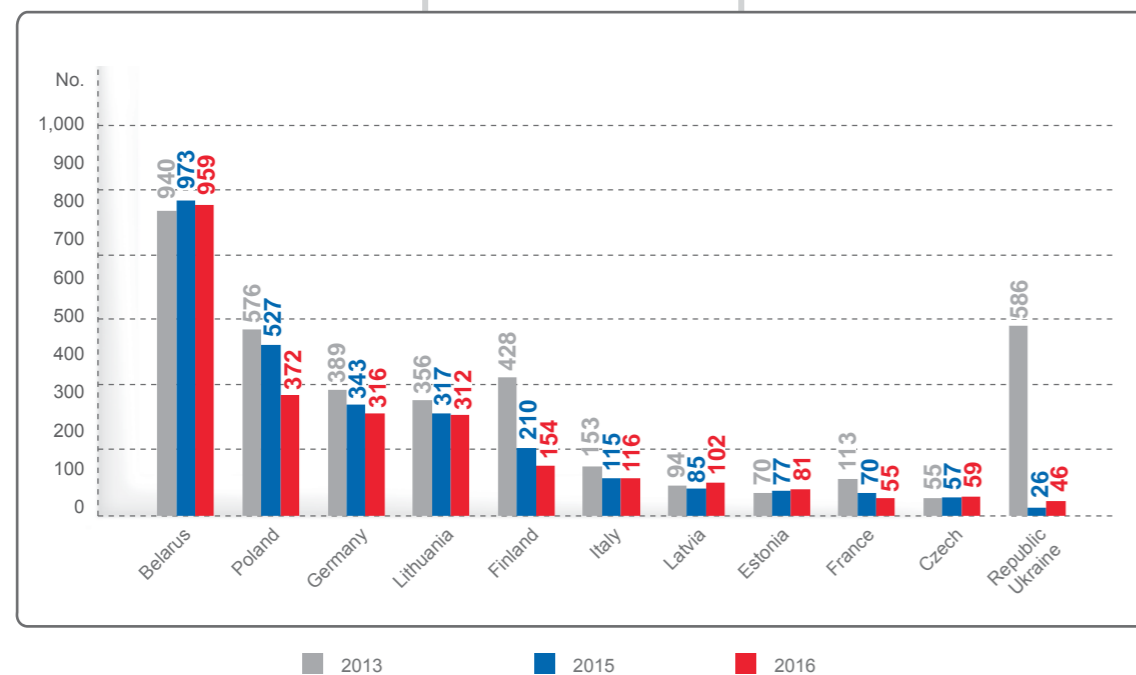


Figure 39
The number of accidents in 11 main countries (2016 in comparison with 2013 and 2015)



CLAIMS WITHIN THE RUSSIAN FEDERATION

In 2016, 5,029 accidents were reported that involved vehicles insured through a foreign Green Card. In total since 2009, there have been 50,051 such accidents. Changes in the geography of the countries of registration of vehicles entering Russia have occurred – in 2016, Polish vehicles gave way to those registered in the Baltic States, and Germany moved to the last place on the list.

ROAD ACCIDENTS WHERE THE DRIVER AT FAULT CAME FROM A FOREIGN COUNTRY (2009 – 2016)

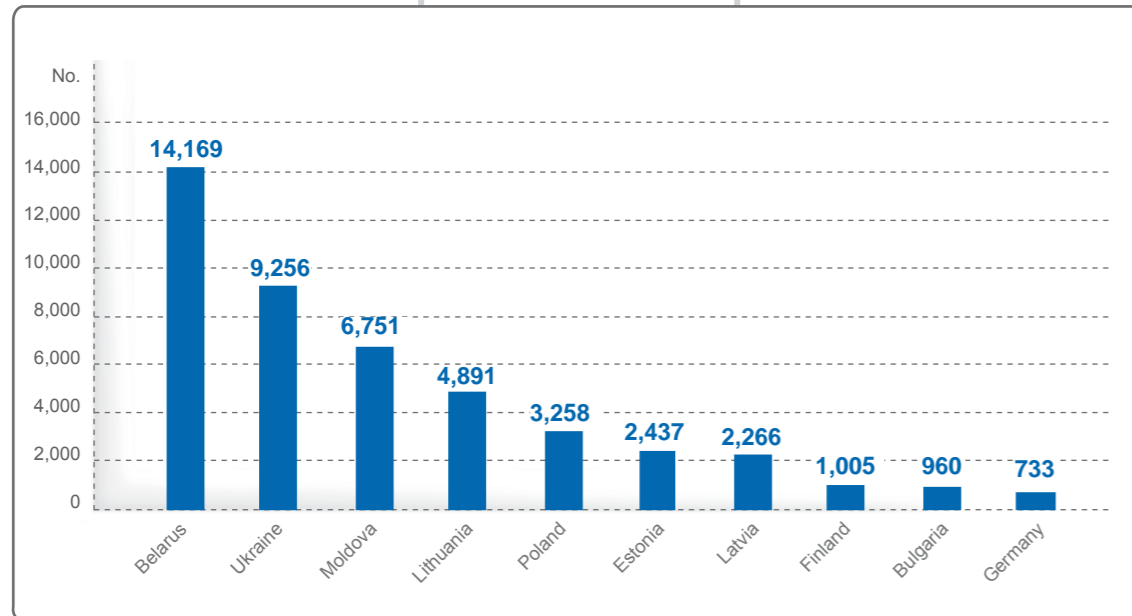
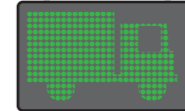
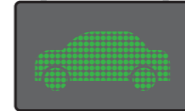


Figure 40
Road accidents where the driver at fault came from a foreign country (2009 – 2016)



IMPROVING MANAGEMENT AND CONTROL OF THE GREEN CARD SYSTEM

RAMI introduced further improvements to the automated accounting system that controls the issuing of blank Green Card certificates, records the Green Card insurance contracts and claims under the system both in Russia and abroad. In 2016 as well as in previous year averagely 99% of all contracts are uploaded to the Green Card IT subsystem within the prescribed terms (5 days as of the date of insurance contract). In 2016, the Green Card IT subsystem was developed, increasing the effectiveness of the system through which the Bureau in real time ensures that Green Cards are issued properly and the premiums are correctly calculated. As the subsystem allows to control the status of Green Card certificates' blanks automatically RAMI has decided to abolish the obligation of insurers to submit paper forms on Green Card blanks.

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 claims (all of which were caused by poor communications) presented to the Bureau because of delays by members in paying claims settled abroad by members.

Since 1 July 2015, the Russian Green Card Bureau has the status of a full member of the Green Card system (which due to good performance was received early by the Russian bureau. According to the original decision of 2008, the transitional membership of RAMI was to last until the end of 2018). In addition, the members of the Russian Green Card Bureau have been authorized to issue Green Cards for vehicles registered in Kazakhstan.

RAMI is entitled to settle claims arising out of accidents relating to drivers with foreign Green Cards in the event of an accident occurred in the in the Crimea and in the city of Sevastopol. This does not include vehicles registered in Ukraine.



PROJECTS UNDERTAKEN BY THE BOARD OF THE GREEN CARD SYSTEM IN 2016

In order to support the activities of the Green Card Bureau in many areas of its work and in order to ensure that the internal rules of the Green Card Bureau complies with the rules of RAMI and with Russian legislation, the board of the Green Card Bureau has prepared amendments or new versions of the following documents:

- The rules for the transfer of the insurance portfolio for the insurance of civil liability of vehicle owners under the international Green Card insurance system, approved by the board of the Green Card Bureau on 15 December 2016, were ratified by the RAMI Board on 19 January 2017;
- 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;
- the RAMI manual for training employees of insurance companies that are members of the Bureau of Green Card: «the conclusion, support and early termination of insurance contracts in the framework of the international Green Card system, approved by the board of the Green Card Bureau on 11 February 2016;
- the RAMI manual for training employees of insurance companies that are members of the Green Card Bureau: «Settlement of claims under the international system of Green Card insurance approved by the board of the Green Card Bureau on 27 October 2016;
- amendments to the regulations governing the status of members of the Green Card Bureau, approved by the board of the Green Card Bureau on 11 February 2016, 28 June 2016, and ratified by the RAMI Board on 03 March 2016, 14 July 2016;
- amendments to the regulation governing the Green Card insurance certificate, were approved by the board of the Green Card Bureau on 24 May 2016, 1 August 2016, 22 November 2016, and ratified by the RAMI Board on 26 May 2016, 4 August 2016, 24 November 2016;
- amendments to the regulations governing the settlement of claims under the international Green Card insurance system, approved by the board of the Green Card Bureau on 11 February 2016, 07 October 2016, was approved by the RAMI Board on 3 March 2016, 13 October 2016;
- amendments to the rules governing for the application of sanctions and other measures against members of RAMI, their officials and employees, approved by the Presidium of the RAMI on 22 December 2016;
- amendments to the insurance policy wording for insurance in the framework of the international Green Card system, approved by the board of the Green Card on 19 January 2016, 21 March 2016;
- amendments to rules governing the inspections of the activities of members of RAMI approved by the RAMI Presidium on 21 April 2016, 22 December 2016.

On the basis of a decree 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, REGIONAL AND NATIONAL EVENTS

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

- Working consultations with representatives of the Council of the Green Card Bureaux with the participation of representatives of the Motor (Transport) Insurance Bureau of Ukraine (Vienna, January and Brussels, December);
- A session of the working group on fighting fraud within the Green Card system (Brussels, February);
- A meeting of representatives from the Baltic group of countries that are members of the Green Card system (Krakow, March);
- A meeting of representatives from the member countries that make up 'Group A' (France, Italy, Poland, Great Britain, Spain, Germany, Russia) (Paris, March);
- An international conference on the theme of insurance in central Asia (Almaty, April);
- A working meeting with representatives of the Council of insurance Bureaux (Luxemburg, May);
- The meeting of the General Assembly of the Council of insurance Bureaux of the Green Card (Tallinn, June);
- VII International Insurance Forum of Azerbaijan (Baku, June);
- Meeting of the Council of Ministers of the Republic of Crimea with the participation of the Ministry of Internal Affairs of the Ministry of the Interior of the Republic of Crimea (Simferopol, July);
- A meeting of the working group dealing with questions arising from changes to articles 8 and 9 of the internal rules of the Council of the Green Card Bureaux (Istanbul, August);
- A meeting of representatives from national Green Card Bureaux comprising the Northern group of countries (Lithuania, Sweden, Denmark, Estonia, Finland, Norway, Russia) (Tallinn, October).

On 19 October 2016, the Bureau organised a seminar with representatives of members of the Bureau responsible for settling claims under the Green Card system dealing with problematic issues.



11. International activities of RAMI in 2016





11. INTERNATIONAL ACTIVITIES OF RAMI IN 2016

In 2016, RAMI continued to use its international connections to study the best foreign experience of organising CMTPL insurance with the aim of applying some of this experience within Russia.

At the same time, the Association has relied on strong business relations with many foreign insurance companies, primarily companies from Central and Eastern Europe, formed over the past decade and a half. RAMI also has good relations with many national unions of insurers, as well as with international federations of insurance unions, the European insurance and reinsurance federation (Insurance Europe) and Global Federation of Insurance Associations (GFIA).

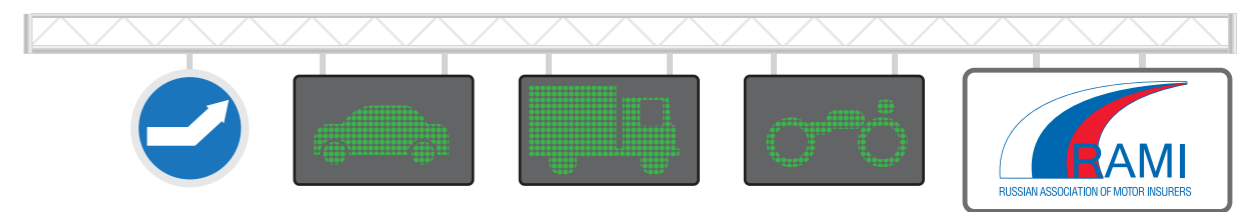
TAKING PART IN INTERNATIONAL EVENTS

Alongside ARIA, RAMI took part in the International Insurance Forum aimed at improving the effectiveness of the fight against insurance fraud, held 12–13 May 2016 in Berlin. The participants of the Forum and its keynote speakers were the heads of the services for combating insurance fraud from a number of large insurance companies and insurance unions of Great Britain, Germany, Denmark, France, Italy, Norway, South Korea, and Switzerland. Russia was represented by participants from major insurance companies such as VSK, Ingosstrakh and Alfa Insurance.

During the stay in Berlin, a business meeting was held between representatives of RAMI and ARIA with experts from the German Insurance Association (GDV), about the work of insurance unions in organising and coordinating the fight against insurance fraud. The possibility of cooperation on these issues between Russian and German insurers was also discussed. One result of the agreements reached at the meeting was that a representative of the GDV acted as a guest speaker at the International Conference entitled «Barrier 2016. Fighting insurance fraud - prevention, protection, investigation.»

RAMI took part in the 14th International Conference on Insurance «Self-Regulation in Insurance – Experience and Prospects», which took place on 8 June 2016 in Moscow, organised by the All-Russian Insurance Association (ARIA). In addition, RAMI not only actively contributed to the organisation and holding of this event, but also chaired the International Round Table «Liberalization of Tariffs in Motor Third Party Liability – Forecasts for Russia and World Practice», which attracted the attention of many of the country's largest insurers, as well as senior representatives of legislative and executive bodies. These included representatives from the State Duma, the Ministry of the Interior of the Russian Federation and the Bank of Russia.

During this round table, at the invitation of the RAMI, speeches were made by representatives of the German Insurance Association and the French Federation of Insurers, as well as by a representative of the international consulting company Oliver Wyman. Extracts from the speech by the representative of the GDV were published in the journal «Finance» (No. 9, 2016), under the title «Liberalization of tariffs – the successful experience of Germany».



