

# A DECADE OF SUCCESS



ANNUAL REPORT

2012



----- GAINING MOMENTUM



# **A DECADE OF SUCCESS**

ANNUAL REPORT  
**2012**

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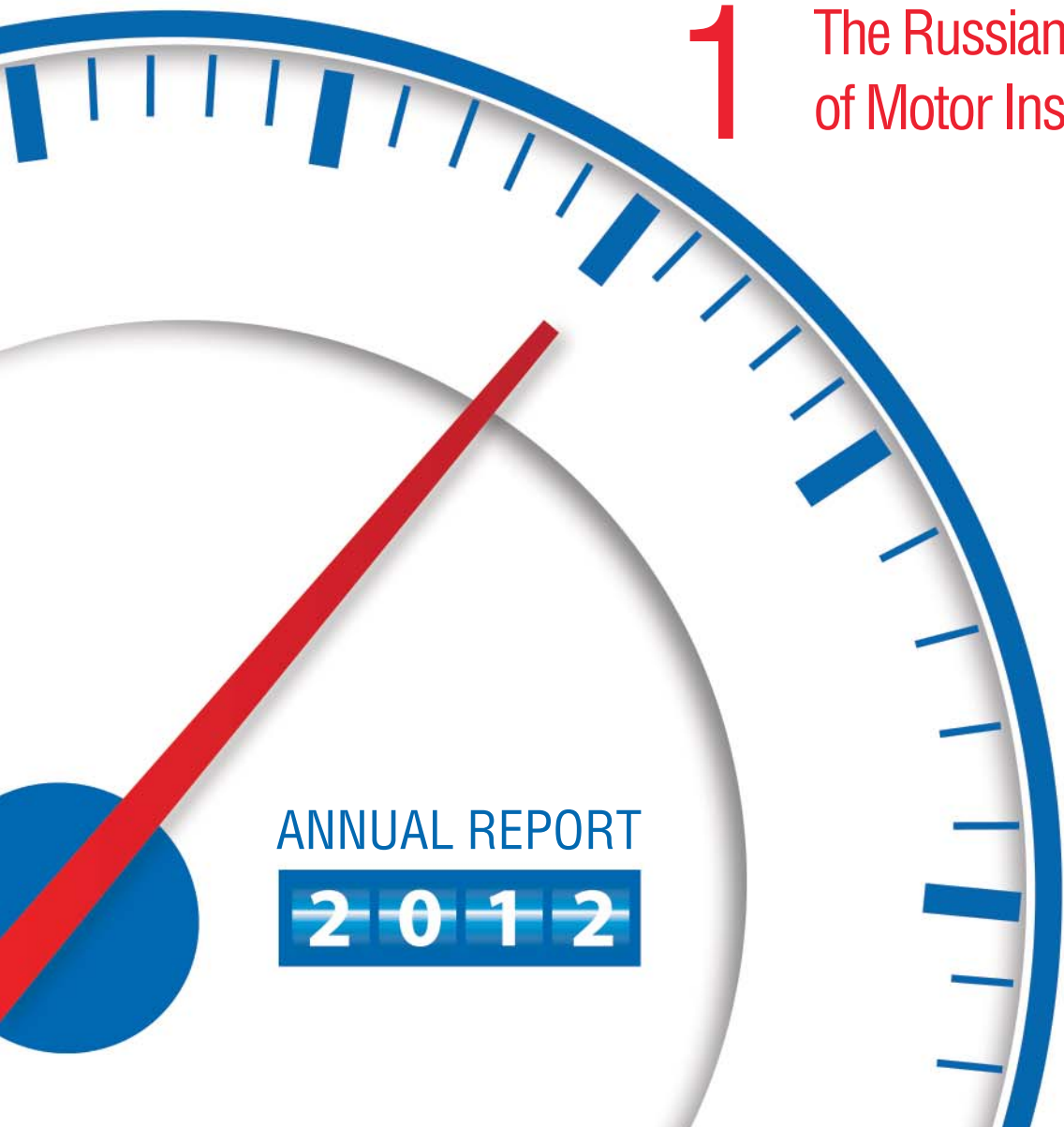
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## 1 The Russian Association of Motor Insurers



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

On 8 August 2012, RAMI celebrated the 10th anniversary of its foundation, for on 8 August 2002, 48 insurance companies came together to create the all-Russian professional association, an association which, according to Russian law, all insurance companies carrying on CMTPL insurance were obliged to join.

Every year the number of CMTPL insurance contracts has grown. Now, annually, 55 billion roubles are paid out in claims. In total, during the 10 years of the Association's existence, 301,769,207 CMTPL insurance policies have been issued. All CMTPL claims are paid if insurance companies become bankrupt or lose their license, accident victims are paid compensation out of a fund that is managed by RAMI. This fund, during the 10 years of its existence, has been operated by RAMI to pay 16.2 billion roubles of compensation. During this time, RAMI has dealt with more than 55,000 complaints from accident victims and insured drivers.

In 2009, Russia joined the international "Green Card" system, and by order of the government, RAMI took on the functions of the "Green Card" bureau. Since that time, more than 4.2 million policies have been issued under the "Green Card" scheme.

In March 2011, RAMI set up an arbitration court whose objective was to help settle disputes between insurance companies without the need to involve the civil courts.

For many years, RAMI has worked closely with the Department of Road Safety in the Ministry of the Interior to improve safety on the roads. During the last 10 years, RAMI and the department have carried out a num-

ber of campaigns to improve road safety, including encouraging the use of seat belts, preventing driving under the influence of alcohol, reducing traffic speed, and improving the safety of pedestrians at night.

RAMI was founded and operates under the federal law that set up the system of Compulsory Motor TPL insurance in Russia and that envisaged the creation of a professional association of insurers.

In order to achieve its overall objectives, the association carries out the following functions:

- 1) Bringing together its members so that they can act collectively as insurers carrying on CMTPL insurance and developing, introducing, and enforcing rules for RAMI and its members that govern the conduct of their professional activities
- 2) Protecting the interests of its members in relation to CMTPL insurance at the level of the national government, in local government and in other bodies and organisations
- 3) Making compensation payments to road accident victims in accordance with article 20 of the CMTPL insurance law
- 4) Organising the distribution of blank CMTPL insurance certificates and "Green Card" certificates and controlling their use
- 5) In accordance with the law on insolvency, making up any deficiency in the event that an insurance company transfers its portfolio with insufficient assets to cover its CMTPL insurance liabilities
- 6) Developing and distributing publicity material relating to CMTPL insurance
- 7) Coordinating the activities of its members in their fight against insurance fraud and other illegal activities insofar as they affect CMTPL insurance and the Green Card system and also in combating unfair competition

- 8) Organising, financing, and developing activities to improve road safety in order to reduce the frequency of road accidents and to minimise the damage that they cause
- 9) Developing and financing systems of certification and accreditation of the professional qualifications of those who provide professional services for the CMTPL insurance market and for the international Green Card insurance system
- 10) Cooperating with the members of the international Green Card system and performing the various functions that are required by the system
- 11) Developing international contacts in the interests of the membership
- 12) Collecting, collating, and analysing data including statistics on CMTPL insurance
- 13) In accordance with legislation relating to the technical inspection of transport vehicles, certifying technical inspection centres and maintaining a register

of those technical inspections that have been certified

- 14) Up to the date that the law was amended (the amendments came into force on 28 July 2012), the association was responsible for providing technical inspection centres with blank vehicle inspection certificates and blank international vehicle inspection certificates and for ensuring that they were used in accordance with the rules set out by the government of the Russian Federation

The membership of RAMI consists of those insurance companies that satisfy the conditions set out in the federal CMTPL law and in the association's rules. There are two classes of membership: full members and observer members.

As of 31 December 2012, RAMI had 110 insurance organisations in membership, of which 103 were full members and 7 observer members. In 2012, 15 insurers left the association and three joined.

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## 2 The management and organisational structure of RAMI

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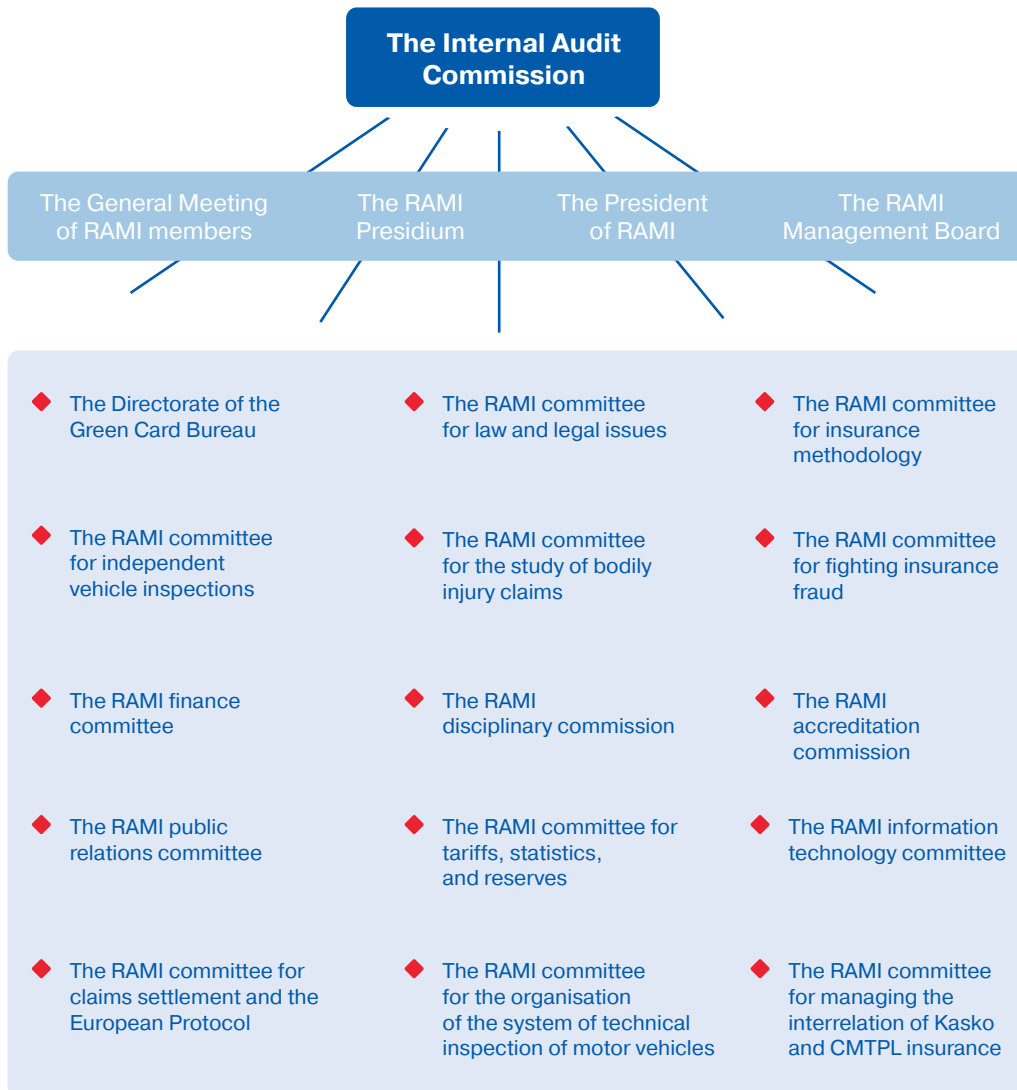


Fig. 1

The body that implements financial and operational control over the work of the Association is the **Internal Audit Commission**. On 7 June 2012, the General Meeting of Members of the Association appointed the following to the RAMI internal audit commission:

## MEMBERS OF THE INTERNAL AUDIT COMMISSION

1	Vasili Akulov	Chairman of the Board of Directors, Metroton Insurance Company
2	Nikolai Galaguza	Chairman of the Board of Directors, Mezhotraslevoi Insurance Centre
3	Kirill Brovkovich	General Director, Transneft Insurance Company
4	Igor Zagradka	Chairman of the Board of Directors, Megarus – D Insurance Company
5	Vitali Poltavtsev	Advisor to the Management Board, National Insurance Group

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

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

In 2012, there was a substantial change to the governmental structure of RAMI. On 20 March 2012, the General Meeting, in conformity with RAMI's charter, decided that the number of members of the presidium cannot be less than 15, whilst there is no upper limit to the size of this body. Nomination of members or candidate members to the presidium by full members of the Association will be on the basis of the amount of CMTPL premium underwritten in the previous year by the member company and the position the company occupies in a ranking of member companies by CMTPL premium volume.

On 7 June 2012, the General Meeting of Members appointed the Presidium whose members as at 31 December were the following:

## MEMBERS OF THE RAMI PRESIDIUUM

1	Pavel Bunin	President of RAMI
2	Nikolai Asaul	Deputy Minister of Transport of the Russian Federation
3	Sergei Barsukov	Director of the Department of Financial Policy of the Ministry of Finance of the Russian Federation
4	Aleksei Bobilev	General Director, Moscovia Insurance Company
5	Nikolai Galushin	Deputy Chairman of the Board, SOGAZ Insurance Company
6	Sirma Gotovats	General Director, UralSib Insurance Group
7	Andrei Zernov	General Director, Energogarant Insurance Company
8	Boris Jordan	President, Renaissance Insurance Group
9	Yuri Kalenichenko	Operations Director, Rossiya Insurance Company
10	Viktor Kiryanov	Deputy Minister of the Interior of the Russian Federation
11	Nikolai Klekovkin	General Director, Zurich Insurance Company
12	Aleksandr Kudryakov	General Director, Pari Insurance Company
13	Arkady Lyubavin	General Director, Iuzhural-Asko Insurance Company
14	Dmitri Markarov	First Vice President, Rosgosstrakh Insurance Company
15	Nadezhda Martyanova	General Director, MAKS Insurance Company
16	Mikhail Motorin	First Deputy General Director, Finance Director, VTB Insurance

## MEMBERS OF THE RAMI PRESIDIUM

17	Oleg Ovsyanitsky	General Director, VSK Insurance Company
18	Dmitri Pankin	Head of the Federal Service for Financial Markets
19	Dmitri Popov	First Deputy General Director, Allianz Insurance
20	Dmitri Rakovshchik	General Director, RESO-Garantiya Insurance Company
21	Sergei Savosin	General Director, MSK Insurance Company
22	Vladimir Skvortsov	General Director, Alfa Insurance
23	Elnur Suleimanov	General Director, Soglasie Insurance Company
24	Viacheslav Uryupin	General Director Surgutneftegaz Insurance Company
25	Igor Yamov	Deputy General Director, Ingosstrakh Insurance Company

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

On 20 May 2010, the General Meeting of Members of RAMI appointed Pavel Bunin to the position of President of RAMI.

**The Management Board of the Association** is the body that coordinates the day-to-day business of the association. The management board reviews issues referred to it under the charter of the association, by the rules that govern the professional conduct of the members and by other internal documents. The presidium may also refer issues to the management board.

As at 31 December 2012, the management board had the following members:

## THE RAMI MANAGEMENT BOARD

1	Pavel Bunin	RAMI President
2	Nikolai Galushin	Deputy Chairman of the Board, SOGAZ Insurance Company
3	Dmitri Markarov	First Vice President, Rosgosstrakh Insurance Company
4	Oleg Ovsyanitsky	General Director, VSK Insurance Company
5	Dmitri Popov	First Deputy General Director, Managing Director, Allianz Insurance
6	Sergei Sarkisov	Chairman of the Board of Directors, RESO-Garantiya Insurance Company
7	Sergei Savosin	General Director, MSK Insurance Company
8	Vladimir Skvortsov	General Director, Alfa Insurance
9	Igor Yamov	Deputy General Director, Ingosstrakh Insurance Company

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

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**3** Compulsory  
CMTPL  
insurance:  
2012 in figures

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## 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 vehicles on Russia's roads continued to grow. Motor accident frequency also increased in the years up to 2008. Between 2008 and 2011, there was a drop in the number of accidents causing bodily injury, and the number of people involved in accidents also fell. In 2012, however, there was a slight increase in the number of accidents and in the number of people involved in accidents.

Data relating to the growth in vehicle numbers on Russian roads between 2004 and 2012<sup>1</sup> are shown in table 1 and in figure 2.

Table 1

	2004	2005	2006	2007	2008	2009	2010	2011	2012
Number of vehicles (mn.)	35.8	36.9	38.0	40.8	43.5	44.4	45.7	47.9	50.5
Growth (mn.)		1.1	1.1	2.8	2.7	0.9	1.3	2.2	2.6
Growth (%)	1.4%	3.1%	3.0%	7.4%	6.6%	2.1%	2.9%	4.8%	5.3%

In the period between 2004 and 2012, the number of vehicles grew continuously. However, between 2008 and 2010, the rate of growth slowed (growing by 6.6% in 2008, 2.1% in 2009, 2.9% in 2010, and 4.9% in 2011). In 2012, the rate of growth increased to 5.3%, and in absolute terms the number of vehicles increased by 2.6 million vehicles. The primary cause of this growth was the growth in sales of new vehicles.

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



Fig. 2

Figure 3 shows the structure of the vehicle fleet in the Russian Federation in 2012.<sup>2</sup>

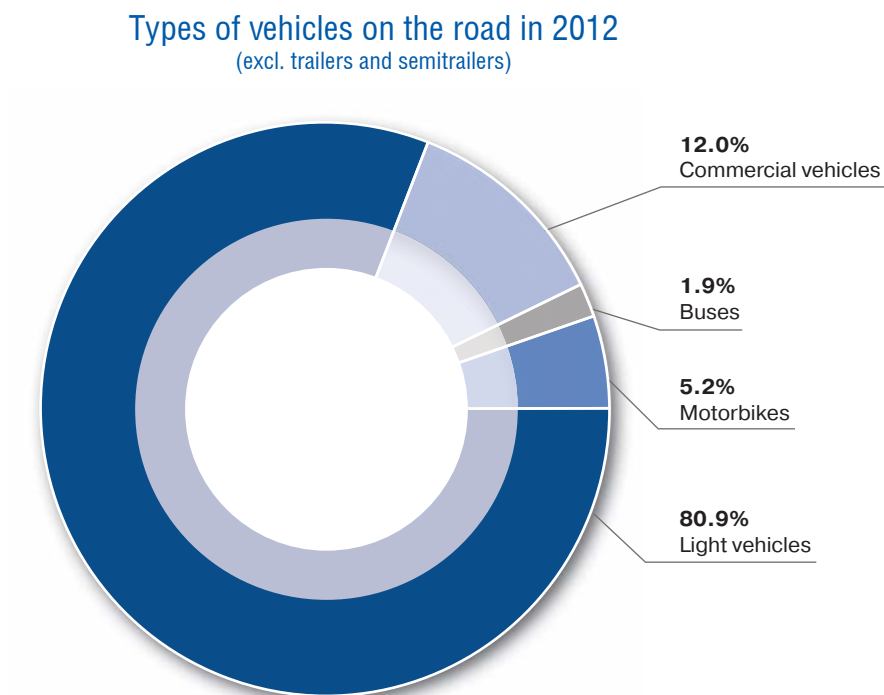


Fig. 3

<sup>2</sup> Data from the Ministry of the Interior, Department of Road Safety.



