



**ANNUAL REPORT
THE RUSSIAN ASSOCIATION
OF MOTOR INSURERS
2011**



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ABBREVIATIONS USED IN THE TEXT:

RAMI, The Association – The Russian Association of Motor Insurers

CMTPL insurance, compulsory insurance – compulsory motor third party liability insurance

CMS – compulsory medical insurance

The Road Safety Departement – the Ministry of Internal Affairs of the Russian Federation
Department of Road Safety

FSFM – The Federal Service for Financial Markets

The CMTPL insurance law, Federal La# 40-Φ3 – The Federal Law No 40-Φ3 of 25 April 2002
entitled ‘On the compulsory liability insurance for the users of motor vehicles’



01

STATUS, OBJECTIVES AND FUNCTIONS

STATUS, OBJECTIVES AND FUNCTIONS

The Russian Association of Motor Insurers (RAMI or the Association), a non-commercial organisation, is an all-Russian professional association of which all insurance organisations (insurers) that have the right to carry on CMTPL insurance are obliged to be members. The objectives of the Association are to enable its membership to act collectively and to draw up the rules that govern their professional activities as CMTPL insurers.

RAMI was set up and operates in conformance with the legislation of the Russian Federation in that it acts as the professional organisation of insurance companies as set out in the CMTPL law.

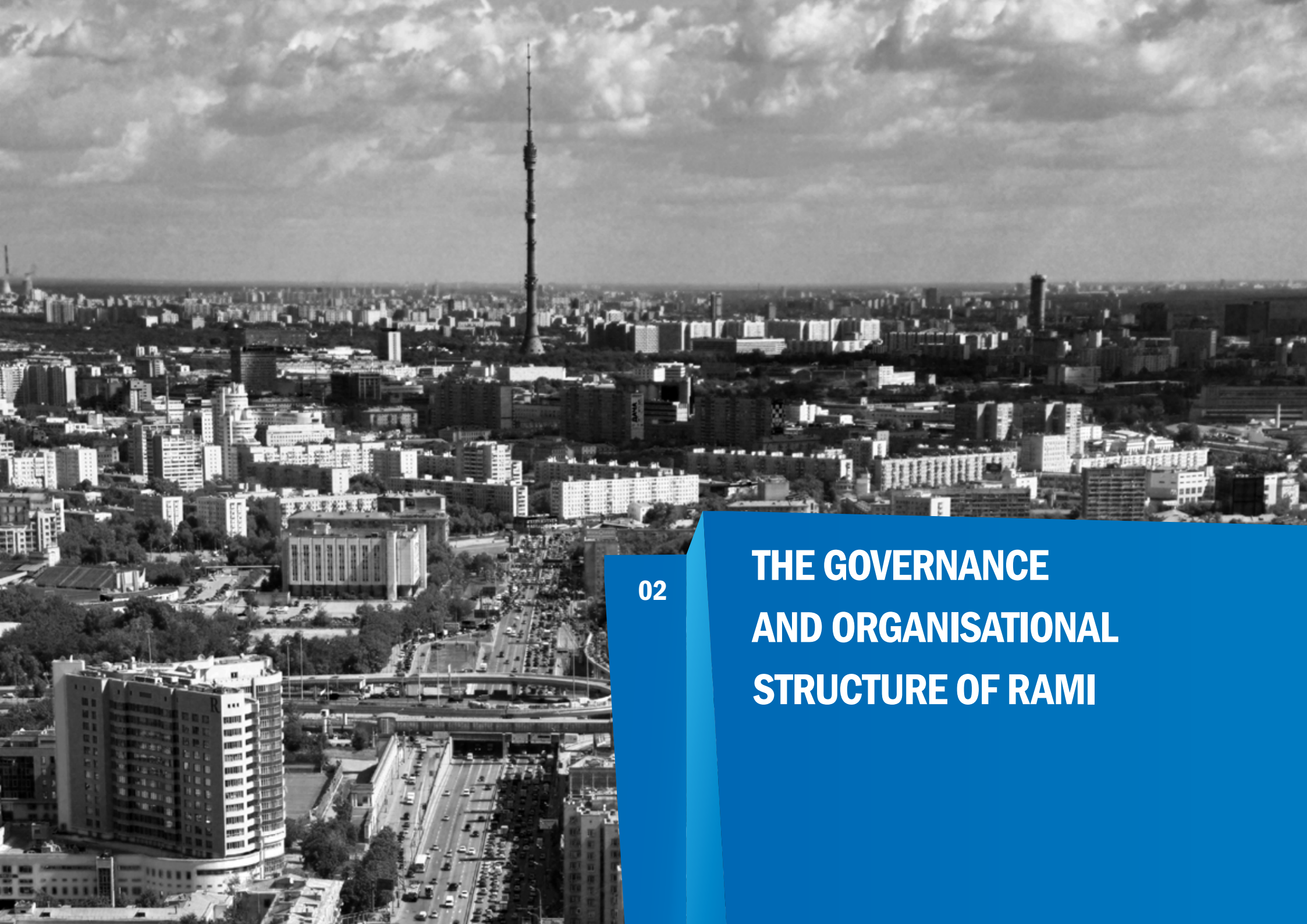
In order to achieve its objectives, the Association performs the following functions:

- enabling collective action of its members in terms of their actions in carrying on CMTPL insurance. Developing, introducing and enforcing rules for RAMI and its members that govern the conduct of their professional activities;
- representing the interests of its members in relation to CMTPL insurance at the level of the National government, at local government level and in other bodies and organisations;
- making compensation payments to victims of road accidents in accordance with Article 20 of the Federal CMTPL insurance law;
- organising the distribution and controlling the use of blank CMTPL insurance certificates and blank certificates that are used in connection with the international Green Card system;
- 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 liabilities under CMTPL insurance contracts;
- developing and distributing publicity material relating to CMTPL insurance;
- co-ordinating the activities of the members in their fight against insurance fraud and other illegal acts 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, to reduce the frequency of road accidents and to minimise the damage caused by road accidents;
- developing and financing means of certification and accreditation of the professional qualifications of those who provide professional services for the CMTPL insurance market and for the Green Card system;
- co-operating with the members of the international Green Card system and performing other functions that are required by the system;

- developing international contacts 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, accrediting technical inspection centres and maintaining a register of technical inspection centres that have received accreditation;
- organising for technical inspection centres blank vehicle technical inspection talons and blank international vehicle technical inspection certificates, ensuring that they are used in accordance with the rules set out by the Government of the Russian Federation.

THE MEMBERS OF THE ASSOCIATION MAY BE RUSSIAN INSURANCE ORGANISATIONS WHO SATISFY THE CONDITIONS SET OUT IN THE FEDERAL CMTPL LAW. THERE ARE TWO TYPES OF MEMBERS: FULL MEMBERS AND OBSERVER MEMBERS.

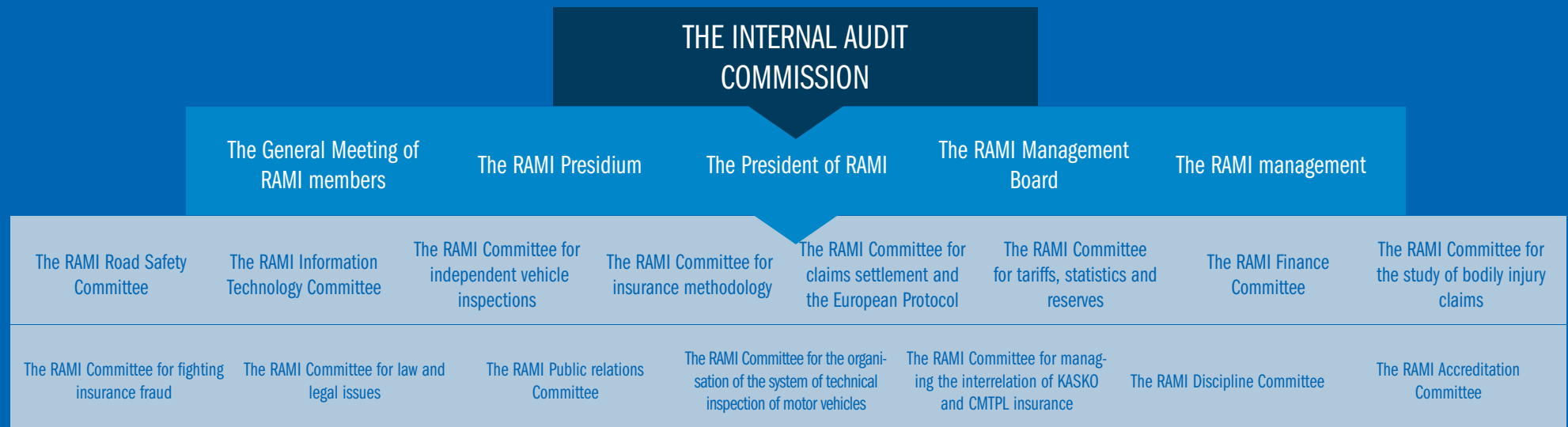
AS AT 31 DECEMBER 2011, RAMI HAD 122 MEMBERS OF WHICH 113 WERE FULL MEMBERS AND 9 OBSERVER MEMBERS. DURING 2011, 10 INSURANCE ORGANISATIONS LEFT THE ASSOCIATION AND 1 JOINED.



02

THE GOVERNANCE AND ORGANISATIONAL STRUCTURE OF RAMI

THE GOVERNANCE AND ORGANISATIONAL STRUCTURE OF RAMI



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

The Association's Presidium is the body that exercises collective control over the operations of the Association throughout the year. The Presidium co-ordinates, directs and exercises general supervision over the all the activities of the Association in between General Meet-

ings of Members. The Presidium is accountable for its actions to the General Meeting of Members. The Presidium is empowered to review and decide upon issues relating to CMTPL insurance in Russia and also on all issues facing the Association that are not reserved for the General Meeting of Members or for other management bodies.

As of 2 June 2011, the Association's Presidium consisted of the following members:

| MEMBERS OF THE PRESIDUM OF RAMI | | | | | |
|---------------------------------|-----------------------|---|----|-----------------------|---|
| 1 | Pavel B Bunin | President RAMI | 13 | Dmitri E Markarov | First Vice-President Rosgosstrakh |
| 2 | Nikolai A Asaul | Deputy Minister of Transport of the Russian Federation | 14 | Vladimir G Nechepa | Deputy General Director Rosgosstrakh |
| 3 | Sergei V Barsukov | Director of the Department of financial policy of the Ministry of Finance of the Russian Federation | 15 | Oleg S Ovsyanitsky | General Director, VSK Insurance Company |
| 4 | Sergei I Efremov | Vice President MSK Insurance Company | 16 | Dmitri V Popov | First Deputy General Director – Managing Director Allianz |
| 5 | Igor V Mirovskiy | Vice President Rosgosstrakh | 17 | Dmitri G Rakovshik | General Director, RESO-Garantiya |
| 6 | Andrei A Zernov | General Director, Energogarant Insurance Company | 18 | Sergei E Sarkisov | Chairman of the Board of Directors, RESO-Garantiya |
| 7 | Pavel V Zubrilin | Vice President Rosgosstrakh | 19 | Vladimir Yu Skvortsov | General Director Alfa Insurance |
| 8 | Sergei S Ivanov | Chairman of the management board, SOGAZ. | 20 | Sergei V Savosin | General Director Moscow Insurance Company |
| 9 | Viktor N Kiryanov | Deputy Minister of Internal Affairs | 21 | Yevgeniy V Ufimtsev | Deputy General Director, VSK Insurance Company |
| 10 | Andrei S Kigim | President ARIA | 22 | Farid R Khamadeev | Director Rosgosstrakh branch in the Republic of Tatarstan |
| 11 | Alexandr P Koval | Head of the Federal Service for Insurance Supervision | 23 | Yury Ya Shpizel | Director Rosgosstrakh Branch in the Republic of Bashkortostan |
| 12 | Natalia N Kondrashina | Deputy General Director, UralSib Insurance Group | 24 | Igor S Yamov | Deputy General Director, Ingosstrakh |

The body that implements financial and operational control over the work of the Association is the internal audit commission. On the 2 June 2011, the General Meeting of Members of the Association appointed the following to the RAMI internal audit commission:

| MEMBERS OF THE INTERNAL AUDIT COMMISSION | | |
|--|---------------------|--|
| 1 | Vasily V Akulov | First Deputy General Director, Metroton Insurance Company |
| 2 | Nikolai F Galaguz | Chairman of the Board, Mezhotraslevoi Insurance Centre |
| 3 | Yuri A Kolesnikov | General Director Rossiya Insurance Company |
| 4 | Arkady M Lyubavin | General director Iuzhural-Asko Insurance Company |
| 5 | Vitaly A Poltavtsev | Director of the Moscow Branch Severnaya Kazna Insurance Company |

The President of the Association is the Executive head of the Association. He is responsible to the Presidium and to the General Meeting of Member of the Association.

On 20 May 2010, the General Meeting of Members elected Pavel B Bunin to this position.

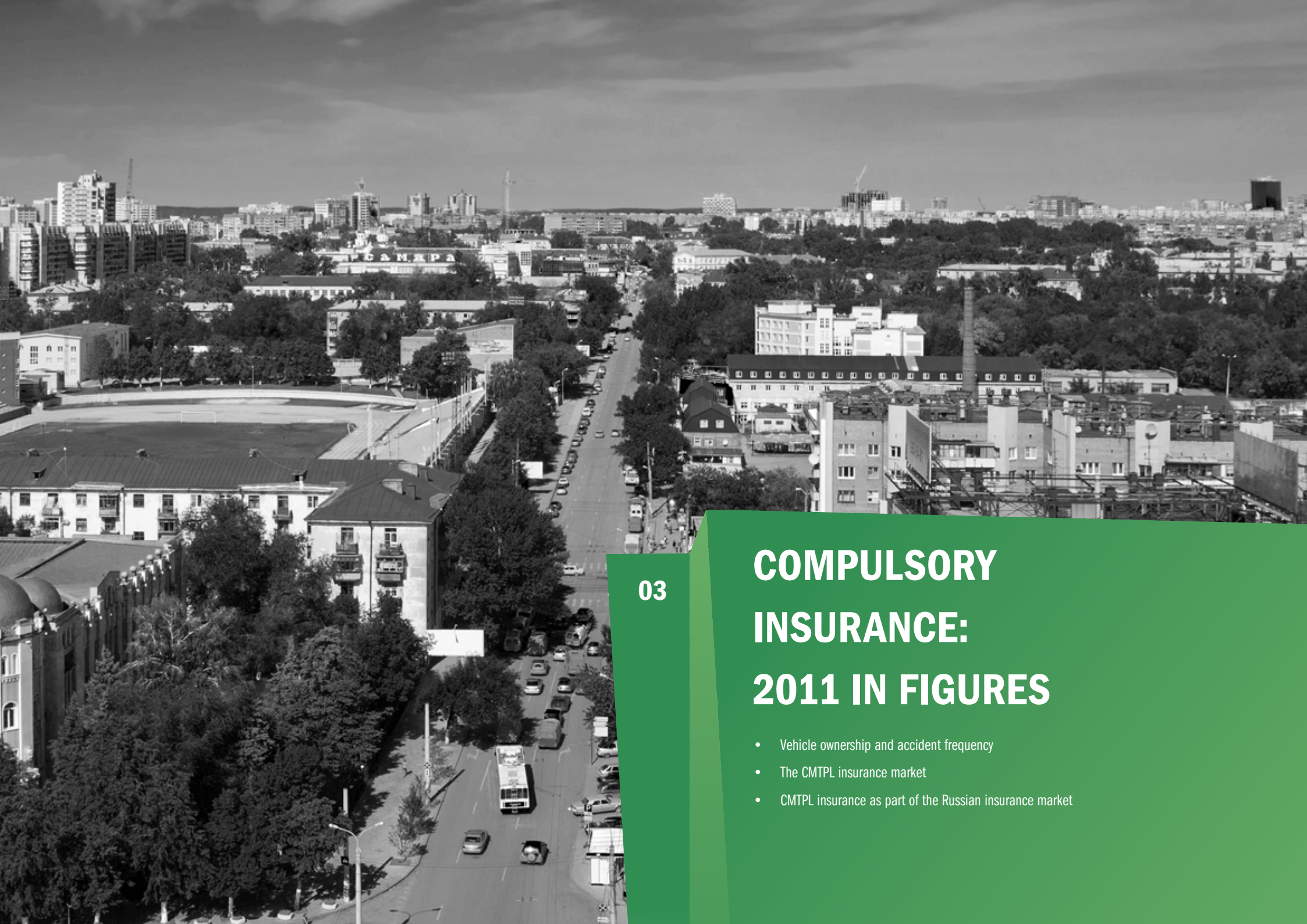
The Management Board of the Association is the body that co-ordinates day to day business of the Association. The Management Board reviews issues referred to it under the Charter of the Association, by the rules that govern professional conduct of members and by other internal documents. The Presidium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

From 2 June 2011 (with amendments on 25 January 2012) the members of the management board were:

| MEMBERS OF THE RAMI MANAGEMENT BOARD | | |
|--------------------------------------|-----------------------|---|
| 1 | Pavel B Bunin | President RAMI |
| 2 | Dmitri E Markarov | First Vice President Rosgosstrakh |
| 3 | Dmitri V Popov | First Deputy General Director – Managing Director Allianz |
| 4 | Sergei E Sarkisov | Chairman of the Board of Directors, RESO-Garantiya |
| 5 | Vladimir Yu Skvortsov | General Director Alfa Insurance |
| 6 | Sergei V Savosin | General Director Moscow Insurance Company |
| 7 | Yevgeny V Ufimtsev | Deputy General Director, VSK Insurance Company |
| 8 | Igor S Yamov | Deputy General Director, Ingosstrakh |

AS PART OF THE ASSOCIATIONS 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.

| RAMI COMMITTEES AND COMMISSIONS | | |
|---------------------------------|---|------------------------------------|
| | COMMITTEE | CHAIR |
| 1 | Road safety | Nikolai I Malyshev (RAMI) |
| 2 | Information Technology | Dmitri E Markarov (Rosgosstrakh) |
| 3 | Independent technical inspection of vehicles | Sergei A Dorofeev (Rosgosstrakh) |
| 4 | Insurance methodology | Yevgeny V Ufimtsev (VSK) |
| 5 | Developing claims settlement systems and the European Protocol | Sergei E Sarkisov (RESO-Garantiya) |
| 6 | Tariff rates, statistics and reserves | Dmitri V Popov (Allianz) |
| 7 | Finance | Igor S Yamov (Ingostrakh) |
| 8 | The study of bodily injury claims | Vladimir I Kalinin (Allianz) |
| 9 | Fighting insurance fraud | Sergei I Efremov (MSK) |
| 10 | Law and legal issues | Svetlana V Nikitina (RAMI) |
| 11 | Public relations | Mikhail Yu Ryumin (Rosgosstrakh) |
| 12 | Organisation of the system of technical inspections of motor vehicles | Vasily B Ivanov (VSK) |
| 13 | Interrelationship of KASKO and CMTPL insurance | Tatyana V Lototskaya (RAMI) |
| 14 | Discipline | Pavel B Budin (RAMI) |
| 15 | Accreditation | Alexandr M Kholodenin (RAMI) |



03

COMPULSORY INSURANCE: 2011 IN FIGURES

- Vehicle ownership and accident frequency
- The CMTPL insurance market
- CMTPL insurance as part of the Russian insurance market

COMPULSORY INSURANCE: 2011 IN FIGURES

Vehicle ownership and accident frequency

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

Last year, the number of motor vehicles on the roads of the Russian Federation continued to grow. Motor accident frequency also increased in the period up to 2008. Between 2008 and 2010 the number of accidents causing injuries fell as did the number of people involved in accidents. In 2011, there was a relatively small growth in the number of road accidents and in the number of people involved in road accidents.

The statistics from the Department of Road Safety showing the increase in the number of vehicles on the Russian roads between 2004 and 2011 are shown in Table 1 and in Figure 1.