ACTIVITY WITHIN THE EURASIAN ECONOMIC UNION AND THE COMMONWEALTH OF INDEPENDENT STATES (CIS)

On 15 June 2016 in Moscow on the initiative of the Bureau of Motor Insurers of Armenia, a consultative meeting was held with a delegation from the Bureau, headed by its Executive Director, V. Avetisyan. During the meeting, representatives of Russian and Armenian motor insurers discussed practical issues in such areas as the direct settlement system, technical damage assessment following road accidents and participation in the international Green Card system.

In November 2016, representatives from RAMI took part in a meeting of the Interstate Coordination Council of heads of insurance supervision bodies of the CIS member states held in Bishkek in the Kyrgyz Republic. Combined with this meeting was a forum on topical insurance topics during which representatives of RAMI described the current work of Russian auto insurers and, in particular, dwelt on the issues of organizing e-insurance, one of the main themes of the forum.



12. Independent technical examination of motor vehicles





12. INDEPENDENT TECHNICAL EXAMINATION OF MOTOR VEHICLES

The main projects implemented in 2016 were:

- Methodological support of independent technical examination;
- Publicity about independent technical examination;
- Organisational support of independent technical examination.

METHODOLOGICAL SUPPORT OF INDEPENDENT TECHNICAL EXAMINATION

Proposals to amend the CMTPL law

In preparation for the introduction of the system whereby the standard form of compensation for damage following a road accident will be the actual repair of the vehicle rather than a payment of a cash sum, work was carried out to prepare proposals for a draft law amending the CMTPL law and the relevant draft Bank of Russia regulations. Relevant proposals were sent to the Bank of Russia, as well as to other organisations involved the preparation of amendments to the CMTPL law. An important aspect of this work was the fact that RAMI was able to rely on the accumulated practical experience in carrying out the repair of vehicles under other types of insurance. The insurance community was able to establish its position regarding the terms and conditions for carrying out repair work, criteria that determine the geographical availability of repair garages and the requirements for compliance with the vehicle manufacturer's warranty obligations.

Proposals for introducing changes to the standard methodology for determining repair costs

RAMI is continuing its work to improve the system of independent technical examination of vehicles damaged in road accidents for settling CMTPL insurance claims. As part of this work, the Associations has prepared proposals to amend the regulations covering the standard methodology for determining repair costs. In accordance with the rules that cover the standard methodology, RAMI is developing directories that are used as reference books that set out the average cost of spare parts, materials and labour costs in the different regions of Russia.

Recently there have been a number of changes in the situation in the market for spare parts, leading to a reduction in the number of companies in Russia that supply or sell spare parts. This has led to the need to amend the directories that have been produced as part of the standard methodology.



In this regard, proposals have been prepared to amend the procedures that are used to develop and approve the directories following market research and regional surveys using the internet of the recommended retail cost prices of spare parts charged by manufacturers. In addition, they will clarify the rules, which determine how the regional surveys are carried out and how the data provided by the surveys is processed to produce the average cost of labour.

At the same time, RAMI proposed to the Central Bank that a new section of the rules should be added to establish a procedure for calculating the reduction in market value of a vehicle following repair after an accident. The need to prepare this supplement came about because to date, there have been a large number of court precedents where decisions have been taken against insurance companies requiring them to compensate accident victims for the loss of market value of their vehicles following an accident. These precedents were reflected in the decision of the Plenum of the Supreme Court of the Russian Federation on 29 January 2015.

There is a general acceptance as to how the amount of court awards should be determined but there are a number of different interpretations about how the loss of market value should be calculated. This confusion needs to be clarified through changing the rules governing the standard methodology and the CMTPL insurance law. This will avoid controversy, disputes and adverse consequences for both victims and insurers.

PUBLICISING INDEPENDENT EXAMINATION OF MOTOR VEHICLES

Updating the directories of repair costs

As noted above, directories of average repair costs are used as part of the standard methodology of determining claims costs under CMTPL insurance.

The directories include information on the average cost of spare parts, materials and work hours in 13 economic regions of Russia and they are prepared in accordance with the rules governing the standard methodology. The use of the standard methodology for determining the claims expenses is mandatory for insurers and their representatives, for claims adjusters, for companies that examine vehicles technicians and forensic experts who carry out forensic examinations of vehicles. The use of the directories is intended to ensure that different experts do not provide different estimates of the cost of repairing a vehicle after an accident.

In accordance with rules governing the standard methodology, RAMI regularly updates the directories. RAMI also provides the software that is used to calculate average repair costs and ensures that this software is universally available through the internet.

During 2016, RAMI updated the manuals twice – on 1 June 2016 and on 1 December 2016.

In order to ensure the use of the updated directories, RAMI supplies updated versions to those organisations that have acquired a non-exclusive license to use the directories in their propriety software and advises them of the date from which the updated version should be used. A list of these organisations and their products is supplied by RAMI through their website at the following addresses which permit anybody to use the directories on the following web-sites:

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

<http://www.autoins.ru/ru/osago/spares/>



Specially designed interfaces provide online information on the average cost of spare parts, materials and work hours, depending on the date on which information is requested (usually the date of an accident) and taking into account the economic region where the accident occurred, as required by the standard methodology for determining average repair costs.

Updating the directories, therefore, involves examining and improving the procedures used to survey average costs of materials and labour. It also requires the data (including data supplied by outside organisations) from the surveys to calculate the new average costs following the standard methodology. Finally the updated directories need to be distributed and used.

ORGANISATIONAL SUPPORT OF INDEPENDENT TECHNICAL EXAMINATION OF MOTOR VEHICLES

The professional certification of technical experts engaged in independent technical examination of vehicles

The law on CMTPL insurance requires that by a qualified technician or a qualified organisation should carry out an independent technical examination of a vehicle damaged in a road accident. The professional qualifications of experts are confirmed by a process of certification of technical experts, organised through the Interdepartmental Certification Commission (ICC).

To improve the work of the ICC within the Ministry of Transport of Russia, RAMI sent proposals on amending the professional requirements needed by technical experts. These amendments also dealt with the certification system and with the possible cancellation of certificates. On 22 September 2016, the Ministry of Transport issued a decree that authorised the ICC to take decisions on annulling the professional certification of an expert technician on a number of grounds, taking into account the expert's compliance with the established rules and regulations.

On 5 April 2016, a joint decree was issued by the Ministry of Transport, Ministry of Justice and Ministry of Internal Affairs under which representatives of RAMI were included in the ICC.

Last year, 1493 sets of documents, submitted by candidates supporting applications for professional certification, were processed. RAMI examined the documents in respect of their compliance with the rules established, as noted above, by the ministry of transport and on each case developed the Association's position on the application and presented it to the ICC for consideration.

During 2016, the ICC met nine times with the following results:

- 1493 application for professional certification were examined;
- 1419 applications were successful;
- 74 applications were rejected.



13. Periodic technical inspection of motor vehicles





13. PERIODIC TECHNICAL INSPECTION OF MOTOR VEHICLES

The law that regulates the provisions of the periodic motor vehicle technical inspection dated 1 January 2012 give to RAMI the following functions:

- certifying technical inspection operators;
- ensuring that applicants comply with the requirements for accreditation;
- monitoring the activities of technical inspection operators to ensure compliance with the requirements for accreditation and with the rules of annual technical inspection;
- maintaining the register of technical inspection operators;
- ensuring that the public can easily obtain data from the register of technical inspection operators.

CERTIFICATION IN 2016

Within the period of 1 January to 31 December 2016, RAMI dealt with 9260 communications relating to the periodic technical inspection of motor vehicles. During the period, there were 1680 applications to grant certification, to reissue certification or to terminate certification made by 877 organisations or individuals.

Of these applications:

- 695 orders were made that required the operator to improve their work and remedy shortcomings;
- In 534 cases, certification was refused.



NUMBER OF APPLICATIONS BY OPERATORS FOR GRANTING OR RE-ISSUING CERTIFICATION AND REQUESTS FOR TERMINATION OF CERTIFICATION 2016

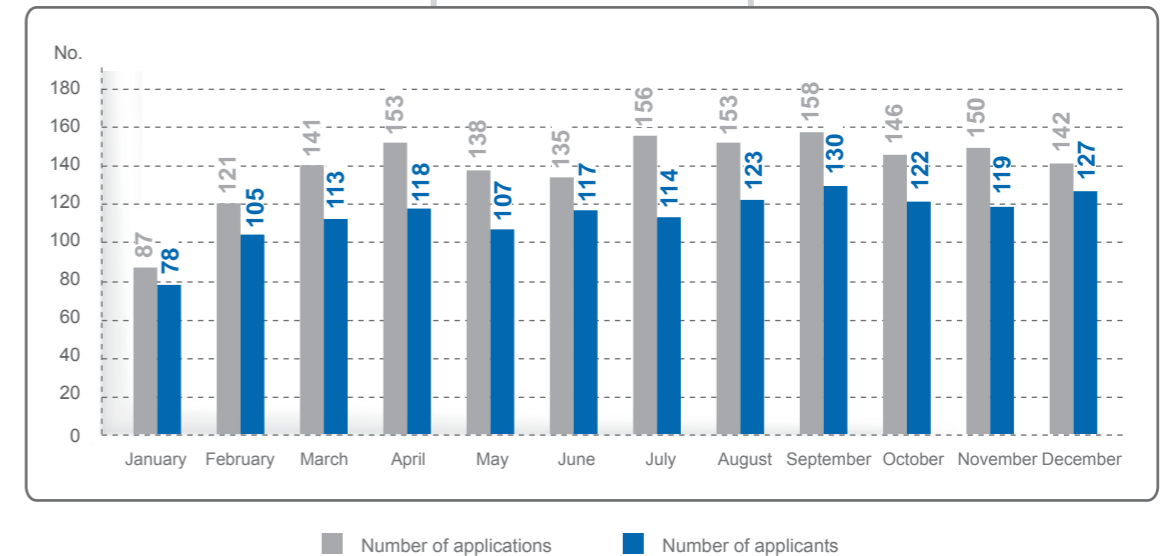


Figure 41

Number of applications by operators for granting or re-issuing certification and requests for termination of certification

In terms of applications from operators for certification, the following decisions were made:

- 388 applications were successful;
- 171 operators had their certification cancelled;
- 238 accreditation certificates were renewed.



THE RENEWAL OF CERTIFICATION DURING 2016

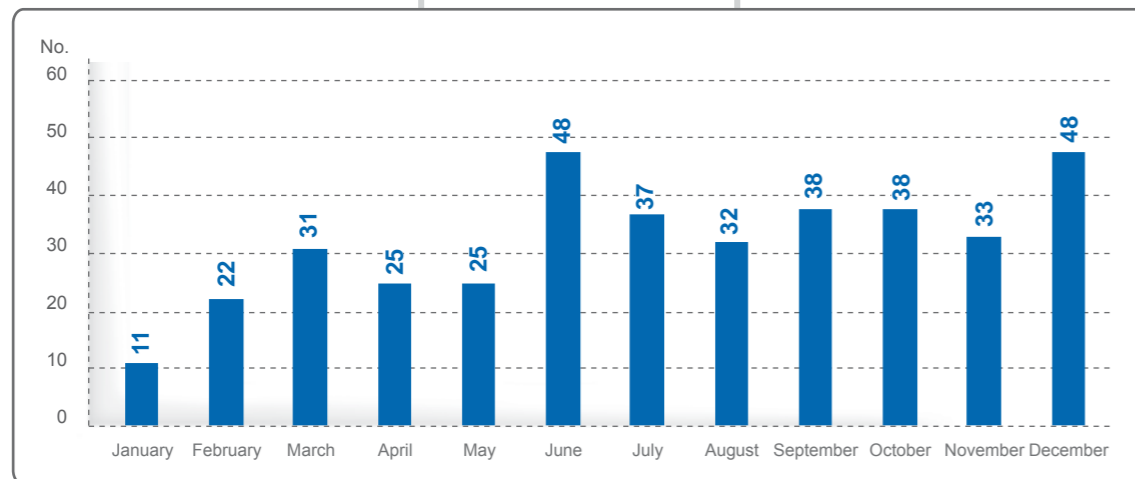


Figure 42
The renewal of certification during 2016

THE RENEWAL OF CERTIFICATION DURING 2016

RAMI's work in monitoring the activities of technical inspection operators of ensuring that they comply with the rules is carried out in conformance with the law on annual technical inspection and includes the following:

- Checking the documents supplied by applicants for certification in support of their application;
- Inspecting applicants' premises on site in the event that following the examination of the documents submitted, doubts arise as to the reliability of the information contained in the submitted application or in documents confirming the applicant's compliance with accreditation requirements.

RAMI carries out documentary or on-site inspection of technical inspection operators in the event that they receive information from the public or from a government body that the operator has broken the rules governing accreditation or the rules governing the inspection itself.

Between January and December 2016:

- 56 on-site inspections at 57 addresses were carried out following applications for accreditation. Following these inspections, 27 decisions were made to reject the application and in 27 decisions were made to grant certification;
- 424 complaints about the work of 387 technical inspection operators were received and 268 documentary and 184 on-site inspections were carried out. Based on the results RAMI's monitoring, 166 decisions were taken to suspend the validity of the certificate, 1 decision to refuse to reissue the certificate and 15 decisions were made to revoke the certificate;

- 227 operators received demands to eliminate the shortcomings in their work and their certification was suspended. Following inspections, 110 decisions were made to reject lifting the suspension, 107 decisions were made to lift the suspension and in 12 cases, it was decided to conduct an on-site inspection.

PUBLICITY WORK

During 2016 RAMI carried out the following work:

- updated information on the official RAMI website in the section devoted to the periodic technical inspection of motor vehicles. As regarding RAMI website there are details of legislation relating to technical inspection, recommendations, announcements and a register of technical inspection;
- processed more than 7,500 communications from the public, from organisations and from operators which included e mail communications;
- sent 7913 replies and communications via e-mail;
- held 16 workshops for applicants, technical inspection operators and their employees.