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In 2012, there was little change in the structure of the motor fleet. Light vehicles' share of the total increased from 80.1% to 80.9%, whilst the share of commercial vehicles reduced (from 12.2% to 12.0%). The share of motorcycles reduced from 5.7% to 5.2%, and buses from 2% to 1.9%. Compared with the previous year, the total number of light vehicles increased by 6.4%, commercial vehicles by 3%, and buses by 2.5%. The total number of motorcycles reduced by 4.3%.

The growth in the number of vehicles on the road was accompanied by an increase in the number of CMTPL policies issued in all years other than in 2009, when the number of policies issued fell by 4.2% compared with 2008. In 2012, insurance companies issued 40.8 million CMTPL policies, an increase of 2.9% over 2011. Figures 4.1 and 4.2 sets out the growth of vehicles and CMTPL insurance policies.

Vehicle numbers and CMTPL insurance policies issued

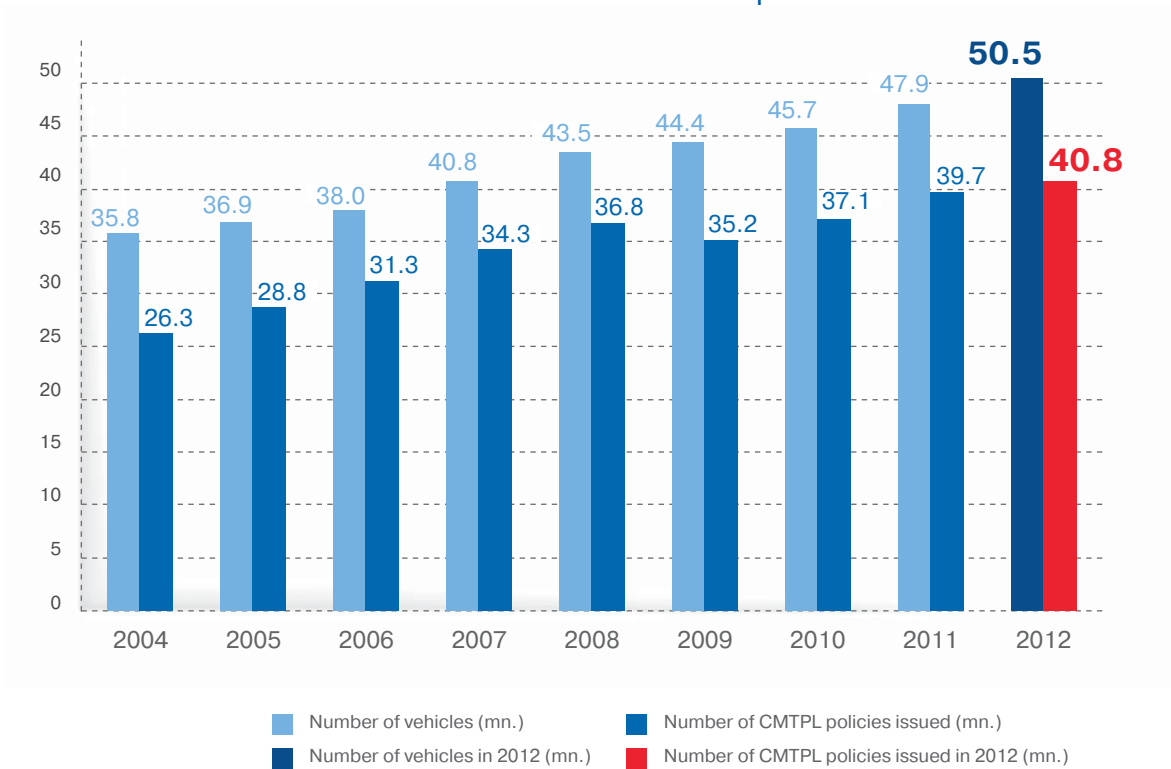


Fig. 4.1

### Growth in number of CMTPL insurance policies and vehicle numbers

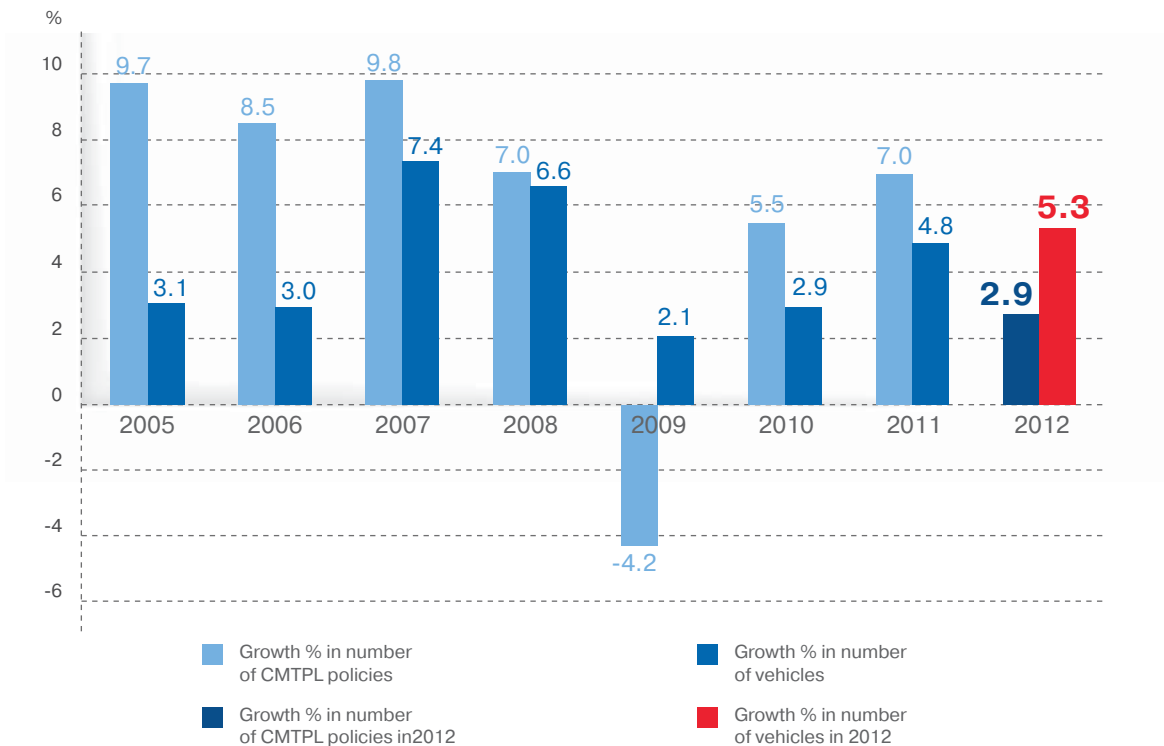


Fig. 4.2

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Before 2008, accident frequency on Russian roads was increasing, leading to an increase in the number of road accident victims seeking compensation through CMTPL insurance policies. From 2008 to 2010, the number of road accidents in Russia fell by 6.6% in 2008, 6.7% in 2009, 2% in 2010. In 2012, the number of road accidents increased by 1.9% compared with 2011. In 2012, there were 203,000 road accidents in Russia (fig. 5).

Growth in vehicle numbers and road accidents

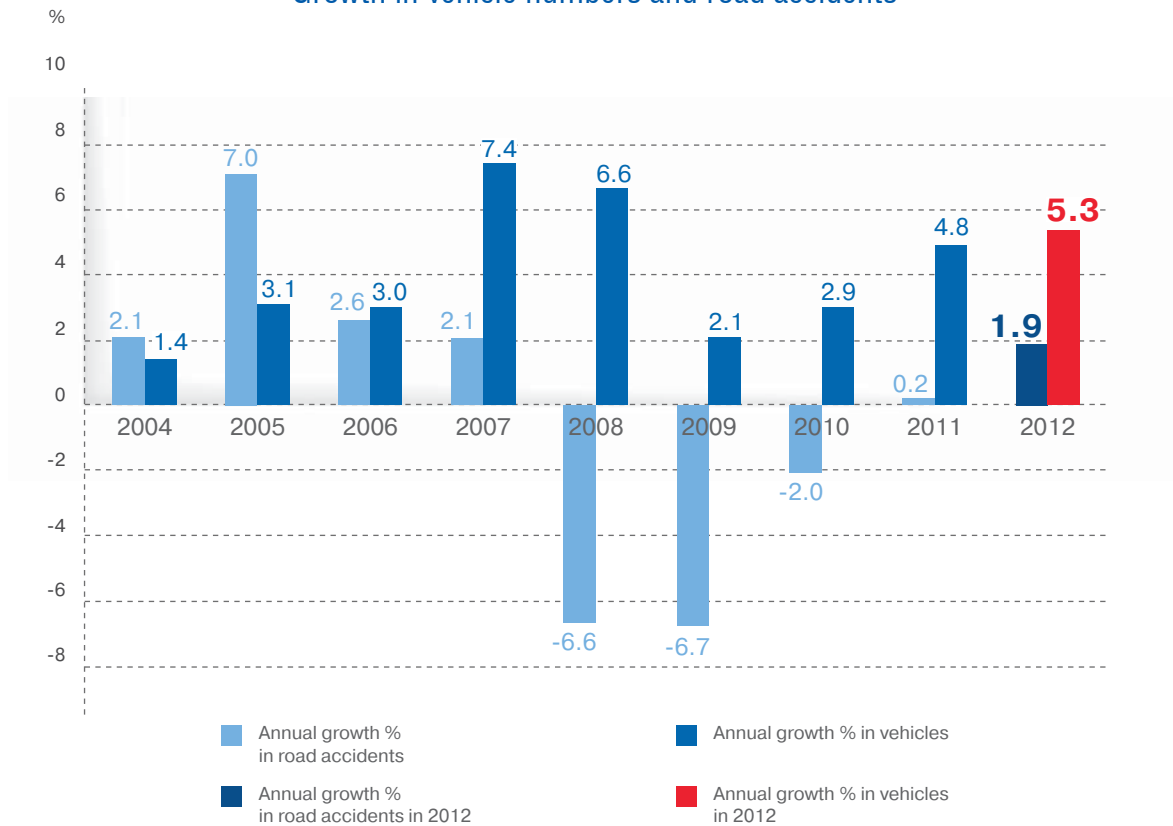


Fig. 5

The number of accident victims in 2012 increased by 2.4%, from 279,800 in 2011 to 286,600 in 2012, and the number of injuries increased by 2.7%. the number of fatalities on the roads increased by 0.1%. Figure 6 sets out the relationship between the number of accident victims and those killed or injured in road accidents between 2004 and 2012.<sup>3</sup>

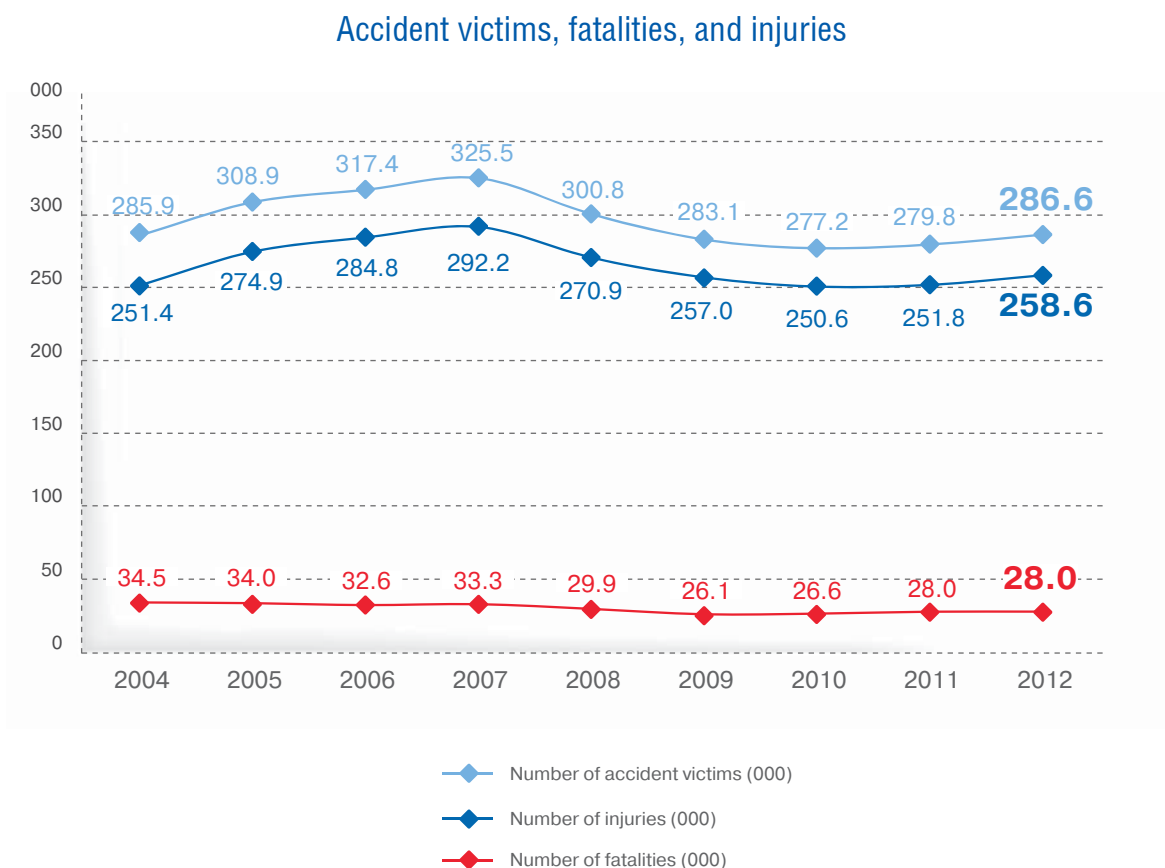


Fig. 6

<sup>3</sup>. Data from the Ministry of the Interior, Department of Road Safety.

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Despite the fact that the increase in the number of road accidents that caused bodily injury was relatively small, the number of claims made under CMTPL policies grew faster (fig. 7). The reasons for this were, firstly, the growth in road accidents that caused damage only to property and, secondly, an increase in the propensity of road accident victims to claim damages through the CMTPL system.

Number of road accidents and reported claims

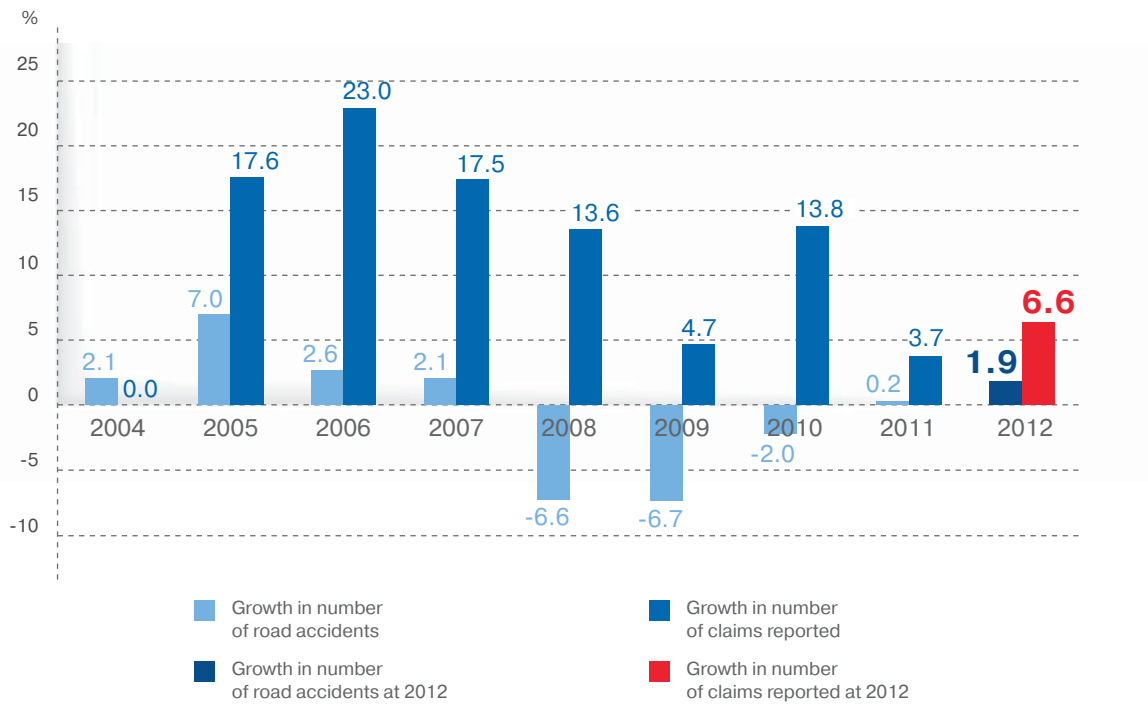


Fig. 7

## The CMTPL insurance market

Between 1 July 2003 and 31 December 2012, more than 323 million CMTPL policies were issued. In the same period, more than 16 million accident victims received compensation for damage caused by road accidents, and in total these victims received 385 billion roubles.

During 2012,

- ◆ 40.8 million policies were issued;
- ◆ 121.3 billion roubles in premiums were collected;
- ◆ 2.60 million claims for compensation were made;
- ◆ 2.55 million claims were settled;
- ◆ compensation payments totalled 62 billion roubles.

Figure 8 sets out the statistics relating to premium and claims on a year-by-year basis.

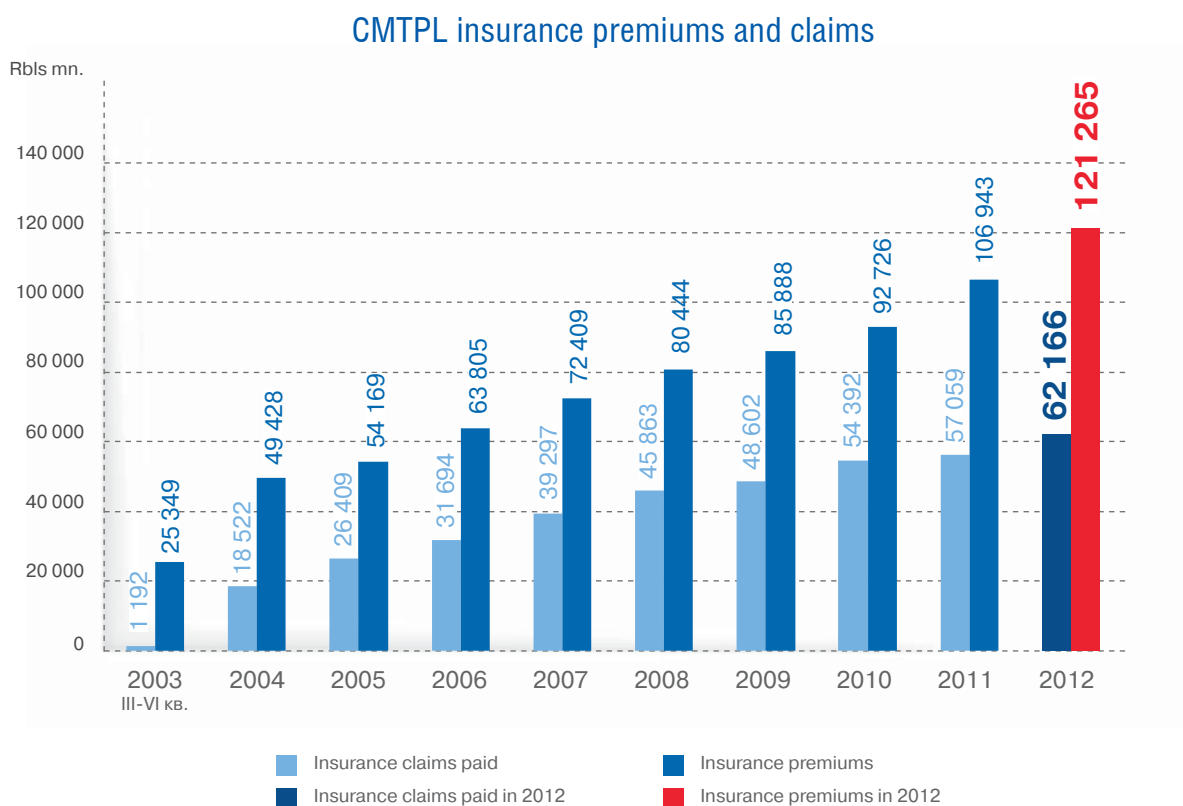


Fig. 8

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In 2012, the relationship between CMTPL insurance premiums collected and claims settled was 51.3%.