Table 1.

| vehicles (m.) | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 |
|--------------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Total number of vehicles(mn.) | 35.8 | 36.9 | 38.0 | 40.8 | 43.5 | 44.4 | 45.7 | 47.9 |
| Increase (mn) | | 1.1 | 1.1 | 2.8 | 2.7 | 0.9 | 1.3 | 2.2 |
| Growth (%) | 1.4 | 3.1 | 3.0 | 7.4 | 6.6 | 2.1 | 2.9 | 4.8 |

Between 2004 and 2011 there was a continual growth in the numbers of vehicles on the road though the rate of growth slowed between 2008 and 2010. The rate of growth up to 2008 was 6.6% whilst it was 2.1% in 2009 and 2.9% in 2010. The

rate picked up to 4.8% in 2011 and during the year 2.2 million additional vehicles were added to the country's motor fleet.

The Department of Road Safety's figures for the structure of the Russian motor fleet are shown in Figure 2.

Last year there was little change in the structure of the motor fleet. The proportion of light vehicles grew from 79.3% to 80.1% whilst that of commercial vehicles reduced from 12.5% to 12.2%. The share of motorbikes reduced from 6.1% to 5.7% and buses from 2.1% to 2.0. Compared with the previous year, the total number of light vehicles increased by 6%, commercial vehicle numbers increased by 2.4% and buses by 0.9%. The number of motor bikes reduced by 2.1%.

The growth in the number of vehicles in the period up to 2011 was paralleled by a growth in CMTPL policies issued, other than during 2009. In that year the number of policies issued reduced by 4.2%. 39.7 million CMTPL insurance policies were is-

sued in 2011 an increase of 7% over 2010. Figure 3 shows the relationship between the growth in vehicle numbers and numbers of CMTPL insurance policies issued.

Fig. 1.

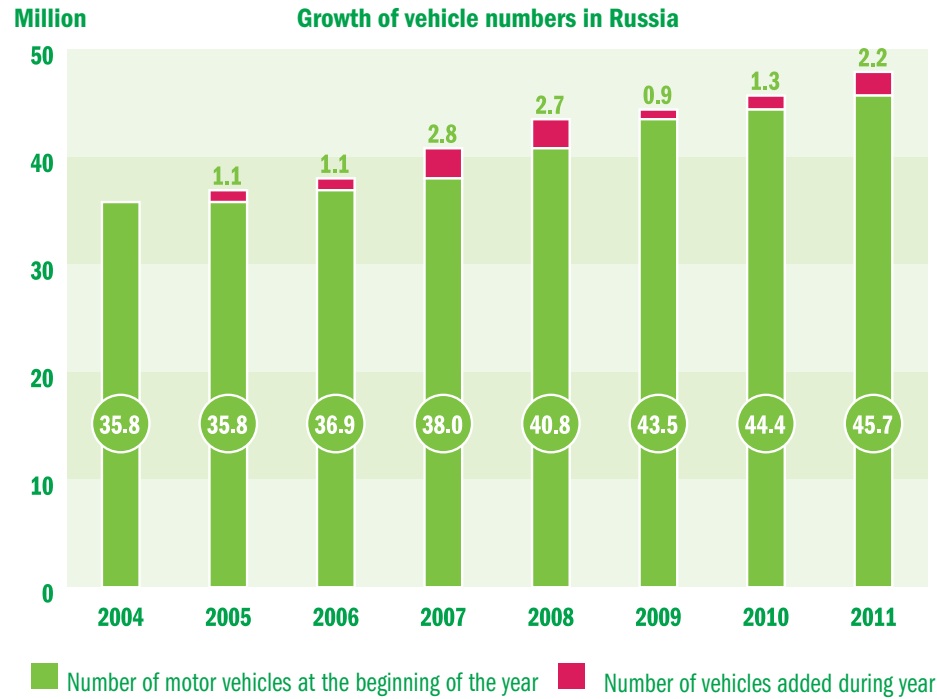


Fig. 2.

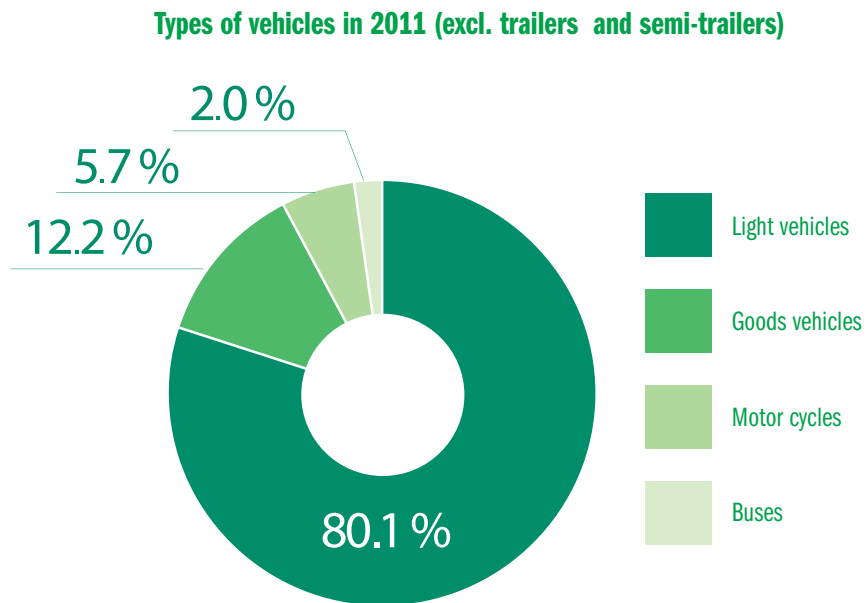
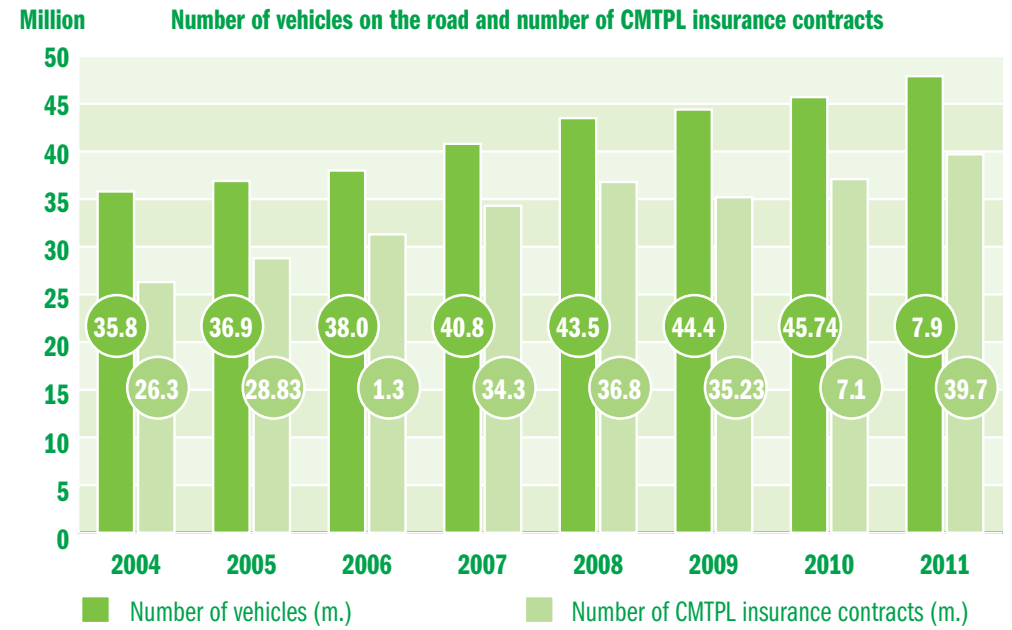
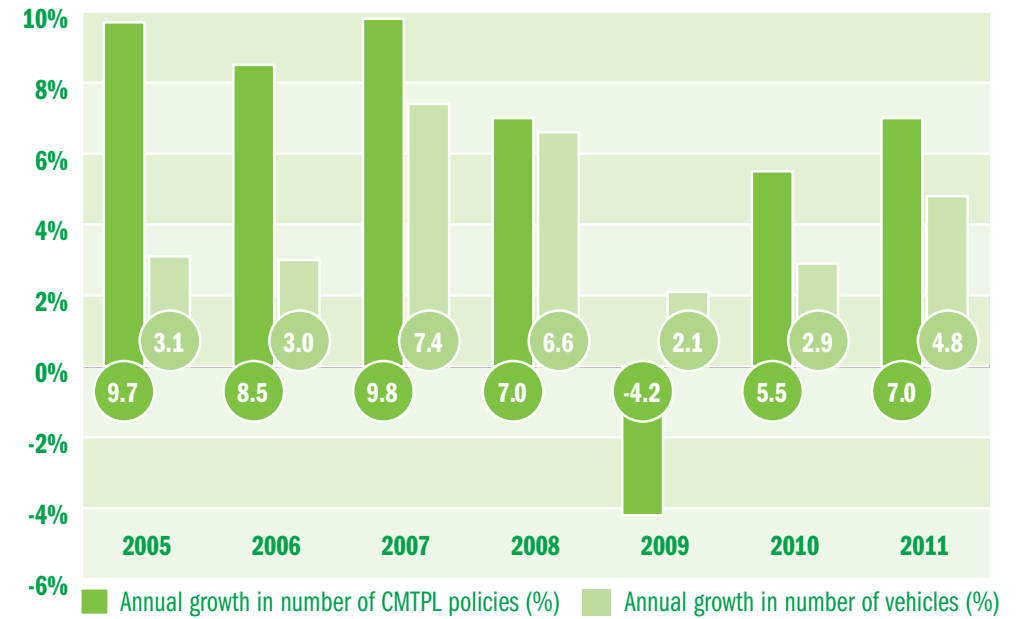


Fig. 3.



Growth in number of CMTPL insurance contracts and in number of vehicles



Up to 2008, road accident frequency increased on the roads of the Russian Federation and as a result the number of road accident victims claiming redress through CMTPL insurance also increased. Between 2008 and 2010 the number of road accidents in Russia fell – by 6.6% in 2009 and by 6.7% in 2010. In 2011 the number of road accidents increased by 0.2%. In total there were 199,900 road accidents during the year (Figure 4).

The number of accident victims in 2011 increased by 0.9%, from 277,200 in 2010 to 279,800 in 2011. The number of victims who were injured increased by 0.5% and the

number killed in road accidents increased by 5.2%. Figure 5 shows the number of victims, killed or injured in road accidents between 2004 and 2011 according to official Department of Road Safety figures.

Despite the relatively small increase in motor vehicle accidents causing bodily injury, then number of CMTPL claims reported grew at a faster rate (Fig 6). The reason for this was firstly the growth in the number of road accidents that caused only damage to property and secondly an increase in the propensity of road accident victims to claim damages through the CMTPL insurance system.

Fig. 5.

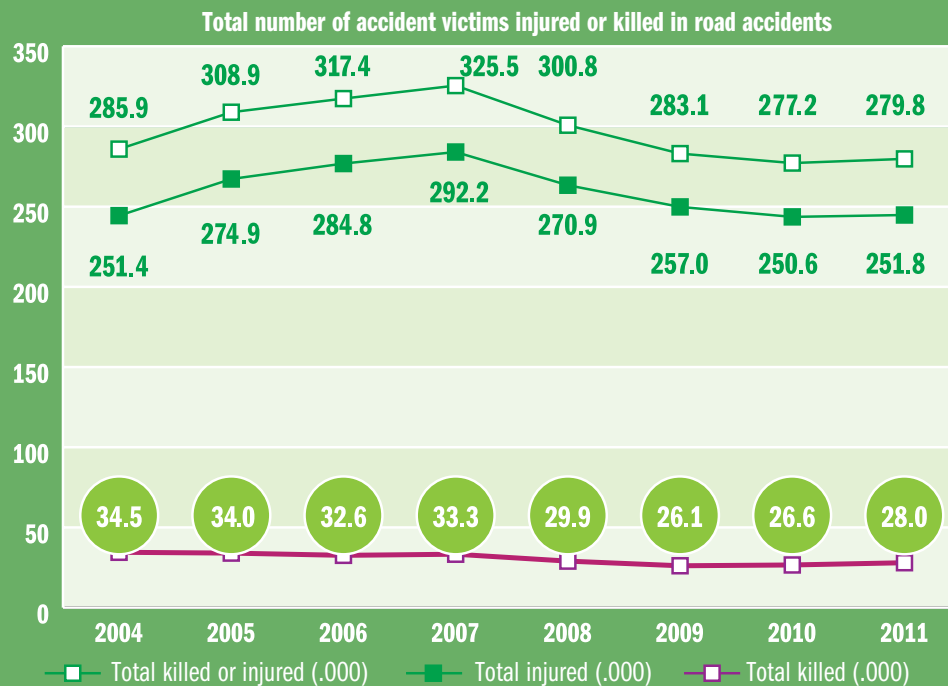


Fig. 4.

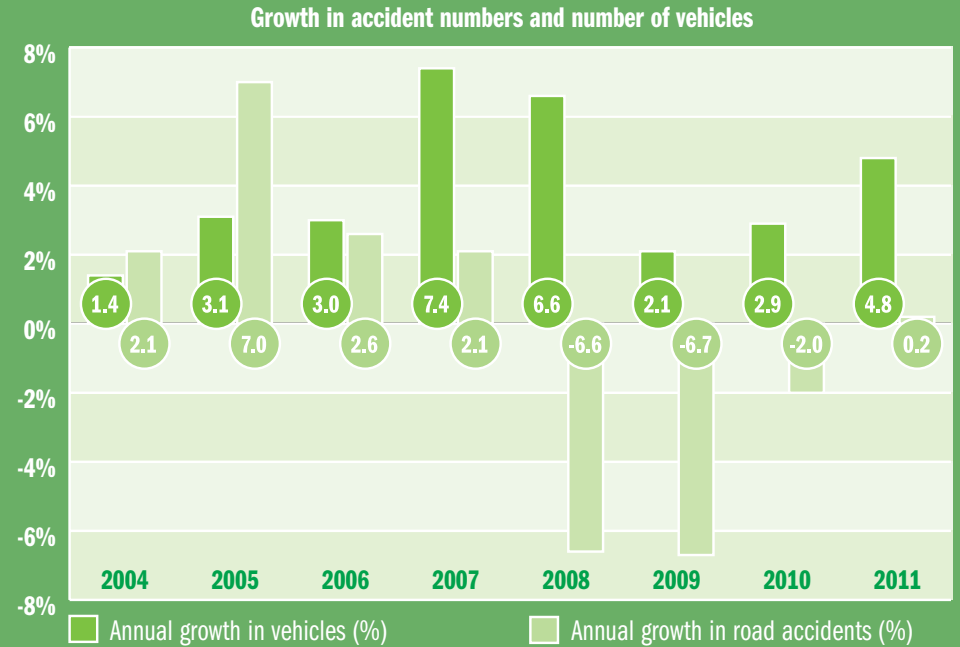
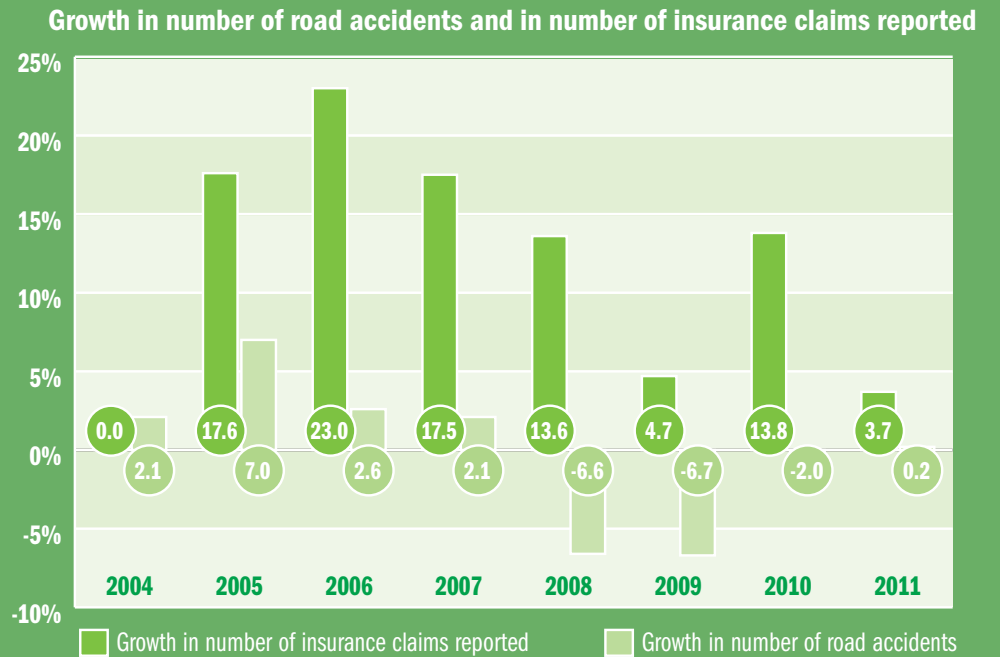


Fig. 6.



The CMTPL insurance market

Between 1 June 2003 and 31 December 2011, more than 282 million CMTPL insurance policies were issued. During the same period almost 14 million accident victims received compensation for damage done as a result of a road accident, receiving in total payments totalling 322 billion roubles.

- 39.7 million CMTPL insurance policies were issued;
- 106.3 billion roubles in premiums were received;
- 2.45 million claims were received;
- 56.0 billion roubles of claims were paid.

The annual figures for premium received and claims paid are summarised in Fig 7. One factor relating to the growth in CMTPL insurance premiums in 2011 was the increase in some tariff rates.

During 2011 the loss ratio for CMTPL insurance (paid claims as a percentage of total premium received) was 52.7%.

At the same time as the amount of claims payments made increased, there was also a growth in the total number of claims reported. (Figure 8) Thus, in 2011, 2.45 million accident victims applied to insurance companies – a figure that is 3.7% greater than the previous year. The total number of contracts issue increased by 7%.

Fig. 7.