WORKING ON THE PERIODIC TECHNICAL INSPECTION OF VEHICLES WITH REGIONAL AUTHORITIES

On 30 October 2014, the RAMI management board introduced a procedure for signing co-operation agreements relating to the periodic technical inspection of vehicles with regional authorities. This procedure was amended on 14 July 2016.

According to law on the periodic technical inspection of vehicles, regional authorities are responsible for organising the following within the region:

- organising the system of periodic technical inspection within the region;
- ensuring that there are sufficient places where the periodic technical inspection can be carried out within the region and within the urban areas to cover the needs of the population;
- establishing the maximum cost of a technical inspection in accordance with the law and the maximum cost of providing a duplicate of the technical inspection certificate and ensuring that these limits are complied with.

The main objectives of the co-operation agreements between RAMI and regional authorities are as follows:

- developing effective system of co-operation between RAMI and local authorities in order to ensure a high quality of work by technical inspection operators;



- ensuring a consistent enforcement of the law ;
- establishing an efficient system of regulation of the system thereby ensuring that the public in the region receive a high quality of service during the annual inspection;
- providing assistance in the enforcement of the rules and regulations relating to the annual technical inspection.

As of 31 December 2016, RAMI had executed 8 cooperation agreements with the following Regions: Primorsky Region, Novosibirsk Region, Tomsk Region, Zabaikal Region, Kaliningrad Region, Arkhangelsk Region, Murmansk Region and Krasnoyarsk Region.

Discussions are in progress with 17 regions about a cooperation agreement. These regions are Astrakhan Region, Kurgan Region, Stavropol Region, Sverdlov Region, Ryazan Region, Moscow city, the Moscow Region, Kirov Region, Krasnodar Region, Khabarovsk Region, Kostroma Region, the Karelian Republic, Kemerovo Region, Vladimir Region, Saratov Region, Irkutsk Region and Tyumen Region.



14. Information technology



14. INFORMATION TECHNOLOGY

During 2016, work was carried out to complete both the IT system supporting the electronic CMTPL insurance policy and the IT support of the Bonus Malus system.

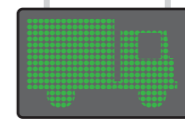
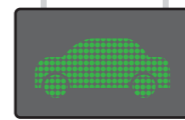
COMPLETING RAMI IT SYSTEMS

Completed amendments to the IT policy system and the Bonus Malus IT system were as follows:

- modification of the vehicle identification algorithm;
- making it possible to provide ensuring the possibility of providing insurers and insureds with information that makes it possible for them to calculate the insurance premium, to check whether the premium has been paid and whether the vehicle has passed an annual technical inspection.

A number of improvements affected the three IT systems: the Policy system, the Bonus Malus system and the electronic policy system. These were:

- setting up controls over the allocation by the RAMI system of the serial numbers of electronic CMTPL policies and making it possible to set up and remove a ban on concluding electronic CMTPL insurance policies;
- reducing of the number of fields in the electronic policy IT system, to make it compatible with the number of fields in the Contracts IT system and the Bonus Malus IT system;
- changing the programme that controls the transfer of data concerning policies, policy amendments and claims;
- making it possible to issue CMTPL policies to legal entities;
- sending text messages to the subscriber's mobile phone or email address with information about CMTPL electronic insurance contract issued or renewed;
- changing the algorithm for processing and storing non-identifying vehicle data;
- introducing changes in the electronic format of electronic CMTPL insurance policies.



In addition to the above, improvements have also been made to the electronic policy system within the RAMI IT system with the following objectives:

- Making it possible for an insurer to identify an individual insured in order to issue a key to a simple electronic signature;
- Permitting the conclusion of an electronic CMTPL insurance contract in cases where the information provided by the applicant does not agree with the data on the RAMI database of if there is no data on the database;
- Implementing the substitution system (see above section 6).

IMPROVING OF THE SOFTWARE MODULE THAT REGISTERS ENQUIRIES FROM RAMI ON THE INTERDEPARTMENTAL GOVERNMENT IT SYSTEM

Also in 2016, the updates to the software that registers enquiries on the government web site were introduced that verifies the signature of the insurer and the insured within version 3.0 of the government web site.

ENSURING THE TECHNICAL FEASIBILITY OF THE OPERATION OF THE INTERACTION SYSTEM USED TO ENSURE THE AVAILABILITY OF CMTPL POLICIES

In August 2016, the technical functioning of the interaction system was achieved (see above Section 7) using the software «UNICUSWEB», supplied by ELT-Search JSC. Virtual servers for the distribution of software «UNICUSWEB» are provided by IBS DataFort LLC.



15. Combating insurance fraud





15. COMBATING INSURANCE FRAUD

RAMI sent 21 allegations of attempted fraudulent misappropriation or theft of the Association's funds to the law enforcement agencies. The sums involved totalled more than 14 million rubles and as a result, 8 criminal cases were initiated. Five criminal cases have resulted in criminal charges and three more are at the stage of preliminary investigation.

Cases in Barnaul and Voronezh that has been commenced following allegations made by RAMI have now reached the stage where investigation has been completed.

Also in 2016, 292 cases of illegal write-offs amounting to 71.4 million rubles were identified, according to the decisions of the Goryacheklyuchskovo city court in the Krasnodar Region, which sent a report to law enforcement agencies.

In carrying out measures to counter insurance fraud, RAMI prevented over 50 attempts illegally to receive compensation payments for more than 4 million rubles.

CO-OPERATING WITH GOVERNMENT BODIES

In 2016, as part of RAMI's work to combat insurance fraud, RAMI carried out the following joint activities with law enforcement agencies and government bodies:

- Conducted on site field meetings with the Criminal Investigation Department of the Main Directorate of the Ministry of Internal Affairs of Russia for Moscow on the organisation of a joint strategy to prevent criminal activity in the field of motor insurance;
- RAMI, with the support of representatives of member companies, held meetings in Rostov and Krasnodar attended by representatives of the General Prosecutor's Office of the Russian Federation. These meetings were intended to counter unscrupulous intermediaries in the Southern Federal District and to organise joint action to counter insurance fraud.

In 2016, RAMI organised a number of seminars and conferences on fighting insurance fraud, which were attended by representatives of the Central the Bank of Russia and the Prosecutor General's Office of the Russian Federation. Questions of inaction of law enforcement bodies in the face of allegations of fraud raised by insurance companies were frequently raised as were allegations of the shortcomings of the judicial system when dealing with claims by the insurance community of the actions of dishonest intermediaries.



FIGHTING INSURANCE FRAUD IN THE INSURANCE COMMUNITY

The RAMI committee tasked with organising the insurance data bureau and countering insurance fraud developed identifiers of insurance fraud and the procedures to be followed to produce them. In 2016, based on this work, rules of professional activity for countering insurance fraud in the implementation of direct settlement of claims provided a number of measures for the direct insurers.

During 2016, measures continued to be implemented to counteract the circulation of CMTPL policies not produced by the official printer and to restrict the sale of counterfeit CMTPL policies. This work was assisted by international company, GROUP IB that specialises in countering fraud in the sphere of high technology.

In 2016, following a request from RAMI, the Internet, at the request of the SAR, more than a thousand fraudulent web sites and other IT resources on the internet were blocked. These sites sold counterfeit CMTPL insurance policy forms, bypassing the official insurance company websites of insurers CMTPL policies and sending the information in the form of an electronic document to the RAMI IT system.

Table 11

Total number of IT resources made up by	1,171
Web sites	70
Hosting accounts	35
Groups of accounts on social media	543
Publications on forums and bulletin boards	523

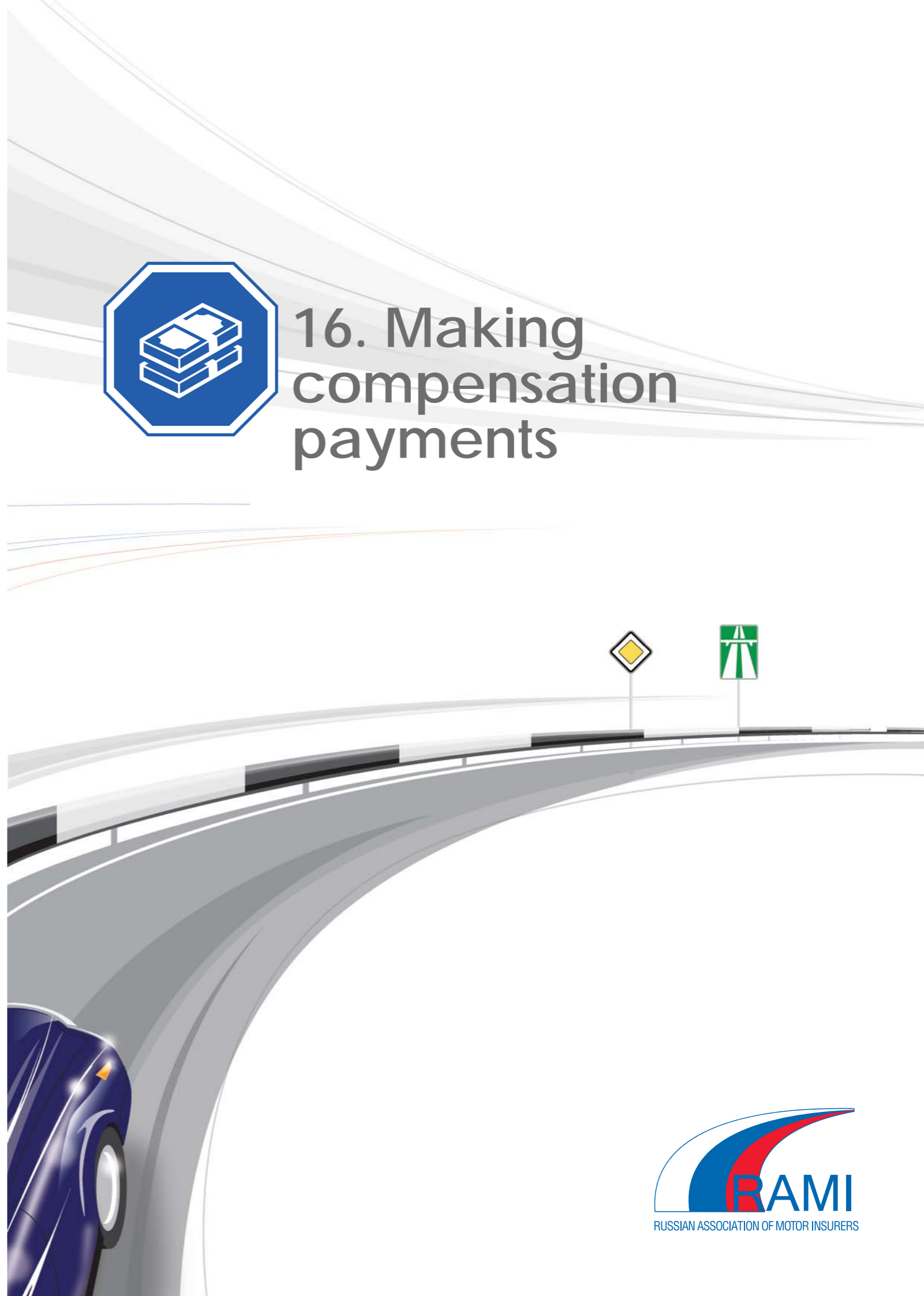
Some of this work was carried out jointly with the Ministry of Internal Affairs and the Federal Service for supervision in the sphere of Communications, Information Technologies and Mass Communications. With their help, it was possible to limit access to the most popular large criminal sites.

During the year, conferences and meetings of specialists in fighting insurance fraud (Barrier 2016, Combating Insurance Fraud - Prevention, Protection, Investigation, Rubezh, etc.) were held. These helped to combine the efforts of insurance companies in fighting fraud and resulted in joint anti-fraud investigations.

To prevent insurance fraud, during 2016, a number of articles were prepared and published in the media, showing how insurance fraudsters operate. In addition, many interviews and information on how to prevent insurance fraud were also published.



16. Making compensation payments





16. MAKING COMPENSATION PAYMENTS

COMPENSATION PAYMENTS 2004 – 2016

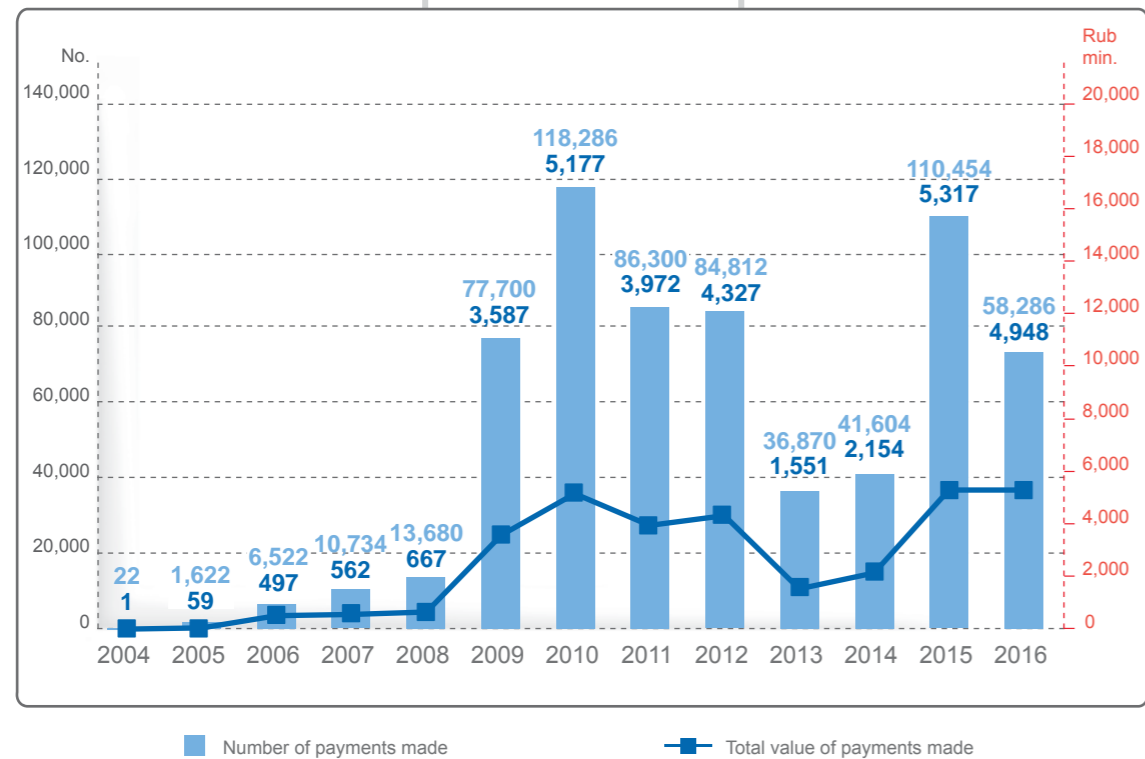
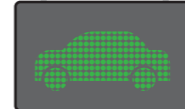


Figure 43
Compensation payments 2004 – 2016

Within the period of 1 July 2004 to 31 December 2016, RAMI has received 740,626 applications for compensation payment to accident victims. As for 646,892 applications, they were successful and resulted in payments that totalled 32.819 bn rubles.