At the same time, as the level of premiums rose in 2012, there was also a growth in the number of accidents resulting in claims (fig. 9). So in 2012, 2.6 million accident victims presented claims to insurance companies, an increase of 4.9% over 2011, whilst the number of policies issued only increased by 2.3%.

Number of accident victims receiving compensation and total amount of CMTPL claims paid

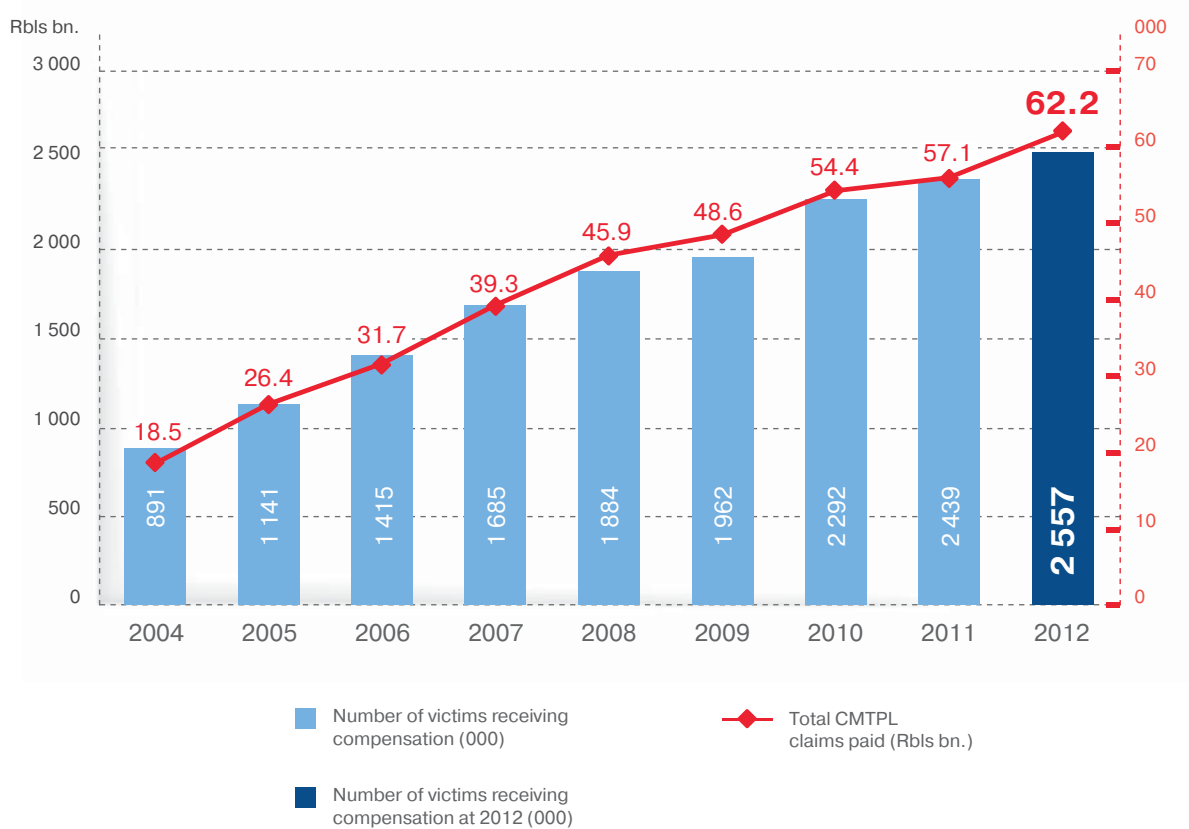


Fig. 9

When the CMTPL insurance system came into force, the average premium was 1,880 roubles. In 2012, the average premium was 2,969 roubles. Taking inflation into account during this period, however, shows that the real inflation-adjusted premium has fallen by 33% (fig. 10).

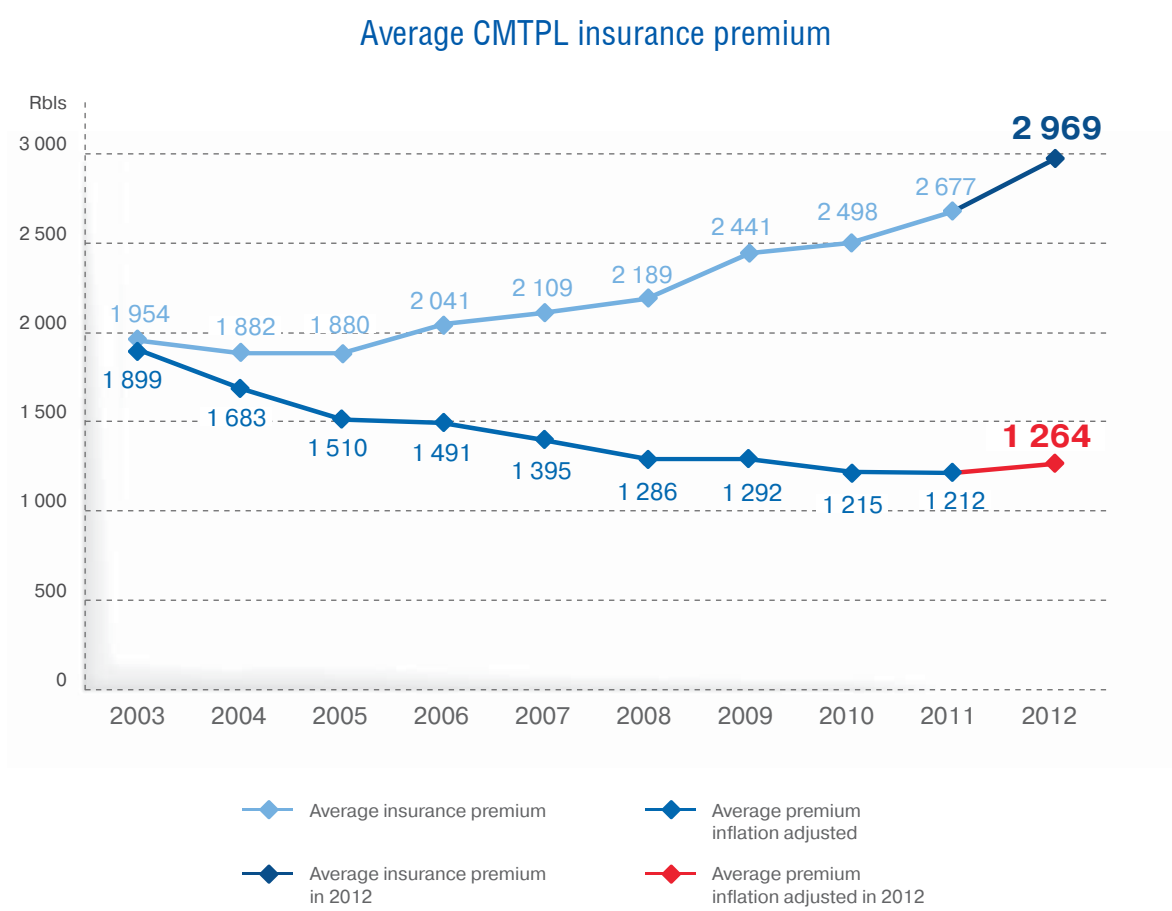


Fig. 10



Figure 11 shows how CMTPL compensation claims payments made by insurers are distributed amongst 10 regions of the Russian Federation.

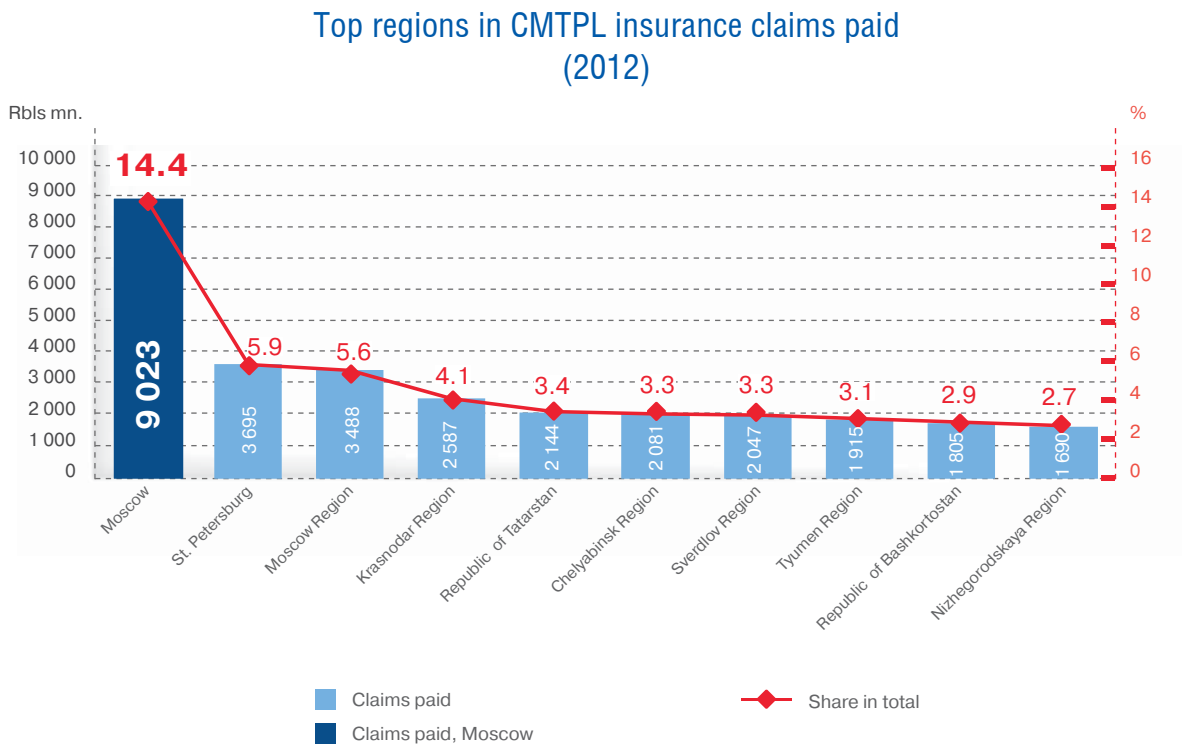


Fig. 11

In 2012, Moscow City was the region with the highest amount of CMTPL claims payments. In Moscow, 9,023 million roubles was the total amount of claims paid, 14.4% of the total for the country as a whole. St. Petersburg was the second highest in terms of paid claims with payments of 3,695 million roubles, 5.9% of the total, and the Moscow region was third, with 3,488 roubles of payments, 5.6% of the total.

Claims payments totalling 1.6 billion roubles – 2.6 billion roubles in total (2.7%–4.1% of payments for the country as a whole) were made in each of the following regions:

- ◆ Krasnodar Region – 2,587 million roubles
- ◆ Republic of Tatarstan – 2,144 million roubles
- ◆ Chelyabinsk Region – 2,081 million roubles
- ◆ Sverdlovskaya Region – 2,047 million roubles
- ◆ Tyumen Region – 1,915 million roubles
- ◆ Republic of Bashkortostan – 1 805 million roubles
- ◆ Nizhegorodskaya Region – 1,690 million roubles

Looking at the federal administrative regions, there is no doubt that the leading region in terms of both premiums and claims is the Central Federal region. According to RAMI data, in this region, 40,292 million roubles of premiums were collected (33.3% of the total for the country as a whole) and 19,929 million roubles in claims were paid.

### CMTPL premiums

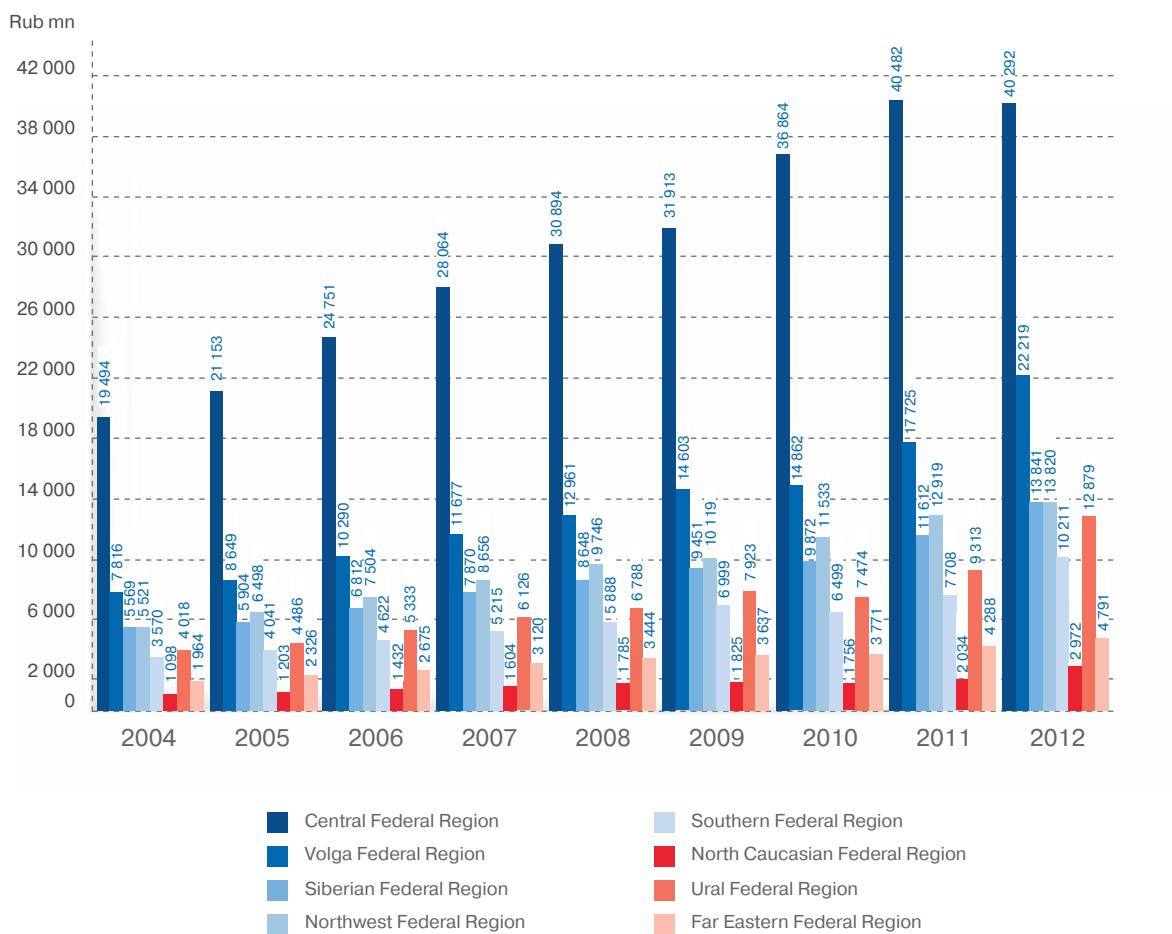


Fig. 12

In 2012, of the total premiums collected,

- ◆ 18.4% were collected in the Volga Federal Region (22,219 million roubles),
- ◆ 11.44% were collected in the Siberian Federal Region (13,841 million roubles),
- ◆ 11.42% were collected in the Northwest Federal Region (13,820 million roubles),
- ◆ 10.6% were collected in the Ural Federal Region (12,879 million roubles),
- ◆ 8.4% were collected in the Southern Federal Region (10,210 million roubles),
- ◆ 4.0% were collected in the Far Eastern Federal Region (4,791 million roubles).

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The breakdown of claims payments in 2012 by federal administrative region was as follows:

- ◆ 20.7% in the Volga Federal Region (12,934 million roubles)
- ◆ 11.5% in the Northwest Federal Region (Roubles 7,206 million roubles)
- ◆ 10.9% in the Siberian Federal Region (Roubles 6,834 million roubles)
- ◆ 10.2% in the Ural Federal Region (Roubles 6,361 million roubles)
- ◆ 8.8 % in the Southern Federal Region (Roubles 5,514 million roubles)
- ◆ 3.6% in the Far Eastern Federal Region (Roubles 2,252 million roubles)

## CMTPL claims



Fig. 13

Bringing up the rear in terms of premiums and claims for CMTPL insurance is the North Caucasus Federal region. Here, 2,972 million roubles (2.5% of the total) was collected and 1,578 million roubles (2.5% of the total) claims were paid. The explanation for this is that this federal region has the lowest number of vehicles registered of any federal region.

In 2012, RAMI continued its work of collecting and collating information relating to mutual obligations of insurance companies in relation to CMTPL insurance policies and motor physical damage (Kasko) policies in order to develop a system of reducing these mutual obligations. It should be noted that in 2012, the mutual indebtedness of Kasko and CMTPL insurers who are members of RAMI reduced by 27%, from 3.162 billion roubles to 2.315 billion roubles.

Figure 14 sets out the figures of the mutual obligations under CMTPL insurance and Kasko insurance:

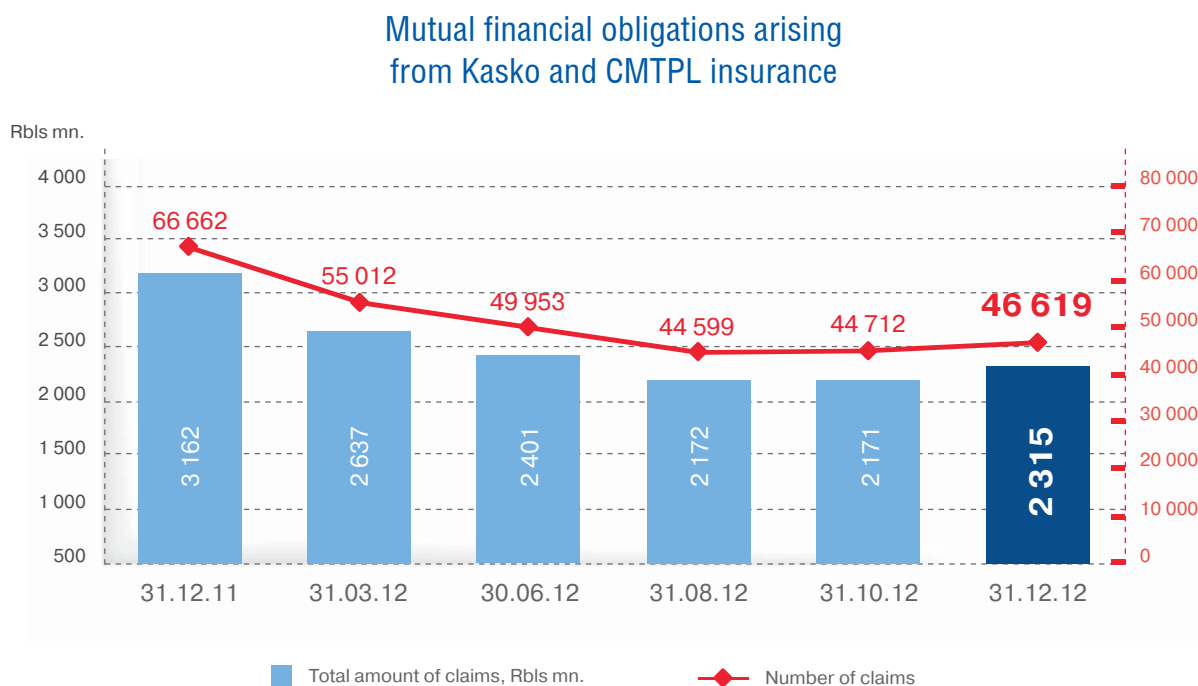


Fig. 14

## CMTPL insurance as part of the Russian insurance market

As at 31 December 2012, there were 458 insurance companies entered into the state register,<sup>4</sup> of which 103, or 22.5% of the total number of companies, were in possession of a license to carry on CMTPL insurance.