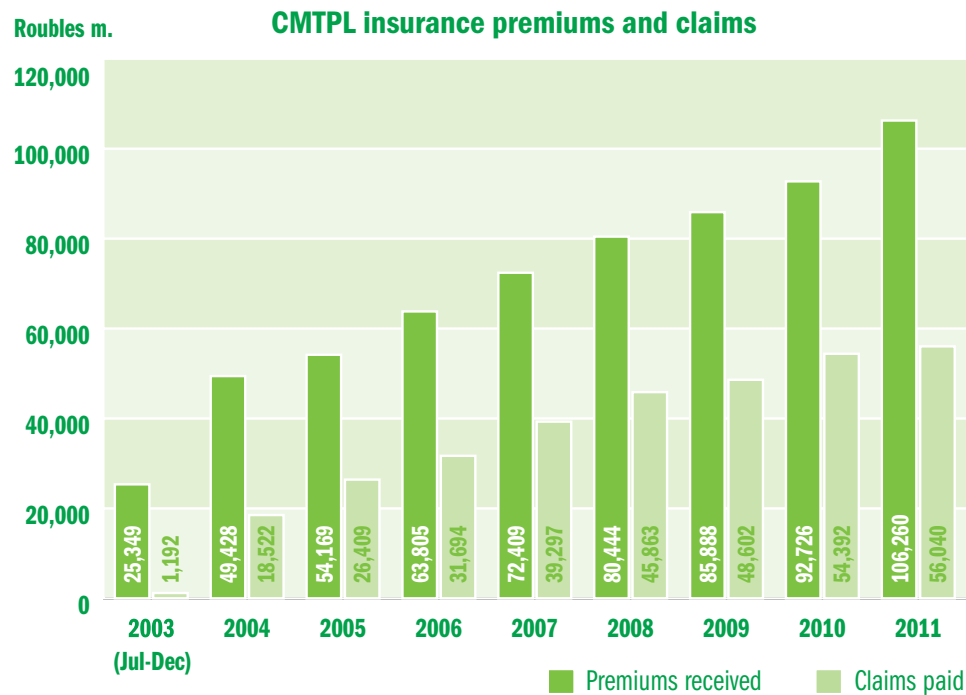
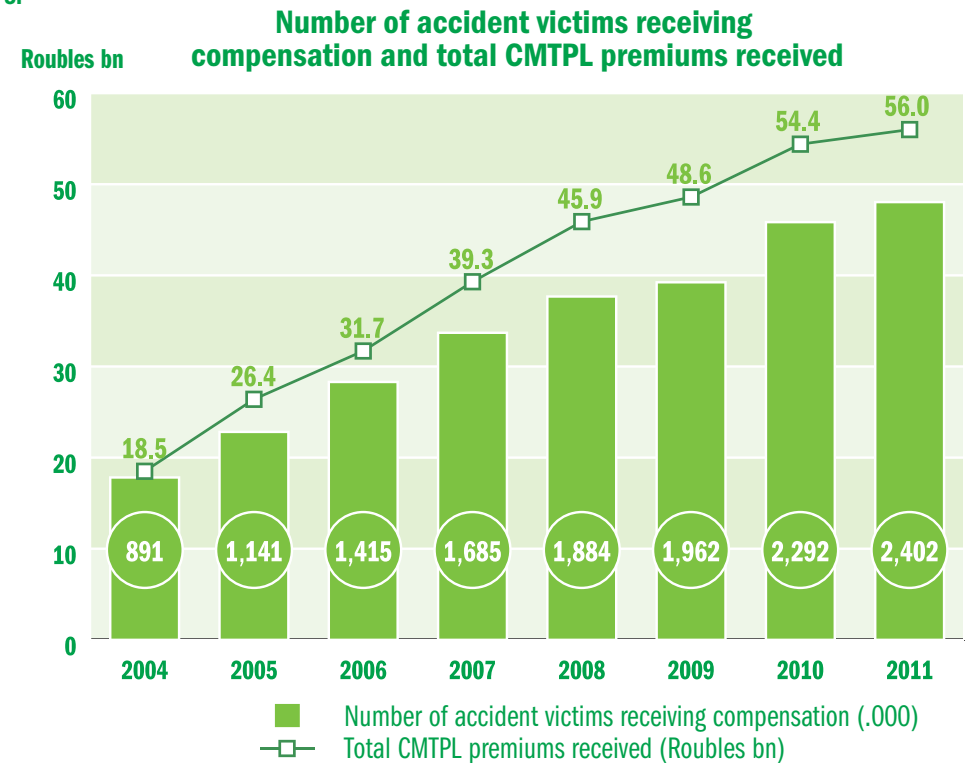


Fig. 8.



The average premium when the CMTPL insurance scheme came into force was roubles 1,880 and it has since increased to roubles 2,680. However, if inflation during this period is taken into consideration, then the real value of premiums have reduced by 38% (Figure 9).

In Figure 10, figures from the 10 regions of Russia that pay the most CMTPL insurance claims are shown.

In 2011, Moscow was the region where the greatest amount was paid out in CMTPL claims. 9,971 million roubles was paid out, 17.6% of total claims payments. Next came the Moscow region with 4,157 million roubles in payments 97.4% of the total) followed by St Petersburg (4069 million roubles, 7.2% of the total).

A number of Russian regions had claims payments between 1.3 and 1.9 billion roubles (between 2.4% and 3.4% of the total). These included the Republic of Tatarstan, (1,947 million roubles), Sverdlovsk Region (1,811 million roubles), Chelyabinsk Region (1,746 million roubles), Krasnodar Krai (1,648 million roubles), Samara Region (1,511 million roubles) Nizhegorodskaya Region (1,396 million roubles) and Tyumen Region (1,381 million roubles).

Looking at the Federal administrative regions in terms of premiums collected and claims paid, it is clear that the Central Federal region leads with 40,482 million roubles premiums which is 38.2% of total premiums collected and 20,332 million roubles in claims paid (36% of the total). Figures 11 and 12 summarise these regional figures based on data provided by companies in Form 2-RSA for 2011.

Last year, 16.7% of total premiums were collected in the Volga Federal Region (17,725

million roubles), 12.2% in the North West Federal Region (12,919 million roubles), 10.9% in the Siberian Federal Region (11,612 million roubles), 8.8% in the Urals Federal Region (9,313 million roubles), 7.3% in the Southern Federal Region (7,708 million roubles) and 4% in the Far Eastern Federal Region.

The corresponding figures for claims paid by Federal Region are as follows: the Volga Federal Region paid 19.6% of the claims (11,072 million roubles), 12.2% were paid in the North Western Federal Region (6,882 million roubles), 10.5% in the Siberian Federal Region (5,945 million roubles), 9.1% in the Urals Federal Region (5,168 million roubles), 7.2% in the Southern Federal Region (4,046 million roubles) and 3.5% in the Far Eastern Federal Region (2,006 million roubles).

Bringing up the rear in terms of premiums collected and claims paid was the Northern Caucasus Federal Region with 2,034 million roubles in premium (1.9% of the total) and 1,096 million roubles in claims paid 1% of the total. This is due to the fact that this Federal Region has the lowest number of registered vehicles.

In 2011, RAMI carried out work to collect and collate information relating to the different requirements of insurers in respect of CMTPL insurance policies and motor physical damage (Kasko) policies. It should be noted that in 2011 the mutual indebtedness of Kasko and CMTPL insurers who are members of RAMI reduced by 34%, from 4.776 billion roubles to 3.162 billion roubles.

Figure 13 sets out the trend over time of this indebtedness.

Fig. 9.

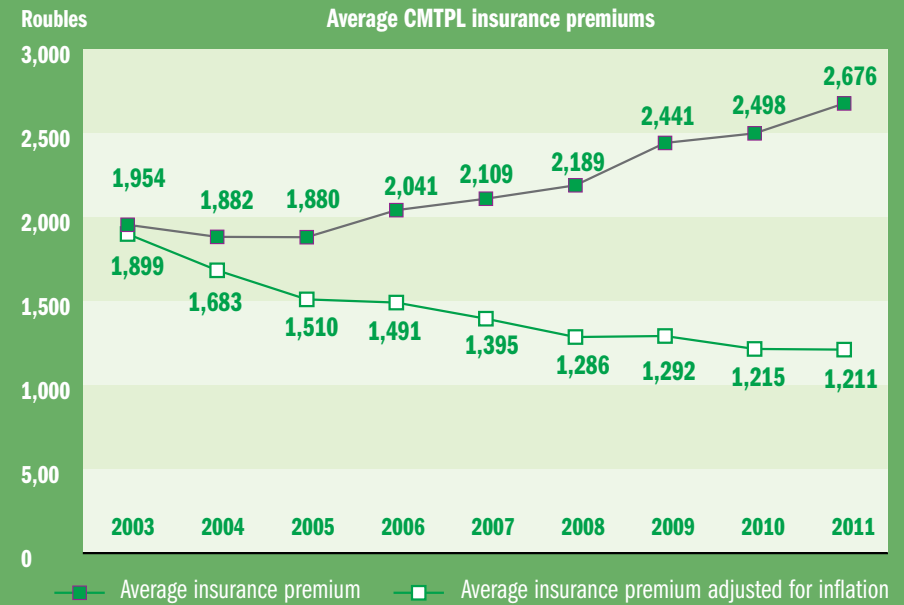


Fig. 10.

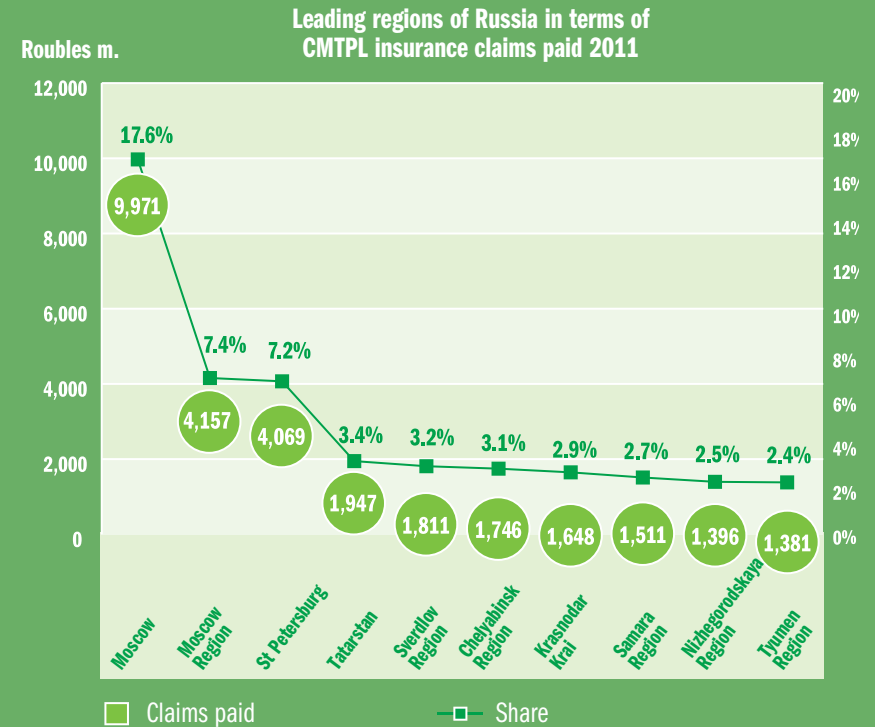


Fig. 11.

CMTPL claims paid

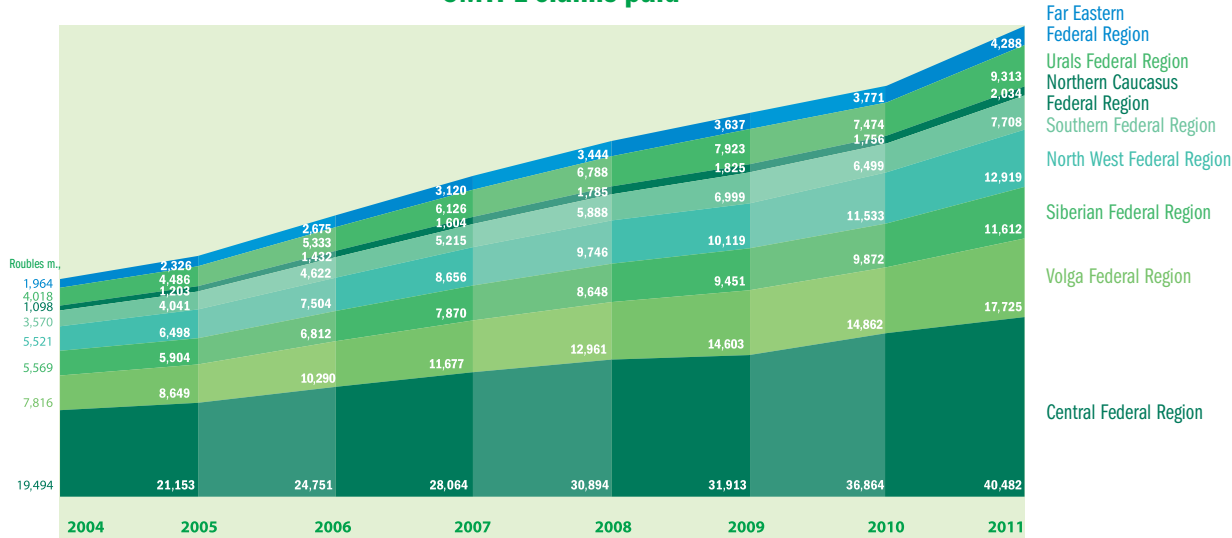


Fig. 13.

Mutual indebtedness of KASKO and CMTPL insurers

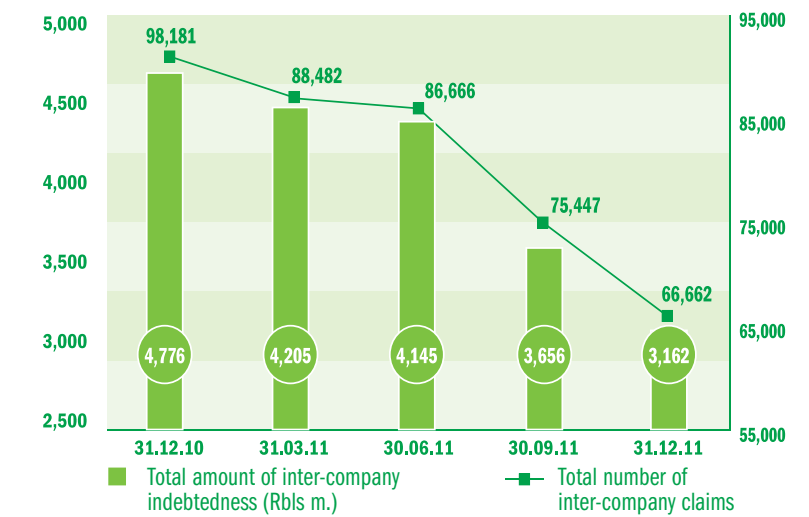
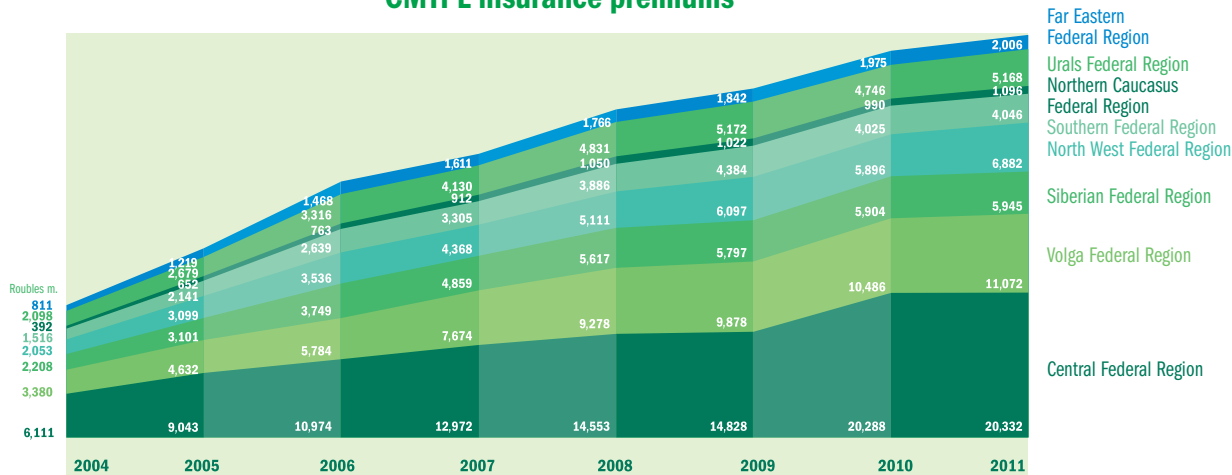


Fig. 12.

CMTPL insurance premiums



CMTPL insurance as part of the Russian insurance market

According to the official figures of the Federal Service for Financial Markets (FSFM) as at 31 December 2011, there were 572 insurance organisations duly registered on the state register of insurance organisations. Of these, 113 had a license to carry out CMTPL insurance, 19.7% of the total number of insurance organisations.

Table 2 sets out the figures for premiums and claims for CMTPL insurance and for the total amount of premiums and claims in the Russian market.

Table 2

| | 2011 |
|---|----------------|
| Total premium income (roubles bn) | 1 270.9 |
| CMTPL premiums (roubles bn) | 103.4 |
| CMTPL premiums as percentage of total premiums | 8.1% |
| As total claims paid (roubles bn) | 890.4 |
| CMTPL claims paid (roubles bn) | 56.3 |
| CMTPL claims as percentage of total claims | 6.3% |

Figure 14 shows how CMTPL insurance premiums relate to other classes of insurance in terms of the amount of premium collected and claims paid. These data are from the official FSFM figures.

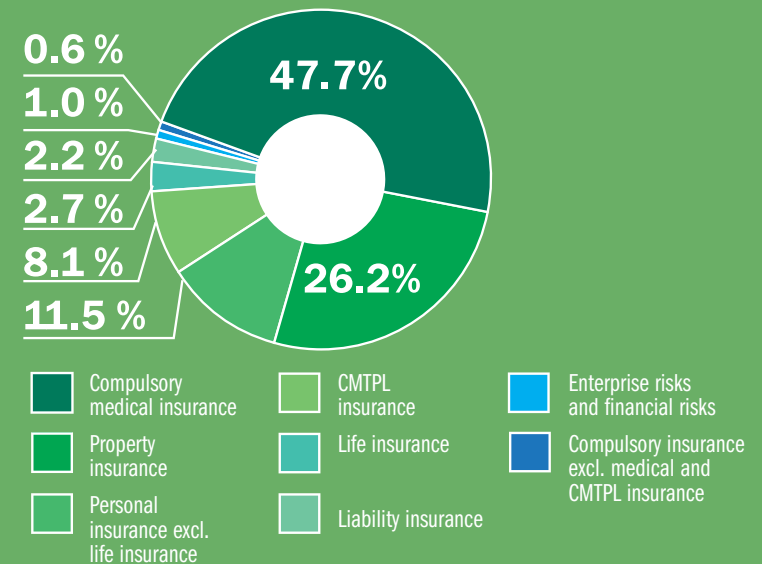
The diagram in figure 14 shows that 'Compulsory Medical Insurance' is the largest class in the Russian insurance market comprising 47.7% of premiums and 65.9% of claims. CMTPL insurance premiums make up 8.7% of the total and 6.3% of total claims paid.

In terms of voluntary classes of insurance, property insurance is the largest class, making up 26.2% of premiums and 16.4% of claims. Personal insurances (excluding life insurance) made up 11.5% of the total premium and 9.2% of claims.

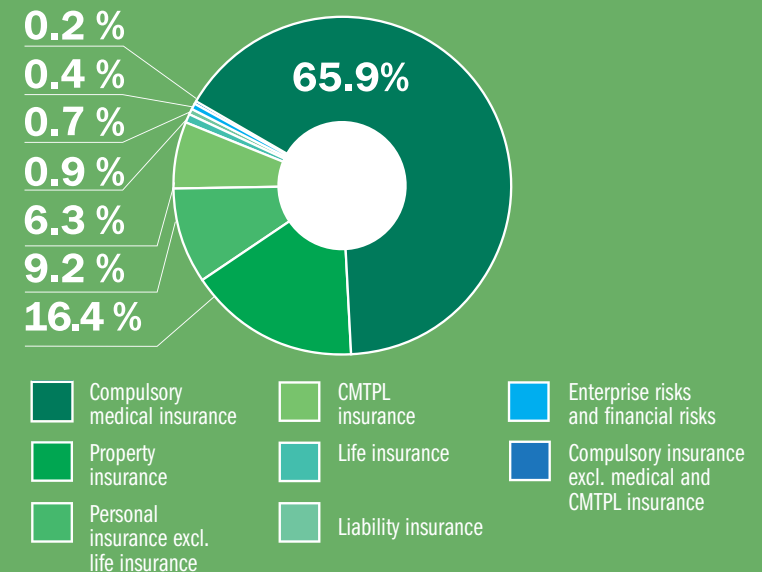
All other classes (life insurance, liability insurance, the insurance of enterprises and financial risks, other types of compulsory insurance) together make up 6.5% premiums and 2.2% of claims.

Fig. 14.

Insurance premiums by insurance class 2011



Insurance claims paid by insurance class 2011



As Table 3 demonstrates, in 2011 voluntary insurance's share in total premiums reduced from 44% to 43.6% and the share of compulsory insurances increased from 56% to 56.4% compared with the previous year.

Table 3

| | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 |
|---|-------|-------|-------|-------|-------|-------|-------|
| Compulsory insurance premiums (bn) | 203.5 | 273.2 | 368.7 | 481.8 | 557.1 | 584.7 | 716.9 |
| Share (%) | 41.1 | 44.7 | 47.5 | 50.9 | 57.0 | 56.0 | 56.4 |
| Voluntary insurance premiums | 292.0 | 337.4 | 407.3 | 464.4 | 420.4 | 459.5 | 554.1 |
| Share (%) | 58.9 | 55.3 | 52.5 | 49.1 | 43.0 | 44.0 | 43.6 |

Figure 16 shows the breakdown of compulsory insurance premiums (FSFM figures). In 2011 total premiums derived from the compulsory classes amounted to 716 billion roubles as compared with 584.7 billion roubles in 2010.