In terms of claims for compensation for bodily injury, RAMI approved 5,231 applications for a total of 368 million rubles.



NUMBER OF INSURANCE COMPANIES FOR WHICH RAMI MADE COMPENSATION PAYMENTS

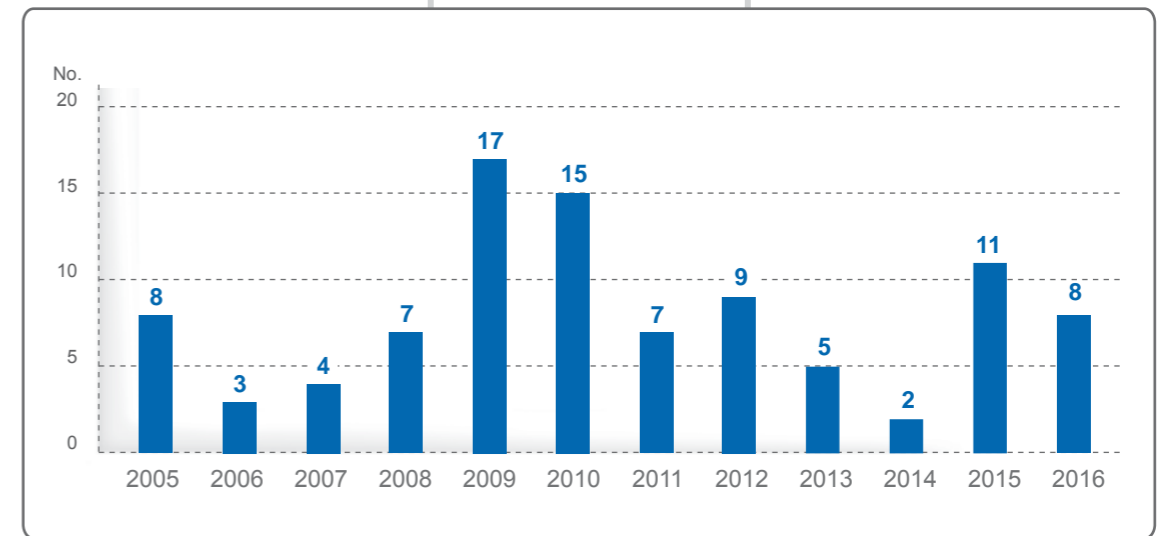


Figure 44
Number of insurance companies for which RAMI made compensation payments

98% of compensation payments were made on behalf of insurance companies that had had their license to carry on CMTPL insurance revoked.

PCA is currently making compensation payments on behalf of 96 insurance companies, 8 of which ceased operations in 2016.



NUMBER OF PAYMENTS DURING 2016

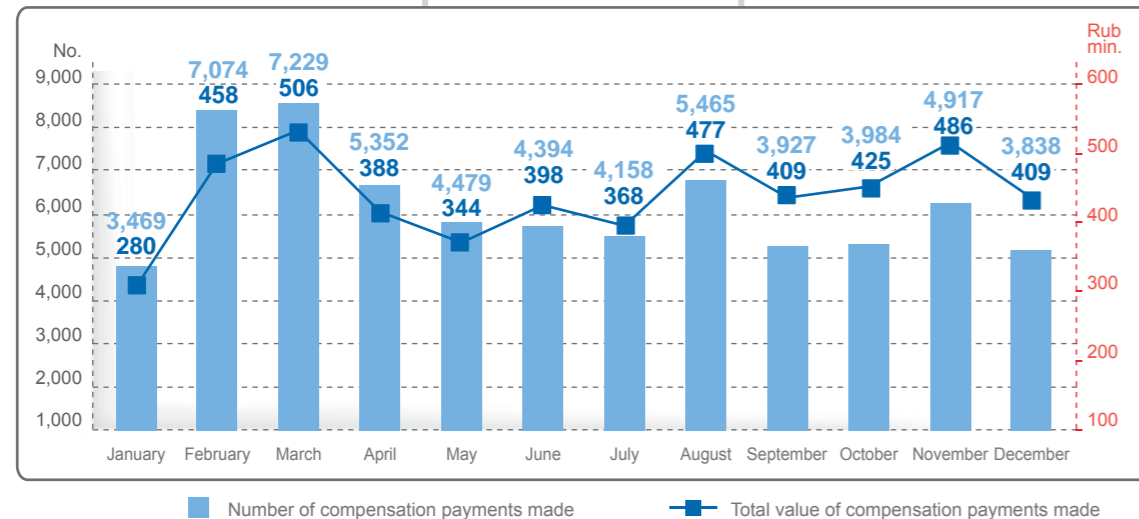


Figure 45

Number of payments during 2016

During 2016, 58,286 compensation payments were made for a total of 4,948,000 rubles. The average compensation payment in 2016 amounted to 85,000 rubles.

The CMTPL insurance law requires RAMI to make compensation payments to the insurer of the victim in the event that it is not possible for the insurer to obtain compensation from the insurer of the driver that caused the damage under the direct settlement scheme because the insurer had lost its license to carry on CMTPL insurance. It should be noted that 56% of all payments, were made to insurers under the direct settlement scheme, of which RAMI had been a member since 2015. This helps accident victims, since now, if the insurer of the driver that caused the damage loses its license to carry on CMTPL insurance, the accident victim still receives compensation.

In 2016, within the framework of the direct settlement agreement, RAMI paid more than 30,000 claims for a total of more than 2 bn rubles. At the same time, there was also an increase in the average compensation payment in this segment – in 2015 it was 39,000 rubles while in 2016 it was 74,000 rubles. It should be noted that RAMI continually monitors the results of settlements with insurers in the framework of the direct settlement system, and has been checking the documentation relating to claims where direct settlement is carried out for a company that is not carrying out its CMTPL obligations where the obligations have been transferred to RAMI. Based on the results of these checks, proposals have been made to amend the direct settlement agreement in relation to the relations between the insurance companies and RAMI. These proposals are being examined by the relevant RAMI bodies.

In accordance the law relating to the Crimea, RAMI continued to make compensation payments to accident victims residing in the Crimea. In 2016, 112 compensation awards were made that totaled 8 million rubles.



17. Dealing with issues raised by the public and by organisations in verbal or written form





17. DEALING WITH ISSUES RAISED BY THE PUBLIC AND BY ORGANISATIONS IN VERBAL OR WRITTEN FORM

RAMI constantly deals with correspondence, both written and verbal, from the public and from organisations. This activity is in accordance with Russian law, which considers RAMI to perform a significant function.

The procedures for dealing with this correspondence are governed by a set of rules of professional behaviour that have been approved by the RAMI Presidium.

In 2016, RAMI and its representative offices in regions received 57,865 communications from the public and organisations, of which:

- 3,764 communications related to the performance by insurers of obligations under CMTPL contracts;
- 4 063 communications related to a number of issues relating to CMTPL insurance contracts such as the inability to buy a CMTPL policy in electronic form, the requirement to pay for additional services when holding a policy or having to buy an additional type of insurance in order to buy a policy;
- 23 278 communications related to the Bonus Malus system;
- 24,889 requests from courts, state bodies and citizens to upload information from the RAMI IT system;
- 1 871 communications from citizens on the application of the Bonus Malus + system.

In addition, 52 173 electronic appeals were reviewed online, by sending an electronic response to the applicant on the day of the communication, without registering it.

Starting from 1 December 2015, RAMI introduced a simplified procedure (Bonus Malus +) for verifying the correctness of the application of the Bonus Malus calculation. Under the rules of professional conduct, insurance companies are obliged to use this procedure when faced with complaints from policyholders that the Bonus Malus calculation used to calculate their premium was wrong. So, if an individual who has concluded a CMTPL insurance contract raises a complaint, the insurance company is obliged to send a request to RAMI to check the Bonus Malus calculation. RAMI sends a reply to the request within 5 working days. If the premium calculated through the RAMI system (Bonus Malus +) differs from the premium previously calculated by the insurance company, the insurance company uses the RAMI premium both for the current contract and in the future so long as there are no claims.

During 2016, the Bonus Malus + system received 825,464 requests to check a Bonus Malus calculation.

Communications from the public and from organisations are a good source of information that is useful for solving problematic issues in the CMTPL insurance system. They contain important information on the processes occurring in insurance companies and are an effective tool for improving the work of RAMI and its IT system.