Details of premiums and claims from the Russian insurance market as a whole and from CMTPL insurance are included in table 2.

Table 2

	2012
Total insurance premiums (Rbls bn.)	809.0
CMTPL insurance premiums (Rbls bn.)	121.2
CMTPL premiums as % of total premiums	15.0%
Total claims paid (Rbls bn.)	369.4
CMTPL insurance claims paid (Rbls bn.)	63.9
CMTPL premiums as % of total premiums	17.3%

<sup>4</sup> Data from the Federal Service for Financial Markets.

Data relating to CMTPL insurance premiums and claims compared with other classes of insurance<sup>5</sup> are shown in figure 15.

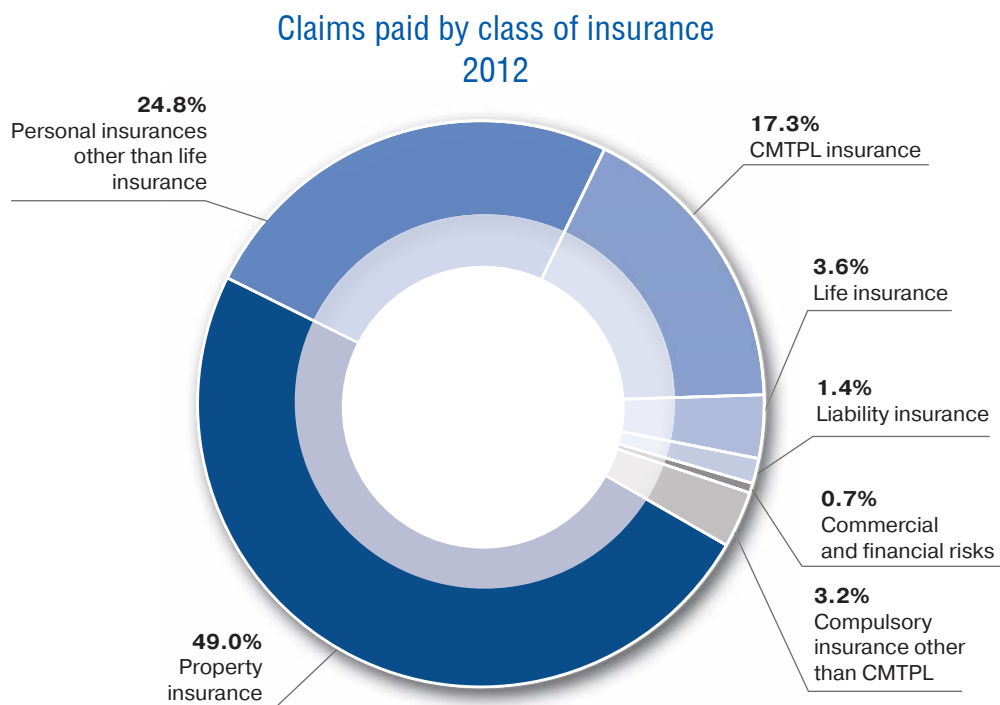
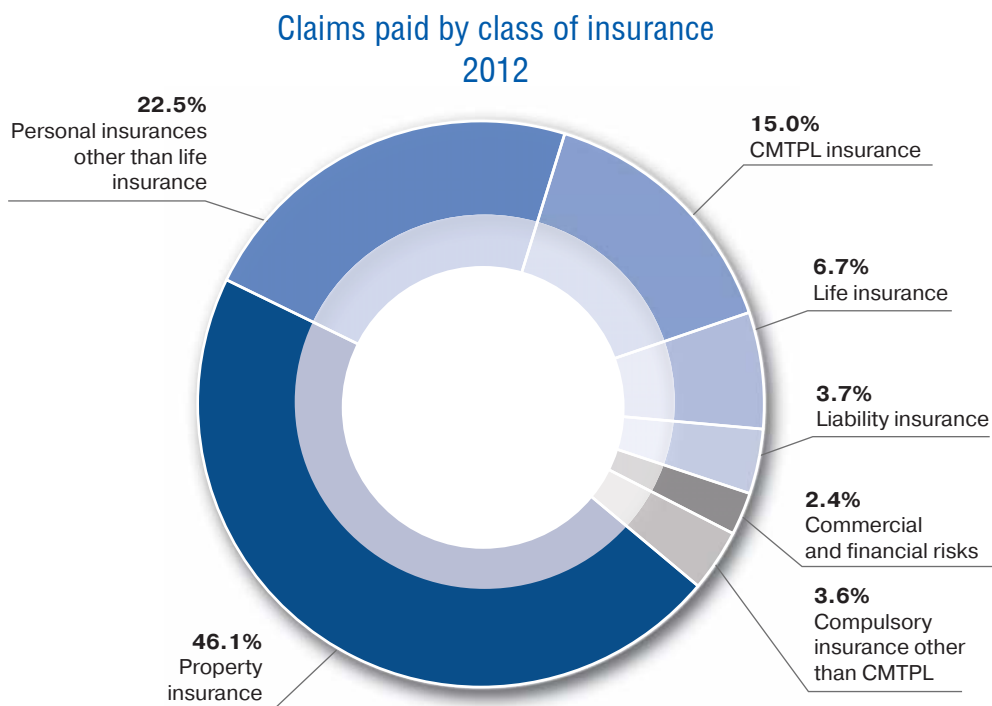


Fig. 15

5. Data from the Federal Service for Financial Markets.

As figure 14 shows, the largest class of insurance in the market is property, which accounts for 46.1% of premiums and 49% of claims paid. CMTPL insurance makes up 15% of premiums and 17.3% of claims paid.

Amongst voluntary classes of insurance, 22.5% of premiums and 24.8% of claims are derived from personal insurance other than life insurance. Life insurance makes up 6.7% of premiums and 3.6% of claims paid.

The share of “other classes” of insurance (defined as life insurance, liability insurance, insurance of enterprises and financial risks, and compulsory insurance other than CMTPL insurance) amounts to 9.7% of premiums and 5.3% of claims, respectively.

In 2011, compulsory classes of insurance grew by 35.1% and voluntary classes by 19%.<sup>6</sup>

In 2012, compulsory insurances generated 149.9 billion roubles as against 110 billion roubles in 2011.

## CMTPL insurance tariff rates

In 2012, RAMI organised research into CMTPL tariff rates. This research was carried out in connection with the Ministry of Finance’s work in drawing up amendments to basic insurance law and to the law on CMTPL insurance. The draft amendments included a number of changes to CMTPL

insurance, including an increase in policy limits for bodily injury claims and for physical damage claims.

The research findings were used by the Ministry of Finance, where they drew up the amended CMTPL tariff rates.

<sup>6</sup>. Data from the Federal Service for Financial Markets.

## Clarification of the calculation of the average claim payment under the system of direct settlement of insurance claims

In February 2012, based on work performed by the RAMI committee for tariffs, statistics, and reserves, the average claim amount used for regulating intercompany transactions under the system of direct settlement of claims was recalculated.

On 15 February, the presidium of RAMI agreed on the revised physical list of figures used for calculating intercompany transactions under the system of direct settlement of claims.

	Region of the Russian Federation	Average claim amount (Rbls)		
		Light vehicles, locally manufactured*	Light vehicles, foreign manufactured*	Other vehicles
1	Central Federal Region (excluding Moscow and the Moscow Region)	13 029	23 834	19 136
2	The Volga Federal Region	12 506	23 731	19 846
3	The Siberian Federal Region	12 477	20 390	18 705
4	Northwest Federal Region (excluding St. Petersburg and the Leningrad Region)	14 041	21 432	21 775
5	Southern Federal Region	13 486	25 544	26 016
6	North Caucasus Federal Region	14 354	28 109	26 016
7	Ural Federal Region	12 623	21 919	22 388
8	Far East Federal Region	12 091	21 776	27 242
9	Moscow and the Moscow Region	12 687	23 798	22 157
10	St. Petersburg and the Leningrad Region	15 029	26 074	31 726

\* Vehicles of foreign manufacturers assembled in the Russian Federation are deemed to be vehicles of foreign manufacture.



**A DECADE  
OF SUCCESS**



**4** The legal regulation  
of CMTPL  
insurance in 2012

ANNUAL REPORT

**2012**

## Changes to CMTPL insurance legislation

On 1 July 2011, a federal law was passed that changed the system of technical inspection of motor vehicles. A number of these changes impacted the procedures for issuing CMTPL insurance policies as follows:

- a) A certificate of technical inspection or a certificate of state technical inspection with a minimum period of validity of not less than six months must be presented before a CMTPL insurance policy can be issued.

This change has led to the situation where if the vehicle owner wants to conclude a contract of an CMTPL insurance but does not have a technical inspection certificate, this will mean that he cannot use his vehicle. For example, this situation could arise if the vehicle is only used a few months during a year. During the period during which the vehicle is not being used, the period of validity of the certificate of state inspection could come to an end or amount to less than six months and make it impossible to issue a CMTPL insurance policy.

- b) From 1 January 2013, it is against the law to issue a policy of a CMTPL insurance without entering the details of the contract into the CMTPL central database and without checking that the information provided by the insured agrees with that in the central CMTPL database and in the database of technical inspection.

Practical experience in enforcing the law has shown the necessity of introducing additional changes to legislation. RAMI has therefore been involved in drawing up amendments to the CMTPL law that were subsequently adopted on 28 July 2012.

The main changes to the law were as follows:

- a) Vehicle owners are allowed to enter into CMTPL insurance contracts for up to 20 days following the purchase

of a vehicle so that it can be driven to the place of registration of the vehicle or to the technical inspection centre.

- b) Until 1 August 2015, in order for the insured to be permitted to receive a CMTPL policy, he must present a diagnostic card confirming that the vehicle complies with vehicle safety standards or a certificate of technical inspection or a certificate of government inspection issued before 30 July 2012.
- c) The requirement for a minimum period of validity of the technical inspection certificate has been deleted.
- d) Also deleted were the norms that set out the obligations of the technical inspection centres in terms of blank inspection certificates and blank state inspection certificates.

In addition, RAMI was involved in developing further amendments to the CMTPL law that were adopted on 25 December 2012.

The main changes relate to the way in which insurers should interact with the central CMTPL database.

- a) The provision that details of the contract must be entered into the central CMTPL database immediately on the issue of the policy has been suspended until 30 June 2014.
- b) The requirement that at the time of the conclusion of a CMTPL insurance policy the information provided by the insured must be compared with the information held on the central CMTPL database and the database of technical inspection has been suspended until 1 July 2014.
- c) Information about a CMTPL contract's conclusion or amendments to the contract must be entered into the central CMTPL database within 15 days.

d) Before 1 August 2015, evidence of technical inspection that must be produced when a CMTPL insurance policy is issued can be either a diagnostic card confirming that the vehicle complies with the rules of vehicle safety, or a certificate of technical inspection (or state technical inspection) issued before 30 July 2012. In

the event that one of these documents does not provide evidence of a technical inspection necessary to conclude a contract of CMTPL insurance, evidence of technical inspection can be confirmed by data contained in the technical inspection database.

## Changes in the regulatory framework for CMTPL insurance

As a result of the changes to the law on CMTPL insurance noted above, necessary changes to the regulatory framework in the following regulations were drawn up by RAMI and adopted:

- a) The resolution of the government of the Russian Federation of 7 May 2003 that confirmed the rules of CMTPL insurance
- b) The resolution of the Government of the Russian Federation of 8 Decem-

ber 2005 dealing with the setting of tariffs for CMTPL insurance

- c) The decree of the Ministry of Finance of Russia of 1 July 2009 that approved the standard forms to be used for CMTPL insurance: the application form, the policy form, and the information leaflet

## The development of new rules of professional conduct and changes to existing rules of professional conduct

Rules of professional conduct have been drawn up by RAMI to govern the activities of the members of RAMI and of intermediaries involved in concluding contracts of a CMTPL insurance. One objective of these rules is to protect the rights and legitimate

interests of accident victims, of insureds, of insurers, and of insurance intermediaries. A further objective is to strengthen discipline amongst those working in the field of CMTPL insurance and to ensure that the law is kept and to prevent unfair competition.

**Changes in legislation resulted in the need to make changes in the following rules of professional conduct and training manuals:**

- a) Changes were made to the rules of professional conduct covering the issuing and use of blank CNTPL insurance policies.
- b) Changes were made to the rules of professional conduct that govern interaction between RAMI members when settling claims for compensation from accident victims.
- c) Changes were made to the rules of professional conduct that govern the investigation and settling of bodily injury claims under CMTPL insurance by RAMI members.
- d) Changes were made to the rules of professional conduct governing claims payment and subrogation.
- e) Changes were made to the rules of professional conduct governing the maintenance of records of issued CMTPL policies, of claims and of policies that have terminated.
- f) Changes were made to the RAMI training manual for employees of insurance companies (Manual No. 1) covering the completion of application forms for CMTPL insurance.
- g) Changes were made to the RAMI training manual for employees of insurance companies (Manual No. 5) covering the registration of documents and accounts of premiums collected for the CMTPL insurance of vehicles registered in foreign countries and being used temporarily in the Russian Federation.
- h) Changes were made to the RAMI training manual for employees of insurance companies (Manual No. 6) covering make alterations to CMTPL insurance policies.
- i) Changes were made to the RAMI training manual for employees of insurance companies (Manual No. 7) covering setting insurance tariffs for CMTPL insurance based on whether or not there have been claims made in the past (the bonus/malus coefficient) and filling in this information concerning CMTPL insurance.
- j) Changes were made to the RAMI training manual for employees of insurance companies (Manual No. 10) covering the procedures to be used when a CMTPL insurance contract is terminated early.
- k) Changes were made to the RAMI training manual for employees of insurance companies (Manual No. 11) covering the investigation and settlement of claims made to RAMI members under CMTPL contracts covering bodily injury.
- l) Changes were made to the RAMI training manual for employees of insurance companies (Manual No. 13) covering claims settlement under CMTPL insurance.
- m) Changes were made to the RAMI training manual for employees of insurance companies (Manual No. 16), which sets out instructions as to complete a record of claims, of contracts terminated early, and of CMTPL contracts.

# A DECADE OF SUCCESS



**5** Direct  
settlement  
of claims

ANNUAL REPORT

**2012**

The system of direct settlement of claims permits a road accident victim, who has suffered physical damage to his vehicle to seek compensation for the damage from the insurance company that issued his policy of an CMTPL insurance. As part of the process of claims settlement under the direct settlement system, the insurance company that issued the CMTPL insurance policy of the driver that was responsible for the accident that caused the damage is contacted and this company's confirmation is deemed to be an acceptance that the claim can be settled by direct settlement by the victim's insurance company. The procedure for settling obligations between companies arising out of claims settlement under this scheme is set out in the rules of professional conduct in and agreement on direct settlement.

In 2012, insurance organisations settled under the direct settlement system claims totaling 11,422 million roubles. In total, during the time that the direct settlement system has been in force from 1 March 2009 to 31 December 2012 accident victims have received more than 29,208 million roubles in compensation. The total value of claims settled under the system grew in 2012 by 16.87% over the corresponding figure for 2011, and there was growth in each of the quarters of 2012 (fig. 16).

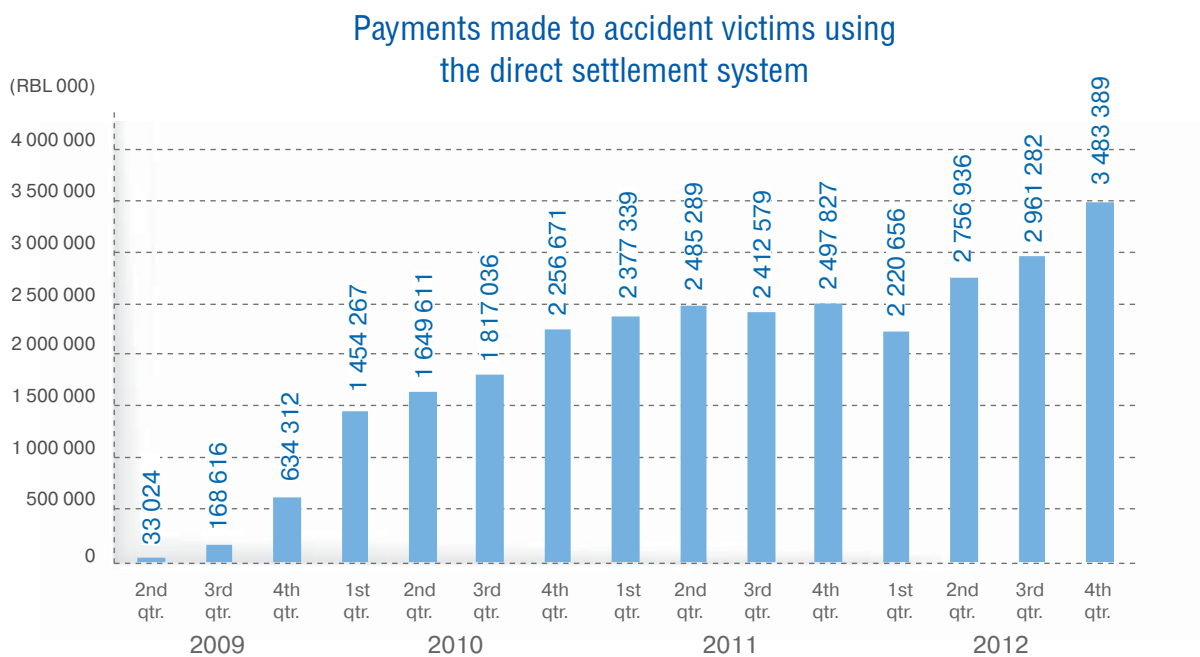


Fig. 16

In 2011, the average claim payment under the scheme was 19,300 roubles. This figure increased in 2012 to 20,400 roubles. Looked at quarterly, there were minor fluctuations in the size of the average claims payment as is shown in figure 17.

