



# ON COURSE FOR MAKING OUR ROADS SAFER



# ANNUAL REPORT 2013



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2013

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## Glossary of terms used in the text of this report

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- RAMI – The Russian Association of Motor Insurers;
- CMTPL insurance – compulsory motor third party liability insurance;
- Compulsory medical insurance – the state funded system of basic medical provision for the population;
- The department of road safety, MVD – The department in the Ministry of the interior of the Russian Federation responsible for road safety;
- The CMTPL insurance law – The Federal law No. 40-FZ of 25 April 2002 entitled ‘On compulsory insurance of the liabilities of drivers of motor vehicles’;
- Bonus malus coefficient – the basis of calculation of premium tariffs for CMTPL insurance taking into consideration the driving and claims record of the driver;
- Direct settlement of CMTPL claims – a procedure where the driver of a car that was damaged in an accident but was not responsible for the accident applies to his own insurance company for compensation. Subsequently this insurance company reclaims the amount paid from the company that insured the driver of the car that was responsible for causing the accident.



# 1 The Russian Association of Motor Insurers

Russian Association of Motor Insurers

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

The Association was founded on 8 August 2002 by 48 insurance companies and 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 Insurance (CMTPL) are obliged to belong.

Between 1 July 2003 and 31 December 2013, more than 366 million CMTPL insurance contracts were issued generating a total premium volume of 463 billion Roubles. RAMI administers a fund that pays the financial obligations of insurance companies that have either become bankrupt or have had their license withdrawn. Since this fund's creation it has paid out 20.4 billion Roubles. The Association, since its foundation has examined 70,000 complaints from accident victims or from those holding insurance policies.

In 2009, Russia joined the international motor insurance Green Card system (hereinafter – Green Card System) and by order of the Government of the Russian Federation, RAMI set up the Green Card Bureau. In the five years since adherence to Green Card System, more than 8.6 million of Green Cards have been issued.

In March 2011, an arbitration court under the auspices of RAMI began work, the object of which was to produce out of court settlements of disputes that arise between insurance companies, as well as between insurance companies and RAMI.

In November 2013, RAMI entered into discussions with the International Motor Vehicle Inspection Committee (Comité international de l'inspection technique automobile, CITA), during the course of which the international committee expressed the view that RAMI should join CITA as

a full member. CITA positions itself as an international association of both public and commercial organisations that either carry out the compulsory technical examination of motor vehicles or authorise and supervise the organisations that carry out such examinations.

For many years, RAMI has worked closely with the department of road safety of the Russian Ministry of the interior to develop a concrete programme to improve the safety of Russian roads. Together with the State vehicle inspection service, the Association has developed a number of programmes of information which include, amongst others, publicity aimed at encouraging the use of seat belts, at preventing driving under the influence of alcohol, keeping to speed limits and driving carefully at night. RAMI was created and operates in conformity with the Federal law, passed on 25 April 2002, that set up the system of compulsory motor third party liability insurance. The Association has the legal status of a professional association of insurance companies.