NUMBER OF COMMUNICATIONS RECEIVED BY RAMI 2014 – 2016

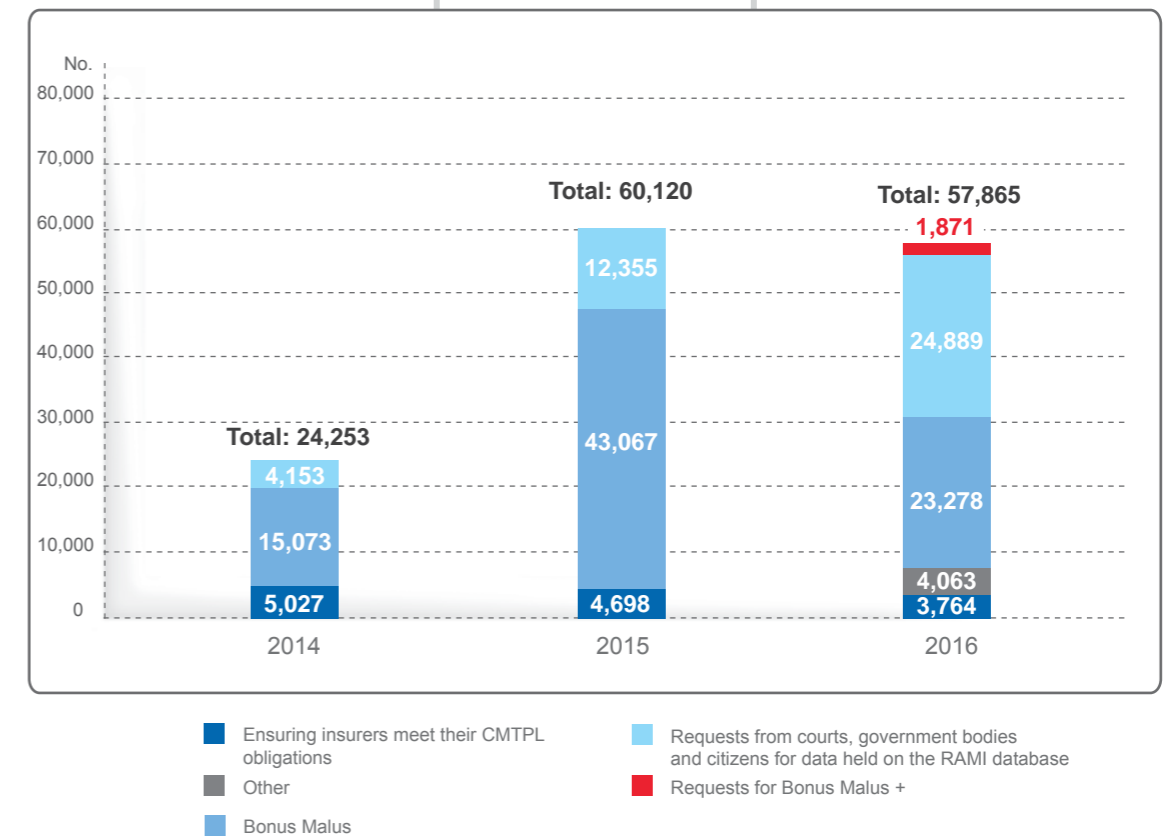


Figure 46
Number of communications received by RAMI 2014 – 2016



REQUESTS MADE TO THE BONUS MALUS + SYSTEM

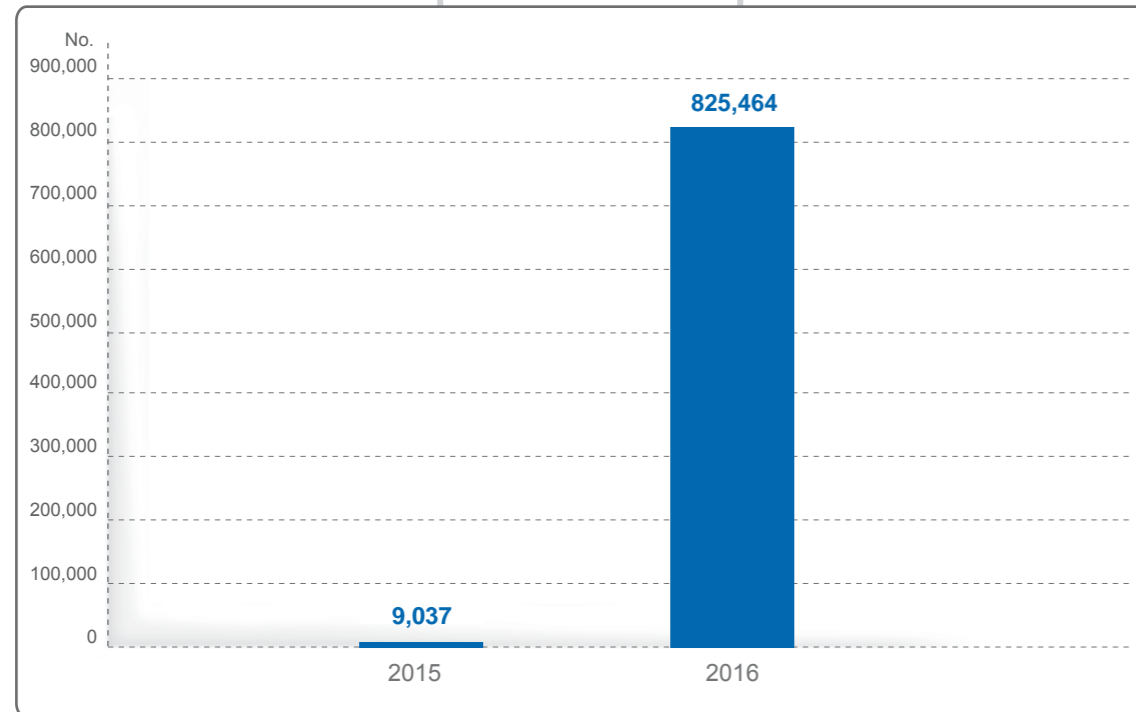


Figure 47
Requests made to the Bonus Malus + system

A key component of RAMI's strategy for dealing with communications is the telephone 'hot line'. The main functions of the RAMI hot line are first to advise the public on issues relating to CMTPL insurance and the annual technical inspection of vehicles, second to provide information on the status of compensation payments and the results of consideration of applications received by RAMI. The operation of the hot line is covered by regulations, which are enforced by the RAMI department dealing with the processing of communications from the public.

In 2016, the hot line processed 548,890 calls.



SENT SEPARATELY

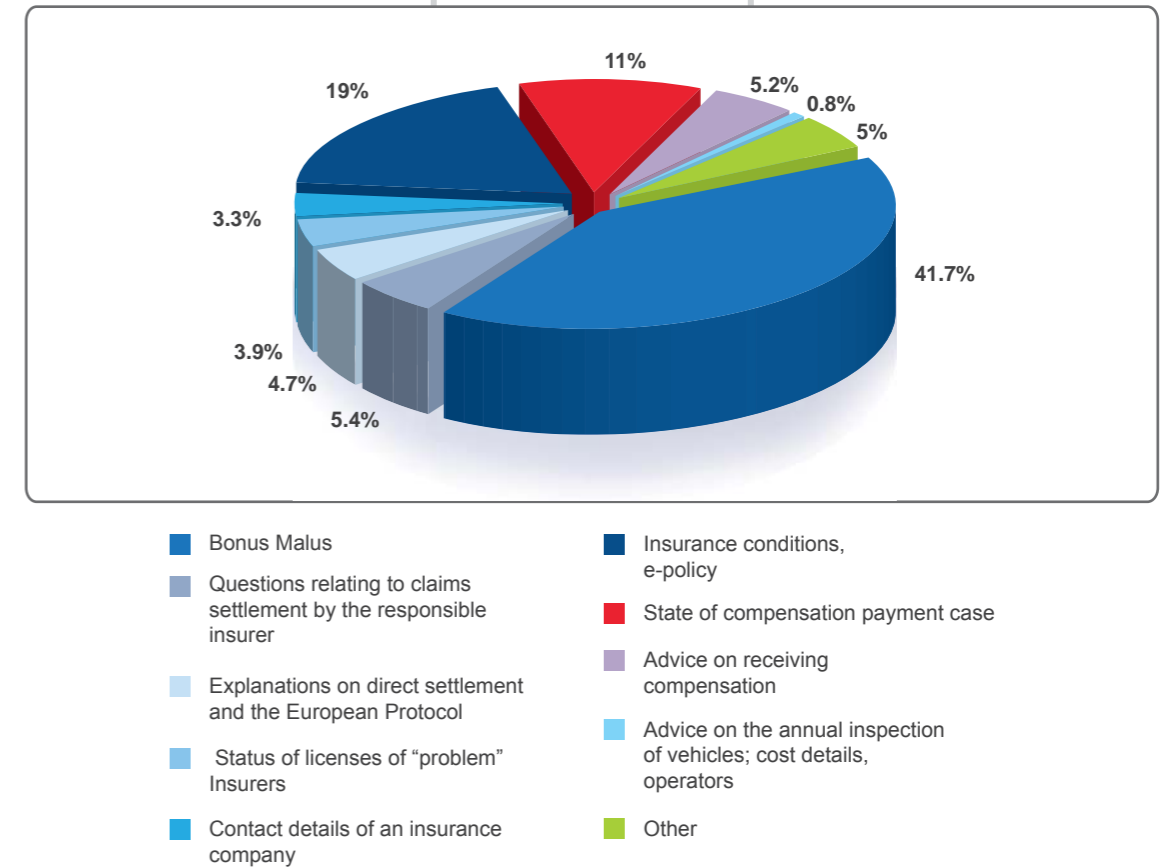
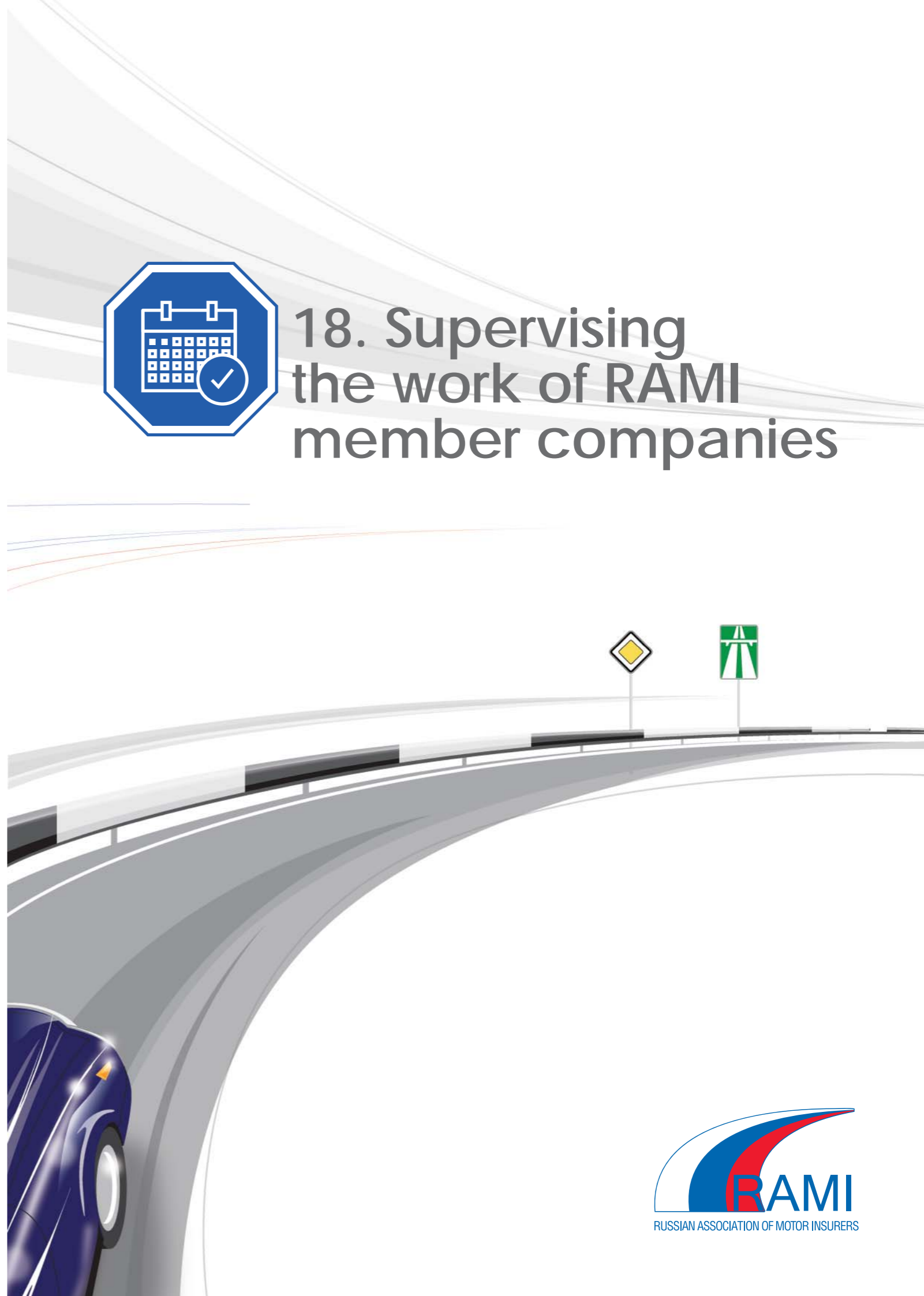


Figure 48
The main issues raised in calls to the RAMI hotline in 2016



18. Supervising the work of RAMI member companies





18. SUPERVISING THE WORK OF RAMI MEMBER COMPANIES

Under the CMTPL insurance law, RAMI has the function of supervising the activity of its member companies when they carry out CMTPL insurance. The process of supervision is governed by the appropriate rules of professional conduct.

The primary focus of supervision is to ensure that RAMI members comply with the CMTPL insurance law, with RAMI's charter, with the rules of professional activity and with decisions made by RAMI.

The objective is to detect problems arising from the activities of insurance companies early so that measures can be taken quickly and to prevent the occurrence in the future of further breaches of the rules.

The main methods used to effect the supervision of RAMI members are on site and off site inspections.

In 2016, 18 on-site inspections were carried out on the activities of RAMI members. These inspections followed decisions by the RAMI management Board and were held for the purpose of a prompt response to any signs of violations of the law or regulations by insurance the insurance companies. The aim of all the inspections were to stop the breaches of the law or of the regulations and preventing the breaches from having harmful consequences. In addition, measures were taken to ensure that the breaches would not happen again in the future.

A continuing process of off-site screening of the activities of RAMI members is carried out using information contained on the RAMI database, reports sent in by the member companies and other information.

The most common violations detected during inspections in 2016 are violations related to uploading data to the RAMI database. These violations consist of a failure to provide within the set time limit the data that is required by the regulations (data on CMTPL insurance contracts, policy amendments and claims), failure to correct data when required or incorrect implementation of the Bonus Malus system.

In 2016, amendments were made to the rules of professional activity that governed the application of sanctions and other measures against members of RAMI, their officials and employees. These amendments clarified the rules relating to the provision of data and the penalties for the failure to comply with these rules. A methodology has been developed to determine what statistical information is needed to monitor the activities of the insurance companies. This will enable a common approach to the design of reports that need to be sent to the RAMI database and to the calculations of key performance indicators used in the supervisory process.

The RAMI Disciplinary Commission is the RAMI body that reviews breaches of the rules by member companies. During 2016, the Commission held 15 meetings and reviewed 375 cases.

The results of control measures carried out in 2016, following decisions of the RAMI management Board and the Disciplinary Commission were that 1,443 decisions were made to bring to apply disciplinary sanctions, of which in 834 cases financial sanctions were imposed and in 609 cases a warning was given.