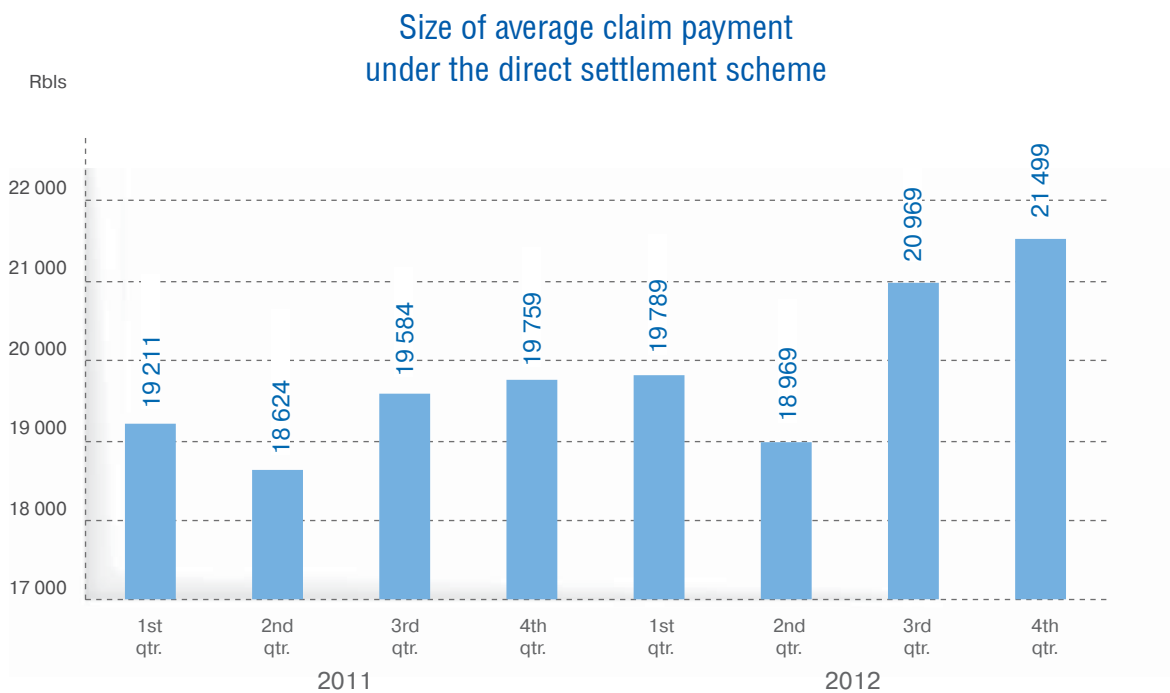


Fig. 17

The statistics of the number of claim transactions handled by insurers under the direct settlement system throughout the whole period that it has been in force indicate that the numbers increased during 2012: The number of notifications of potential claims received by insurers under the scheme for direct settlement grew year by year in 2012 by 9.71%. The number of advices sent by the insurance company of the victim to the insurance company of the driver that was responsible for the damage (claims payment advices) increased by 10.7%. In fact, there has been a steady increase, during the whole period that the system has been in force of notifications by accident victims and settlement of their claims through the system.

At the same time, the proportion of notifications that do not result in a refusal to make a claims payment through the system is no greater than 6.6%. It should be noted that 93.6% of all refusals last year came about as a result of the driver that caused the accident not being in possession of a valid CMTPL insurance policy at the time of the accident. A refusal to settle the claim under direct settlement is consistent with the laws of the Russian Federation that govern the settlement of claims under the direct settlement system.

Data on direct settlement of claims  
2009–2012

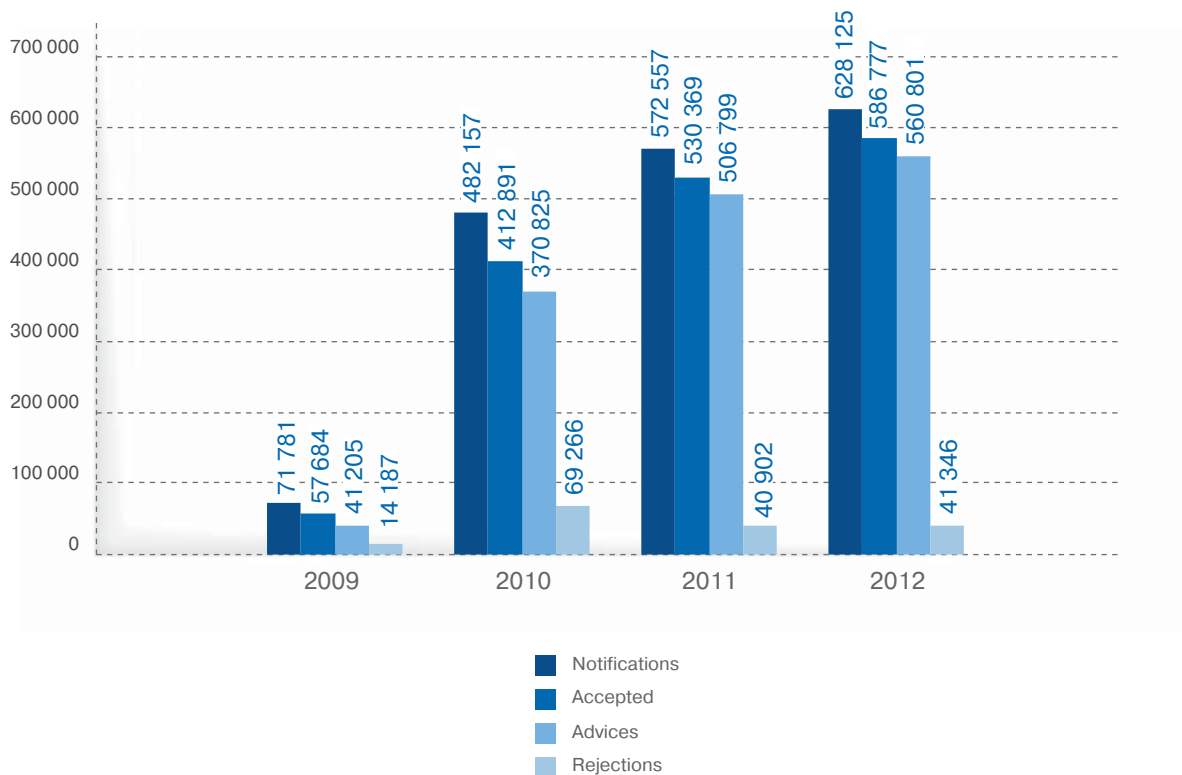


Fig. 18



### Percentage of initial notifications that were not accepted

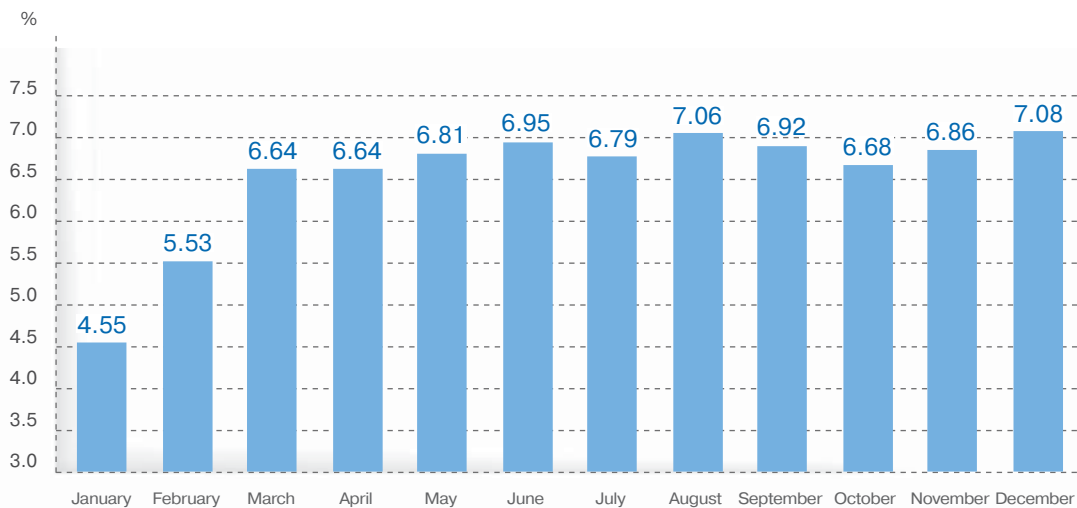


Fig. 19

In 2012, on average members of RAMI settled 22.3% of all CMTPL claims through the direct settlement system compared with 21.6% in 2011. Statistics on the number of applications made under the direct settlement system have not shown a consistent pattern.

### CMTPL claims settled during 2012 using the direct settlement system as a percentage of total CMTPL claims



Fig. 20

In 2012, the association carried out measures to improve the effectiveness of the system of direct settlement of claims. Of these measures, the most important was the development of a claims payment system that conforms to a federal law passed on 27 June 2011 setting up a national payment system. Under this law, all settlements between insurers under compulsory insurance contracts have to comply with the laws of the Russian Federation.

Organising the transition to the new payment system resulted in changes in a number of business processes that were set out in the direct settlement agreement, and as a result changes into this agreement were incorporated during 2012.

These changes include moving towards a process of settling mutual accounts of insurance companies through a guarantee fund, the creation of which had been foreseen in the rules governing the insurance payment system in anticipation of the future legal changes. However, the principle under which the mutual payments are made remains that based on average claims amounts.

It is important to note that the use of such a mechanism for settling mutual accounts between insurers using a system of insurance payments solves the most difficult problem relating to a system of direct settlement the constant growth in the amounts

owed by insurers that have been excluded from the direct settlement agreement who do not settle the amounts they owe to other insurers that have settled claims on their behalf through the direct settlement scheme. It is expected that the introduction of the new payment system will eliminate the existing problems within the system of direct settlement of claims.

In addition to this major change, other changes to the direct settlement agreement were introduced dealing with a number of practical issues relating to the system of direct settlement:

- ◆ Eliminated the basis of disputes between insurers in relation to the sequence of presenting the claim to the insurer of the driver that caused the accident when the victim's claim has been refused as it does not fall under the direct settlement scheme
- ◆ Set out the procedure for calculating the guarantee deposit in the event that two companies that have joined the agreement merge
- ◆ Set out the procedure for calculating the size of the guarantee deposit in the event that there are changes to the procedures for members of the agreement to RAMI that result in a different-sized deposit

In addition to these changes to the agreement, a process of editing documentation relating to direct settlement and relations between insurance companies was carried out. Thus, in RAMI's information manual that contains model answers to questions relating to CMTPL insurance, a set of answers was included that deal with questions related to the direct settlement of claims. Situations covered included issues such as how direct settlement operates if the road accident causes damage not only to another vehicle but also to other property, the refusal to make direct settlement if the documentation is not fully completed, whether it is possible not to agree to settle directly a claim where the vehicle of the driver that caused the accident is not available to be inspected. The position of the association was prepared by the RAMI committee on direct settlement and the European Protocol, following which was adopted by the RAMI presidium. In addition, amendments were made to other documentation produced by the association which regulate the settlement of claims by insurance companies.

Special attention was paid to the development of instructions for working with the accident report form that the victim attaches to the application form for direct settlement of the insurance claim.

The necessity of producing this document arises from the fact that the requirements insurance companies set out for re-

porting an accident should be brought into line with the requirements recommended by the Ministry of the Interior to guide traffic police officers when completing and issuing their accident reports. RAMI consulted representatives of the interior ministry when preparing this document during the course of which discussions took place on the problems insurance companies have when working with accident reports and on the RAMI proposals for the structure of this document.

One notable fact is that although there was an increase in the number of claims that were handled through the direct settlement system in 2012, the number of complaints against insurance companies received by RAMI relating to the operation of the direct settlement agreement reduced. In 2010 there were 164 such complaints, and in 2011 there were 28. In 2012 there were only 18 complaints received by RAMI over the operation of the direct claims settlement system. It is clear that the small number of complaints indicates that there are few outstanding issues remaining to be dealt with in the system of direct settlement. It can therefore be said that those insurers who operate the direct settlement system have managed to cooperate successfully in operating the system and have built business processes that can be the basis of further development of the system.

## Simplified reporting of road accidents

In 2012, the growth in the number of accidents where the simplified procedure for reporting road accidents was used that is, accidents reported to the CMTPL direct settlement clearing house where there was no official police report grew by 42.2% compared with 2011. The number of settled claims to accident victims also grew by 49.5% (see fig. 21).

Claims handled using simplified reporting under the direct settlement scheme in 2009–2012

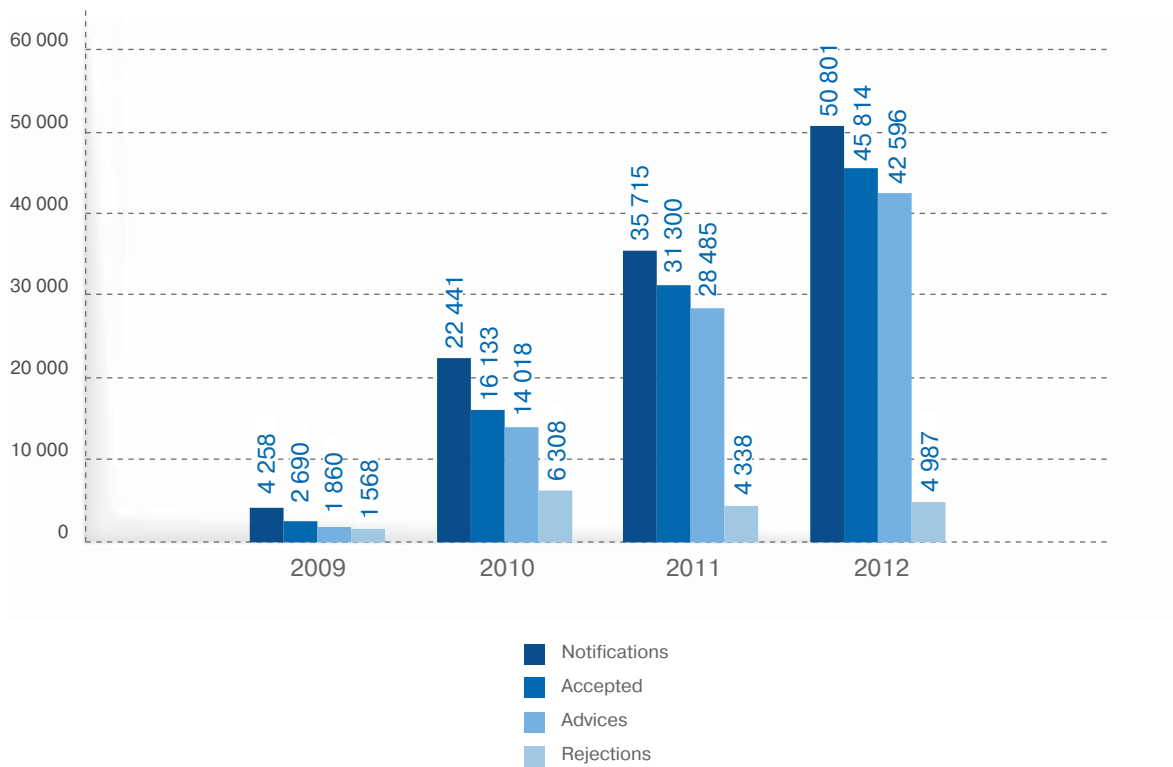


Fig. 21

In 2012 the number of accident victims using the simplified procedure as a proportion of those using direct settlement was 8.09% as compared with 7.5% in 2011. In December 2012, there was an abrupt increase in the numbers of accident victims using the simplified procedure (see fig. 22).

In 9.8% of the cases where documentation was submitted using the simplified procedure, the claim was rejected, but it is important to note that 35% of all claims are rejected because incorrect documentation about the accident was submitted. This implies that those involved in accidents are quite capable of completing the documentation themselves.

### The proportion of claims advised using the simplified road accident reporting system

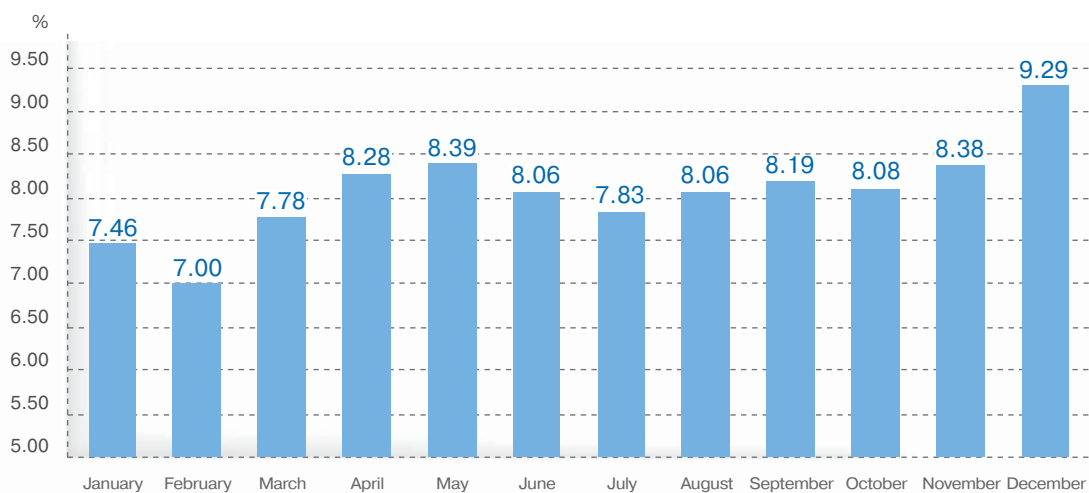


Fig. 22



# A DECADE OF SUCCESS

At the beginning of 2012, the RAMI presidium adopted a series of guidelines concerning how documentation about road accidents could be produced without a police officer being present. These guidelines were aimed at helping drivers complete the documentation on their own. Following adoption, the guidelines were agreed with the Department of Road Safety and posted on the RAMI web site.

The guidelines made additional points, such as pointing out that the simplified procedure can be sued even if one of those

involved in the accident is insured under an international "Green Card".

RAMI sent the guidelines to the Ministry of Education and suggested that they should be used in programmes of driver training, so that trainee drivers could be taught the legal basis of the simplified reporting system. In addition, training could be given in how the forms should be completed and in what circumstances the simplified reporting system can be used without the need to involve a police officer at the site of the accident.

# A DECADE OF SUCCESS



## 6 The international Green Card system



ANNUAL REPORT

2012

The Green Card Bureau is a subdivision of RAMI. Its members carry on Motor Third Party Liability insurance under the international Green Card system. As at December 2012, the bureau had 10 members.

The chair of the board is Nadezhda Arshinova, General Director of the Twenty First Century Insurance Company. This appointment was approved by the management board of RAMI on 26 June 2008.

## The work of the Green Card Bureau

In 2012, about 2.1 million Green Card insurance policies were issued by members of the bureau. In total, since 2009, more than 6.3 million such policies have been issued.

Green Card policies issued and accidents 2009–2012



Fig. 23



Last year, 4,374 accidents were recorded abroad where Russian drivers in possession of a Green Card insurance certificate were involved. In total, since 2009 there have been 15,115 such accidents. The country with the greatest accident frequency was Belarus, with 933 accidents involving Russian drivers. Ukraine had 847, Poland 501, and Finland 474.