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

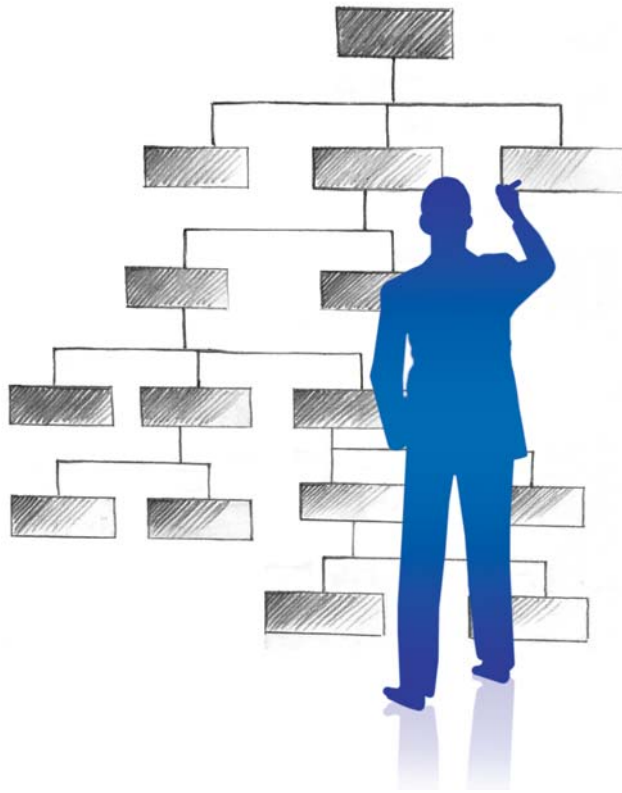
- 1) bringing together its members so that they can act collectively as insurers carrying on CMTPL insurance and developing, introducing and enforcing rules for RAMI and its members that govern the conduct of their professional activities;
- 2) protecting the interests of its members in relation to CMTPL insurance at the level of the national government, in local government and in other bodies and organisations;
- 3) making compensation payments to 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 to its members 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) co-ordinating the activities of its members in their fight against insurance fraud and other illegal activities insofar as they affect CMTPL insurance and 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 Green Card System;
  - 10) co-operating with members of Green Card System and performing the various functions that are required by the system;
  - 11) developing international contacts and co-operation in the interests of the membership;
  - 12) collecting, collating and analysing data including statistics on CMTPL insurance;
  - 13) in accordance with legislation relating to the technical inspection of transport vehicles, authorising technical inspection centres and maintaining a register of those technical inspections that have been authorised;
  - 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 2013, RAMI had 108 insurance organisations in its membership, of which 101 were full members and 7 were observer members. During 2013, five members left the Association and three joined.





## 2 The management and organisational structure of RAMI

Russian Association of Motor Insurers

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## The Internal Audit Commission



Figure 1

The body that implements financial and operational control over the work of the Association is the **internal audit commission**. On 20 May 2013 the General meeting of members of the Association appointed the following people to the RAMI internal audit commission:

Table 1

## MEMBERS OF THE INTERNAL AUDIT COMMISSION

|   |                   |  |
|---|-------------------|--|
| 1 | Vasili Akulov     | First Deputy General Director,<br>Metroton Insurance Company         |
| 2 | Kirill Brovkovich | General Director,<br>Transneft Insurance Company                     |
| 3 | Nikolai Galaguza  | Chairman of the Board of Directors, MSTs                             |
| 4 | Igor Zagradka     | Chairman of the Board of Directors,<br>Megarus – D Insurance Company |
| 5 | Vitali Poltavtsev | Advisor to the Management Board, NSG                                 |

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

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

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

- The ten highest ranked companies can each nominate one member to the presidium;
- No more than seven members of the presidium are to be chosen from candidates put forward by companies that are placed from 11 to 30 in the ranking;
- No more than three members of the Presidium are to be chosen from candidates put forward by companies that are not placed in the 30 highest ranking companies.



On 20 May 2013, the General meeting of the Association appointed the presidium. As of 31 December the membership of the presidium was as follows:

Table 2

## THE RAMI PRESIDIUM

|    |                      |   |
|----|----------------------|---|
| 1  | Pavel B Bunin        | President RAMI  |
| 2  | Nadezhda V Arshinova | General Director<br>21 <sup>st</sup> Century Insurance Company  |
| 3  | Aleksei S Bakirei    | Director of the Department of State policy<br>towards automobiles and urban transport,<br>Ministry of Transport of the Russian Federation |
| 4  | Sergei V Barsukov    | Director of the Department of financial policy,<br>Ministry of Finance of the Russian Federation  |
| 5  | Aleksei V Bobilev    | General Director<br>Moskovsky Insurance Company   |
| 6  | Nikolai V Galushin   | First Deputy Chairman<br>SOGAZ  |
| 7  | Alexander E Gorin    | Deputy General Director<br>AlfaStrakhovanie Insurance Group   |
| 8  | Sirma G Gotovats     | General Director<br>UralSib Insurance Group   |
| 9  | Sergei I Efremov     | Managing Vice President<br>MSK Insurance company  |
| 10 | Andrei A Zernov      | General Director<br>Energogarant Insurance Company  |
| 11 | Boris A Jordan       | President<br>Renaissance Insurance Group  |
| 12 | Viktor N Kiryanov    | Deputy Minister<br>of the Interior of the Russian Federation  |
| 13 | Nikolai I Klekovkin  | General Director<br>Zurich Insurance Company  |
| 14 | Arkadi M Lyubavin    | General Director<br>YuzhUral-ASKO Insurance Company   |
| 15 | Dmitri E Markarov    | First Vice President<br>Rosgosstrakh  |