BREACHES OF THE REGULATIONS DISCOVERED IN THE COURSE OF SUPERVISION IN 2016

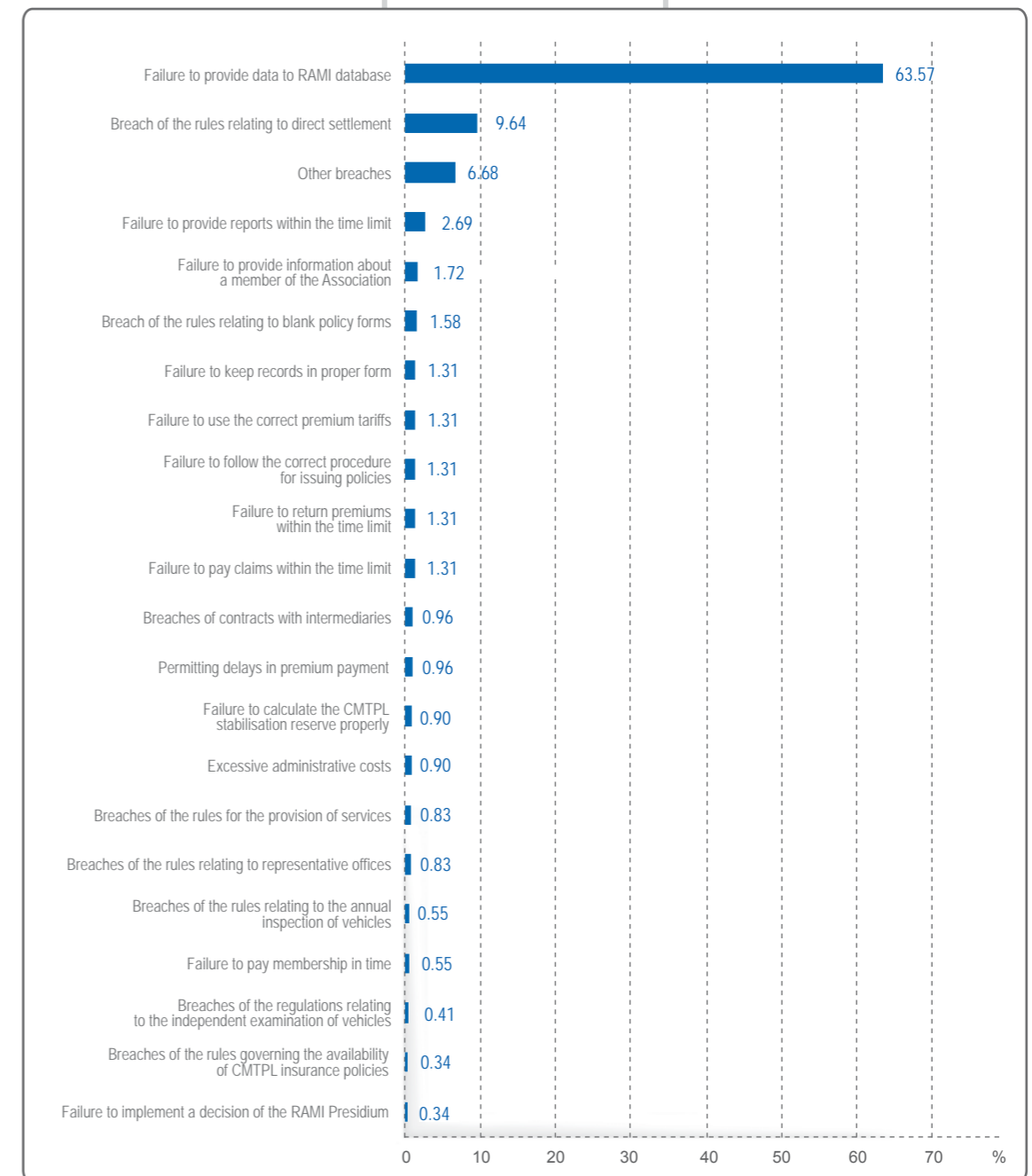
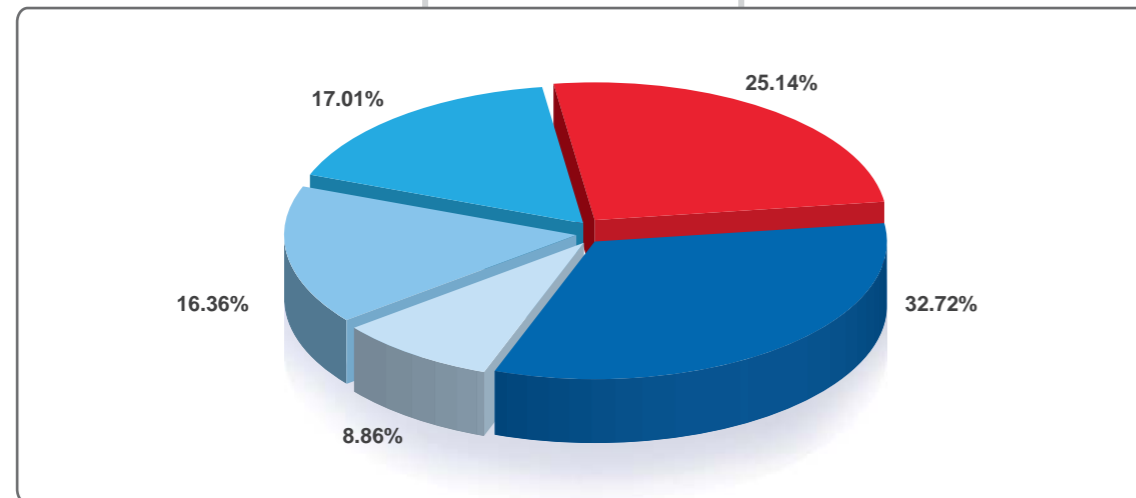


Figure 49
Breaches of the regulations discovered in the course of supervision



BREACHES OF THE REGULATIONS RELATING TO THE PROVISION OF DATA IN 2016



- Failure to correct contract data within the time limit
- Failure to provide claims data within the time limit
- Failure to provide policy amendments within the time limit
- Calculating Bonus Malus not using RAMI system
- Failure to provide contract data within the time limit

Figure 50
Breaches of the regulations relating to the provision of data in 2016

Following on-site inspections, 6 insurance organizations in 2016, were subjected to disciplinary recovery procedure.

For failure to comply with insurance legislation and with the rules of professional activity, under a decision of the Presidium of RAMI in 2016, 12 insurance organizations were expelled from RAMI. In addition, four insurance organisations voluntarily resigned their membership.

In 2016, 8 insurance companies appointed an interim administration, which included members of RAMI.

Also in 2016, RAMI carried out work to monitor compliance with the requirements of the rules of professional activity covering subrogation.

In 2016, 13 meetings of the RAMI Commission for the settlement of mutual obligations between motor physical damage (KASKO) insurers and CMTPL insurers were held. This body deals with issues related to the failure of RAMI members to comply with subrogation rules. During the year, 70 cases were examined.



In 2016, RAMI was additionally engaged in collecting and summarising data on the level of mutual obligations between motor physical damage (KASKO) insurers and CMTPL insurers.

Mutual outstanding obligations between motor physical damage (KASKO) insurers and CMTPL insurers decreased by 43.5% during 2016. As of 31 December 2015, outstanding obligations amounted to 3.61 bn rubles. By the end of 2016, this figure had fallen to 2.04 bn rubles.

MUTUAL OBLIGATIONS BETWEEN MOTOR PHYSICAL DAMAGE (KASKO) INSURERS AND CMTPL INSURERS

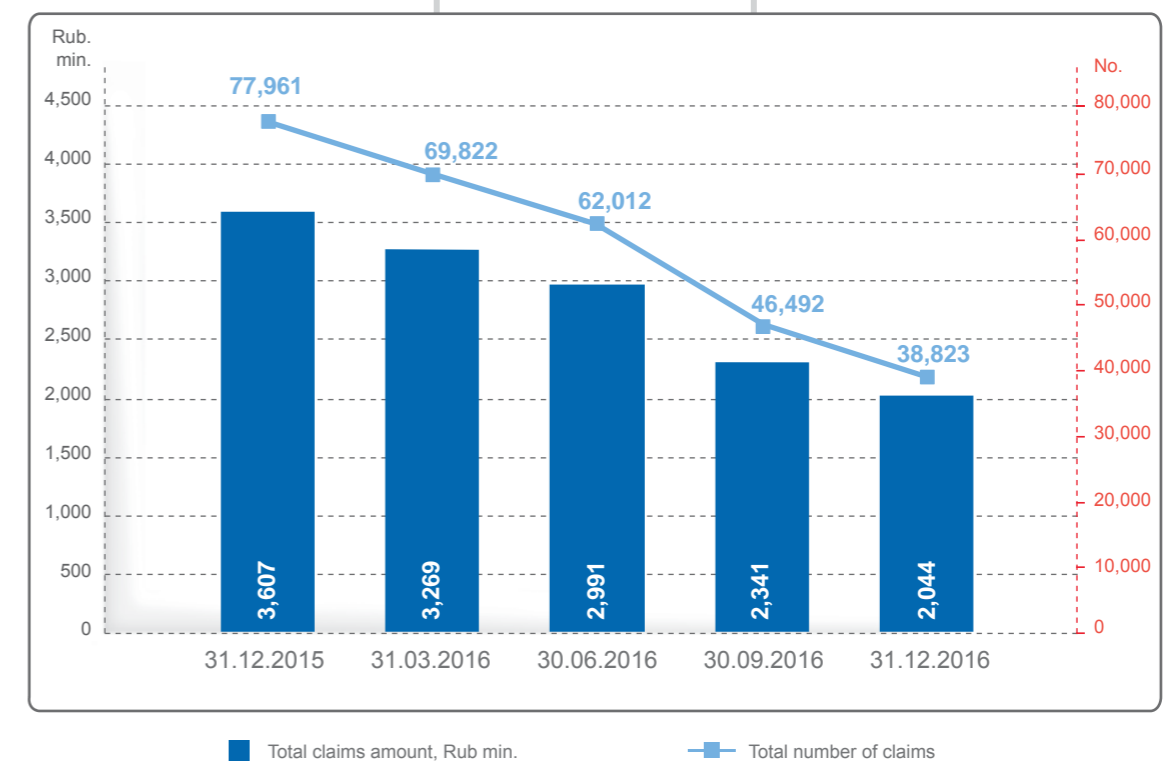


Figure 51
Mutual obligations between motor physical damage (KASKO) insurers and CMTPL insurers

Mutual outstanding obligations involving RAMI members decreased by 41.7%. As of 31 December 2015, outstanding obligations involving RAMI members amounted to 3.31 bn rubles. By the end of 2016, this sum was reduced down to 1.93 bn rubles.



Details of the outstanding mutual obligations between RAMI members are shown in Figure 52.

OUTSTANDING MUTUAL OBLIGATIONS BETWEEN RAMI MEMBERS

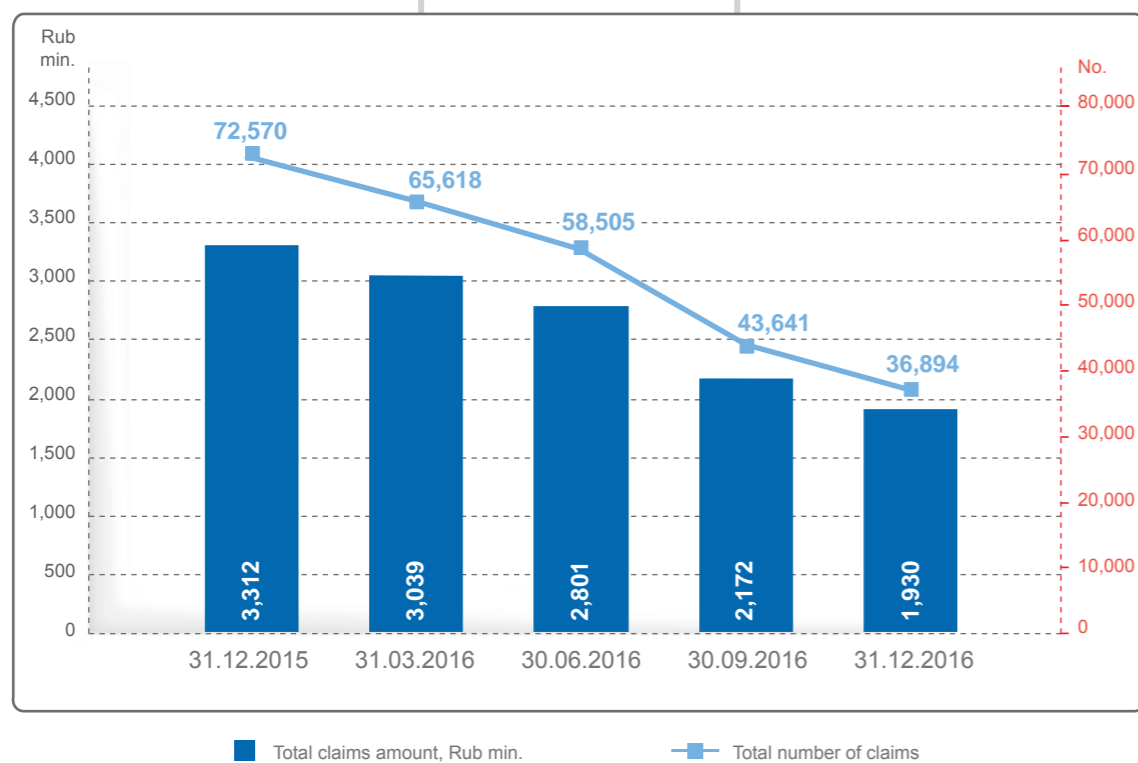


Figure 52
Outstanding mutual obligations between RAMI members

Outstanding obligations of former RAMI members and of companies that have been expelled from the Association including their obligations to RAMI decreased in 2016 by 61.3%. As of 31 December 2015, outstanding obligations of these companies amounted to 295 million rubles. By the end of 2016, this sum was reduced down to 114 million rubles.

OUTSTANDING OBLIGATIONS OF FORMER RAMI MEMBERS AND OF COMPANIES THAT HAVE BEEN EXPELLED FROM THE ASSOCIATION

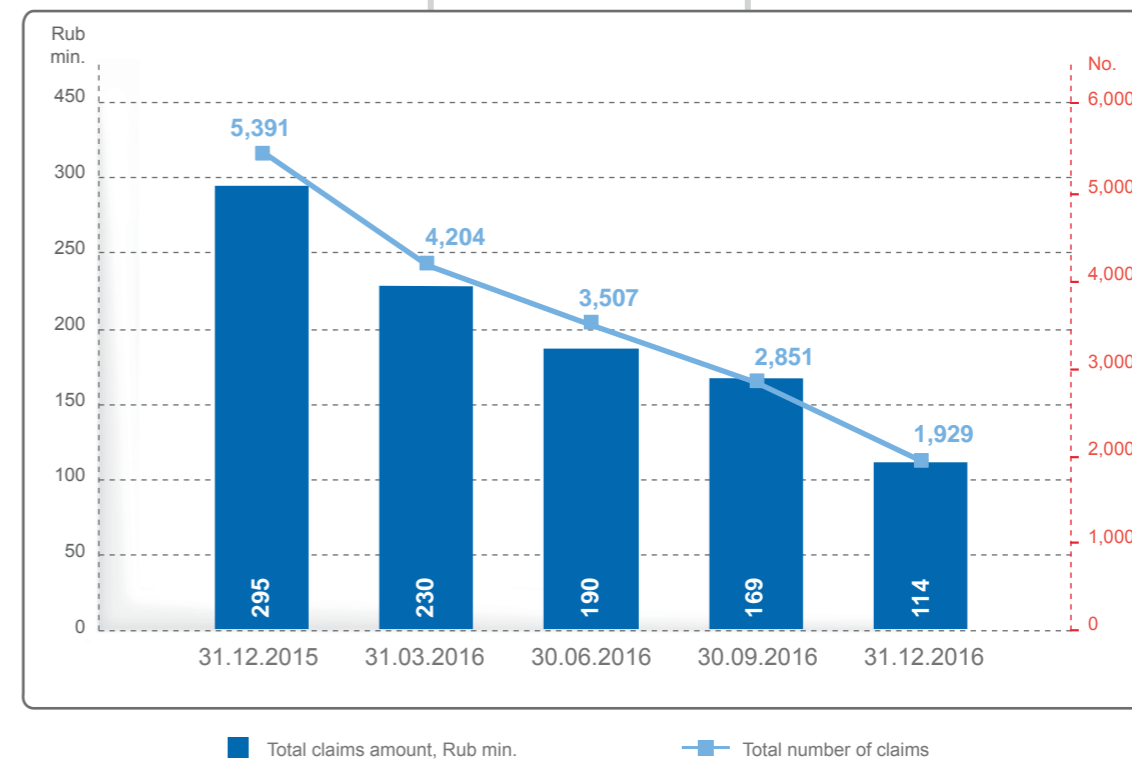


Figure 53
Outstanding obligations of former RAMI members and of companies that have been expelled from the Association



19. Legal affairs and dealing with the bankruptcy of insurance companies





19. LEGAL AFFAIRS AND DEALING WITH THE BANKRUPTCY OF INSURANCE COMPANIES

LEGAL WORK

As provided by the Russian insurance legislation, RAMI is 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 the person responsible for causing damage. When a claim was settled through the direct settlement system, RAMI pays compensation to the direct insurer when the insurer responsible fails to settle its obligations;
- 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 subrogation obligations arising from claims settled under 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 BANKRUPTCY PROCEEDINGS OF INSURANCE COMPANIES THAT HAVE LOST THEIR CMTPL LICENSE OR HAVE BEEN EXCLUDED FROM THE AGREEMENT ON DIRECT SETTLEMENT

In 2016, the RSA intervened in 31 court cases dealing with the bankruptcy of insurance companies.