### Green card claims by country

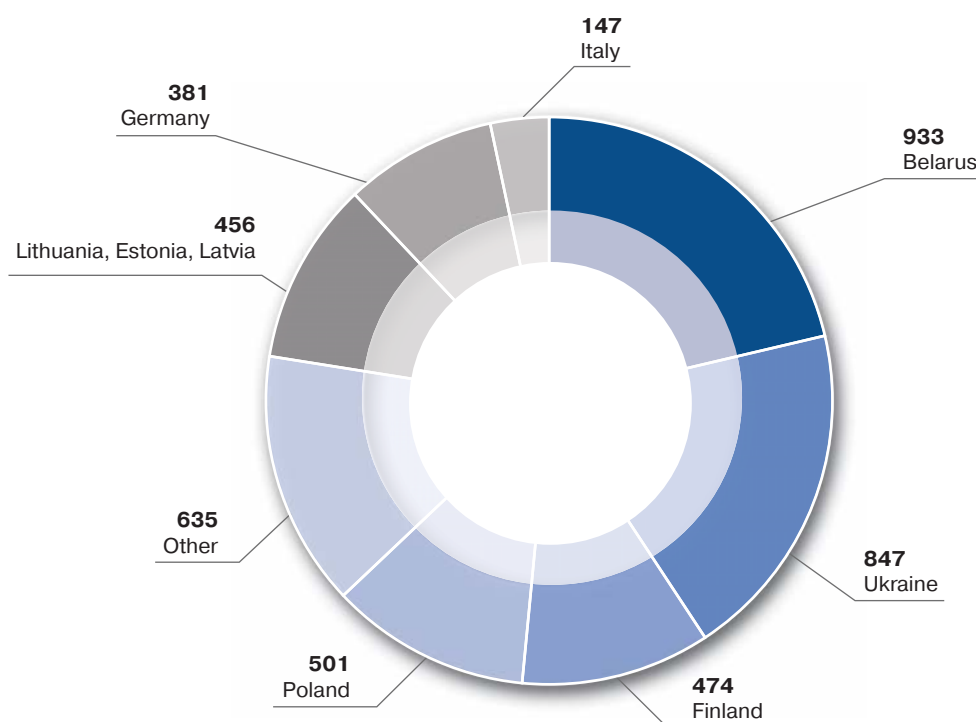


Fig. 24

Of the accidents that took place, in 1,063 cases, the Russian driver was deemed to be at fault.

In Russia, 8,718 accidents were recorded where a foreign driver in possession of a Green Card insurance certificate was deemed to be responsible for the accident. Of these claims 4,061 have been settled. In total, since 2009 there have been 24,185 such accidents.

Since 2009, there have been 17 accidents where the claim amounted to more than 50,000 euros of which 14 amounted to 50,000 euros to 200,000 euros. The largest losses were an accident that took place in Germany on 9 December 2010, where the reserve was 1,108,000 euros and an accident in Greece on 4 September 2011 where the reserve was 763,400 euros.

## The work of the board of the bureau in 2012

The board of the bureau was carrying out a number of projects in 2012 dealing with procedures, IT, analysis, and organisation. These included the following:

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

In 2012, rules for the provision of funding and for the use of funds for the Green Card Bureau were drawn up and adopted by the board of the bureau on 10 September 2012.

The development of amendments and new rules to the following documents published by the Green Card Bureau:

- ◆ Regulations governing the financing operations in relation to the international Green Card system, approved by the management board of RAMI on 22 November 2012
- ◆ The regulations governing the imposition of sanctions and other measures on RAMI members, their officers and staff, approved by the presidium of RAMI on 26 April 2012

- ◆ The rules governing the provision of services for insurers in respect to the international Green Card system approved by the RAMI presidium, 13 December 2012
- ◆ The rules for settling claims within the international Green Card system, adopted by the RAMI management board on 16 August 2012
- ◆ The RAMI training manual (No. 2) for the use of employees of insurance companies that are members of the Green Card Bureau, approved by the Board of the Green Card Bureau on 7 August 2012
- ◆ Rules governing the issuing of the Green Card insurance certificate, approved by the RAMI management board on 6 December 2012
- ◆ Instructions for disciplining companies that are members of the Green Card Bureau and that are responsible for breaches of the rules when carrying on insurance business under the international Green Card system, adopted by the RAMI management board, 26 April 2012

## Actuarial work

On the basis of a decree from the Ministry of Finance dated 11 June 2002, a calculation was made of the average claim

payment made under insurance or coinsurance contracts of a TPL insurance under the Green Card system.

## Participation in international events

The Russian Green Card Bureau organised the following events:

- ◆ A meeting of managing directors and representatives of the Green Card Bureaux from Group A countries (St. Petersburg, May)
- ◆ A conference titled “Key issue for today and tomorrow for the Green Card system: A review of the countries participating in the Green Card system” (Moscow, October)

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

- ◆ Meetings of working groups of the Council of Green Card Bureaux
- ◆ The General Assembly of the Council of Bureaux (Bucharest, May)
- ◆ Working meetings of representatives from Group A (Paris, February, Brussels, October)
- ◆ A working meeting of representatives of the Baltic group of countries (Talin, March)

## Combating insurance fraud

The Green Card Bureau works systematically to prevent foreign insurance policies and foreign Green Card certificates from being used within the Russian Federation contrary to Russian law as set out in the law on insurance passed on 27 November 1992.

The following actions were taken:

- ◆ Carrying out checks in the regions bordering Ukraine, Belarus, and the Baltic

republics and also in international car checkpoints where cases of the illegal use of these policies have been frequently reported

- ◆ Informing the Council of the Green Card Bureaux, foreign bureaux whose members issue such policies that it is unacceptable and illegal to do so
- ◆ Providing information to law enforcement agencies and supervisory bodies

# A DECADE OF SUCCESS



**7** Independent  
technical inspection  
of motor transport  
vehicles

ANNUAL REPORT

**2012**

## The main projects and tasks undertaken in 2012

- ◆ Developing information and methodology for implementing independent technical inspection of motor vehicles
- ◆ Taking part in the professional certification of technical experts who carry out independent technical inspections of motor vehicles, based on point 3 in the government decree of 24 April 2003
- ◆ Voluntary accreditation by RAMI of technical experts for independent technical inspections of motor vehicles

## Information and methodology for carrying out independent technical inspections of motor vehicles

### Preparing details of business processes in settling claims and an information manual

Under the auspices of the government decree of 24 April 2003 concerning the creation of a system of independent inspection of motor vehicles, the RAMI committee continued to work to prepare a set of rules governing the independent technical inspection of motor vehicles. An earlier draft set of proposals was amended to take into consideration new regulations and was sent to the Ministry of Transport for consideration and for possible inclusion in the final document.

In addition, other proposals were drawn up and considered:

- ◆ To amend the rules (set out in the government decree of 24 April 2003) governing the process of independent inspection of motor vehicles as part of the CMTPL insurance claims settlement process
- ◆ Comments and proposals were drawn up to the draft rules for the conduct of independent inspections of motor vehicles, which had been drawn up by the Ministry of Transport and which appeared on the Ministry website on 23 April 2012.

## Certifying the professional qualifications of technical inspectors carrying out independent technical inspections of road vehicles

### Setting up the system of professional qualifications for independent technical vehicle inspectors

- ◆ The interdepartmental commission on certification continued to work on draft changes to the terms and conditions of the procedure for certifying the level of professional qualifications of technical vehicle inspectors based on the requirements set out in the decree of 17 October 2006 from the Ministries of Transport, Justice, the Interior, and Health.
- ◆ In preparation for the foundation of the interdepartmental commission, documentation was prepared to be used in the commission's meetings.

## Voluntary certification of technical inspectors through RAMI

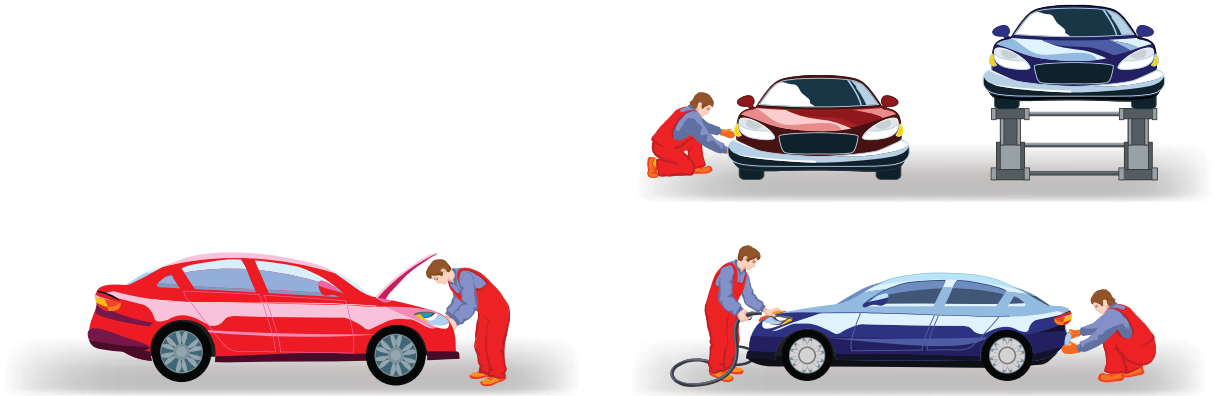
### Implementing voluntary certification of technical vehicle inspectors

In 2012, the scheme, run by RAMI for the voluntary certification of technical vehicle inspectors, continued to function. There were four sessions of the certification committee during which applications for voluntary certification through RAMI were examined.

In total, during these sessions of the RAMI certification committee,

- ◆ 72 applications for certification were examined;
- ◆ 60 of these applications were successful;
- ◆ of the successful applications, 22 were applications for the extension of their certification for a further three years;
- ◆ 12 applications were unsuccessful.

# A DECADE OF SUCCESS



8

The technical inspection  
of transport vehicles

ANNUAL REPORT

2012

On 1 June 2011, a federal law was passed that changed the system under which transport vehicles undergo technical inspections to ensure their safety on the road. Under this law, which came into force on 1 January 2012, RAMI was given additional functions to carry out as follows:

- ◆ Certifying the operators of technical vehicle inspection centres
- ◆ Confirming that applicants for certification have the qualifications necessary for certification
- ◆ Ensuring that the technical vehicle inspection centres continue to comply with the requirements for certification and with the rules governing technical vehicle inspections
- ◆ Drawing up a register of certified vehicle inspection centres

- ◆ Accounting for blank technical inspection certificates and blank international certificates (up until 1 August 2012)
- ◆ Organising the distribution of blank technical inspection certificates and blank international certificates to the technical inspection centres
- ◆ Developing an open and public information resource that allows the public to study the information contained in the register of certified vehicle inspection centres

In order to be in a position to carry out these functions, RAMI set up two new business units a department for organising technical inspection and certification and, within the RAMI department of analysis and control, a department for controlling operators of technical vehicle inspection centres.

## Certification in 2012

As at 29 December 2012, the register of vehicle technical inspection operators contained

- ◆ 1,873 organisations transferred to the register from the list kept by the Ministry of the Interior;
- ◆ 1,339 certified operators of vehicle technical inspection centres;
- ◆ In total, 3,212 operators and organisations included in the register.

During the period between 1 January and 29 December 2012,

- ◆ 1,361 operators were certified, 1,201 new and 151 from the Ministry of Interior list
- ◆ 22 certifications were cancelled
- ◆ 16 organisations discontinued operations
- ◆ 183 re-registered for certification

Between 1 June and 29 December

- ◆ 4,728 appeals were dealt with
- ◆ 1,170 notices of non-compliance were sent
- ◆ 373 cases were returned



### Accreditation in 2012

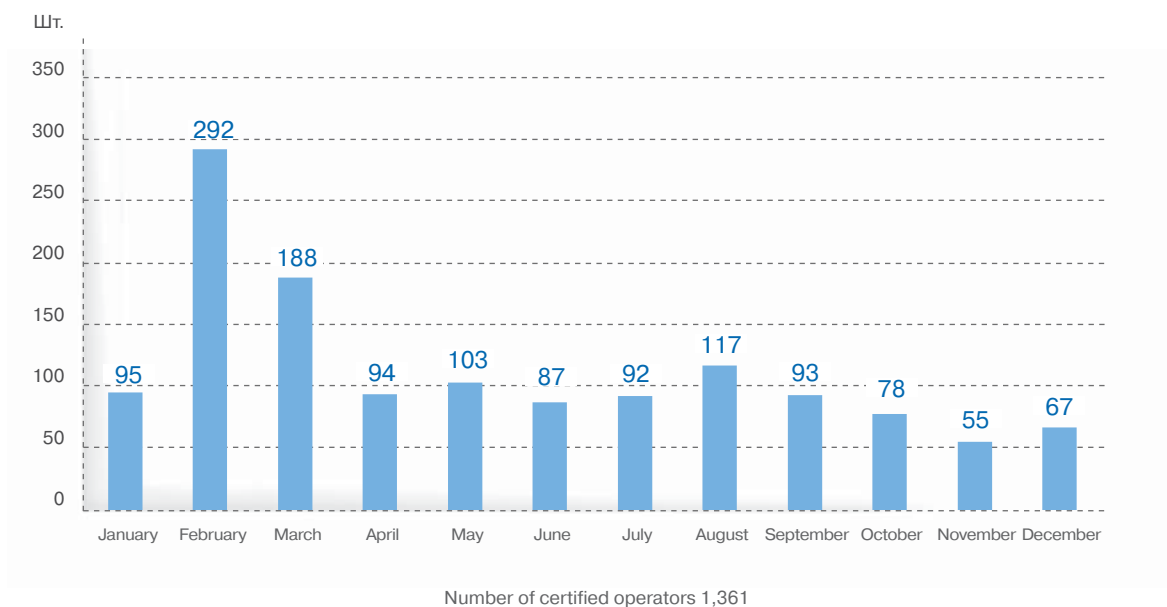


Fig. 25

### The distribution of blank vehicle inspection certificates (VIC) and blank international inspection certificates (IIC) to operators in 2012

Distribution of VIC and IIC	Applications	Blank certificates		Contracts with printer	
		VIC	IIC		
Applications sent to printer	4 466	18 579 800	107 800	Contracts sent to printer	2 670
Shipped by printer	3 929	17 189 200	90 700	Contracts signed with printer	2 557

## Control

1. On-site inspections of technical vehicle inspection centres were carried out as follows:
  - ◆ 69 technical inspection centres were inspected in 44 regions of the Russian Federation
  - ◆ Certification was suspended in 15 centres
  - ◆ The suspension of certification was lifted in 12 centres.
2. 14 on-site inspections were carried out on centres applying for certification. As a result of these inspections, 10 centres failed to reach the standards required for certification.

# A DECADE OF SUCCESS



## 9 Information technology



ANNUAL REPORT  
**2012**

## The RAMI IT system

In 2012, substantial amount of work was carried out by RAMI to develop new IT systems and to develop existing systems in order to conform to Russian legislation.

In particular, on 1 July 2011, amendments were passed to the law on CMTPL insurance, according to which all contracts of CMTPL insurance must be entered into the central CMTPL database. As a result, a number of IT subsystems have been developed within the overall RAMI IT system and brought fully into operation such as the contract subsystem the “Bonus-Malus subsystem” and a module that facilitates electronic interaction between the RAMI IT system and those of other government departments.

In September 2012, seminars were held in all federal districts for insurance company members of RAMI to assist them to utilise the contract subsystem and the Bonus-Malus (BM) subsystem. Also covered in these seminars were specific issues relating to the system for electronic interaction between RAMI and other government departments.

In October 2012, the hardware for the contract subsystem and the BM subsystem was operational.

In November–December 2012, work was carried out to connect all RAMI member companies to the two subsystems. Also in December, data from more than 70 million CMTPL insurance contracts were loaded onto the subsystems.

The two subsystems were designed to be scalable in the future and to have a wide range of functions such as:

- ◆ online collection and storage by RAMI through the Internet of information, supplied by insurance companies relating to CMTPL insurance policies issued, on policy alterations and on claims;
- ◆ a system whereby insurance companies can calculate insurance premium tariff rates;

- ◆ a system whereby insurance companies can check whether a vehicle has undergone a technical inspection;
- ◆ a system where information about blank CMTPL policies can be retrieved.

From December 2012, all three new subsystems were linked to the database of vehicle technical inspections, which is managed by the ministry of the interior.

Also as a result of the law passed on 1 June 2011, a technical module was developed and added to the RAMI IT system covering the technical inspection of motor vehicles.

Improvements were made to the “Green Card” subsystem in terms of the answers provided when queried, and also a start has been made in developing a capability to operate using SMS messaging.

A module has been developed and introduced to support legal and court processes such as:

- ◆ a system for managing incoming mail
- ◆ the organisation of documentation relating to legal cases
- ◆ the ability to download documents from the sites of courts and to automatically register these documents in the document handling system
- ◆ the ability to produce model answers on the basis of standard document templates.

Work was carried out to move the hardware of the RAMI IT system. As part of the process of protecting personal information, hardware was moved into a new data processing centre. Also in order to maintain continuity of the operation of the RAMI IT system, monitoring and support work was carried out on the equipment and information system related to the RAMI server.

## Protecting personal data

At the end of 2010, work commenced to develop industry best practices in data protection and in the security of personal data. In 2012, standard security threats to data held by insurance companies in Russia were identified.

Amendments to the law on data protection were brought in, in mid-2011, and as a result, work in this area has been changed to reflect the new legal and regulatory situation.

Also in 2012, work continued to protect personal data held on RAMI's system.

**A DECADE  
OF SUCCESS**



**10** Combating  
insurance fraud

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**2012**

RAMI coordinates the work of its member companies in their fight against insurance fraud and other illegal activities in relation to CMTPL insurance. In 2012, work continued in three main areas:

- ◆ Joint activity with the law enforcement agencies
- ◆ Combating unfair competition
- ◆ Improving the system of information exchange between RAMI member companies

## Joint activity with law enforcement agencies

In 2012, RAMI and the law enforcement agencies continued to cooperate to prevent illegal activities in the CMTPL insurance market.

As a result, there were four prosecutions during the year under the articles of the Criminal Code of the Russian Federation dealing with fraud. In these four cases, material was given to the criminal prosecutors dealing with fraud.

## Combating unfair competition

Following a decision by the RAMI committee for combating insurance fraud, a contract was signed with some detectives requiring them to monitor compliance within the CMTPL insurance industry with the rules of professional conduct relating to unfair competition. Examples of their activities against unfair competition include

- ◆ Identifying companies that provide unjustified discounts, incentives, or gifts in order to gain business
- ◆ gathering evidence of unfair competition by companies that pay agents inflated commissions.

On the basis of the material gathered, disciplinary action can be taken, and also, action can be taken to prevent future breaches of the rules.

The work of the detectives uncovered nine insurance companies that were using the Bonus-Malus system to give unjustified discounts or that were paying inflated commissions to agents. As of 31 December 2012, fines amounting to 3,000,000 roubles have been imposed on these companies.

RAMI has also worked to prevent fraudulent claims to the compensation fund. As a result of this work, fraudulent payments have been prevented from the compensation fund of more than 23 million roubles.