Compulsory Medical Insurance continues to be the largest segment within the compulsory classes. CMTPL insurance's share reduced from 15.7% to 14.5% whilst Compulsory Medical Insurance increased from 83.1% to 84.5%. Again FSFM figures show that the total amount of CMTPL insurance premiums grew by 12.8% whilst Compulsory Medical Insurance premiums grew by 24.6%. Other classes of compulsory insurance grew by 9.1%.

Fig. 16. Compulsory insurance premiums by class

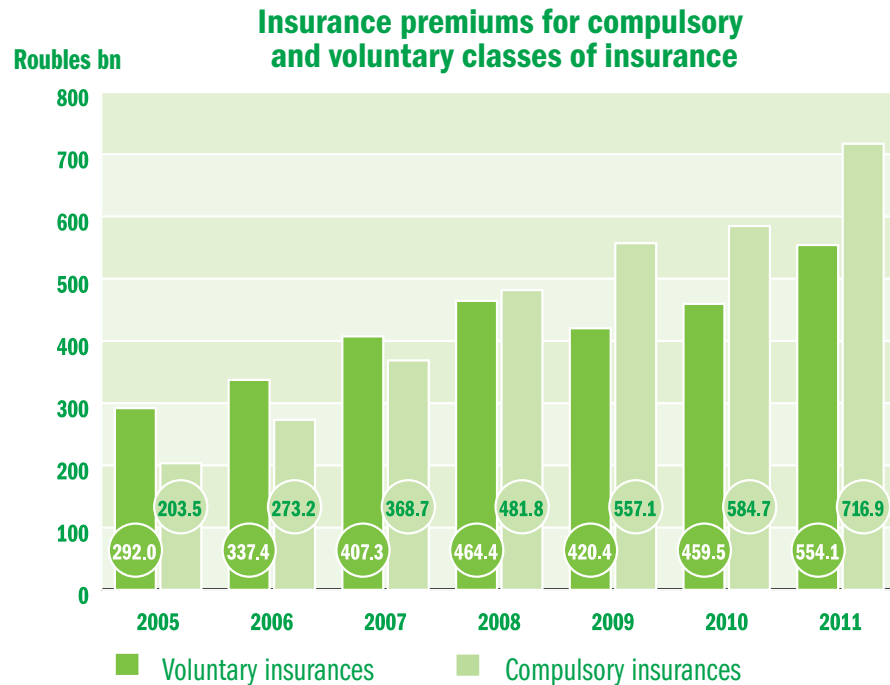
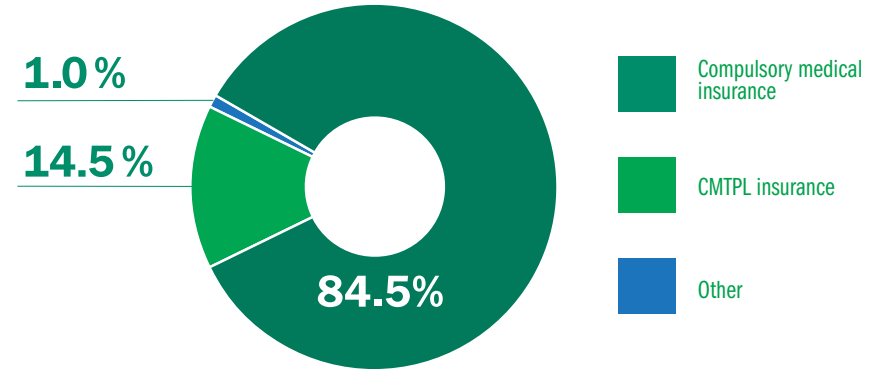
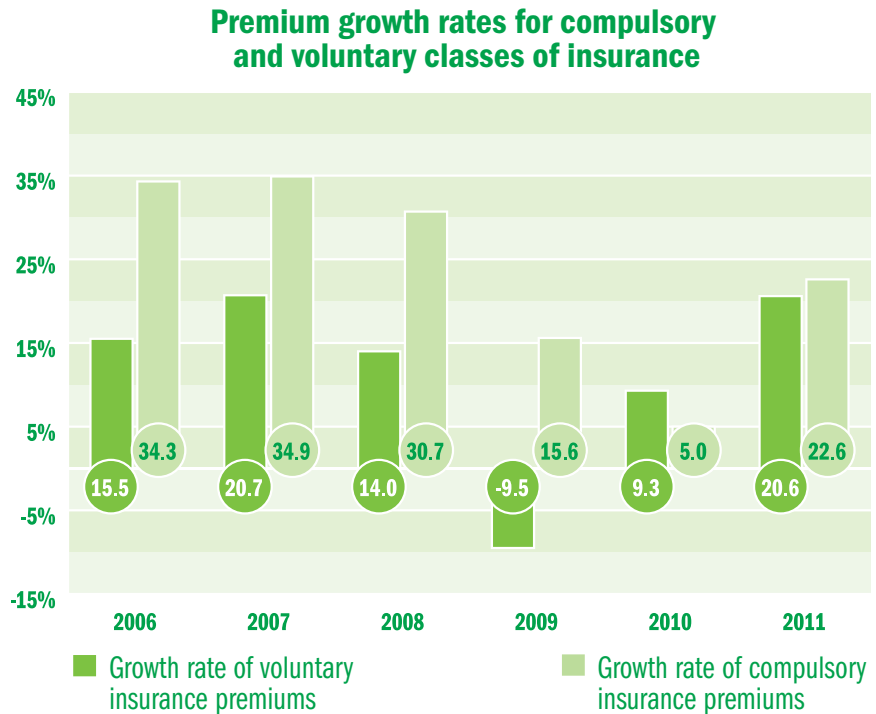


Fig. 15.





04

THE LEGAL FRAMEWORK FOR CMTPL INSURANCE IN 2011

- Legislative changes for CMTPL insurance
- Changing premium tariffs for CMTPL insurance
- Amendments to the rules of professional conduct and producing the necessary documentation

THE LEGAL FRAMEWORK FOR CMTPL INSURANCE IN 2011

Legislative changes for CMTPL insurance

On 1 June 2011 a Federal Law was passed that made changes to the system whereby vehicle owners had to submit their vehicles for a regular technical inspection. Since this legislation impacted on the CMTPL insurance system, the Federal CMTPL law, amongst others, was also amended.

The main changes were as follows:

- The list of documents that insurers are required to provide for insureds at the time of closing a contract of CMTPL insurance was extended to include a vehicle inspection certificate or a certificate confirming a state vehicle inspection certificate. This requirement applies other than when a vehicle cannot be inspected or has no legal obligation to undergo a technical inspection or if the timing of the inspection is determined by the Russian Government or if the vehicle has to be inspected every six months.
- A new set of circumstances were introduced under which insureds could claim regress:
- Against the person or organisation that was responsible for damage in circumstances when at the time of the accident, the certificate of vehicle inspection or the certificate of state vehicle inspection (which applies to a taxi, a bus or a goods vehicle which has seats to carry more than eight passengers (excluding the driver's seat); and to special vehicles that are designed and equipped to carry dangerous cargoes) has expired;
- Against the organisation that carried out a technical inspection of a vehicle and issued a vehicle inspection certificate in circumstances when a road accident was caused by a defective vehicle and the defect was noticed during the technical inspection but was not included in the diagnostic report.
- Insurers were permitted to issue CMTPL insurance documentation in electronic format (when permitted by the CMTPL insurance regulations).
- Regulations were introduced in conformance with which no CMTPL insurance policy should be issued unless the insured presents a vehicle inspection certificate or a certificate of state vehicle inspection that expires more than six months into the expected life of the CMTPL insurance policy.
- From 1 January 2013, all contracts of CMTPL insurance must be entered into the unified database of CMTPL insurance;
- At the time of the issue of a CMTPL insurance policy, the Insurer must check the information provided by the insured by comparing it with the information contained in the unified CMTPL insurance database and in the unified database relating to technical vehicle examinations (this comes into force on 1 January 2013).
- The functions of RAMI were extended to include responsibilities relating to technical vehicle inspections.

Changing premium tariffs for CMTPL insurance

On the 13 July 2011, the Government of the Russian Federation issued a decree that introduced changes and additions to the decree of 8 December 2005 that approved the level and structure of premium tariffs for CMTPL insurance.

These changes to CMTPL insurance tariffs were based on work carried out by, amongst others, RAMI and consisted of the following:

- Introduced a programme of regular research into CMTPL insurance tariffs and how they relate to incurred loss ratios for CMTPL insurance;
- Called for proposals from RAMI for changes in the structure of CMTPL premium tariffs to be examined jointly with state bodies.

Changes were introduced in the following base rates and coefficient:

- The coefficient relating to the region within which the vehicle was to be used (the territorial coefficient);
- The coefficient relating to the number of persons permitted to drive the vehicle. (Driver numbers coefficient);
- The coefficient relating to the age and experience of persons permitted to drive the vehicle (the age and experience coefficient);
- The coefficient relating to the technical character of the vehicle, in particular the engine size of a light vehicle (category B vehicles) (the engine size coefficient);
- The coefficient relating to the period of use of the vehicle (the use period coefficient).
- The introduction of changes in the rules of professional conduct relating to the payment of compensation and subrogation;
- The introduction of changes to the rules of professional conduct relating to the keeping of documents relating to CMTPL insurance;
- The introduction of changes to the rules of professional conduct relating to audits of the work of members of RAMI relating to CMTPL insurance, of their work in relation to the issuing of international Green Cards and of their compliance with the rules of professional conduct;
- The introduction of changes to the rules of professional conduct relating to the imposition of sanctions and other measures on members of RAMI, their officers and employees;

Amendments to the rules of professional conduct, and producing the necessary documentation:

- The introduction of changes to the rules of professional conduct relating to accounting for, keeping and destroying blank insurance policies;
- The development of rules of professional conduct covering the way in which members of RAMI should obtain and use blank CMTPL insurance policies;
- The development of rules of professional conduct relating to the transfer of an insurance portfolio in the event that measures are taken to prevent bankruptcy and during bankruptcy proceedings of an insurer;
- The introduction of changes to the rules of professional conduct relating to CMTPL claims settlement by insurance companies that are members of RAMI;
- The introduction of changes to the rules of professional conduct relating to the admittance of new members to RAMI and to the resignation or exclusion of members;
- The introduction of changes to the rules of professional conduct relating to the making by RAMI of compensation payments to victims of road accidents including the prioritising of payments in the event that RAMI is not in possession of sufficient funds and the procedure for the allocation of the obligation make up any deficiency amongst the membership of RAMI;
- The introduction of changes to the rules of professional conduct governing the provision of services to the CMTPL insurance market;
- The introduction of changes to RAMI's training manual No. 1 for insurance company employees covering the completion of blank proposal forms for CMTPL insurance;
- The introduction of changes to RAMI's training manual No. 5 covering the completion of documentation and accounting for insurance premiums from CMTPL insurance of vehicles that are registered in foreign countries and which are temporarily operating within the Russian Federation;
- The introduction of changes to RAMI's training manual No. 13 dealing with claims settlement under CMTPL insurance;
- The production of a new RAMI training manual (No. 16) setting out instructions for filling in the fields in the journal of claims and early termination of policies and in the journal of issued CMTPL insurance policies;
- The production of a new RAMI training manual (No. 17) setting out standard definitions for CMTPL insurance.



05

TECHNICAL INSPECTIONS OF MOTOR VEHICLES

- The legal regulation of technical inspections of motor vehicles
- The powers and responsibilities of RAMI in relation to the technical inspection of motor vehicles
- The development of a register of organisations permitted to carry out state technical inspection of vehicles and the provision of certificates of state technical inspection of vehicles

TECHNICAL INSPECTIONS OF MOTOR VEHICLES

The legal regulation of issues relating to the technical inspection of vehicles

On 1 June 2011, the President of the Russian Federation signed a law that made changes in the system of technical inspection of motor vehicles (Law No 170-ФЗ). As part of the implementation of this law, on 5 June 2011, Mr. I. Shuvalov, first deputy prime minister signed instructions that called for the preparation of a set of 22 by-laws that would set out in concrete form how the act should be introduced.

As of 1 January 2012 the following by-laws implementing the decree have been introduced:

Issues relating to the accreditation of organisations performing technical inspections:

- A decree from the Ministry of Economic Development (28 November 2011) which set out the rules for accrediting organisations performing technical vehicle inspections.
- A decree from the Ministry of Economic Development (21 October 2011) that introduced a register of approved organisations for performing technical vehicle inspections and ensuring that this register would contain information about organisations that are approved to carry out technical vehicle inspections and would be open and public.
- A resolution by the Government of the Russian Federation (3 November 2011) which set out the fees payable for obtaining accreditation as an organisation permitted to carry out technical vehicle inspections ;

- A decree from the Ministries of Industry and Trade (1 December 2011) which set out the level of qualifications required for technical experts;
- A decree from the Ministry of Industry (6 December 2011) that set out the basic procedure for making a technical diagnosis and recording the results;
- A resolution of the Government of the Russian Federation (23 December 2011) calling for the creation of a combined database covering technical vehicle inspection.

Issues relating to organisations performing technical vehicle inspections receiving blank inspection certificates:

- A resolution of the Government of the Russian Federation (5 December 2011) on ensuring the security of blank inspection certificates and blank international inspection certificates, accounting for these certificates and providing rules for their safe keeping, issuing and destruction;
- A decree from the Ministry of Finance (18 November 2011) setting out rules for obtaining blank vehicle inspection certificates and blank international vehicle inspection certificates and also for accounting for these certificates, their safe keeping and destruction.

Issues relating to the procedures for carrying out technical vehicle inspections:

- A resolution of the Russian Government (5 December 2011) setting out the basic procedures for technical vehicle inspections;

- A resolution of the Government of the Russian Federation (30 December 2011) concerning the technical inspection of electric urban land transport vehicles;
- A decree of the Ministry of Transport (19 December 2011) concerning the rules for the completion of the diagnostic report.

Other issues:

- A Federal Law (1 June 2011) concerning technical vehicle inspections and which amended a number of Russian laws and by-laws;
- A resolution of the Russian Government (5 December 2011) concerning the introduction of technical vehicle inspections.
- A resolution of the Russian Government (24 October 2011) setting out the governmental bodies charged with the establishment of state control or supervision of the professional association of insurers' compliance with their legal obligations in relation to technical vehicle inspections;
- A resolution of the Russian Government (22 December 2011) concerning the methods of calculating minimum levels of provision for the population of technical inspection points for the regions of Russia and their municipal areas;
- A resolution of the Russian Government (30 December 2011) concerning the introduction of technical inspections of electric urban land transport vehicles;

- A resolution of the Russian Government (23 December 2011) concerning a single combined data collection and storage system for information relating to technical vehicle inspections;
- A decree of the Federal Tariff Service (18 October 2011) concerning the calculation of maximum fees for technical vehicle inspections;
- A decree of the Ministry of Economic Development (14 October 2011) concerning standard contracts relating to technical vehicle inspections;
- A decree of the Ministry of Transport (21 November 2011) concerning the format of a vehicle inspection certificate (including a format for an electronic version) and rules for completing a certificate of vehicle inspection.
- In conformance with the request of Mr Shuvalov, RAMI was involved in the implementation of most of these decrees and resolutions.

The powers and responsibilities of the Russian Association of Motor Insurers in relation to the technical inspection of motor vehicles

The law on technical vehicle inspections gives to RAMI a role in the system of technical inspection. RAMI's role in this system is as follows:

- the examination of applications for accreditation, the decision whether to accept or reject the application (the decision on accreditation);
- making a decision as to whether an accreditation should be withdrawn or restricted;
- the renewal of accreditation;
- the suspension of accreditation and the removal of suspension;
- cancellation of attestation;
- checking that applicants for attestation have complied with requirements for attestation;
- ensuring that organisations that provide technical vehicle inspections comply with the requirements of attestation and with the rules governing technical inspections;
- developing a register of organisations that are permitted to carry out technical inspections;

- developing a system to account for blank technical inspection certificates and blank international technical inspection certificates;
- ensuring that organisations that carry out technical inspections receive blank inspection certificates and blank international inspection certificates;
- developing an open, public database of organisations that are permitted to carry out technical vehicle inspections.

The development of a register of organisations permitted to carry out state technical inspection of vehicles and the provision of certificates of state technical inspection of vehicles

Article 32 of the Federal law on technical vehicle inspections requires RAMI to include in the register of organisations permitted to carry out technical vehicle inspections those organisations that at 31 December 2011 have taken part in a competitive selection procedure under Russian law to obtain the right to carry out state technical inspections of motor vehicles and which have the necessary contracts with departments of the Ministry of the Interior, information of which was provided by the Ministry of the Interior to RAMI before 1 January 2012..

As at 1 January 2012, 1,736 such organisations had been included on the register.

In accordance with the resolution of the Government of the Russian Federation (5 December 2012) that requires the provision of blank technical inspection certificates and blank international inspection certificates between 1 January 2012 and 1 January 2014 and sets out the rules governing their safe keeping, accounting, distribution and destruction, in December 2011 RAMI organised the distribution of blank certificates of state technical inspection and blank certificates of international vehicle inspection to organisations that had been successful in a competition to obtain the right to carry out technical inspections and which have an agreement with the Ministry of Internal Affairs.

As of 1 January 2012, RAMI had sent to the territorial divisions of the Ministry of Internal Affairs 606 requests for blank certificates of state inspection of vehicles and of international inspection of vehicles. The total number of Blank certificates requested amounted to 2,308,800.



06

**DIRECT SETTLEMENT
OF CLAIMS. SIMPLIFIED
REPORTING OF ROAD
TRAFFIC ACCIDENTS**

DIRECT SETTLEMENT OF CLAIMS. SIMPLIFIED REPORTING OF ROAD TRAFFIC ACCIDENTS

During 2011 the system of direct settlement of CMTPL claims continued to develop and improve. Between 1 March 2009 and 31 December 2011, road accident victims received more than 17.824 million roubles in compensation payments and during the twelve months of 2011 they received more than 9.773 million roubles. The growth rate in the total amount of payments was 35% in 2011 as compared with 2010 though during 2011 there was a slight variation in the size of quarterly payment as the figure below shows.

In 2011, the average compensation payment to accident victims was roubles 19,300, a figure that differs little from the corresponding figure in 2010. Again, quarterly variations in the average compensation payment to accident victims were seen, as demonstrated in figure 17 below.

There was an increase of 18.7% in the number of applications for direct settlement of claims in 2011 as compared with the previous year.

Fig. 17.