Table 2

## THE RAMI PRESIDIUM

|    |                       |   |
|----|-----------------------|---|
| 16 | Nadezhda B Martyanova | General Director<br>MAKS  |
| 17 | Alexander V Merenkov  | General Director<br>Severnaya Kazna                               |
| 18 | Mikhail A Motorin     | First Deputy General Director,<br>Finance Director, VTB Insurance |
| 19 | Oleg S Ovsyanitskiy   | General Director<br>VSK   |
| 20 | Dmitri V Pankin       | Deputy Minister<br>of Finance of the Russian Federation           |
| 21 | Dmitri V Popov        | First Deputy General Director<br>Allianz Insurance Company        |
| 22 | Dmitri G Rakovshik    | General Director<br>RESO-Garantiya Insurance Company              |
| 23 | Sergei V Savosin      | President<br>Soglasie Insurance Company                           |
| 24 | Viacheslav A Uryupin  | General Director<br>Surgutneftegaz Insurance Company              |
| 25 | Igor S Yamov          | Deputy General Director<br>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 2013, 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 co-ordinates the day to day business of the Association. The Management Board reviews issues referred to it under the Charter of the Association, by the rules that govern professional conduct of members and by other internal documents. The Presidium may also refer issues to the Management Board.



As at 31 December 2013, the Management board had the following members:

Table 3

## THE RAMI MANAGEMENT BOARD

|   |                     |   |
|---|---------------------|---|
| 1 | Pavel B Bunin       | President RAMI  |
| 2 | Nikolai V Galushin  | First Deputy Chairman SOGAZ                                 |
| 3 | Alexander E Gorin   | Deputy General Director<br>AlfaStrakhovanie Insurance Group |
| 4 | Dmitri E Markarov   | First Vice President Rosgosstrakh                           |
| 5 | Oleg S Ovsyanitskiy | General Director VSK  |
| 6 | Dmitri V Popov      | First Deputy General Director Allianz                       |
| 7 | Sergei E Sarkisov   | President RESO-Garantiya                                    |
| 8 | Dmitri I Timokhin   | General Director MSK  |
| 9 | Igor S Yamov        | Deputy General Director Ingosstrakh                         |

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

## RAMI COMMITTEES AND COMMISSIONS

|    |   |
|----|---|
| 1  | The information technology committee  |
| 2  | The committee for independent technological inspections                                   |
| 3  | The insurance methodology committee   |
| 4  | The committee for developing claims settlement procedures and the European Protocol       |
| 5  | The tariffs, statistics and reserving committee   |
| 6  | The finance committee   |
| 7  | The committee for calculating bodily injury damages                                       |
| 8  | The committee for combating insurance fraud   |
| 9  | The committee for legal issues  |
| 10 | The public relations committee  |
| 11 | The committee for organising the system of technical inspection of motor vehicles         |
| 12 | The committee for settling claims between physical damage insurers and liability insurers |
| 13 | The disciplinary commission   |
| 14 | The certification commission  |



# 3

## Compulsory insurance: 2013 in figures

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## Vehicle numbers 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. In 2013, whilst this growth in vehicle numbers occurred, there was a reduction in the number of victims of road accidents.

The data relating to the increase in vehicle numbers in Russia between 2004 and 2013<sup>1</sup> are set out in Table 5 and figure 2 below.

Table 5

|  | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
|--|------|------|------|------|------|------|------|------|------|------|
| Total number of vehicles on the road (mn.) | 35.8 | 36.9 | 38.0 | 40.8 | 43.5 | 44.4 | 45.7 | 47.9 | 50.5 | 53.3 |
| Increase (mn.)                             |      | 1.1  | 1.1  | 2.8  | 2.7  | 0.9  | 1.3  | 2.2  | 2.6  | 2.8  |
| Growth (%)                                 | 1.4% | 3.1% | 3.0% | 7.4% | 6.6% | 2.1% | 2.9% | 4.8% | 5.3% | 5.6% |

Between 2004 and 2013 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 and by 2.9% in 2010). From 2011 the rate of growth increased – in 2011 the growth rate was 4.8% and in 2012 it was 5.3%. In 2013, the number of vehicles grew by 5.6% which was a growth of 2.8 million vehicles. The main cause of this growth an increase in the number of vehicles sold.

<sup>1</sup> Data provided by the department of road safety of the ministry of the interior.