## Improving the exchange of information between insurance companies to prevent insurance fraud

In 2102, insurance companies continued to utilise the Spektr integrated database to fight insurance fraud.

Spektr is an automated information system that collects, stores, and analyses claims data.

Spektr consists of the following:

- ◆ The Spektr database containing claims data
- ◆ An application (Ask-Spektr) that is designed to permit insurance companies rapidly to exchange information when about to issue a CMTPL policy or when investigating a claim

Cooperation using Spektr is carried out under voluntary bilateral contracts between insurance companies, and RAMI.

Currently, the system contains information relating to 6.6 million insurance claims and the related information on 15 million individuals, companies or vehicles.

Insurance companies can access the system online through the Internet. The security of the information is protected by a multistage process of access control, data encryption, and the use of secure connections.

Every week, data relating to 130,000–140,000 claims are added to the system. In an average month, it is estimated that insurance company staff make 250,000–300,000 requests to the system.

In 2011, the Spektr system moved to an MS SQL server platform with the following results:

- ◆ An improvement in the interface between RAMI IT system and insurance company IT systems allowing data to be exchanged using the XML format
- ◆ Improvement in the reliability of its functions, flexibility, and security by transition to a more up-to-date level of Web effectiveness allowing different browsers to be used and giving the possibility of using web services
- ◆ Improvement in the scalability of hardware and software by using solutions in the area of new-generation database management
- ◆ An increase in the effectiveness and resilience against faults by introducing multitasking and parallel data processing. This involves secure operation with a shared database at the level of the user or application, the division of the flow of data between servers and synchronising the data on all servers in the cluster regardless of their location
- ◆ Simplification of the use and administration of the system and improving the interface, making it possible to attract a broader range of professionals with the training to operate the system using Microsoft SQL Server
- ◆ Reduction of the response time to a request to 2–3 seconds
- ◆ Removal of any restrictions as to the number of people that can use the system at any one time



# A DECADE OF SUCCESS



## 11 Making compensation payments

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In the period between 1 July 2004 and 31 December 2012, RAMI examined 399,678 claims for compensation from victims of road accidents. Of this number, 379,983 claims led to a positive decision, and as a result, the total amount of compensation paid to accident victims in this period was 17,726 million roubles.

Of these payments, 2,043 were compensation to accident victims for bodily injury, and they totalled 75.9 million roubles. About 98% of all compensation payments made came about as a result of the insurance company responsible for the payment losing its license to carry on the insurance business.

RAMI is currently meeting claims for compensation on behalf of 70 insurance companies of whom 9 left the market during 2012.

In 2012, 84,812 claims by accident victims were examined of which 76,171 were agreed with the result that in total 4,327 million roubles was paid to victims.

## Compensation payments

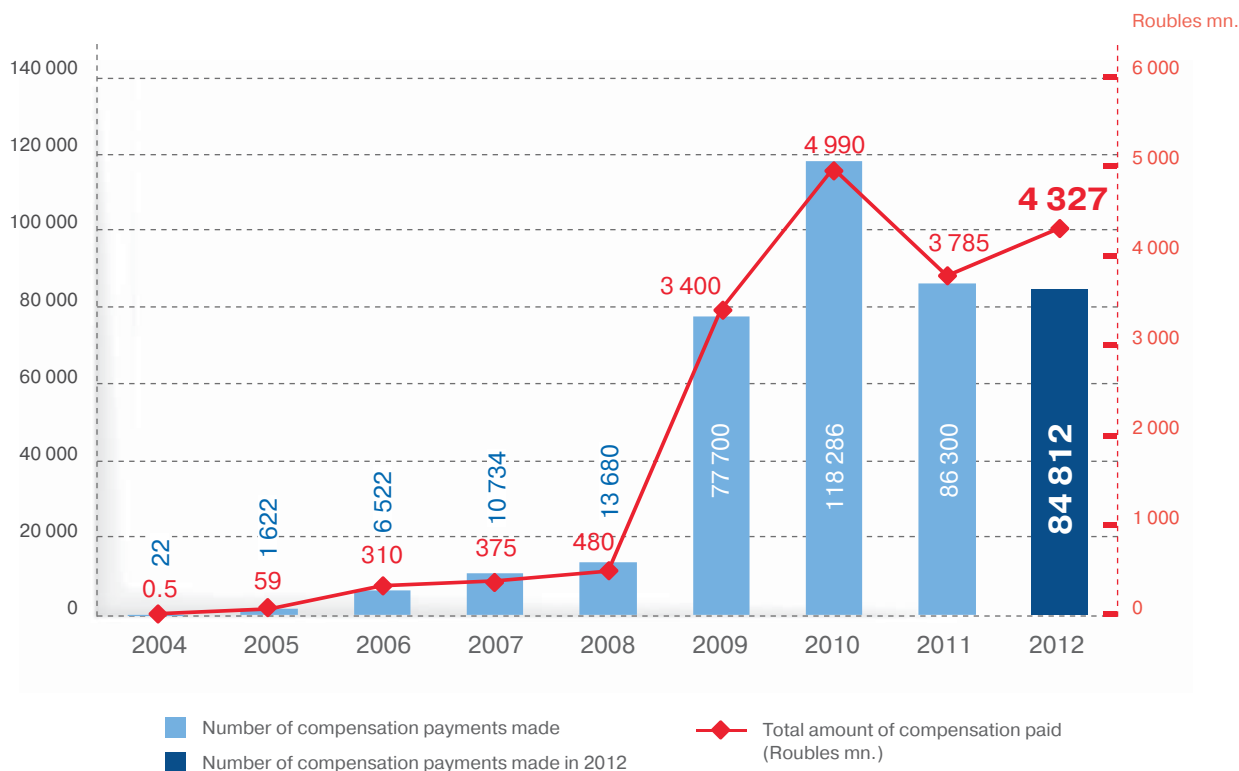


Fig. 26

### Insurance companies that have had their licenses revoked

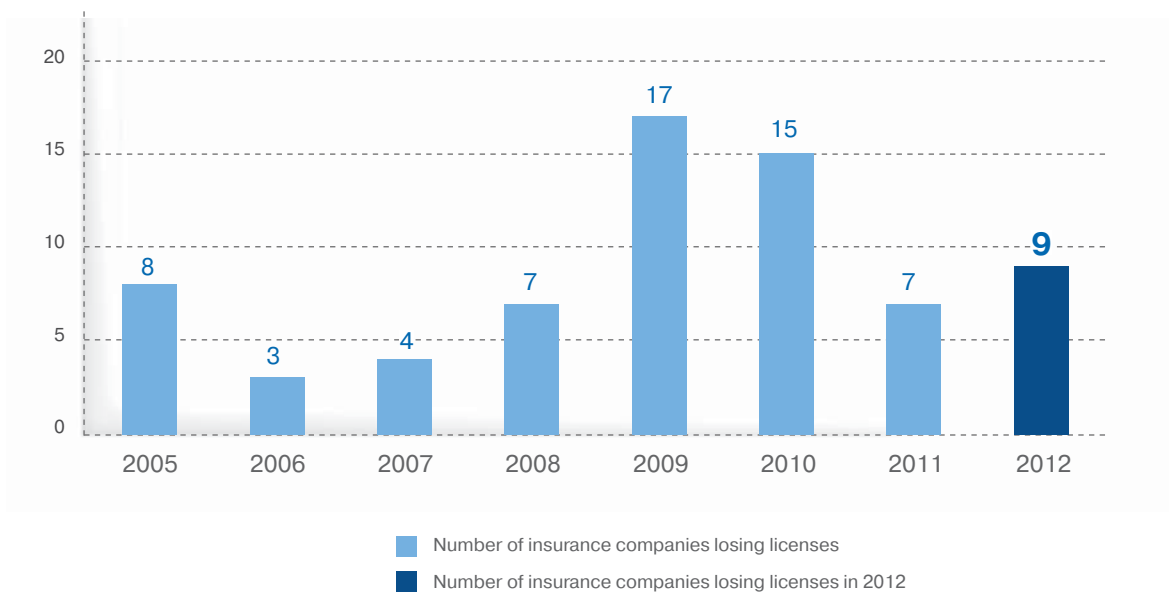


Fig. 27

### Cases decided in 2012

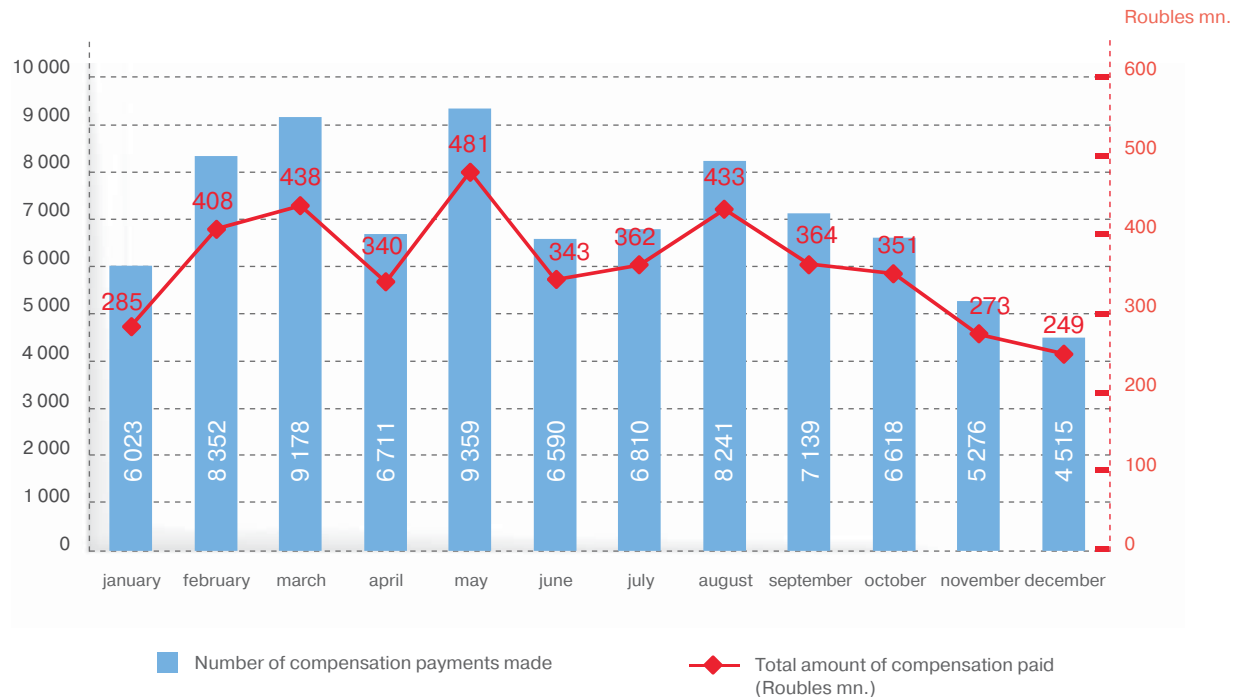


Fig. 28

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**12** Dealing with complaints  
from the public

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RAMI puts considerable effort into complying with the law by dealing with questions and appeals made to the association either in writing or in person by the general public.

Dealing with questions and appeals from the public is an important social duty for RAMI that is for the most part enshrined in the rules of professional conduct.

In 2012, the management of RAMI and its representatives in the federal administrative districts dealt with 9,149 appeals and complaints from the public.

Complaints from the general public are an important channel of communication between insurance companies and their clients. They are an essential source of information which is vital for dealing with issues in problem areas.

The largest source of complaints remains delays by CMTPL insurers in examining and paying claims. Failure of insurance companies to examine and pay claims within a reasonable time was the cause of 47.1% of all complaints against insurance companies, a reduction from 2011, where the corresponding figure was 56.1%.

The breakdown of complaints about RAMI members by type of complaint is shown in the figure below.

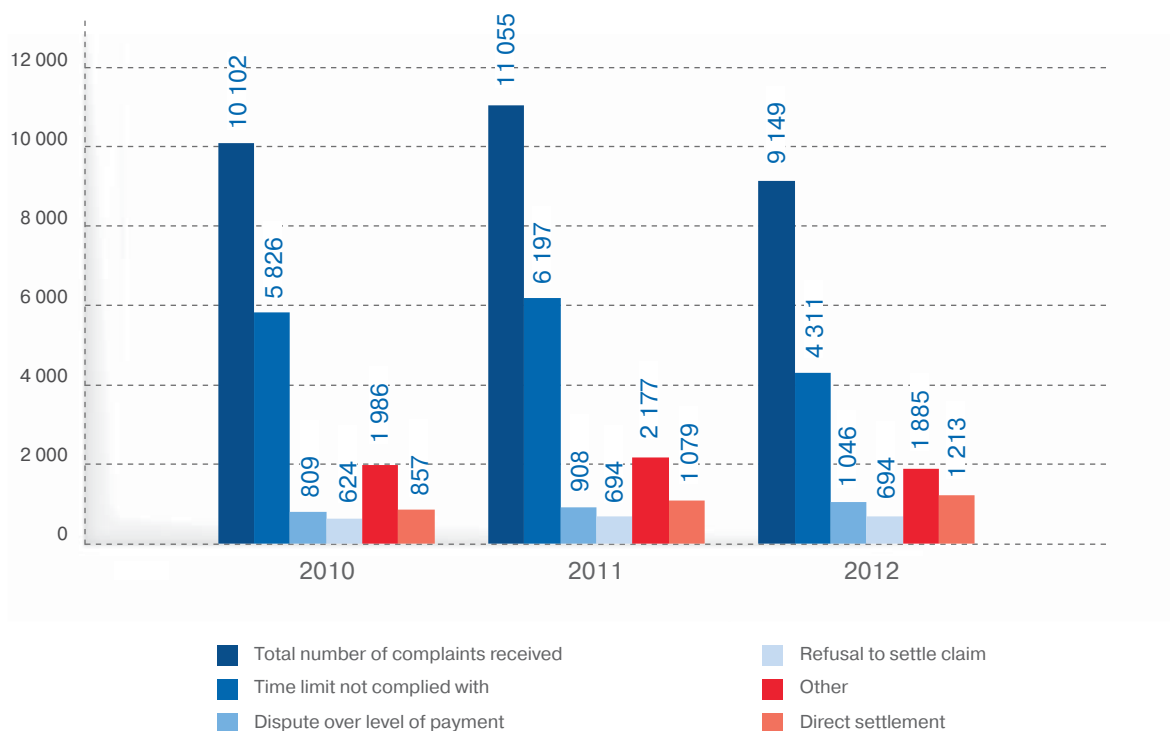


Fig. 29

The main functions of the RAMI call centre are helping the public over questions relating to CMTPL insurance and technical inspections of motor vehicles and providing information about the progress of compensation payments and of complaints sent to the association.

In 2012, the RAMI call centre dealt with 454,739 calls.

### Main topics of calls to the RAMI call centre

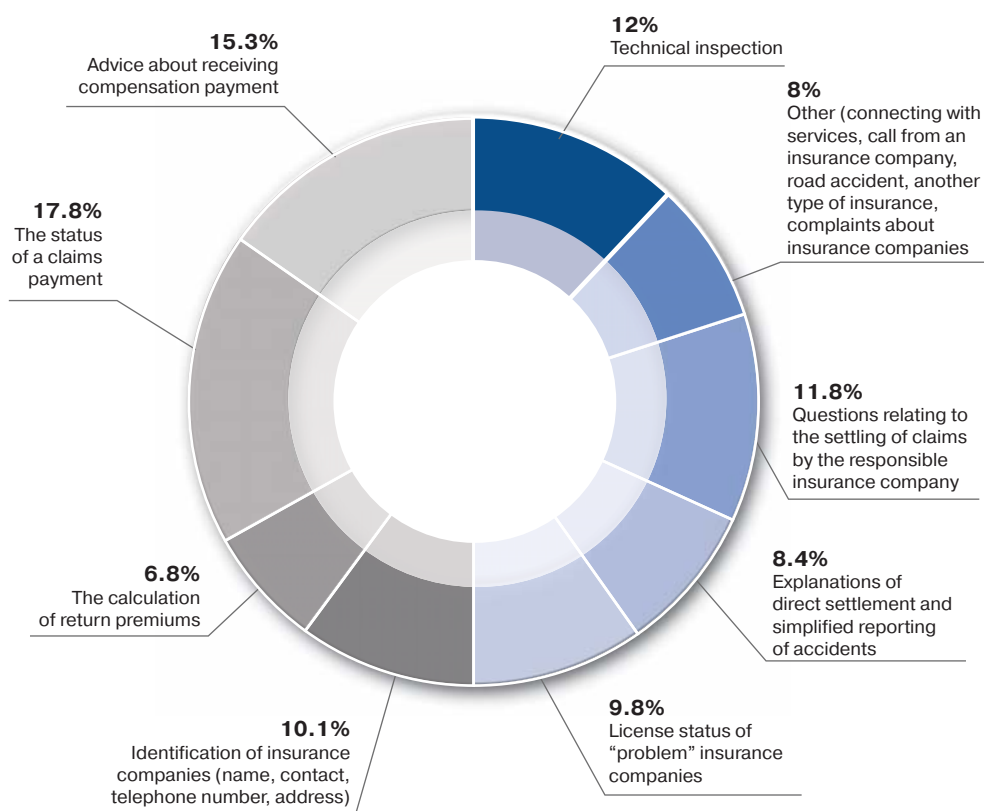
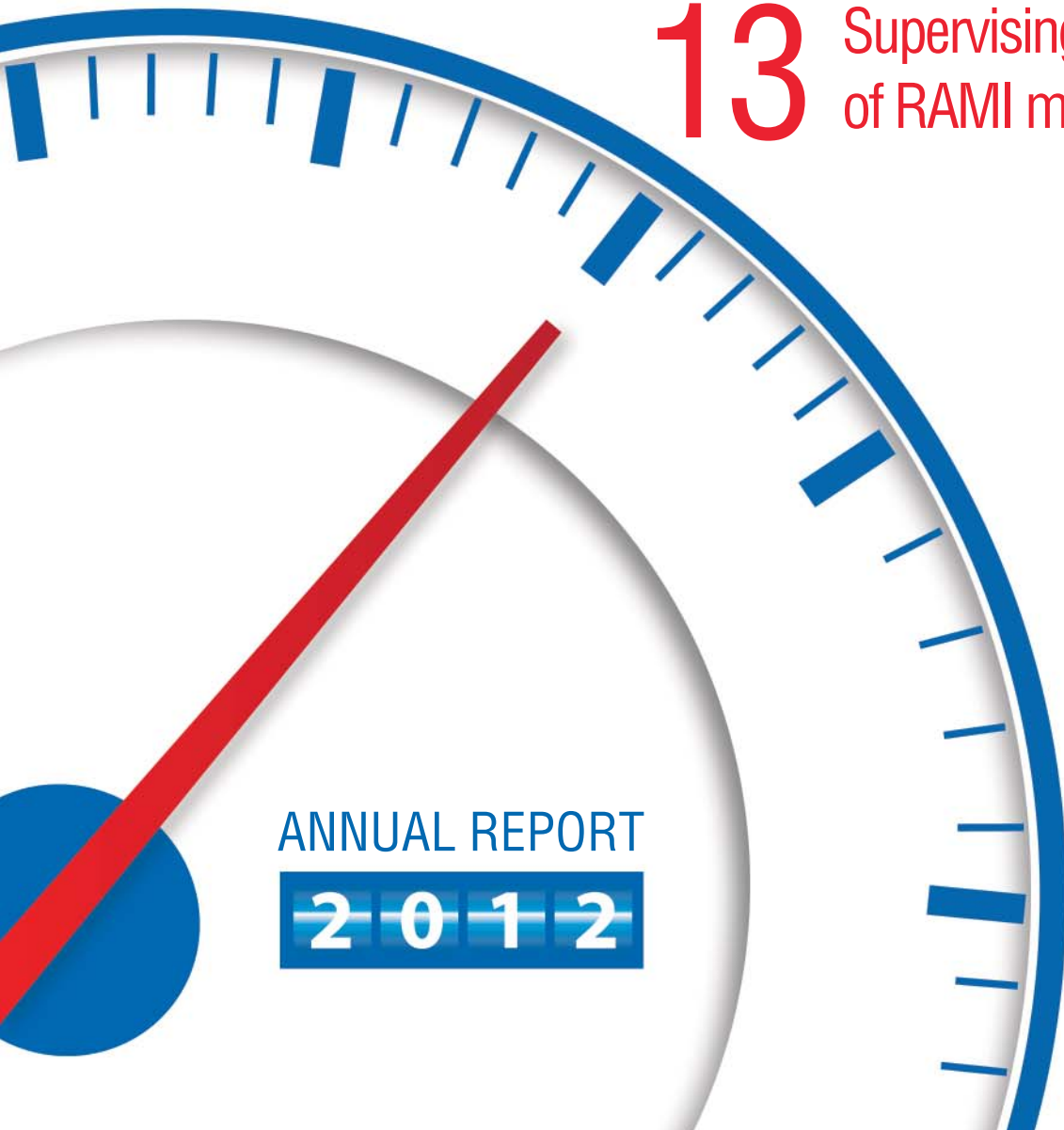


Fig. 30

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**13** Supervising the work  
of RAMI members



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# A DECADE OF SUCCESS

Supervising the work of RAMI members in the CMTPL insurance market is carried out through on-site visits and off-site audit of documents.