Payments to accident victims using the direct settlement system

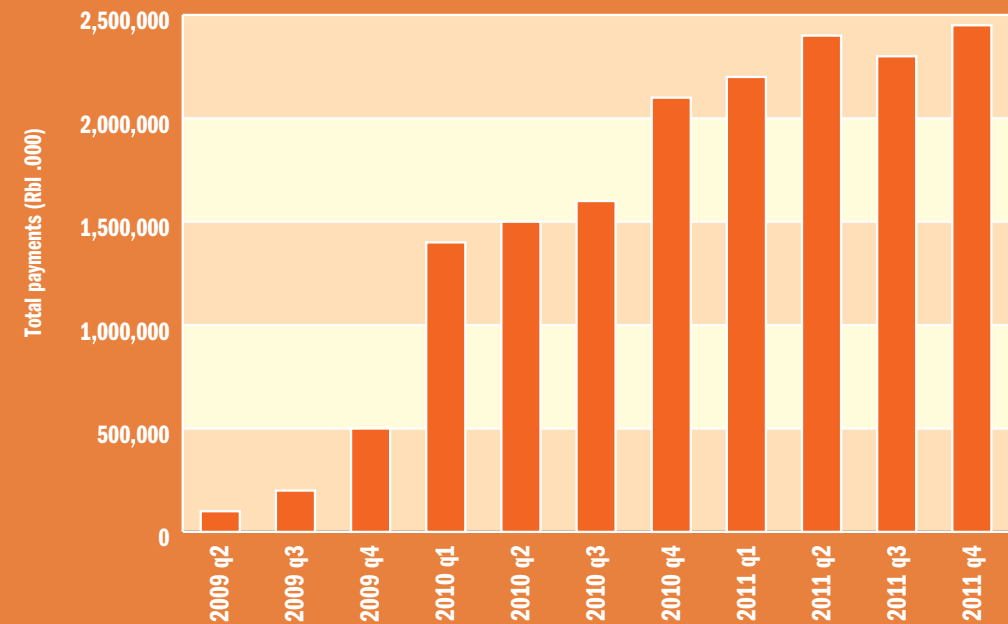
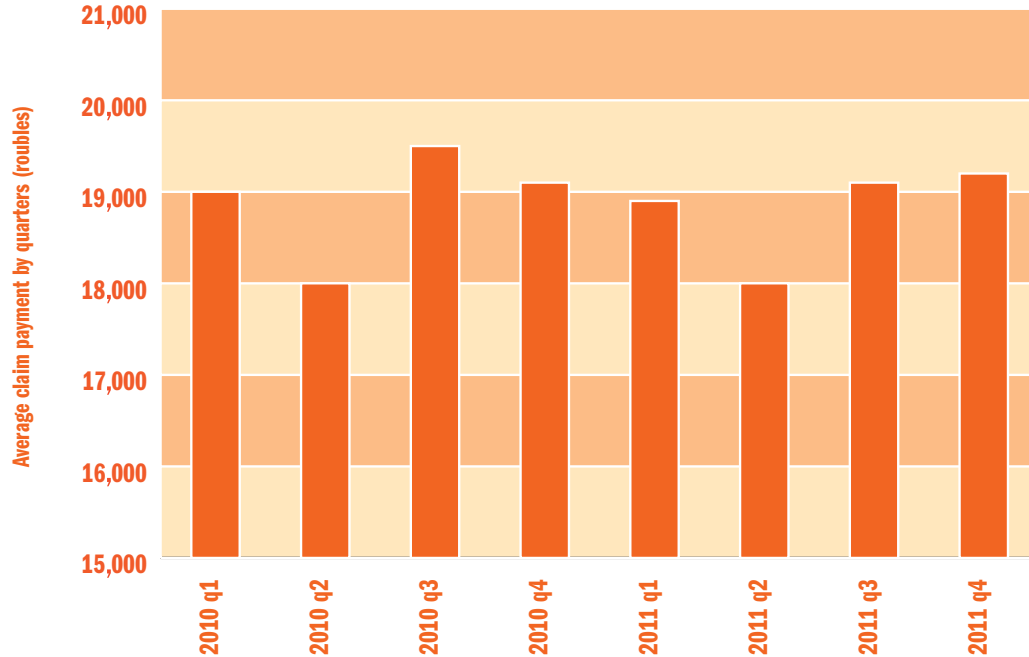


Fig. 18.

Average payment using the claims direct settlement system



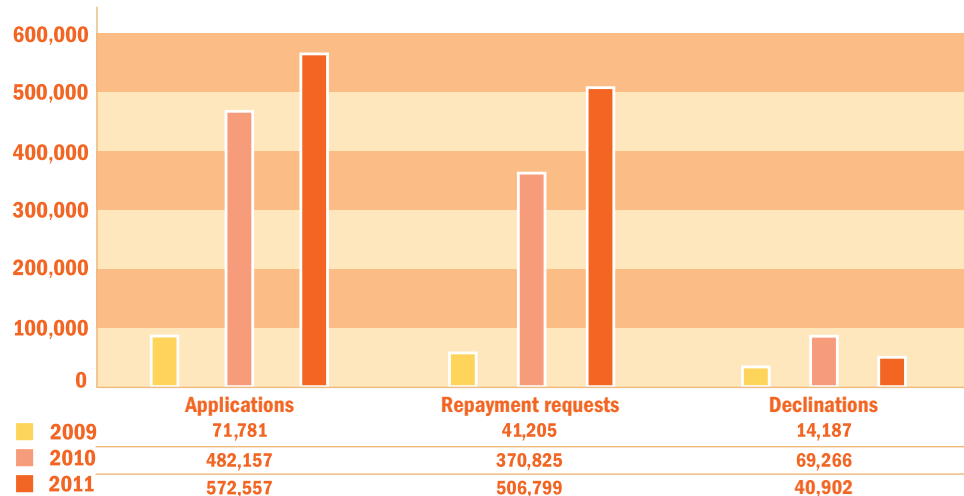
The increase in the number of direct claims settlement transactions was accompanied by a significant improvement in the quality of insurers' work the previous year. Thus, the percentage of applications for direct claims settlement that were successfully processed through the system – a payment to the victim followed by a request for repayment – increased from 76.9% to 88.5%. As a result, the number of repayments made through the system increased by 36.7%.

This growth in the number of direct settlement transactions was accompanied by a reduction in the number of cases where applications for direct settlement were refused. (Figure 20). Furthermore, in 2011 the total number of rejections reduced: from 69,266 in 2010 to 40,902 in 2011.

It should be noted that in 2011, whilst this positive trend was maintained, the share of total CMTPL claims that were settled under the direct settlement scheme remained stable. This is the case, in particular, in terms of the number of accident victims who have sought to settle their claims through direct settlement. If, during 2010, about 20% of all CMTPL insurance claims were settled under the direct settlement scheme, in 2011 the corresponding figure was about 24%, a figure that varied month by month.

Fig. 19.

Operational data for the system of direct settlement of CMTPL insurance claims 2009–2011



During 2011, there was a significant increase in the number of accident victims who had their claims settled through the direct settlement system using documentation that had been completed without involvement of the road traffic police. (simplified reporting of road accidents). Compared with 2010, the number of such claims applications increased by 59% and the number of claims application that were successful, in that the claim was paid increased by more than 103% as is shown in figure 21.

This numerical increase led to an increase in the percentage of direct settlement claims where simplified reporting was used. As figure 22 shows, this figure increased from 5.5% of direct settlement claims in 2010 to 7.5% in 2011.

Fig. 20. Percentage of applications that were declined

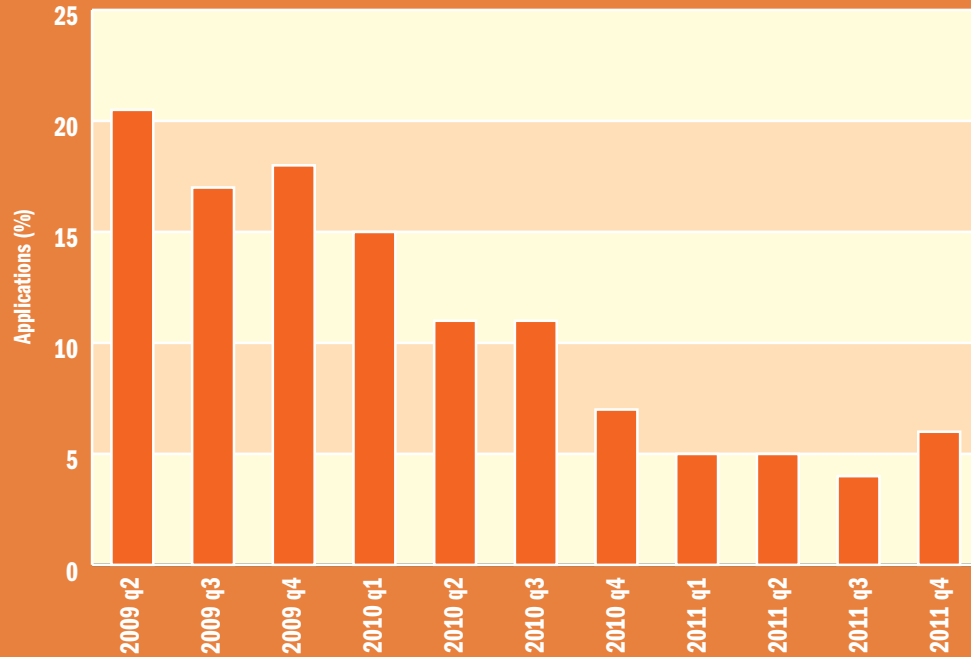


Fig. 22. The proportion of applications for compensation using simplified reporting of road accidents

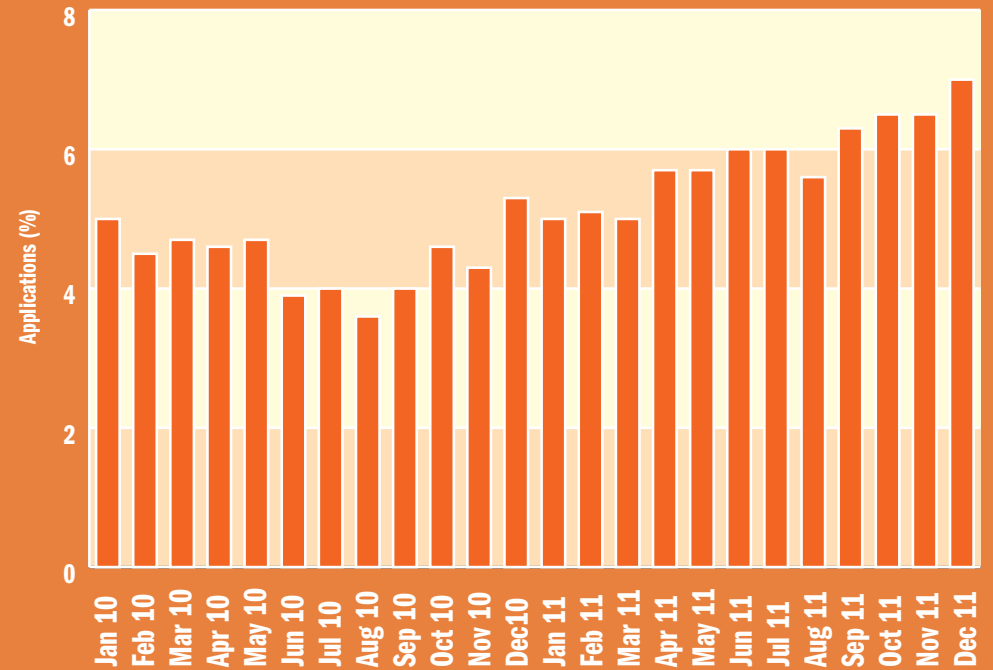
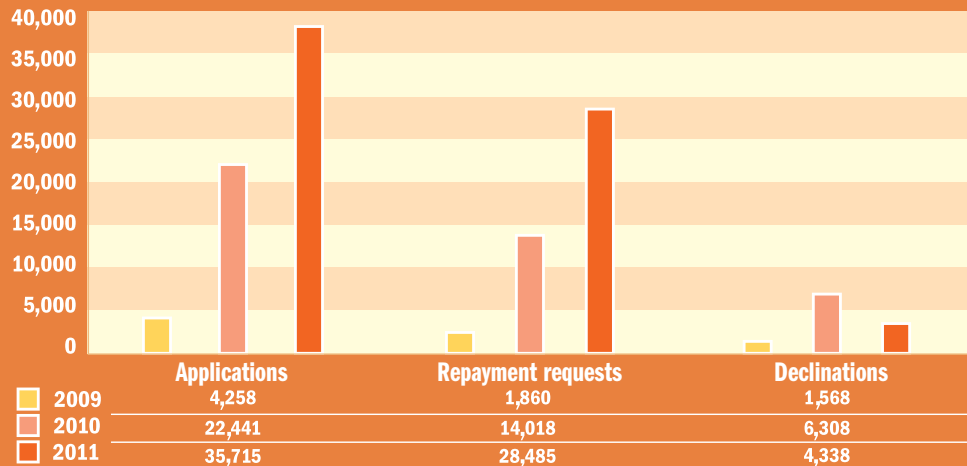


Fig. 21. Claims reported using the simplified reporting method and the direct settlement system 2009–2011



Given the fact that, as noted above, a relatively small number of road accident reports are completed without authorisation by the road traffic police, in 2011 work was carried out to improve the procedure and to increase its use. Many road users took part. A working group was set up with the support of the Department of Road Safety of the Ministry of the interior which produced

technical material aimed at encouraging and assisting drivers to complete accident report forms without the involvement of the road traffic police. This working group's recommendations as to how the simplified reporting of claims without the involvement of the police can be developed were accepted by the Department of Road Safety and by the RAMI Presidium.

RAMI sent the completed report to the Ministry of Education and Science with a recommendation that the recommended procedure be included in the driver training curriculum. It is expected that the results of this work will increase the level of legal understanding of drivers and will also increase the number of victims that will report the accident using the simplified reporting scheme.

In order to ensure that the settlement system between insurers (as part of the system of direct settlement of CMTPL insurance claims) is fair, the level of the average payment is monitored. The RAMI Presidium has twice seen the need to amend the average claim amount basing its decision on concrete data. Due to the fact that significant difference was not noted during 2011, the intercompany settlement remained unchanged from the figure used in 2010.

The RAMI committee for claims settlement and the European Protocol implemented a detailed revision of the direct settlement agreement, which defines the terms and conditions of the intercompany settlement system and also sets out regulations covering a number of other issues in respect of the direct settlement of claims. Changes were made to this agreement taking into account the practical experience of insurance organisations gained throughout the whole time the direct settlement system and the simplified reporting of road accidents have been in force.

In addition, the RAMI committee for claims settlement and the European Protocol drew up proposals for changes for the respective RAMI rules of professional conduct reflecting a common position on difficult issues where currently insurers' activities are not regulated. In addition, RAMI's training manual No. 15 dealing with the direct settlement of claims was updated to include the latest version of the direct settlement agreement and current insurance legislation. The RAMI committee for claims settlement and the European Protocol in 2010 set up a commission to deal with complaints and appeals from insurers. This commission continued to examine

complaints from insurers. It is important to note the fact that in 2011 28 complaints concerning breaches of the direct settlement agreement by members of RAMI were examined. This number was one sixth of the number of complaints that were dealt with in 2010: 164 complaints were received in that year. The reduction in the number of complaints received suggests that there were fewer disputes between insurance companies over decisions made. Thus it might be said that the number of unjustified claims refusal in the market as a whole has declined.

In 2011, RAMI received 1,079 complaints from the public concerning the operation of the system of direct settlement of claims. This figure was 0.21% of the total number of claims settled under this system. Examining the standard system of settling CMTPL insurance claims, it can be seen that 0.53% of claims result in a complaint, a higher figure. In other words, the system of direct settlement of claims is achieving its main aim – to improve the quality of service provided for clients of insurance companies. Throughout 2011, an active programme of work was carried out to counter the activities of unscrupulous insurers trying to gain an unfair advantage in the direct settlement scheme. The main aim of the work was to try to improve methods of identifying indications of 'claims selection', a strategy whereby an insurer without reason rejects the claims of accident victims (verbally as a rule) where the claims size is greater than the average claims size. Since the amount received by the direct settlor having settled the claim is based on the average claim size, this strategy gives an unfair advantage. A procedure for making calculations was developed based on a number of indicators derived from the work of all insurance companies working the direct settlement system. From this procedure a set of norms was created and sanctions were imposed on insurers whose indicators fell outside these norms. The necessary changes were made to the rules of professional conduct that set out the sanctions and other measures that can be applied to members of RAMI and to their employees and officers.



07

THE GREEN CARD BUREAU

- The work of the Green Card Bureau in 2011
- The work of the Green Card Bureau directorate in 2011
- Taking part in international events
- Fighting insurance fraud

THE GREEN CARD BUREAU

The Green Card bureau is a subdivision of RAMI, the members of which carry on motor third party liability insurance as part of the international Green Card system. As at 31 December 2011 there were 10 members of the Green Card Bureau.

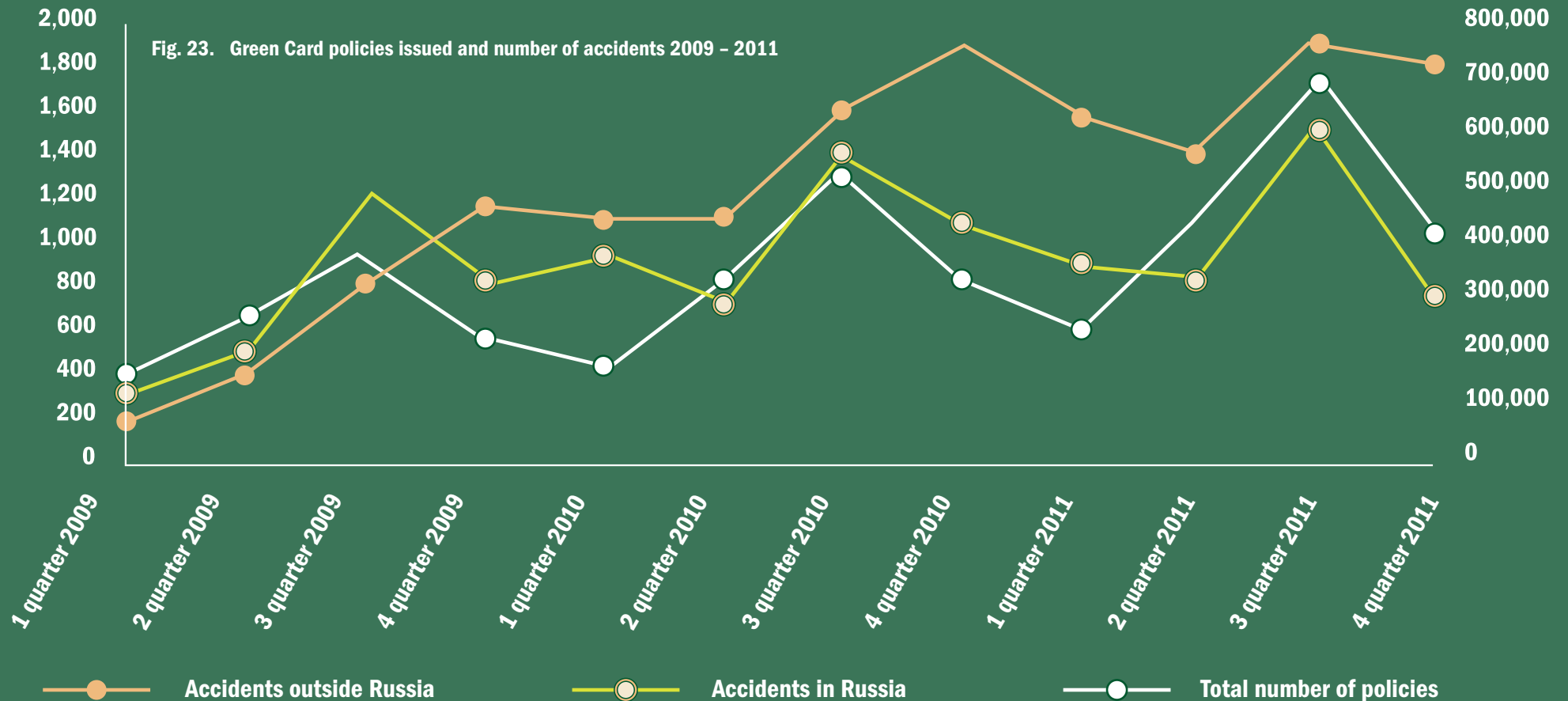
The Chairman of the Board is Nadezhda Arshinova, General Director of the Twenty-First Century Insurance Company. She was elected to this position by the RAMI Board on 26 June 2008.

In 2011 there were 47 sessions (including meetings held by conference call) of the Directorate of the Green Card Bureau.

The work of the Green Card Bureau in 2011

In 2011, approximately 1.8 million Green Card policies were issued by members of the Green Card Bureau.

In total, since 2009, when Russia became part of the Green Card system, 4.2 million Green Card policies have been issued.



In 2011, 3,630 accidents abroad were reported where a Russian driver in possession of a Green Card certificate was involved. Since 2009 there have been 10,324 such accidents. The greatest number of accidents (820) took place in Belarus. In Ukraine there were 656, in Finland 421 and in Poland there were 404.

Of these accidents, 1,557 accidents were reported and settled in which the Russian insured was at fault.

Within Russia, 6,564 accidents were reported where a foreign driver was in possession of Green Card certificate and of these 3,026 have been settled. All in all since 2009 there have been 13,497 such accidents.

Since 2009 there have been 14 claims of more than €50,000 and of these there were 5 between €50,000 and €200,000. The largest claim came from an accident in Germany on 9 December 2010: there is a reserve of €1,108,000 on this claim.