Figure 2

Figure 3 shows the structure of the vehicle fleet in the Russian Federation in 2013<sup>2</sup>.

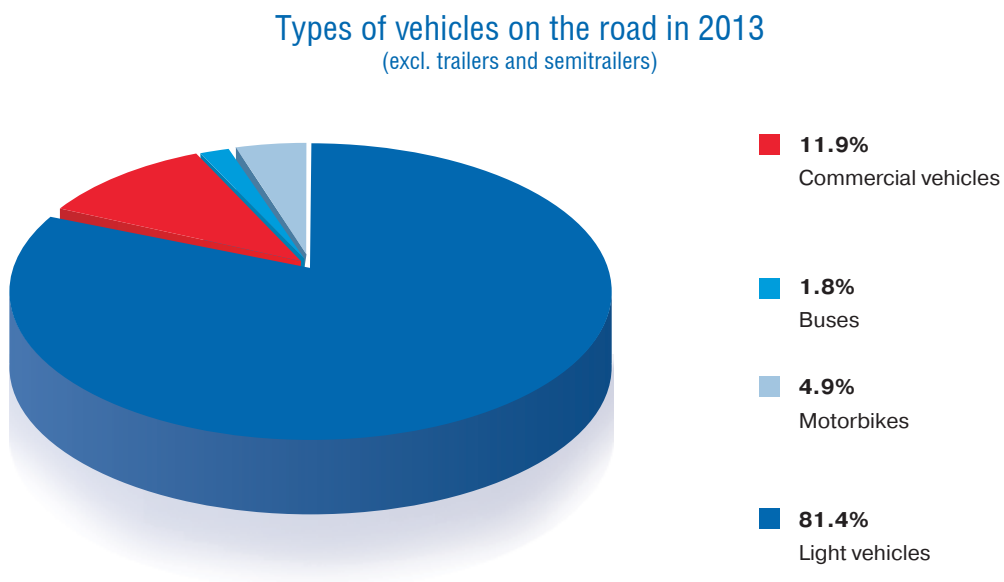


Figure 3

<sup>2</sup> Data provided by the department of road safety of the ministry of the interior.



In 2013 there were no major changes to the structure of the vehicle fleet. The share of light vehicles in the total increased from 80.9% to 81.4%. The share of commercial vehicles was stable at 11.9% whilst the share of motor cycles reduced (from 5.2% to 4.9%) as did that of public transport vehicles (from 1.9% to 1.8%). In comparison with 2012, the number of light vehicles increased by 6.4% and commercial vehicles by 5.4%. There was a reduction in the number of motor cycles by 0.5% and public transport vehicles by 4.1%.

The growth in vehicle numbers up to 2013 was accompanied by a growth in the number of CMTPL insurance policies issued in every year other than in 2009, when there was a reduction of 4.2% in the number of policies issued. In 2013, 42.7 million CMTPL policies were issued, an increase of 4.5% over 2012. Figures 4.1 and 4.2 set out the relationship between the growth in vehicle numbers and the volume of CMTPL policies issued.