In 2012, on-site visits were carried out, following a decision by the RAMI management board, under the rules of professional conduct in circumstances where it was deemed to be necessary for RAMI to react quickly to breaches of the law or of the rules of professional conduct by an insurance company that had been detected in documentary audits. A speedy reaction is important both to ensure that documents can be found and measures can be taken to stop the infractions and to minimise or prevent negative consequences of the infractions for the Association.

Documentary audits of all RAMI members are carried on a continuous basis by monitoring and comparing data submitted by the member companies to the Association and by collecting other data.

As a result of this supervisory and auditing work, in 2012, the decision was taken to take disciplinary action in 468 cases, 402 of which resulted in fines and 66 in a warning.

## Types of rule violations identified during inspections and audits

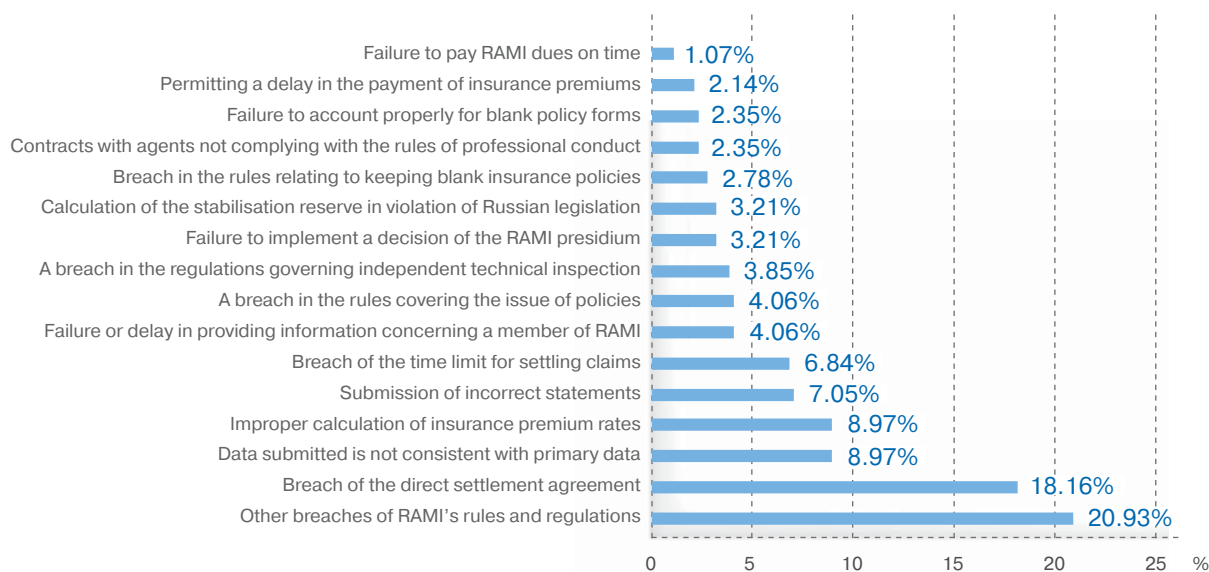
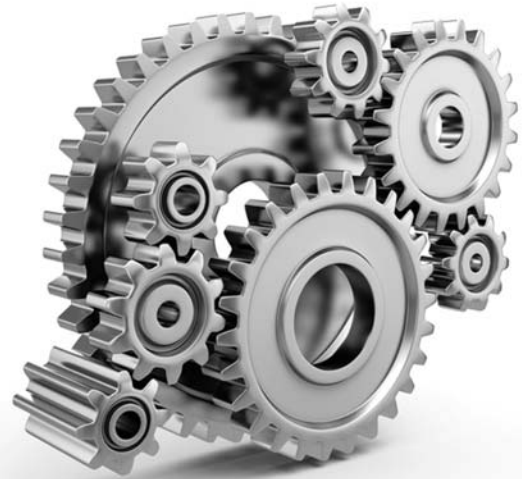


Fig. 31



# A DECADE OF SUCCESS



**14** Working in the courts  
and dealing  
with bankruptcy  
of insurance  
companies

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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 to the victims from the person who caused the injury
- ◆ From insurance companies. RAMI pays compensation to victims when the insurance company responsible for making the compensation payment has lost its license or has commenced bankruptcy

proceedings. In these circumstances, the Association will attempt to recover these sums from the insurance company.

In addition, according to Article 1,102 of the Russian Civil Code, an individual or an organisation that has received compensation without any legal basis, for instance, having been paid twice for the same claim, is obliged to repay to RAMI the amount of money received without a legal basis.

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.

## Dealing with bankruptcy proceedings of companies that have lost their license to carry on the insurance business

In 2012, RAMI was involved in the legal proceedings relating to bankruptcy of 36 insurance companies, 7 more than in 2011.

In total, RAMI has recovered 15.6 million roubles from bankruptcy proceedings, 2.5 million roubles were recovered in 2012 from Northwest Insurance Company, Rosinvest Insurance Company, and Uralros Insurance Company.

In 2012, RAMI applied to have 3.6 billion roubles added to the register of creditors on various proceedings of which 2.5 billion were actually included.

In 2012, application was made by RAMI for current demands in the total sum of 527.2 million Roubles of which arbitration managers awarded as current demands 526 million roubles, part of which arose out of applications made in 2011.

Also in 2012, RAMI took over the temporary administration of two insurance companies (Komfort Insurance Company and Admiral Insurance Company). RAMI did not participate in the temporary administration of two further insurance companies (Aini Insurance Company and Tirus Insurance Company) as these companies had been excluded from membership of the association.

## Debt collection

*Recovering compensation payments made to accident victims in circumstances where the driver that caused the damage has no valid CMTPL insurance policy or the driver is untraced.*

In 2012, RAMI filed claims to recover 5.7 million roubles of which the courts awarded the association 1.5 million roubles. A total of 0.3 million roubles were returned following court decisions and 0.2 million roubles were returned voluntarily.

*Recovering duplicate compensation claims payments through out-of-court settlements and by cancelling the payment.*

In 2012, RAMI recovered 6.4 million roubles in duplicate claims payments.

## Disputes arising out of consumer protection law

On 28 June 2012, the Supreme Court of the Russian Federation decided that the law on consumer protection passed on 7 February 1992 applies to the relationships established by a contract of property insurance except when other special laws apply.

In 2012, RAMI received 175 claims based on the law on consumer protection. In 75 cases, the courts ruled in favour of RAMI because the cases did not fall within the law on consumer protection. The remainder are still before the court.

## Preventing illegal payments

In 2012, RAMI took legal action against claims for compensation based on fictitious assignment of contracts. A contract of assignment is a contract under which a person who has a claim against a third party assigns that claim to another person. RAMI's work in this area has prevented more than 23 million roubles in compensation being paid.

In 2012, 110 contracts of assignment were voided on the grounds that the individual had not concluded the contract and 7.1 million roubles in illegally obtained compensation was retrieved.

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**15** The RAMI court  
of arbitration

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In accordance with the law on CMTPL insurance on 23 December 2010, the presidium of RAMI passed a decree that established under the rules of professional conduct an arbitration court to settle disputes between members. The types of dispute that come under the RAMI Court of Arbitration arise first from the direct settlement of claims when one member of RAMI settles a claim for compensation under a policy of CMTPL insurance issued by another member of RAMI and other disputes involving the rules of professional conduct.

In 2012, improvements to the functioning of the arbitration court were brought in to improve the case flow to reduce the pressure on the arbitrators and to make personnel responsible in the event that the rules and procedures required for the working of the court are not complied with.

In order to reduce the number of breaches of the rules of the court, the following changes were made to the rules and procedures:

1. The rules governing the formation of the list of arbitrators have been changed. Now each member of RAMI can nominate two arbitrators to the court.
2. In terms of the general rules of the court, the limit to the size of claim that can be dealt with individually has been raised from 50,000 roubles to 100,000 roubles.

As a result of these changes, other amendments in the court rules have been introduced:

- a) The rules for the payment of honoraria to arbitrators have been amended to reflect the changes
- b) The rules on court fees and expenses have been amended to show a different level of fees for examining the claim.

In addition to the above changes, the RAMI presidium has required all member companies located in Moscow or in the Moscow region to nominate a candidate who is resident and/or working in Moscow or the Moscow region and who has higher-education legal qualifications to be included in the list of arbitrators of the RAMI arbitration court. In the event that the nominated candidate does not satisfy the above qualifications or if the candidate withdraws or is excluded from the court, the member is required immediately to nominate a replacement.

During the year, it was decided that arbitrators should be held personally responsible in the event that the rules or procedures of the court are not followed during a case which they are hearing. As a result, the following changes were made to the court rules:

1. Under the amended rules relating to the appointment and dismissal of arbitrators, the chairman of the arbitration court has been given the power to pass to the RAMI presidium the question of removing an arbitrator from the list of arbitrators in the event that the arbitrator has received two or more notices to amend a breach of the rules of the arbitration court and/or to desist from breaching the rules of the arbitration court
2. Under the standard service contract agreed with arbitrators, a fine of up to 50% of the arbitrator's honorarium has been introduced if there are delays in dealing with the case.

The result of these changes taken as a whole is that there has been a significant reduction in the number of cases coming before the court, a reduction in the time necessary to prepare cases, an improvement in the effectiveness and timeliness in which the cases are presented to the court for review and thereby a reduction in the time cases take to be concluded.

In addition, the fees that insurance companies have to pay for arbitration have been reduced.

## The work of the arbitration court in 2012<sup>7</sup>

In 2012, 862 claims for arbitration were filed, 104% more than in 2011. All these claims were for repayment of claims for compensation.

Of these claims, 644 were dealt with by the court, an increase of 428% over 2011:

- ◆ In 423 cases, the repayment claim was granted in full
- ◆ In 16 cases, the repayment claim was granted in part
- ◆ In 205 cases, the claim was rejected.

Twenty-seven cases were withdrawn and the claim refused, a figure that is 77% less than in 2011. Of these cases,

- ◆ 6 were withdrawn before the arbitration court was formed
- ◆ 21 were withdrawn after the formation of the arbitration court.

Seventy cases were dismissed due to failure to comply with an order to conclude an out-of-court settlement. These types of cases were 775% greater in 2012 than in 2011.

A total of 138 applications were returned on formal grounds, an increase of 112% over 2011.

<sup>7</sup>. The data include cases held over from 2011.

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**16** Public relations  
and campaigning  
to improve road safety

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**2012**

RAMI carries out a substantial amount of work to ensure that the public is made aware of its activities through the mass media. As part of this programme, the following events were organised:

- ◆ Organised 18 press conferences relating to concrete issues facing RAMI.
- ◆ Organised television programmes on nationwide channels dealing with the work of RAMI in general including programmes about the role of RAMI in meeting compensation claims and in the technical inspection of motor vehicles.
- ◆ Took part in discussions on a number of radio stations including Avto Radio, City FM, Vesti FM, Business FM, and Mayak.
- ◆ Worked with a number of news agencies including ITAR-TASS, RBK, Praim, and RIA Novosti.
- ◆ Published interviews and commentaries with executives and specialists from RAMI and with representatives from insurance companies that are members of the association and who participate in the committees set up to deal with specific issues. These interviews were published in both national and regional publications and in specialist newspapers. They included Vedomosti, Kommersant, Rossiska Gazeta, Izvestiya, Novi Izvestiya, MK, Moscow News, Za Rulyom, Avto Review, Avtomobil, Klakson, Delovoi Peterburg, and Tvoya doroga/make roads safe.
- ◆ Produced reports and took part in programmes on national and local television channels, such as Today, Morning, Main Roads (NTV), Vesti Moscow, Vesti-24, Morning Russia (Rossiya), and Wednesday (First Channel). The association also took part in programmes on other channels such as TVTs, 5th Channel, Ren TV, and Podmoskovie.

Representatives from RAMI took part in the following events:

- ◆ 25–27 January 2012 – A seminar organised jointly by RAMI and the international group TÜV coinciding with the coming into force (on 1 January 2012)

of amendments to the law on technical inspection of motor vehicles. The seminar highlighted the systems of technical vehicle inspection in Germany and France.

- ◆ 11–15 June 2012 – Consultations between members of the RAMI committee on the European Protocol and the French Insurance Federation on improving the system of reporting motor vehicle accidents without the need to provide a police report. Consultations were also held with the Belgian Association of Insurers on direct settlement of insurance claims.
- ◆ 28 June 2012 – X International insurance conference.



- ◆ 17–18 September 2012 – Participation in the XII International Yalta Finance Forum held in Yalta, Ukraine.
- ◆ 27–28 September 2012 – Participated in the fourth international congress (Safe roads for the sake of safe lives) held in St. Petersburg. Representatives of RAMI took part both in the plenary session of the event and in the work of round tables.
- ◆ 10–11 October 2012 – Participated in the 13th European seminar on legislation on roads and driving held in Luxembourg.



- ◆ 29 November 2012 – Web seminar “Current development issues facing the insurance market”.



RAMI also organised events to raise the awareness of road users of the law.

Last year, three major campaigns were organised to improve road safety:

- ◆ A campaign titled “the cost of speed.” This was a campaign aimed at encour-



aging drivers to keep speed limits in order to reduce the number of severe of road accidents caused by drivers breaking the speed limits. As part of this campaign a short film was produced which was shown on national television and in cinemas throughout the country. A series of five short cinema films was also produced titled “Don’t Hurry” which were shown at a number of private events held in major cinemas and in the open in parks. Radio programmes were produced and broadcast as part of this campaign, and much promotional material was produced and banner advertisements were produced for the Internet.

- ◆ A campaign titled “Pedestrians” aimed at reducing the number of people injured when crossing the road at pedestrian crossings or elsewhere. As part of this campaign, a number of short films of 30 or 60 seconds called “Pedestrians” were produced which were shown



on national television and in cinemas throughout the country. Radio programmes were produced and broadcast. Special promotional events were organised in large towns and in schools at which promotional material was distributed. Again, banner advertisements were produced for the Internet.

- ◆ A campaign titled “Child Passengers – 2” aimed at encouraging the use of child seats in cars in order to reduce the number of children injured in car accidents.



This campaign was the continuation of a similar campaign that took place in September to December 2011. Material from the previous campaign was used but adapted to reflect the new theme. Short films “Car Seats for Children!”

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were produced and broadcast on national television and in cinemas throughout the country. Promotional events were organised in large towns which had not been covered in the previous campaign. Radio programmes were produced and broadcast, and banner advertising was produced for the Internet.

As part of each of these campaigns, research was carried out to find out how effective they were in achieving their goal of improving road safety.

In addition to these campaigns, RAMI organised stands at “children’s Villages” to teach children about road safety. These “children’s Villages” were set up at the Moscow International Motor Salon 2012, which took place at the Olympic sports complex and at the fourth international congress entitled “Road Safety for the Sake of a Safe Life.”

Together with the ministry of the interior, RAMI organised the seventh all-Russia competition for radio and television programmes about road safety.

Throughout the year, every edition of the newspaper Good Roads for Children contained an article “Advice from RAMI” containing information for children and teachers aimed at preventing injuries on the road by making them aware of potentially dangerous situations on the roads.

In addition, throughout the year, RAMI continued to produce inserts (Little Zebra) for the magazine Your Roads/Make Roads Safe which include an animated cartoon on a CD and brochures for preschool children (agers from 4 to 7) designed to be viewed by the children reading and for parents to teach children how to obey the highway code.

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## APPENDICES



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# A DECADE OF SUCCESS

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EXTRACT FROM THE OPINION OF THE AUDITORS,  
BDO, ON THE RAMI ACCOUNTS FOR 2012

*In our opinion, the accounts of RAMI reflect accurately in all significant respects the Russian Association of Motor Insurers' financial position as at 31 December 2012 and the results of the association's financial and commercial operations between 1 January and 31 December 2012 inclusive in accordance with the legislation of the Russian Federation in respect to the preparation of accounts.*

*Signed*

*ZAO BDO, Partner, L.V. Efremova  
signed 29 March 2013*

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

15 April 2013  
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 2012 and of the financial results of the Associations operations between 1 January and 31 December 2012 and have been prepared in accordance with the federal law of 6 December 2011 covering the preparation of accounts and the following accounting rules and guidelines: "Accounts of Organisations" (decree PBU 4/99 of the Ministry of Finance, 06/07/99, No 43n), "Accounting rules in the RF" (decree of the Ministry of Finance of the Russian Federation, 29/7/98 no 34n) and also in accordance with the Decree of the Ministry of Finance of the Russian Federation of 2 February 2010 (No. 66n.) ("The format of accounts of organisations")*

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

*The accounts of the use of income and expenditure of RAMI and of the "Green Card Bureau" for 2012 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 2012:*

- 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;*
- The Department for organising technical inspections and certification.*

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

*Chairman of the Internal Control Commission*

*Vitaly A Poltavetsev*

*Member of the Internal Control Commission*

*Vasily V Akulov*

*Member of the Internal Control Commission*

*Igor V Zagradka*

*Member of the Internal Control Commission*

*Kirill K Brovkvovich*

*Member of the Internal Control Commission*

*Nikolai F Galaguza*

## Glossary – abbreviations used in the text

- ◆ RAMI – The Russian Association of Motor Insurers
- ◆ CMTPL insurance – Compulsory Motor Third Party Motor Insurance

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RUSSIAN ASSOCIATION OF MOTOR INSURERS