Fig. 25. Breakdown of accidents by country

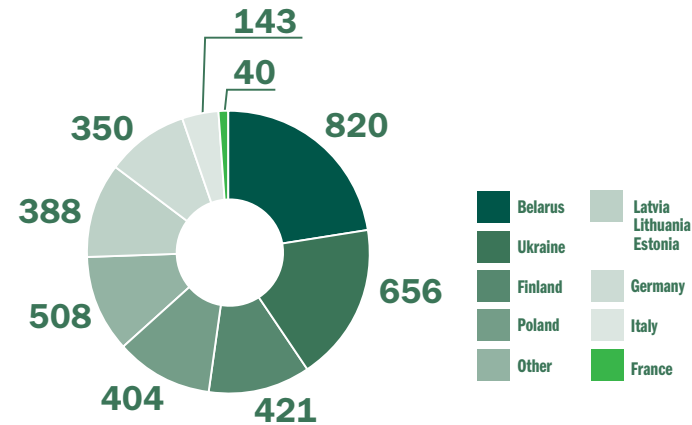
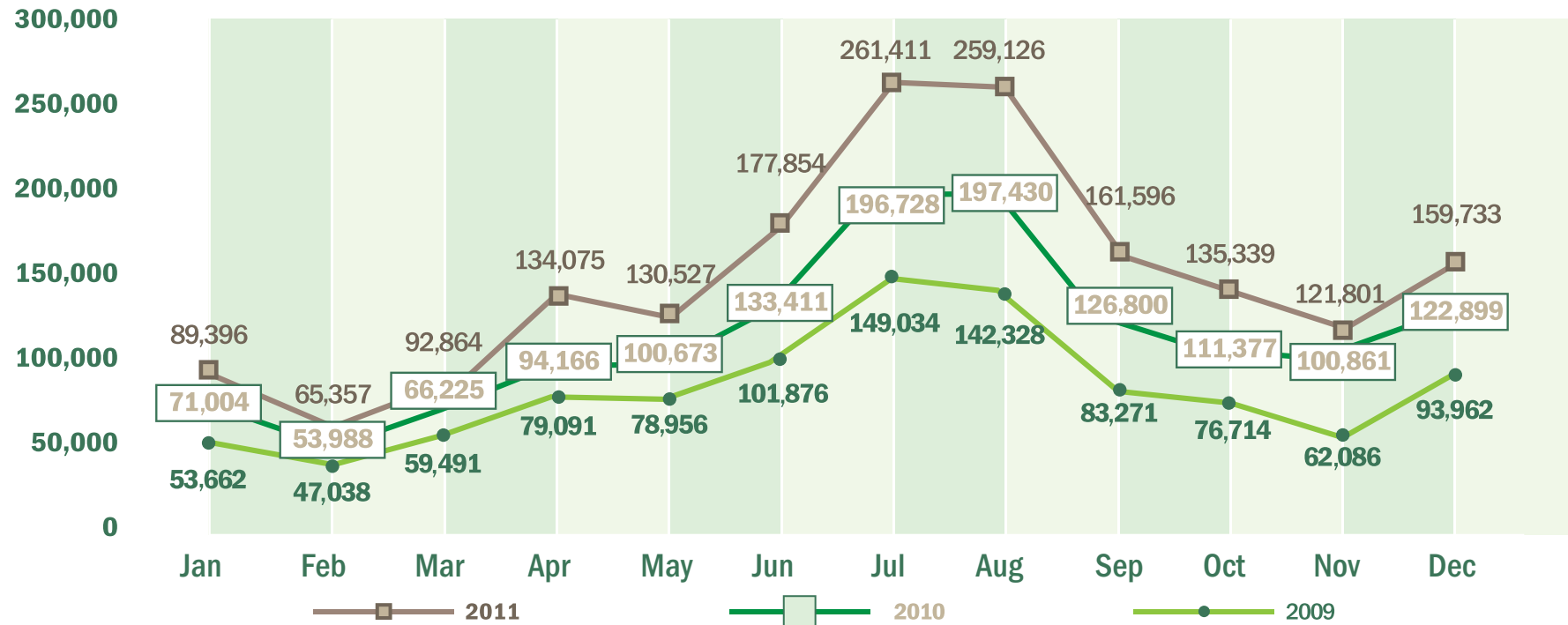


Fig. 24.

Green Card contracts issued by month



The work of the Green Card Bureau Directorate in 2011

The Green Card Bureau Directorate carried out a number of projects in 2011 in the areas of methodology, information technology, analysis and organisation as follows.

The harmonisation of Russian legislation and RAMI's internal documentation with the rules and regulations of the Green Card system

The following documents were produced by the Green Card Bureau in 2011:

- The confirmation of regulations relating to insurance under the international Green Card system was agreed by The Directorate of the Bureau on 2 August 2011,
- Regulations governing the membership of the Green Card Bureau was agreed by the Directorate of the Bureau on 2 August 2011;
- Regulations governing how the Green Card Bureau exercises its function in producing blank Green Card certificates was agreed by the Directorate of the Bureau on 20 December 2011;
- Regulations governing claims settlement under the international Green Card system were agreed by the Directorate of the Bureau on 6 December 2011.

The following documents of the Green Card Bureau were amended or new editions produced:

- The rules relating to the financing of activities relating to the international Green Card insurance system adopted by the RAMI Presidium on 8 December 2011;
- The terms and conditions of the international Green Card motor third party liability insurance policy approved by the Directorate of the Green Card Bureau on 2 August 2011;
- The structure of the tariff and premium calculation methodology for motor TPL insurance under the international Green Card system approved by the RAMI Management Board 21 December 2011;
- The rules governing audits of the work of RAMI members in carrying out CMTPL insurance and of their compliance with the rules of professional conduct approved by the RAMI presidium 22 December 2011;
- The rules governing sanctions and other measures that can be applied to RAMI members, their employees and officers approved by the RAMI Presidium 27 October 2011;
- The rules governing claims settlement under the international Green Card insurance system approved by the RAMI Presidium 8 December 2011;

- The RAMI training manuals No. 1 and No. 2 for employees of insurance companies that are members of the Green Card Bureau agreed by the Directorate of the Bureau 14 October 2011 and 2 August 2011;
- Regulations relating to the membership status of members of the Green Card Bureau agreed by the RAMI Presidium 10 March 2011
- Regulations relating to the Green Card certificate approved by the Management Board of RAMI 27 October 2011.

Actuarial analysis of the Green Card insurance tariffs and other financial aspects of the work of the Bureau and of its members

Following the decree of the Ministry of Finance dated 22 July 2010, research was carried out into the average claims size incurred under motor TPL policies issued under the international Green Card system. This research utilised statistical data held by the RAMI Green Card IT system and by foreign Green Card Bureaux.

Taking part in international events

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

- A seminar, which took place in Venice in June, organised by InterEurope, the subject of which was settling Green Card claims

- A seminar which took place in Moscow in September organised by AVUS dealing with international claims
- Meetings of working bodies of the Council of Green Card Bureaux:
- The General Assembly of the Council of Bureaux, held in Dubrovnik in May
- A working meeting of representatives of Group A, held in Brussels in October
- A working meeting of representatives of the Baltic group, held in Helsinki in March
- The European Congress on road traffic legislation, held in Luxembourg in October
- A seminar on claims settlement in Finland and Russia held in Helsinki in January



Fighting insurance fraud

BEGINNING IN 2009, THE GREEN CARD BUREAU HAS CARRIED OUT WORK TO PREVENT THE USE WITHIN RUSSIA OF FOREIGN CMTPL INSURANCE POLICIES AND FOREIGN GREEN CARD CERTIFICATES ISSUED CONTRARY TO RUSSIAN INSURANCE LAW.

The following measures have been taken:

Carrying out checks in regions of the Russian Federation that border Ukraine, Belarus and the Baltic states and also at the checkpoints for international vehicles where such illegal policies are often issued;

- Informing foreign Green Card Bureaux whose members include insurance organisations who issue these policies that they are invalid and illegal;
- Providing information to law enforcement agencies.
- RAMI has also co-operated through the Finish Motor Insurance Centre with Finish customs bodies to prevent Russian drivers entering the country with forged Green Card certificates.



08

MAKING COMPENSATION PAYMENTS

MAKING COMPENSATION PAYMENTS

Between 1 June 2004 and 31 December 2011, RAMI examined 319,589 claims for compensation payments to victims of road accidents of which 290,798 resulted in an actual compensation payment. The total value of such payments was 13,487 million roubles.

There were 1,568 claims for compensation payment for bodily injury and the total amount paid for such claims was 48.9 million roubles.

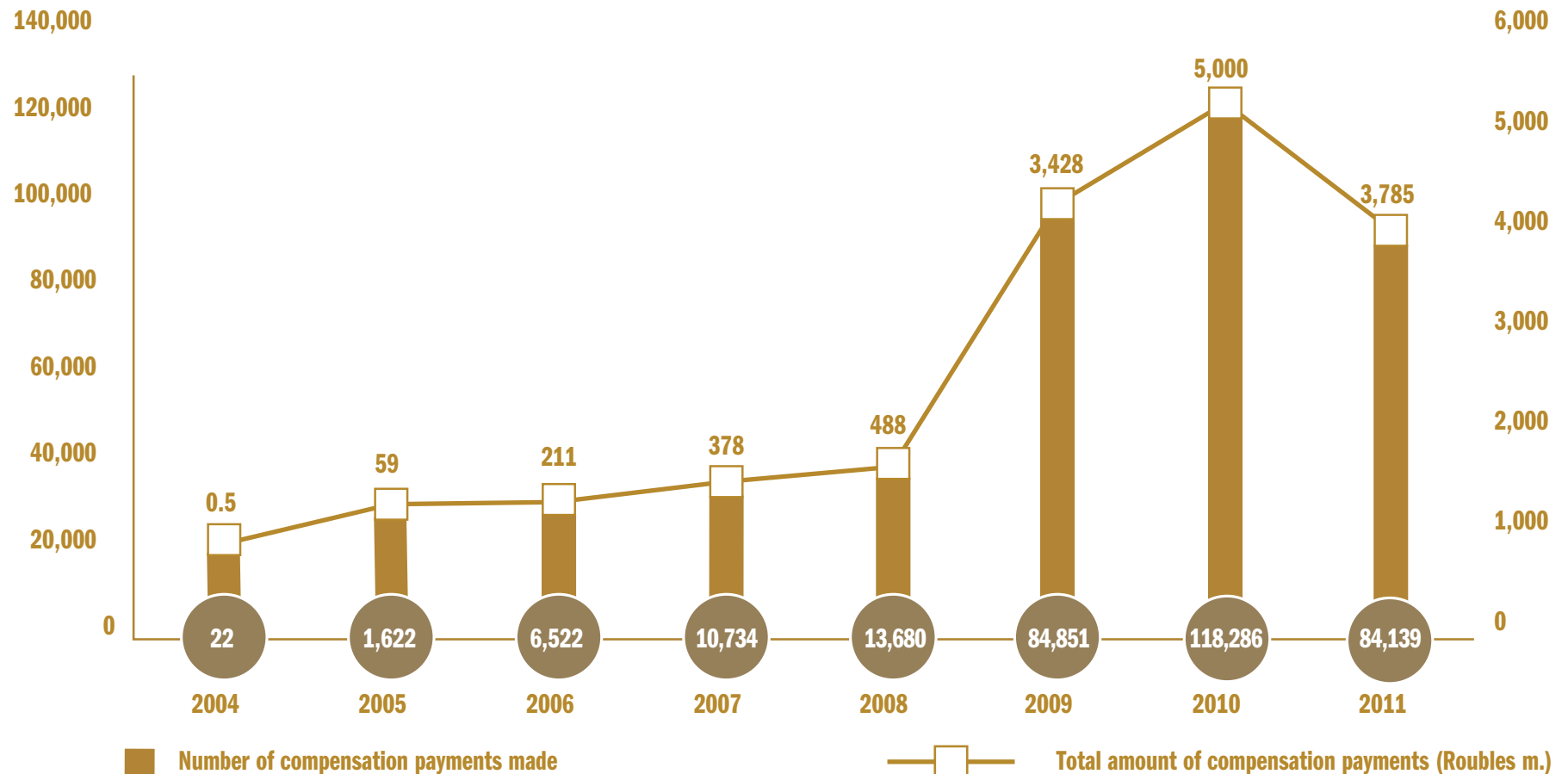
About 99% of these compensation payments to accident victims were paid in circumstances

where an insurance company, carrying on CMTPL insurance had had its licence to carry on insurance business withdrawn.

In 2011, RAMI company carrying out compensation payments on behalf of 62 insurance organisations.

Last year 84,139 claims for compensation were examined of which 77,969 resulted in a payment to the accident victim. Total payments amounted to 3,785 million roubles.

Fig. 26.





09

THE RAMI ARBITRATION TRIBUNAL

THE RAMI ARBITRATION TRIBUNAL

The Russian CMTPL law gives RAMI the responsibility to resolve disputes between its members. On the 23 December 2010, a Resolution of the Presidium of RAMI set rules of professional conduct aimed at settling disputes when, under the direct settlement scheme, one insurance company settles a claim and makes a payment to an accident victim who holds a CMTPL insurance policy issued by another company. The rules are also aimed at settling disputes in other areas of professional conduct relating to CMTPL insurance. The resolution also set up the RAMI arbitration tribunal and set out the rules and regulations that governed its operation.

The following documents were approved in 2011 as part of the process of setting up the RAMI arbitration Tribunal:

- Instructions for the management and maintenance of documents and records of the RAMI Arbitration Tribunal;
- Rules setting out how the RAMI Arbitration Tribunal should be formed.

The RAMI Arbitration Tribunal began its work in 2011 and received its first case on 30 March of that year.

During the course of the Tribunal's operation a number of difficult issues were identified and as a result, in the course of 2011 amendments were made to the Tribunal's regulatory framework.

In particular, an additional criterion for the selection of candidates for a position on the list of arbitrators was introduced so that they should have the necessary knowledge and experience to be in a position to resolve disputes arising out of legal relationships in the insurance market. The rules of the Tribunal make it mandatory for member insurance companies to first raise with RAMI issues relating to the making of compensation payments before taking these issues to the Arbitration Tribunal.

47 Arbitrators have been appointed to the RAMI Arbitration Tribunal of whom 34 have a law degree. The President of the Tribunal is Alexandr Yu. Yakimov who is a Doctor of Law and advisor to the President of RAMI.

The work of the RAMI Arbitration Tribunal in 2011:

1. 423 cases were dealt with by the Tribunal of which:
 - 408 concerned the recovery of compensation payments
 - 3 concerned inflated claims amounts
 - 12 concerned the recovery of compensation payments
2. 131 cases were discontinued of which:
 - 28 were cases that had been rejected prior to their consideration by the Tribunal;
 - 94 were cases that were rejected after the Tribunal was set up;
 - 8 were cases where the plaintiff had failed to carry out a pre-trial settlement order with the respondent
 - 1 was a case where the Tribunal had no jurisdiction;
3. 65 cases were turned down as a result of the plaintiff's failure to bring the case in time according to article 7 of the rules of the Tribunal;
4. 130 cases were decided for the plaintiff in full
5. In 10 cases, the claim was upheld in part
6. In 31 cases the claim was rejected;
7. As at 1 January 2012 there were 56 outstanding cases.



10

DEALING WITH APPEALS AND COMPLAINTS ABOUT RAMI MEMBERS

DEALING WITH APPEALS AND COMPLAINTS ABOUT RAMI MEMBERS

The management of RAMI dealt with appeals and complaints from the public in accordance with the requirements set out in the CMTPL insurance law.

RAMI deals with appeals from the public according to the rules for protecting the interests of insureds and accident victims in relation to CMTPL insurance and for examining complaints from accident victims and insureds about members of RAMI. These rules allow the public to:

- Appeal in person to RAMI;
- Appeal or complain in writing though the post or by fax;
- Telephone the RAMI 'hot line' using the free federal phone number 8 (800) 200 22 75.
- 30 (0.3%) were concerned with the wrong calculation of insurance premiums;
- 49 (0.4%) were complaints that return premiums in the event of the policy terminating early were not properly calculated;
- 1556 (14.1%) complaints were duplicates;
- 542 (4.8%) related to other issues
- 1079 (9.8%) related to the direct settlement of CMTPL insurance claims

In the past year, RAMI management and RAMI representative offices in the regions received 11,055 written appeals or complaints of which:

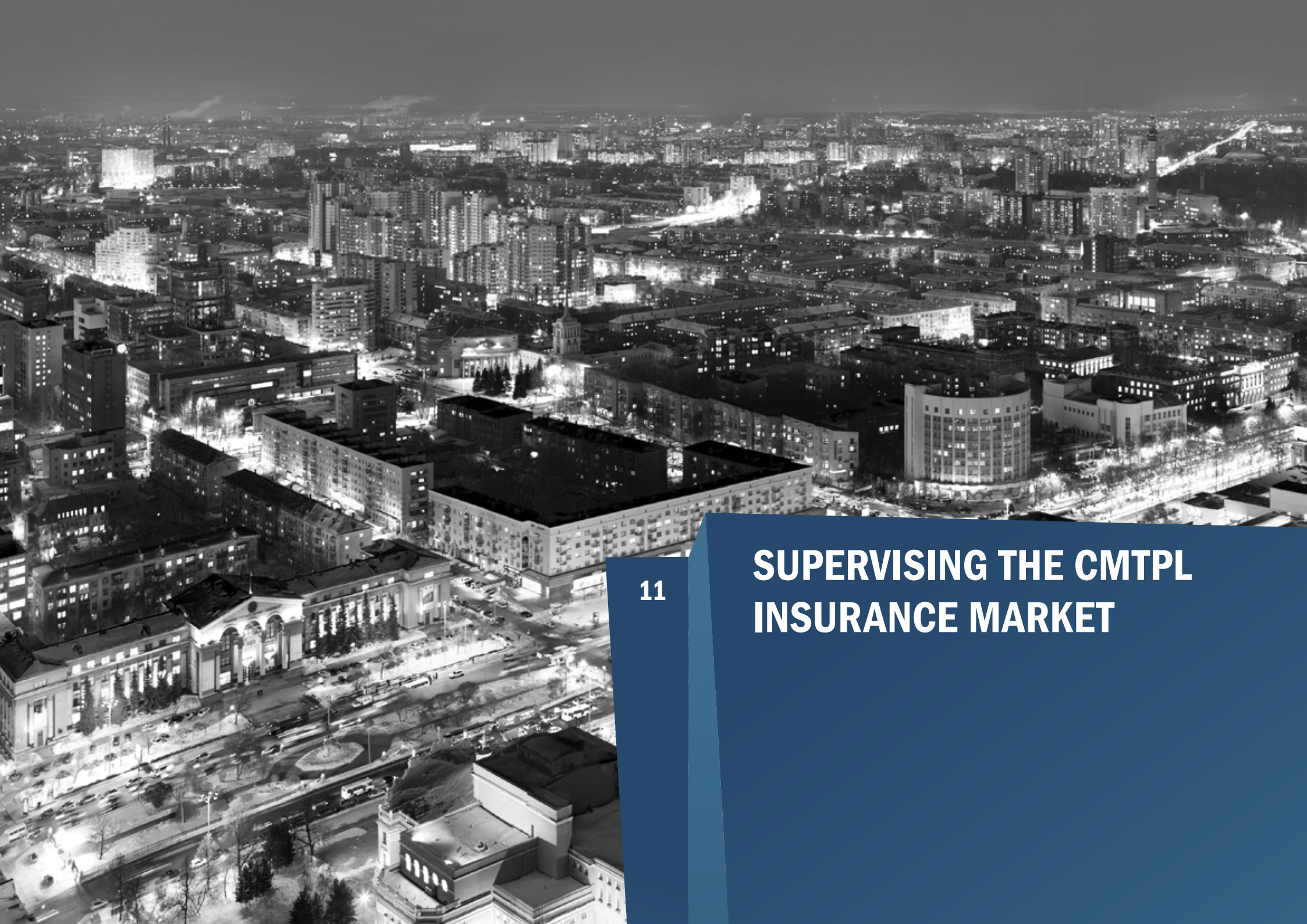
- 6197 (56.1%) were concerned with the failure of insurance companies to meet deadlines of settling or paying claims;
- 694 (6.3%) were concerned with the refusal to pay a claim;
- 908 (8.2%) were concerned with the amount of claim payment offered;

The main cause of complaints against CMTPL insurers still remains delays resulting from their failure to meet deadlines in the claims settling process. Complaints at the failure of insurance companies promptly to examine claims and then to make payments made up 56.1% of the total in 2011, compared with 57.7 in 2010.