In total, RAMI has recovered rubles 116.1 million through its activities in bankruptcy cases of which 21.5 million rubles (18%) were recovered in 2016 from the following companies: Aini Insurance company, Russian Insurance Centre, Rossiya, Dar and Soyuz Insurance company.

In 2016, applications were submitted to the courts to include RAMI in the list of creditors with claims amounting to 5 bn rubles. During the year claims amounting to 2.8 rubles were accepted which included outstanding claims from 2015.

Also in 2015, RAMI submitted claims for current needs amounting to 24.2 million rubles of which 20.4 million rubles 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 is either not in possession of a valid CMTPL insurance policy or is untraced.

In 2016, RAMI obtained positive decisions from the court for 2.8 million rubles, having made claims of 6.5 million rubles. Following the court decisions, RAMI actually recovered 1.3 million rubles of which 700,000 rubles were returned voluntarily.

2. Recovering duplicate payments made following one accident.

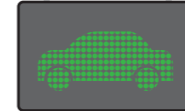
In 2016, in respect of duplicate payments, RAMI made 271 claims for a total of 16.2 million rubles. The Association also initiated 44 lawsuits seeking recovery of duplicate payments totaling 3.5 million rubles. As a result of this work, in 2016 RAMI recovered 8.7 million rubles, including 6.9 million rubles in out of court settlements and 1.8 million rubles following court decisions.

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

In 2016, RAMI filed 166 claims for the return of funds in the amount of 11 million rubles, of which 5 claims were successful and resulted in refunds amounting to 135,000 rubles. Also in 2016, 440 court cases requiring the return of 27.7 million rubles were filed. In 2016, the courts made awards amounting to 53 million rubles. This figure includes applications filed in 2015. Following the court awards 1.5 million rubles were actually returned.

4. Recovery of compensation payments made under the direct settlement system.

In 2016, RAMI submitted 806 claims for 40.4 million rubles, of which 68 claims were successful and resulted in the return of 2.2 million rubles. Also in 2016, 106 lawsuits were filed for 3.3 million rubles, of which 12 lawsuits were successful resulting in awards of 349,000 rubles, of which 116,900 rubles were returned. The rejected claims of 42,700 rubles. The remaining cases are currently subject to the decision.



COMBATING ILLEGAL COMPENSATION PAYMENTS

In 2016, work continued to invalidate counterfeit contracts of assignment. Sixteen lawsuits were filed to overturn invalid contracts, some of which were initiated by the individuals who had not entered into the contracts. Claims were made to recover illegal compensation payments of more than 1.5 million rubles through the counterfeit contracts. Positive decisions were made in 11 cases and 4 are pending. In one case, the assignment was recognised as being valid. The case is being appealed.

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

1. Intervention by RAMI in court cases to recover compensation payments in the city court of Goryacheklyuvsk in the Krasnodar Region.

At the beginning of 2016, a claimant obtained 90 collection orders leading to payments from a RAMI bank account, which were based on a court decision authorising transfer of RSTK's debts to RAMI. The total amount of compensation payments involved was 18.5 million rubles. RAMI appealed the transfer.

The Krasnodar regional court overturned in 89 cases the application to replace the debtor.

In one case, the decision to replace the debtor was partially denied. This decision is under appeal.

In the 89 successful cases, RAMI has begun the legal process of repayment of funds to be collected by bailiffs. In 2 cases, repeated applications were sent because of a failure to deliver the writ of execution.

In the second half of 2016, two claimants obtained 203 collection orders authorizing payments from a RAMI account, following court orders to replace the company 'RSTC' by RAMI. The amount involved was 53 million rubles.

The RSA filed 203 appeals against the court decision. Documentation relating to the appeal has not been received. RAMI has made an application to receive it. Appeal definitions were not received, the RSA sent applications for appellate definitions. RSA filed 203 private claims for substituting a company.

2. The companies 'Senat', 'Vostok Allianz', 'Pravovaya respublica' and 'Parsek'.

The companies 'Senat', 'Vostok Allianz', 'Pravovaya Respublica' and 'Parsek' filed 200 claims on the basis of assignment agreements concluded with Severnaya Kazna insurance company through the General Director, A. Merenkov. These agreements were concluded after the suspension of activities carried out by the General Director of Severnaya Kazna when the insurance company went into interim administration.

In 143 cases, decisions were made in favour of RAMI, in 53 cases decisions were made against RAMI. 4 cases remain in the court of first instance.

3. Support of cases to recover compensation payments made by RAMI in the Kirov District Court of Makhachkala, Republic of Dagestan.

In the proceedings of the Kirov District Court of Makhachkala, the Republic of Dagestan, claims have been brought against RAMI for the recovery of compensation payments. However, court documents requested, including the decisions of the court have not been produced.

As a result, the Kirovsky district court of Makhachkala issued enforcement notices and money was written off from the RAMI account. RAMI filed 130 complaints against the decisions to a higher court, which the lower court tried to prevent. The SAR filed 130 complaints against the decisions to a higher court, the judges in various ways prevented from appealing. The Supreme Court of the Republic of Dagestan received falsified documents stating that RAMI had withdrawn its complaints. Given the fact that these documents were not sent to RAMI, a letter was sent to the Supreme Court of the Republic of Dagestan on the rejecting their contents and requesting a rehearing based on the changed circumstances. RAMI's applications were successful, the decision to terminate the proceedings dealing with RAMI's complaints was overturned and the cases were sent back to the Kirovsky District Court of Makhachkala to deal with the breaches of the law.

A complaint about the actions of the judges was sent to the chairman of the court.

The results of the consideration of RAMI's complaints was that in 69 cases, the decisions were overturned, in 54 cases the decisions of the courts were upheld, in 7 cases the result is not known.

Work is under way to recover the funds relating to the overturned cases. 26 applications have been made to collect the funds from plaintiffs that had been paid out through the enforcement notices.

4. Involvement in court cases claiming compensation payments from RAMI in the Zamoskvoretsky District Court in Moscow and the Judicial Magistrate No. 397 in Moscow.

Totally, there are 136 cases in the courts where plaintiffs are claiming that compensation payments from RAMI based on contracts of assignment. In all cases, suspecting that no contract of assignment has been signed, RAMI has petitioned for the attendance of the victims as third parties.

RAMI has received information from four accident victims that they have not signed a contract of assignment.

In 7 cases, the claims against RAMI were dismissed. In 11 cases, the case was adjourned to await the attendance of the victims as third parties. The remaining cases are pending.

5. GriMaNiK.

In 2015, GriMaNiK sent to RAMI applications for compensation payments, based on which RAMI made 16 payments for a total of 1.3 million rubles. In the course of an audit, it was established that expert opinions attached to the applications for compensation had not been prepared by the expert organisation stated by the company.

Taking into account the foregoing, RAMI filed a statement of claim against GriMaNiK for the recovery of illegal compensation payments in the amount of 1.3 million rubles.

While the case was being considered by the court, the company submitted new expert opinions. Based on the results of another audit, it was revealed that these expert opinions had not, in fact, been prepared by the organisations claimed.

Based on the results of the investigation of the case against GriMaNiK, the court found in favour of RAMI and concluded that the company had unjustifiably received 1,300,000 rubles.

In 2016, the company challenged the decision of the court in the higher courts. Following the consideration of the case, their appeal was denied.



INTERVENING IN CASES RELATING TO THE BONUS MALUS SYSTEM

In 2016, individuals filed 22 claims against RAMI relating to the Bonus Malus system. In 12 cases the decision was in favour of RAMI, one case was withdrawn after the claim was rejected and 9 cases were pending.

INTERVENTION IN CASES THAT CHALLENGE THE DIRECTORIES OF THE AVERAGE COST OF SPARE PARTS

In 2016, in the civil courts individuals initiated 144 lawsuits against RAMI that claimed that the directory of the average cost of spare parts had not been correctly produced following the requirements of the Central Bank and contained errors. In 32 cases, the decision of RAMI was upheld and in 8 cases the proceedings were terminated. In meeting the requirements for SAR was denied, in 8 cases the proceedings were terminated. In 2 cases, the complaint against RAMI was upheld. RAMI has appealed these decisions. The remaining cases remain outstanding.

Also in 2016 a case against RAMI initiated in 2015 was re-examined dealing with the cost of spare parts. It was claimed that the cost of a number of spare parts relating to an Audi A6 had not been correctly calculated by following the unified methodology. To date this case has not been heard.

In addition, the Zamoskvoretsky District Court of Moscow threw out one claim that the directory had not been completed following the requirements of the Central Bank and contained errors.

Also in 2016, an individual entrepreneur filed 2 lawsuits against RAMI in the Moscow Arbitration Court claiming that the directory of the average cost of spare parts had not been produced in accordance with the requirements of the Central Bank and contained errors. The court, having considered the case upheld RAMI.

INTERVENTION IN CASES THAT CHALLENGE THE ACTIONS OF RAMI IN THE FIELD OF THE ANNUAL TECHNICAL INSPECTION OF MOTOR VEHICLES

In 2016, 1 application was submitted challenging the actions of RAMI in the field of the annual technical inspection of motor vehicles. Following consideration of the case, the case against RAMI was rejected. This decision was upheld on appeal.



INTERVENTION IN CASES BROUGHT BY INSURANCE COMPANIES CHALLENGING THE ACTIONS OF RAMI IN THE APPLICATION OF DISCIPLINARY SANCTIONS

In 2016, 1 application was submitted challenging the actions of RAMI in the application of disciplinary sanctions. Following consideration of the case, the case against RAMI was rejected. This decision was upheld on appeal.

COMPENSATION PAYMENTS BASED ON COURT DECISIONS

In 2016, the RSA carried out compensation payments following court decisions as follows:

- 114.18 million rubles was paid following court orders and bailiffs' orders;
- 674.22 million rubles was paid following collection orders.



20. The RAMI arbitration court





20. THE RAMI ARBITRATION COURT

In conformity with the CMTPL law and in order to settle disputes between members of RAMI, the RAMI Presidium has established a court of arbitration within the Association's structure. The Presidium also issued on 23 December 2010, a set of rules of professional conduct. These set out the procedures to be carried out in the event of disputes between members that arise from the direct settlement of claims, when one member of RAMI settles a claim for compensation under a policy of CMTPL insurance issued by another member of RAMI and also other disputes.

The Arbitration Court achieved the following during 2016⁵:

In 2016, 98 cases were filed, all of which related to the recovery of compensation payments.

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

- In 33 cases, the court ruled in favour of the plaintiff in full;
- In one case, the court rules partially in favour of the plaintiff;
- In 23 cases, the claim was dismissed.

48 claims were returned on formal grounds.

6 claims were deferred until 2017.

⁵The data include 14 cases that were carried over from 2015.



21. Publicity and promotional events supporting road safety





21. PUBLICITY AND PROMOTIONAL EVENTS SUPPORTING ROAD SAFETY

RAMI PR CAMPAIGN

Throughout 2016, RAMI, in cooperation with the public and the media, carried out a PR campaign promoting further stabilisation of the CMTPL insurance market and aimed at improving the way in which society views the CMTPL system.

The campaign to stabilise the CMTPL insurance market initiated in 2015 was held until March 2016.

One of the main objectives of the RAMI PR campaign last year was to inform the general public about the damage being caused by a number of unscrupulous intermediaries within the insurance industry who are provoking an increase in litigation against insurers. Such increase in litigation is contributing to a crisis situation in the market and has resulted in growing losses from CMTPL insurance in a number of regions of the Russian Federation.

In order to increase the availability of CMTPL insurance policies in the 'problematic' regions, RAMI provided publicity material for the media that explained how the 'single RAMI agent' worked. At the same time the use of the new 'electronic' CMTPL insurance policy was encouraged as a potential sales channel and explanation of how the internet could be used to obtain the 'e-policy'.