An analysis of the relationship between the total number of complaints and the total number of claims shows that the percentage of claims that result in a complaint against illegal delays in the claims settling process is a very low number – less than 0.25%. However it is growing over time.

| YEAR | NUMBER OF REPORTED CLAIMS (M) | NUMBER OF COMPLAINTS ABOUT ILLEGAL DELAYS IN CLAIMS SETTLEMENT OR PAYMENT | COMPLAINTS AS PERCENTAGE OF TOTAL REPORTED CLAIMS |
|------|-------------------------------|---|---|
| 2004 | 1.02 | 575 | 0.056 |
| 2005 | 1.21 | 746 | 0.062 |
| 2006 | 1.48 | 843 | 0.057 |
| 2007 | 1.74 | 2,593 | 0.149 |
| 2008 | 1.98 | 4,291 | 0.218 |
| 2009 | 2.07 | 7,299 | 0.353 |
| 2010 | 2.36 | 5,826 | 0.247 |
| 2011 | 2.45 | 6,197 | 0.253 |

THE ANALYSIS OF COMPLAINTS AND APPEALS FROM THE PUBLIC IS IMPORTANT IN THAT IT MAKES IT POSSIBLE TO IDENTIFY PROBLEM AREAS OR 'HOT SPOTS' IN THE WORK OF INSURANCE COMPANIES WITH CLIENTS AND IN ADDITION TO DEVELOP MEASURES TO PREVENT TYPICAL TYPES OF CONFLICT.



11

SUPERVISING THE CMTPL INSURANCE MARKET

SUPERVISING THE CMTPL INSURANCE MARKET

Supervision of the members of RAMI in their CMTPL insurance work and in issuing Green Cards is in the first place exercised through audits, carried out either by on-site visits or by the study of documentation off-site.

According to the rules of professional conduct, on-site audits of RAMI members can take place only following a decision by the RAMI management board. The RAMI Disciplinary Commission and the Directorate of the Green Card Bureau understand that RAMI needs to be able to react promptly when faced with evidence that insurance companies are not complying with legislation or the rules of professional conduct in order to take action to collect documentary proof and to set in train actions that will stop the illegal activity. At the same time, rapid action is also necessary so that RAMI can quickly minimise negative publicity.

In 2011, based on decisions from the supervisory bodies, 48 on-site audits were carried out of which two were aimed at ensuring compliance with the rules of professional conduct governing claims payment and subrogation.

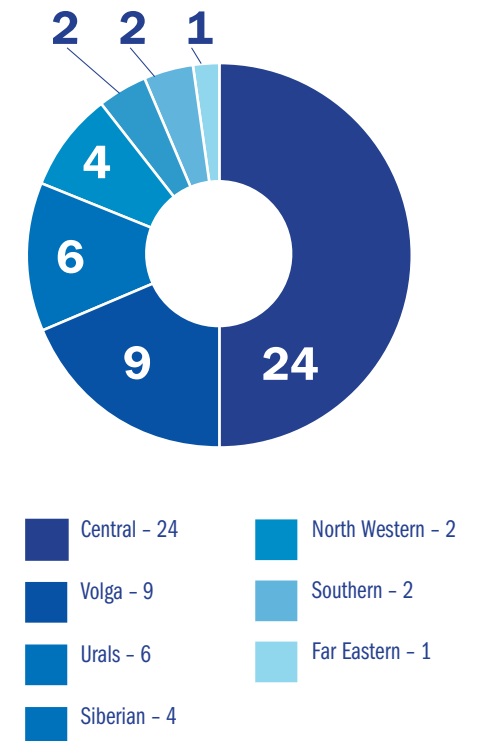
As a result of on-site audits, 672 disciplinary actions were commenced of which 595 resulted in the imposition of financial sanctions.

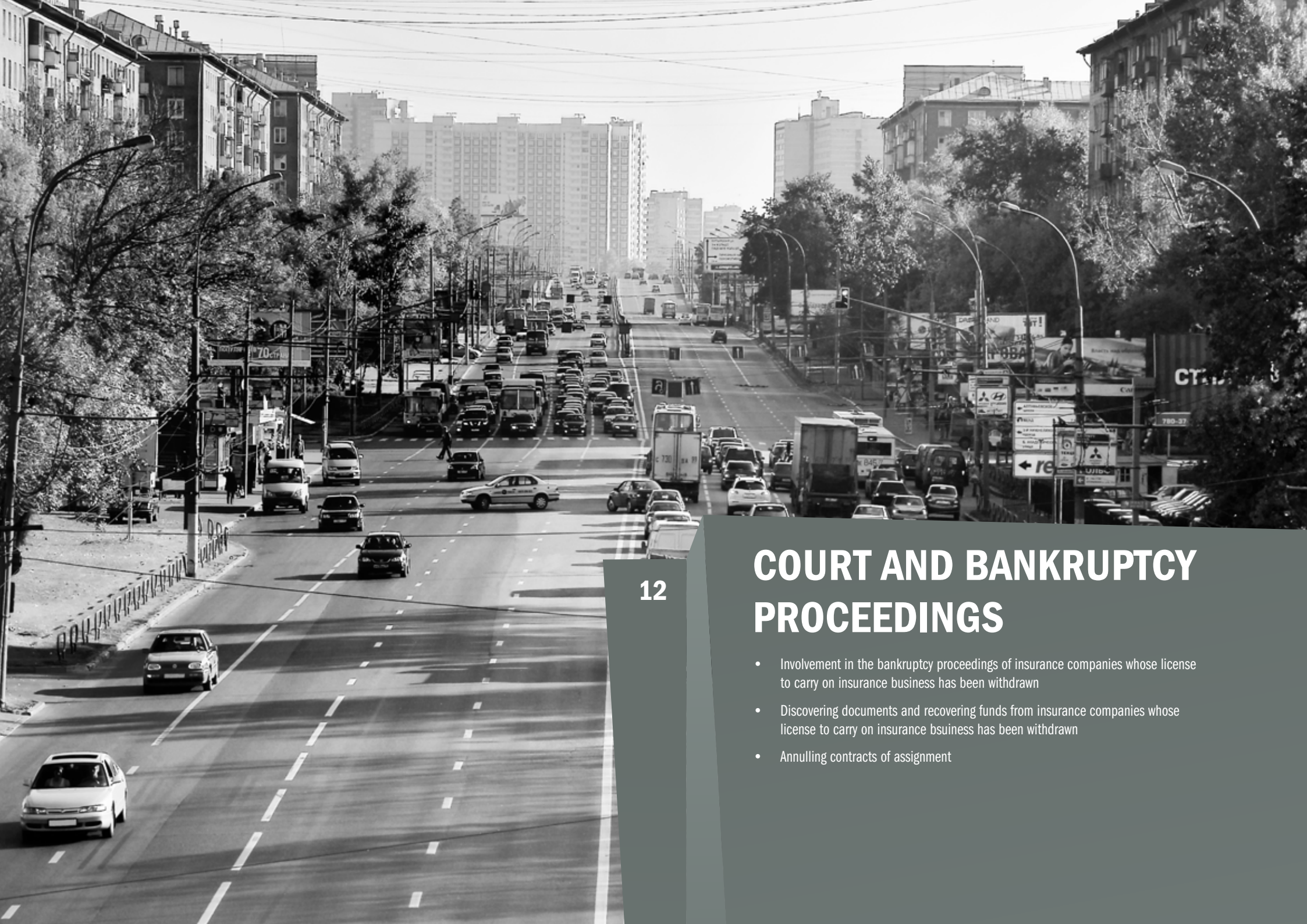
Off-site audits are carried out on all members of RAMI on an on-going basis. The purpose of these audits is to monitor the information provided to the Association and to compare it with industry performance indicators and with other information.

An analysis of the results of the audits of RAMI members shows that the number of violations is growing over time. In particular this growth can be noted in violation of the rules contained in the Direct Settlement Agreement concerning the provision of financial guarantees in the direct settlement process and of the accounting and reporting rules.

Fig. 27.

The geographical distribution of on-site audits





12

COURT AND BANKRUPTCY PROCEEDINGS

- Involvement in the bankruptcy proceedings of insurance companies whose license to carry on insurance business has been withdrawn
- Discovering documents and recovering funds from insurance companies whose license to carry on insurance business has been withdrawn
- Annuling contracts of assignment

COURT AND BANKRUPTCY PROCEEDINGS

The CMTPL insurance law gives to RAMI the right to reclaim compensation payments made by RAMI to victims of road accidents:

- 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. In both these circumstances RAMI will attempt to recover the amount paid from the person who caused the injury;
- from insurance companies. RAMI pays compensation to victims when the insurance company responsible for making the payment has lost its license or has commenced bankruptcy proceedings. In these circumstances the Association will attempt to recover these sums from the insurance company.

In these cases, in order to conserve and make rational use of the funds earmarked for making compensation payments, RAMI becomes involved in bankruptcy proceedings against insurance companies to recover funds that RAMI has paid to road accident victims on behalf of the insurance company that lost its license

Involvement in the bankruptcy proceedings of insurance companies whose license to carry on insurance business has been withdrawn

In 2011, RAMI became involved in 28 bankruptcy proceedings of insurance companies, six more than in 2010.

In total, as a result of involvement in these proceedings RAMI has recovered 13.1 million roubles of which 3.1 million roubles were recovered in 2011 from proceedings against PSA Insurance Company and Piramida Insurance Company.

In 2011, RAMI, as a creditor, had filed claims for a total sum of 1.8 billion roubles of which 830.3 million roubles were filed during the year. It is expected that further claims will be filed in due course.

Discovering documents and recovering funds from insurance companies whose insurance license has been withdrawn.

Recovering funds from insurance companies

In 2011, RAMI made application for the recovery of funds for making compensation payments totalling 385.3 million roubles and actually recovered 29.7 million roubles. Court awards for the recovery of funds for making compensation payments amounted to 3.3 million roubles.

In addition, two insurance companies paid a total of 17.5 million roubles in out of court settlements of their indebtedness for making compensation payments.

Recovering funds from insurance organisations for compensation payments made under the Green Card system

In 2011, RAMI made a claim of 8 million roubles against the international insurance company Aini in respect of compensation payments made by RAMI to settle claims under the Green Card system. On 21 November 2011, the Arbitration Court of the Kaliningrad Region found in full in favour of RAMI.

Recovering funds through the application of regress in circumstances where a compensation payment has been made to a victim of a road accident for bodily injury and where the driver causing the accident has no valid CMTPL insurance policy or is untraced.

In total during 2011 RAMI made 119 applications for a voluntary settlement of debt following a payment of compensation for bodily injury by the Association. The total sum of these applications amounted to 8.9 million roubles. Of these 91 applications resulted in a recovery of 7.2 million roubles.

In addition, in total during 2011, positive decisions resulted in the recovery through regress of 4 million roubles.

In 2011, through court awards, RAMI recovered roubles 200,000.

Recovering duplicate claims payments from one event through out of court settlements or by cancelling the payment

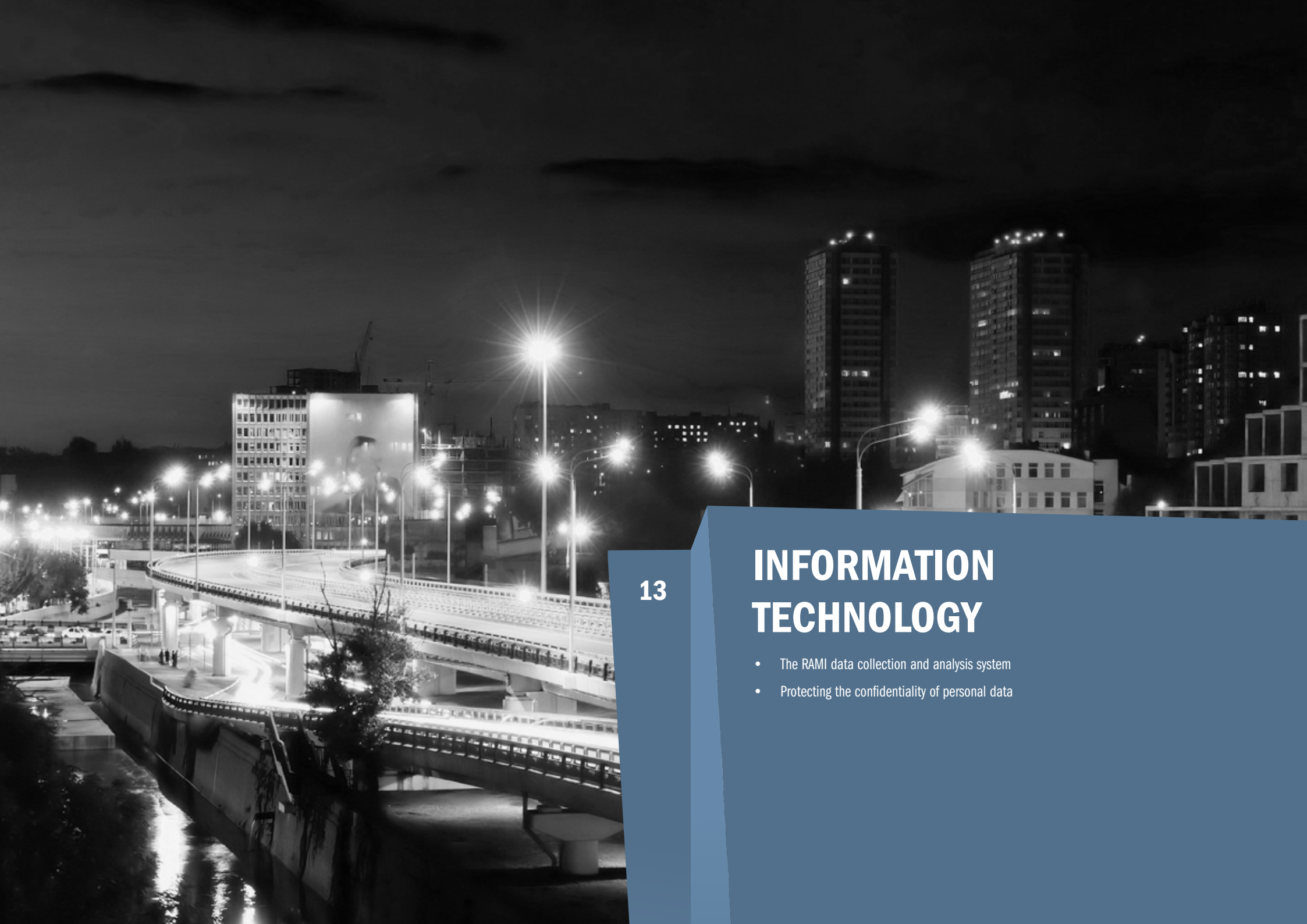
The Association continued its work to recover unjustified duplicate compensation payments arising out of one event by out of court settlements or by cancelling the payment. As a result, in 2011 RAMI succeeded in recovering 10 million roubles.

Annulling contracts of assignment

A contract of assignment is a contract whereby one person assigns to another his right to take legal proceedings for debt against a third party.

In 2011, the courts of Russia received a large number of applications seeking a judgement against RAMI that it should be obliged to make compensation payments to victims of road accidents. These applications were made by individuals or companies to whom the right to make the application had been assigned fraudulently.

RAMI responded to these claims by asking the courts to annul these fraudulent contracts of assignment dealing with non-existent rights to a claim. At the present time, the courts are developing practices that allow these contracts of assignment to be declared null and void. For example, the case of RAMI versus P. was brought in the High Court of Tatarstan on 26 December 2011 where the decision of the court of first instance to declare the contract void was upheld.



13

INFORMATION TECHNOLOGY

- The RAMI data collection and analysis system
- Protecting the confidentiality of personal data

INFORMATION TECHNOLOGY

The RAMI data collection and analysis system

In 2011, the 1S accounting and book-keeping software system was integrated into the RAMI compensation payment IT sub system and in addition the decision was made to integrate the compensation payment sub-system with the document management system used by RAMI.

A system has been developed to record disciplinary offenses so that control can be exercised over the timing of disciplinary proceedings, and which can be integrated with the overall record storage system.

A system for reporting complaints was developed utilising the complaints database.

Currently work is taking place to develop modules relating to the RAMI Arbitration Tribunal, work in bankruptcy proceedings, legal work so that data on these activities can be integrated into the 1S accounting system and the overall RAMI IT system.

A number of steps have been taken to develop an information support system for RAMI staff which can, amongst other things access the commercial intranet system 'The Press Digest'.

Other changes and developments to the RAMI internal IT system have included:

- In the Green Card sub-system to prevent duplicate information about Green Card contracts being entered;

- in the sub-system for accounting for blank CMTPL insurance policies, additional attributes have been added.

Work has begun on the following projects:

- in the sub-system for accounting for blank CMTPL insurance policies, to provide feedback from the sub-systems to RAMI members;
- in the Green Card sub-system, to expand the number of answers provided in the query system.

At the end of 2011, a preliminary conception was produced for a module of the RAMI IT system to deal with the system of technical inspections of motor vehicles. Work has proceeded further towards the drawing up of technical specifications for the development of such a module.

Also at the end of 2011 work began to develop and initial conception for a sub-system for the RAMI IT system to account for CMTPL contracts and to support the introduction of a bonus-malus system.

In order to avoid interruptions in the operation of the RAMI IT system, a number of measures have been taken to monitor and support the equipment and information systems that are hosted on the RAMI server.

Protecting the confidentiality of personal data

From the end of 2010, work has continued to implement recommendations con-

cerning data security and the protection of the confidentiality of personal information. During 2011 the following work was carried out:

- a technical specification;
- a general model of information in an insurance company.

The technical specification for the implementation of the initial conception of a system to protect the confidentiality of personal data held by insurance companies was approved by the FSB of Russia and by the FSTEK of Russia.

Following amendments to the Federal Law on Data Protection in 2011, work has been undertaken to ensure that the system complies with the new regulations.

Also in 2011, work was carried out to ensure that personal data held on RAMI's own information system remains confidential.



14

INDEPENDENT TECHNICAL INSPECTIONS OF VEHICLES FOLLOWING ACCIDENTS

- The main projects and tasks completed in 2011
- Organisational support
- Technical support
- Voluntary attestation of technical experts
- Information support

INDEPENDENT TECHNICAL INSPECTIONS OF VEHICLES FOLLOWING ACCIDENTS

The main projects and tasks completed in 2011:

- Producing a rule book and instruction manual for independent technical inspections;
- Informational support for independent technical inspections;
- Organisational support for independent technical inspections;
- Voluntary accreditation of technical inspectors under RAMI.

Technical support

The development of a rule book and instruction manual for independent technical inspections so that they can form the basis for insurance claims payments

As part of the process of implementing the decree of the Government of the Russian Federation of 24 April 2003 concerning the organisation of a system of independent inspection of motor vehicles that have been involved in accidents, work continued to produce proposals for the draft law that will bring in a system of independent vehicle inspection in respect of an instruction manual. Earlier proposals have been amended in the light of new regulations and the amended proposals have been sent to the Ministry of Transport with a request that they be considered for inclusion in the draft law.

Information support

The development of proposals to implement the decree of the Government of

the Russian Federation of 24 May 2010 concerning the rules for calculating the costs of materials and spare parts when carrying out a repair of a motor vehicle.

On 1 September 2010 rules for calculating the cost of materials and spare parts used to repair motor vehicles came into force, thereby implementing the decree of the Government of the Russian Federation of 24 May 2010. Given the absence of specific rules under section 24 of these rules defining the nature of information that must be given, during 2011, work continued to produce proposals for their development.