In addition, the main objectives of RAMI PR in 2016 were:

- Distributing information informing about the implementation of the RAMI action plan («road map») to combat counterfeit CMTPL insurance policies of MTP. This plan involves replacing the current policy forms throughout the Russian Federation and replacing them with new forms with greater protection against counterfeiting.;
- Bringing to the attention of the general public the need to combat unscrupulous auto intermediaries by adopting amendments to the CMTPL insurance law that provide compensation to owners of damaged cars in the form of the actual repair of the vehicle. This gives to the car owner a fully repaired car with no need to have an additional payment to cover the wear and tear of the parts and components;
- clarifications of how the simplified procedure for adjusting the bonus-malus coefficient works, in relation to the «cooling off period» when selling CMTPL insurance;
- an explanation of the benefits of the amendments to the CMTPL insurance law that provided for a uniform methodology for determining the amount of expenses for repair of a damaged vehicle and which increased the policy limits for bodily injury following an accident;
- popularising the European Protocol;
- Expanding the successful co-operation between the state and business in resolving the problems of the CMTPL insurance market; supporting the argument that constructive cooperation should continue, and will contribute to increasing the insurance protection of the population and the formation of a



civilized market of insurance services in Russia;

- promoting the image of the insurance industry as transparent, socially responsible and meeting high international standards.

To implement the above tasks, the media (printed, electronic, TV and radio, news agencies and Internet resources) were provided with publicity materials containing the main themes of the PR campaign, as well as explanatory infographic materials.

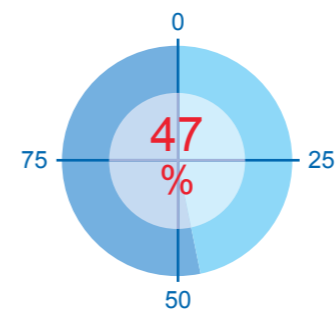
To influence the widest possible audience and in order to convey the RAMI position on a number of topical issues to target audiences on the Internet, discussions were held on issues related to the PR campaign in the form of online conferences, online surveys, and online discussions.

PROMOTIONAL EVENTS SUPPORTING IMPROVEMENTS IN ROAD SAFETY

Supporting measures to improve road safety is a high priority to RAMI and to its members. The overall objective of the Association is to protect the interests of citizens by reducing and preventing damage caused in road accidents and to eliminate the causes of road traffic accidents. In 2016, RAMI continued its road safety work by organising activities that furthered the objectives of the Association in this area.

'Distance' a national road safety campaign

In 2016, RAMI took part in a national road safety campaign ('distance') together with motor inspectorate of the ministry of internal affairs and a company (Zavod).



According to the statistics of the State Traffic Safety Inspectorate, mistakes over distance between vehicles is one of the most frequent causes of road accidents. Almost one in every ten major accidents in our country occur because of improper choice of distance or by not keeping the correct distance.

47% of Russians fail to keep a safe distance when they are in heavy traffic.

The aim of the campaign, therefore, is to reduce the number of road accidents that have occurred due to these failures to keep the correct distance between vehicles.

National coverage:

- A video film was produced as part of the campaign and was broadcast on national television channels such as Channel 1, NTV and Russia 24;
- An educational documentary entitled 'A road accident scheme' was shown on the internet, in driving schools and in universities;
- A special series of audio clips was produced, aimed at communicating the main message of the campaign to the target audience.

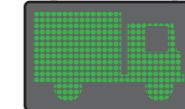
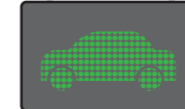


Regional coverage of events:

- kindergartens – 250;
- schools – 300;
- universities – 100;
- driving schools – 91;
- Filling stations – 100;
- Road Traffic Police points for car registration and testing of drivers – 30;
- Shopping malls – 26.

The results of the campaign:

- Between February and May 2016, there were 3,400 articles in the media;
- The number of deaths in accidents due to keeping to little distance between vehicles fell by one third as a result of the campaign. The number of accidents caused by such effect decreased by 9.2% and the number of injured fell by 7.5%;
- 51% of the Russian population became acquainted with the materials distributed through the campaign;
- Both throughout Russia and in Moscow, the understanding of the mechanisms of safe travel and the importance of keeping a «safe distance» as part of the rules of good driving increased. In particular, about 70% of the respondents were able to name the key factors influencing the choice of a safe distance.;
- Effectiveness of the coverage of the topic of «Road Safety» was 77%, and the coverage of the topic «Keep your of distance» – 62%.



RECOGNITION OF THE ELEMENTS OF THE "DISTANCE" CAMPAIGN, % OF ALL RESPONDENTS

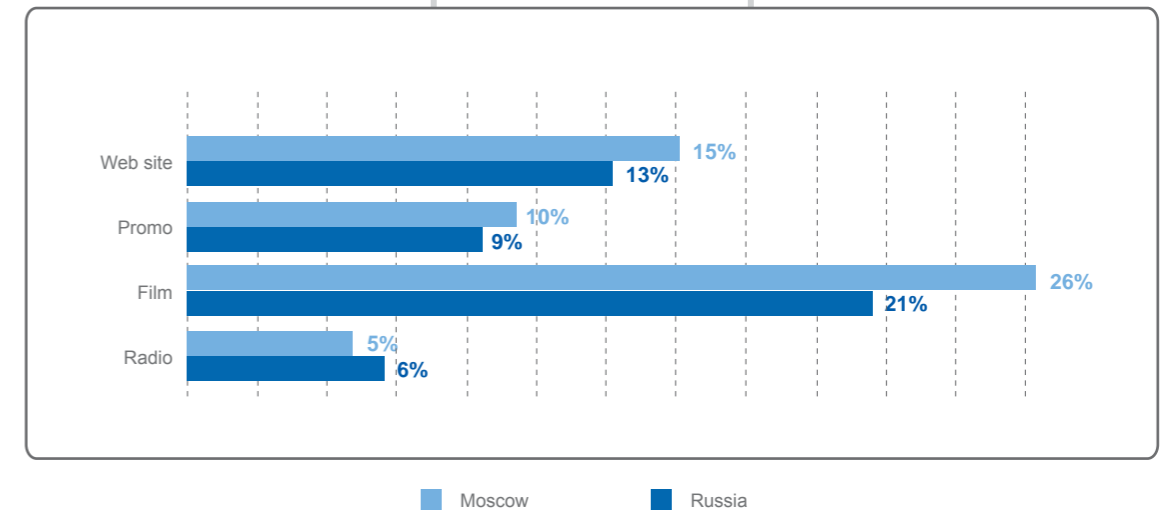


Figure 54
Recognition of the elements of the "Distance" campaign, in% of all respondents

The Russian social video «Jaws» won the World Road Safety Film Festival (Global Road Safety Film Festival). In Geneva, it received an award in the category of «Innovations in road safety education». «Jaws» shows how dangerous it can be to fail to keep a proper distance and outlines the consequences it can lead to.

The video was produced last spring as part of the «Distance» road safety campaign.

The campaign ('The difficult crossing') to promote road safety, by preventing accidents to pedestrians and children

Following a meeting of the Presidium of the State Council on 14 March 2016, President Putin issued instructions to develop projects to reduce factors in road accidents. As a result, RAMI, together with the State Traffic Inspectorate and the Ministry of Internal Affairs and the company 'Zavod' began the process of planning work in this area.

The plans that have been developed include both the implementation of large-scale social campaigns and the organisation of centres for the prevention injuries from road accidents to children.

During 2016, details of a programme to improve road safety were developed and adopted.



Work was carried out as part of the campaign 'difficult crossing' to implement the first phase of the program aimed at preventing road accidents involving pedestrians.

Despite the significant improvement in the statistics of pedestrian accidents in Russia over the past 9 years (compared to 2006, the number of accidents decreased in 2015 by 38%), the relevance of the prevention of pedestrian safety on the roads remains. This is confirmed by the statistics collected by the department of road safety at the ministry of internal affairs.

So, for example, at the end of 2015, the percentage of accidents in which pedestrians were injured was 32%; the total number of road accidents involving pedestrians was 58,221, in which 7,138 people died and 53,718 people were injured.



56 %



44 %

The responsibility for the road accidents involving pedestrians is shared almost equally between pedestrians and drivers. According to statistics, in 2015, 44% of accidents were caused by the pedestrians themselves whilst in 56% of cases drivers were responsible.

The aims of the campaign:

- to convey to all road users the message that a safe «crossing» depends on 2 people (driver and pedestrian) and they need to be very careful and communicate with each other;
- to change the situation at unregulated pedestrian crossings, to encourage pedestrians and drivers to be not only attentive, but to notice each other and then to make the right decisions to avoid an accident;
- to reduce the level of aggression in society between pedestrians and drivers.

Organising the work of centres for the prevention of child road traffic injuries

During the last twelve months, RAMI carried out the following work in organising the centres for the prevention of road accidents affecting children:

- developing an overall strategy for the organisation of the work of the centres;
- preparing publicity material as part of the campaign for specific groups; planning objectives and using targeted publicity for the purpose of training centres, both stationary and mobile set up to teach children how to follow road traffic rules;
- collecting applications from local authorities to participate in the to set up the centres using as the basis of selection of the current situation with accidents;
- it is planned to open centres in the first half of 2017 in the following regions:
 - Tula Region;
 - Tambov Region;
 - Vladimir Region;



- Kostroma Region;
- Smolensk Region;
- The Republic of Khakassia;
- Leningrad Region;
- Kaluga Region;
- Yaroslavl Region.

PROVIDING INFORMATION FOR THE NATIONAL AND REGIONAL PRESS AND MEDIA

RAMI plays an active role informing the population of the principles of CMTPL insurance and how the system works. In 2016, with the support of the RAMI public relations committee:

- Publicity materials were produced for the most important projects aimed at improving the CMTPL insurance system;
- More than 20 press conferences and briefings were organised to provide information about the current activities of RAMI;
- Television programmes were provided for national and regional channels covering the work of RAMI. The topics concerned were used for discussing the role of RAMI in making compensation payments, using the European Protocol to report the details of traffic accidents, the introduction of the electronic CMTPL insurance policy, preventing the circulation of fake CMTPL insurance policies and the need for of CMTPL contracts in the form of an electronic document, the fight against fake CMTPL policies and the need to provide compensation to accident victims by vehicle repair;
- Experts from RAMI participated in radio broadcast on the following channels: Avtoradio, Radio Rossii, City FM, Vesti FM, Business FM, Moscow FM and Mediametrics;
- 18 interviews and more than 250 comments were published in national and regional media. Both RAMI managers and specialists and members of RAMI committees from insurance companies took part in these programmes. Material was published in Vedomosti, Kommersant, Rossiyskaya Gazeta, Izvestia, Novye Izvestiya, Moskovsky Komsomolets, Komsomolskaya Pravda, Moscow news, Behind the wheel, Auto Review, Cars, Klaxon and Business Petersburg. On television, publicity appeared on a number of National and regional channels such as Channel 1, Russia 24, NTV, RBC, TVTs, Channel 5, Ren TV, Moscow 24 and 360 ° Moscow Region.

In 2016, publicity work continued through the Journalists Club, created by the All Russia Insurance Association. For media representatives, measures were taken to increase financial literacy in particular in the field of insurance. Work continued to support and expand the insurance pool of journalists (including working with regional media) and to increase interest in insurance topics. The site of the Club of Journalists enjoys great popularity – the information portal Korins.ru.



Statistics relating to news items and reports in 2016 as compared with 2015 were collected by Integrum and are as follows:

- Totally, the CMTPL insurance was referred to 92,346 times in the media, which rate d25% against the previous year when it was referred to 73,423 times;
- In 2016, RAMI was totally referred to 24,820 times in the media demonstrating 49% increase over 2015, when the corresponding figure was 16,598;
- Igor Yurgens, President of RAMI, was also often referred to in 2016 – from 5,309 to 6,444 times;
- As concerns European Protocol, it had an increase of 16% as compared to 2015 – from 2,646 occasions in 2015 to 3,075 occasions in 2016;
- The number of the electronic CMTPL insurance policy references in the media grew by nearly ten times – from 1,300 references in 2015 to 12,855 references in 2016;
- The number of references related to the Bonus Malus system in the media grew by 4% in 2016 – from 3,350 in 2015 to 3,497 in 2016.

OTHER PUBLICITY CAMPAIGNS SUPPORTED BY RAMI

During the year, RAMI held round tables and press conferences in the press centre of «Russia Today», in the media centre of the «Rossiyskaya Gazeta», and in the press centre of the Moscow News Agency. RAMI also provided information support for insurance events such as conferences, seminars, round tables and briefings.

Public speeches were prepared for the leaders of RAMI which were delivered at insurance congresses, conferences, forums and round tables. Publicity materials were also organised for these events.

RAMI took part in the International conference «Barrier-2016. Combating insurance fraud – prevention, protection, investigation», organised by the All-Russia Union of Insurers (ARIA).

The Union helped organise a traditional seminar for regional journalists.

In accordance with the Central Bank strategy for the Development of the Financial Market for the period 2016–2018, RAMI employees conducted financial literacy lessons for schoolchildren and students in Moscow and the regions.

Appendices



APPENDIX I

Extract from the opinion of the Auditors, BDO Unicon, on the RAMI accounts for 2016:

'In our opinion, the Accounts of RAMI reflect accurately in all significant respects the Russian Association of Motor Insurer's financial position as at 31 December 2016 and the results of the Association's financial and commercial operations between 1 January and 31 December 2016 inclusive in accordance with the legislation of the Russian Federation in respect of the preparation of accounts.'

Signed

BDO Unicon

Partner

24 March 2017

L.V. Efremova



APPENDIX II

Extract from the report of the internal audit commission dated 28 March 2017

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 at 31 December 2016 and of the financial results of the Associations operations between 1 January and 31 December 2016 and have been prepared in accordance with the federal law of 6 December 2011 covering the preparation of accounts and the following 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 2016 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 2016:

- The Directorate of the Green Card Bureau;
- The Department for dealing with communications from the public;
- The Department for analysis and control;
- The Department of Information Technology;
- The Department for making compensation payments
- The Department for claims settlement methodology;
- The Department for insurance methodology;
- The Department for court work and bankruptcy;
- The Department for organising annual technical inspection and certification;
- The Security Department;
- The Department of insurance data;
- The Publicity 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

Alexander Potitov

Member of the internal audit commission

IvanMironenko

Member of the internal audit commission

Igor Zagradka

Member of the internal audit commission

Kirill Brovkovich

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