On the basis of the proposals sent by RAMI to the Ministry of Transport, the Ministry issued a decree on 25 January 2011 which set out a list of motor vehicle components whose full cost (rather than a depreciated cost) should be used when calculating the cost of repairing a motor vehicle for insurance purposes.

As part of the programme of developing information support, RAMI developed proposals for the development, use and disseminate information to be used when calculating the cost of materials and spare parts when repairing a motor vehicle.

On 27 December 2011, the Ministry of Justice registered the decree of the Ministry of Transport, issued on 12 December 2011. This decree set out the rules for information support when calculating the material and spare parts costs when repairing motor vehicles. The decree of the Ministry of Transport took into account the proposals submitted by RAMI.

Given the fact that section 24 does not set out in full the requirements for informational support, which makes it difficult for the insurance market to implement the rules in practice, further work will continue during 2012 to produce further proposals for the Ministry of Transport to improve informational support in areas such as

- To develop pricing manuals for spare parts and materials;
- To develop reference manuals on the average annual mileage of motor vehicles etc.

Organisational support

The development of proposals for organisational support of independent technical inspection of motor vehicles.

RAMI continued its work in supporting the process of implementing the decree of the Government of the Russian Federation issued on 24 April 2003 about independent technical inspections of motor vehicles, through co-operation with an interdepartmental committee of the Ministry of Transport set up to create a Commission to attest independent vehicle examiners. This work has resulted in the drawing up of draft provisions to create an interdepartmental commission to supervise the introduction of a system of professional attestation of independent vehicle examiners who will be responsible for independent inspections of motor vehicles following an accident.

A letter was received from the Ministry of Transport department of State Policy in respect of motor vehicles and passengers which made the proposal that the interdepartmental commission for attestation should include representatives from RAMI.

On 18 January 2011, joint decree from the Ministry of Transport, the Ministry of Justice and the Ministry of Internal Affairs was issued which approved the formation of the interdepartmental commission for the professional attestation of independent technical experts to carry out independent inspection of motor vehicles following a road accident.

On 19 December 2011, a further joint decree from the three ministries approved the composition of the interdepartmental attestation commission.

Both documents took into account proposals forwarded by RAMI. The President of RAMI has been invited to be a full member of the attestation commission.

The voluntary attestation of independent technical experts under RAMI

Given the fact that to date the requirements set out in the Decree of the Government of the Russian Federation of 24 April 2003 on the organisation of a system of independent technical inspection of motor vehicles have not fully been met and in particular since there is no state register of approved independent technical experts, RAMI has introduced a system of voluntary attestation of technical experts which started in 2006.

The objective of setting up such a system was to identify technical experts with the right qualifications to be able to carry out independent technical inspections of vehicles in the context of CMTPL insurance.

It must be stressed that the system of voluntary accreditation of technical experts was never intended to replace a state system of giving permission to technical experts to carry out independent technical inspections. The rules of the voluntary system stipulate that once a state register is established, those experts who have received voluntary accreditation can only continue to work once they have been included in the state register.

The system of voluntary accreditation by RAMI continued to operate in 2011. There were four sessions of the RAMI Accreditation Commission at which applications by technical experts for accreditation were examined.

During the year, the RAMI Accreditation Commission:

- Examined 82 applications from technical experts for accreditation;
- 74 of these applications were successful;
- Of these applications, 36 were for a renewal of accreditation for a period of three years;
- 8 applications for accreditation were unsuccessful.

In 2012 the Accreditation Commission of RAMI will, if necessary, continue to operate the system of voluntary accreditation of technical experts and to improve the system of voluntary accreditation and the provision of reference materials.



15

FIGHTING INSURANCE FRAUD

- Co-operating with the law enforcement agencies
- Combating unfair competition

FIGHTING INSURANCE FRAUD

RAMI co-ordinates the actions of its members in fighting insurance fraud in CMTPL insurance in two main areas:

- Co-operating with law enforcement;
- Combating unfair competition.

Co-operating with law enforcement agencies

In 2011, RAMI continued to co-operate with law enforcement agencies to prevent breaches of the law in the CMTPL market. This co-operation resulted in concrete results in that former employees of the General Insurance Alliance Insurance Company were prosecuted under the provisions of the criminal code, chapter 3, point 2 (fraud). In addition, two further cases of suspected fraud were reported to the investigative bodies.

Combating unfair competition

As part of its programme of combating unfair competition in the CMTPL insurance market, RAMI ensures compliance with

the rules of professional conduct that cover the provision of services in the CMTPL market. In 2011 RAMI employed private detectives and with their assistance a number of facts were discovered:

- Instances of insurance companies providing illegal discounts or gifts as incentives to sign a CMTPL insurance;
- Instances of insurance companies offering increased commissions to intermediaries.

These facts were used as the basis for disciplinary action and to prevent future breaches of the rules. As at 31 December 2011, fines totalling 6.5 million roubles had been imposed on insurance companies found to have been in breach of the rules.

AS A RESULT OF WORK FIGHTING FRAUD IN THE AREA OF COMPENSATION PAYMENTS, ILLEGAL PAYMENTS AMOUNTING TO 4 MILLION roubles WERE PREVENTED.



16

IMPROVING ROAD SAFETY

IMPROVING ROAD SAFETY

RAMI supports and participates in many campaigns and events aimed at improving road safety. Some of these are set out below:

- As part of the 'Safe Journeys' campaign, RAMI published a number of road atlases covering specific routes. These included the Central Region, the North West Region, 'Trassa' Moscow to St Petersburg and environs. The atlases contained information about the nature and quality of the roads on the various routes as well as supplying information about motor insurance and road traffic rules and the highway code;
- RAMI organised a campaign 'Passengers' aimed at increasing the knowledge and awareness of safety for passengers in motor vehicles. The objective of the campaign was to reduce the number of those killed in road accidents. And to achieve this object a wide range of methods were used including material for federal television channels and cinemas, radio programmes, promotion materials and banner advertisements for the internet.
- A further campaign was organised by RAMI called 'Child passengers' the aim of which was to educate parents as to the need to use child safety seats in motor vehicles. This campaign was carried out using a similar wide range of media outlets including federal television and cinemas, radio and the internet
- At the International Automobile Forum and in Crocus Expo exhibition centre, RAMI organised two stands called the children's village;
- RAMI has also worked closely with the Moscow Region and City Departments of Road Safety on a number of measures aimed at reducing the number of injuries to children and to reduce the number of road accidents that involve children;
- RAMI also published information about its activities in six editions of the publication 'Your roads/make roads safe'.
- There was a successful co-operation with the publication 'Stop-Gazeta – safety on the roads'. 'News from RAMI' was included throughout the year in the pages of 'The good road of childhood' newspaper.
- Once again, RAMI was involved in organising two international competitions which have now become traditions. They are organised jointly with the All-Russian Insurance Association and with the insurance associations of Ukraine and Belarus. One is an international essay contest and the other is a knowledge competition for students and young people. Both are aimed at increasing the knowledge and awareness of young people in all three countries in road safety and at developing more of an insurance culture.



The 'Passengers' campaign



The 'Child passenger' campaign



The 'Passengers' campaign



The 'Child passenger' campaign



17

EXCHANGING INFORMATION AND INTERNATIONAL CO-OPERATION

EXCHANGING INFORMATION AND INTERNATIONAL CO-OPERATION

In 2011, RAMI took part in a number of events that were important for the insurance industry and were of an international character. The Association also took part in practical seminars and events organised by the Ministry of Finance, the Ministry of Economic Development and the Federal Service for Financial Markets. All important events in which RAMI participates are covered by national and regional media.

18 press conferences were arranged concerning current issues of importance to RAMI. A public relations project aimed at improving CMTPL insurance was carried out together with the Interfax News Agency.

RAMI prepared a number of television reports covering its activities which were shown on National television. These included reports on how RAMI makes compensation payments and on the preparations for the new law on technical inspections.

The Association also prepared material for reports on a number of radio stations such as Avtoradio, City-FM, Vesti FM, Business FM and Mayak.

Further public relations activities included the organisation of interviews and commentaries with both national and regional media by leading figures and specialists from RAMI, by representatives from insurance company members of the Association who sit on RAMI specialist committees. Among the national and regional newspapers that covered these interviews were "Vedomosti", "Kommersant", "Rossiskaya Gazeta", "Izvestiya", "Novyie Izvestia", "MK", "Mosko-

vskie Novosti", "Za Rulyom", "Avto Revue", "Avtomobili", "Klaxon" and "Delevoi Peterburg".

Amongst the television channels that carried these reports were "Channel 1" in the programmes "Novosti", "Living Environment" and "Good morning", "The Rossiya Channel" in "Moscow News", "24 News", "Morning Russia". "NTV" covered RAMI in "Today", "Morning and Main Road". Other channels that reported RAMI news included TVTs, "Channel 5", "REN TV" and "Podmoskovye".

Last year RAMI organised international events and consultations primarily aimed at resolving key issues related to direct settlement of CMTPL insurance claims and simplified reporting of road accidents – using the standard European claim reporting form (the European Protocol) without the need for a police officer to be involved.

In 2011 RAMI successfully organised the following bilateral events with foreign partners:

On the 28 – 29 March at the invitation of the Spanish insurance association (UNESPA) a delegation from RAMI visited Spain. During the course of this working visit discussions were held about the operation of a system of direct settlement of CMTPL insurance claims, how simplified reporting of road accidents operates in practice and the co-operation of insurance companies in fighting insurance fraud. The delegation was able to meet

representatives of MAPFRE, the large Spanish insurer, the Spanish Green Card Bureau OFESAUTO, the service company of Spanish insurers TIREA;

On 23 – 24 June representatives from RAMI attended the 12th International Conference in Italy, organised by Inter Europe AG – European Law Service. The theme of the conference was the settlement of claims under CMTPL insurance in the countries of Central and Eastern Europe. Business meetings were held with the organisers of the event and with representatives of Green Card Bureaux, Insurance Associations and Insurance companies from Spain, Latvia, Lithuania, Poland, Portugal, Slovakia and the Czech Republic;

On the 19 – 23 September the XI Yalta Financial Forum took place, organised by 'Perspektiva' insurance business strategy centre and the League of insurance organisations of the Ukraine. A number of foreign professional organisations and associations attended the forum together with a wide range of other attendees. These included legislators and government representatives from Ukraine so that a number of proposals that rose out of the discussions were included in draft regulations and by-laws. The main themes discussed at the Forum were the international financial markets, current problems relating to legislation and government supervision of different classes of insurance: motor insurance, medical insurance, long term life insurance and savings products. Co-operation between banks, insurance companies and investment funds also provoked a wide ranging discussion

On 15 – 16 March, RAMI took part in the XII Volga insurance rendez-vous 'Strezhen' which took place in Kazan in the Republic of Tatarstan. Amongst those taking part were representatives of the Federal Service for Insurance Supervision, the Federal Service for financial monitoring, the All-Russian Insurance Association, the Inter-Regional Association of Medical Insurers, the National Union of Liability Insurers, and senior representatives of insurance companies. In the course of the event issues relating to the development of the national insurance and reinsurance markets was discussed, as were issues relating to controls over the financial strength and solvency of insurance companies. Other areas of discussion included the introduction of compulsory liability insurance for operators of dangerous industrial processes, problems and developments in CMTPL insurance and medical insurance. As part of the rendez vous, there took place the IV Award Ceremony for the Volga National insurance awards, 'the Silver Umbrella'.

The IX International Insurance Conference took place in Moscow on 30 June 2011. The conference was organised by the All-Russian Insurance Association and RAMI was a strategic partner. The participants discussed priorities in the development of the insurance industry in Russia, key issues relating to the growth of the insurance industry in its current state and how improvements in its regulation and supervision could be introduced. Other issues covered included the creation of a 'mega regulator' for the financial market, improving controls over monopolies and increasing competition, and the introduction of compulsory liability insurance for dangerous industrial processes.



The Volga Insurance Rendez-vous 'Strezhen' Kazan 15 – 16 March 2011



The Volga Insurance Rendez-vous 'Strezhen' Kazan 15 – 16 March 2011

Participants included representatives from the State Duma, from the Ministry of Finance, the Federal Service for Financial Monitoring, the Federal Taxation Service, the OECD Directorate for Financial and Enterprise Affairs, the EBRD and many Russian and international insurance companies. Professional associations and rating agencies

also took part. Many countries were represented including Ukraine, Belarus, Germany, Great Britain, Italy, USA and Japan.

Between 12 and 15 December, RAMI organised a regional seminar to clarify the provisions of the law on the technical inspection of motor vehicles which came into

force on 1 January 2012. Taking part in the seminar were representatives of RAMI, of the Ministry of Transport, of the Federal Service for Tariffs, of the Ministry of Economic Development and others. Issues relating to the regulatory framework within which technical inspection operates were discussed as was the introduction of a register of or-

ganisations permitted to carry out technical inspections, the rules governing technical inspections and the controls over the organisations carrying out the inspections.

On 20 December 2011 in Moscow there took place a conference on the new system of technical inspection of vehicles. Taking part were, amongst other high profile participants, senior officials from RAMI, representatives of the Ministries of the Interior, of Economic Development, of Transport, of Industry and Trade and the Federal Service for Tariffs.

On 21 December 2011, the President of RAMI, Pavel Bunin took part in a meeting at the Ministry of Finance celebrating 225 years of insurance in Russia.

On 23 December 2011 in Moscow RAMI organised a meeting of invited representatives of member insurance companies to discuss the issue of technical inspection of motor vehicles in order to clarify the provisions of the new law on technical inspections.

In 2011, the official RAMI web site continued to be updated. Posted on the web site is current news, information about current issues and legal material. A new section of the site related to 'technical vehicle inspection' was added which set out the new legal framework and the latest information both for organisations that were currently permitted to carry out technical inspections and for those who wish to gain accreditation.



A seminar in Yekaterinburg on 14 December 2011



A conference on the new system of technical inspection of vehicles, Moscow, 20 December 2011



IX International Insurance Conference 30 June 2011



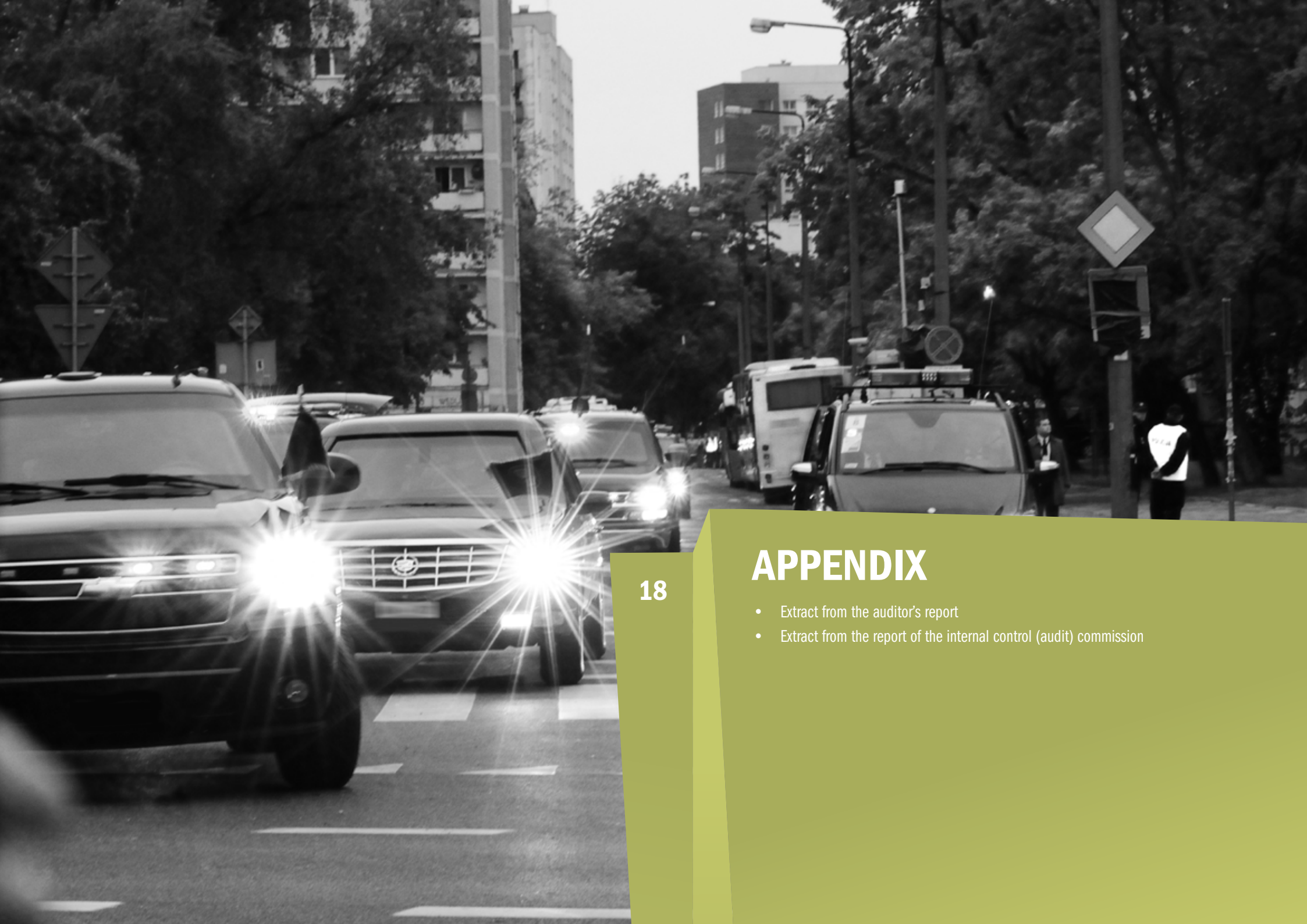
A conference in Moscow on 20 December 2011 on the new system of technical vehicle inspection



IX International Insurance Conference 30 June 2011



A meeting at the Russian Ministry of Finance celebrating 225 years of insurance in Russia



18

APPENDIX

- Extract from the auditor's report
- Extract from the report of the internal control (audit) commission

APPENDIX

Extract from the opinion of the Auditors, BDO, on the RAMI accounts for 2011:

'In our opinion, the Accounts of RAMI reflect accurately in all significant respects the Association's financial position as at 31 December 2011 and the results of the Association's financial and commercial operations between 1 January and 31 December 2010 inclusive in accordance with the legislation of the Russian Federation in respect of the preparation of accounts.'

ZAO BDO

Partner

L. V. Efremova

signed

26 March 2012

EXTRACT FROM THE REPORT OF THE INTERNAL CONTROL (AUDIT) COMMISSION

18 April 2012, Moscow

Name: Russian Association of Motor Insurers.

Address: 27 Ul. Lyusinovskaya, Building 3 Moscow 115093.

Registry number: 1027705018494.

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

The accounts have been prepared in accordance with current Russian legislation. The accounts have been prepared accurately and give a true and fair picture of the assets and liabilities of RAMI as at 31 December 2011 and of the financial results of the Associations' operations between 1 January and 31 December 2011 and have been prepared in accordance with 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 2010 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 2009:

- The Department of Analysis and Control;
- The Department for dealing with appeals from the public;
- The Department of Information Technology;
- The Department for making compensation payment;

- The Department of the European Protocol;
- The Department of Public and International Affairs;
- The Department of Legal Affairs and Bankruptcy proceedings;
- The Directorate of the Green Card Bureau;
- The Department for developing insurance methodologies;
- The Department for developing mutual settlement systems involving CMTPL and KASKO policies;
- The Department for developing technical inspections;

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

| | |
|------------------------------------|---------------------|
| Chairman of the Control commission | Vitaly A Poltavtsev |
| Member of the Control Commission | Vasily V Akulov |
| Member of the Control Commission | Arkady M Lyubavin |
| Member of the Control Commission | Yuri A Kolesnikov |
| Member of the Control Commission | Nikolai F Galaguza |

Russian Association of Motor Insurers

Ul. Lyusinovskaya, 27, Building 3,
115093, Moscow, Russian Federation

Telephone: + 7 (495) 771 69 44
request@autoins.ru, <http://www.autoins.ru>

24 hour free hot line:

8 (800) 200 22 75 (from inside Russia)
+7 (495) 641 27 85 (from outside Russia)