## Vehicle numbers and CMTPL insurance policies issued

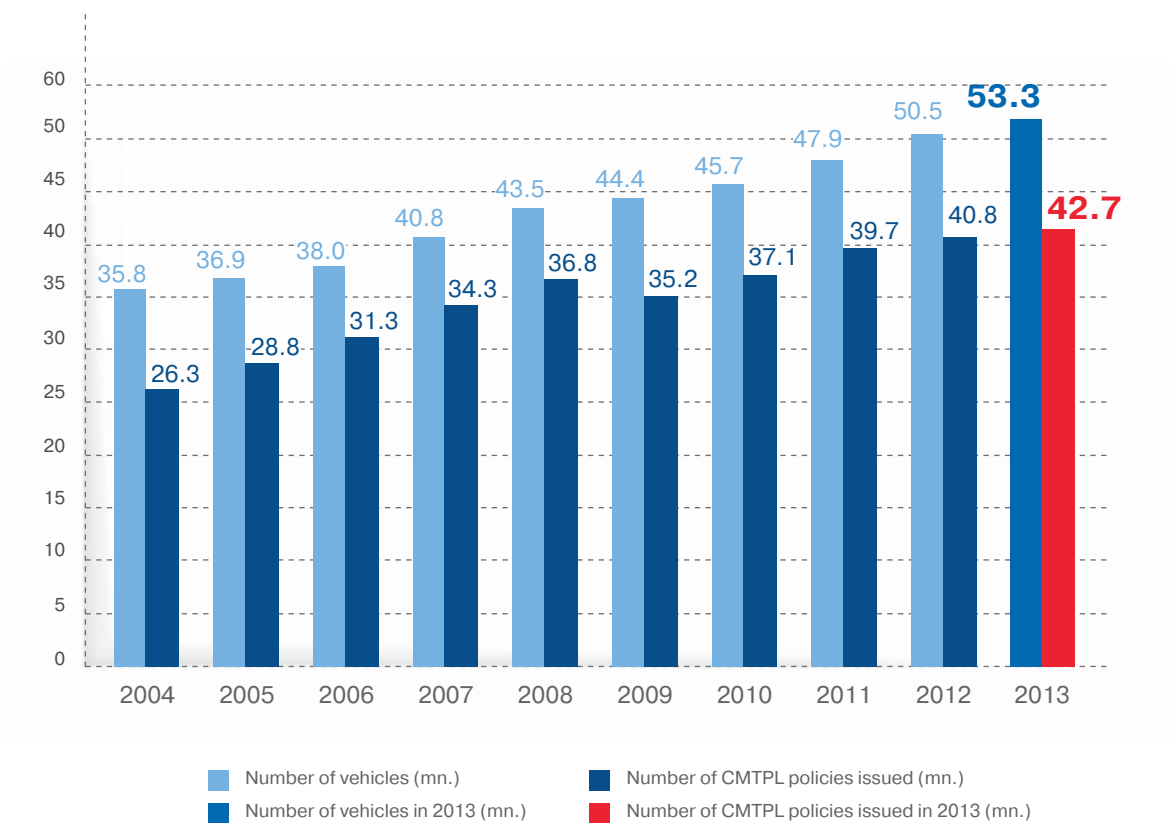


Figure 4.1

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

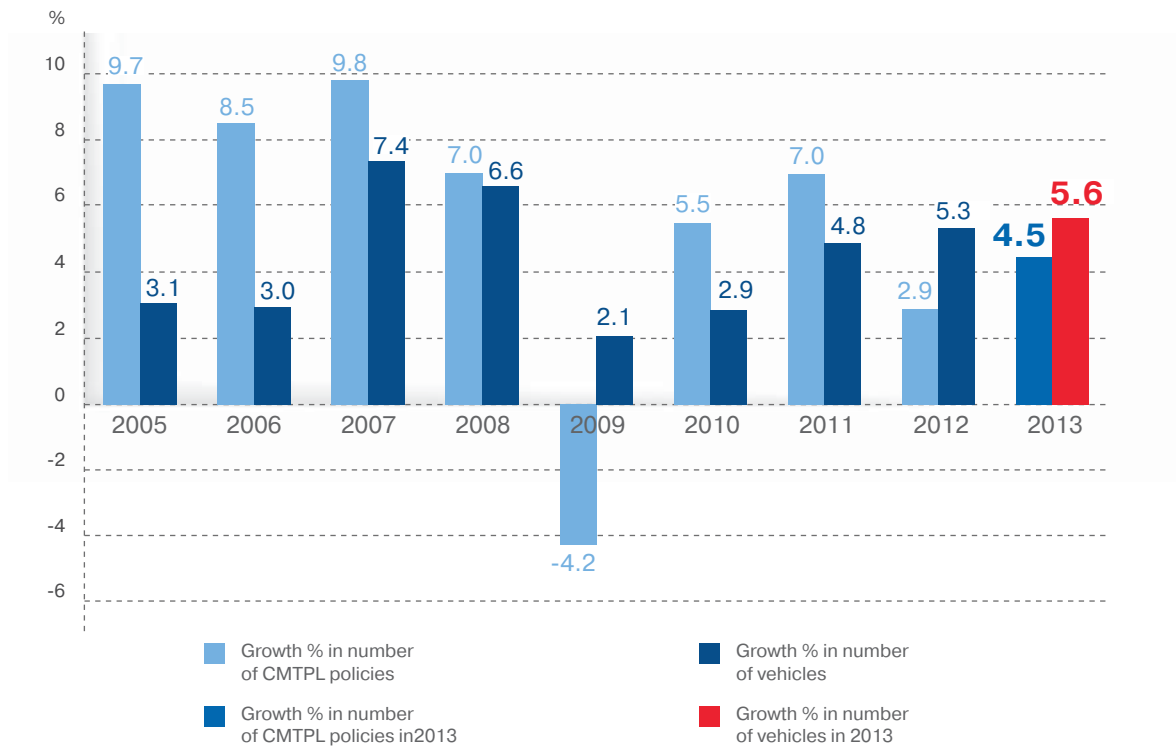


Figure 4.2



In 2013, the number of road accidents increased by 0.2% over the previous year which resulted in 500 more accidents in 2013 than in 2012 (figure 5).

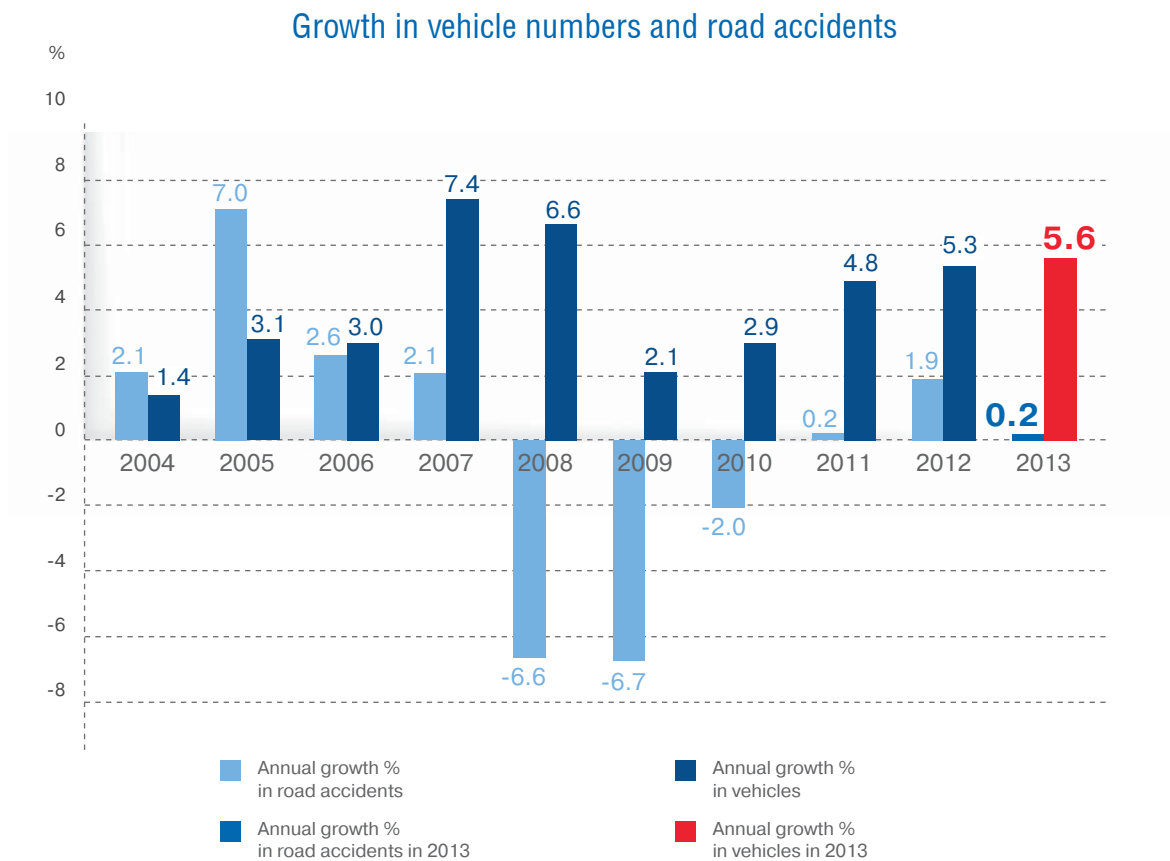


Figure 5

The total number of people suffering bodily injury from accidents in 2013 reduced by 0.4%: In 2012, there were 286,600 road accident victims whilst in 2013 this figure reduced to 285,500. Within these figures, the numbers injured fell by 0.1% whilst the number of fatalities fell by 3.5%. Figure 6 sets out the figures for bodily injuries in road accidents between 2004 and 2013<sup>3</sup>.

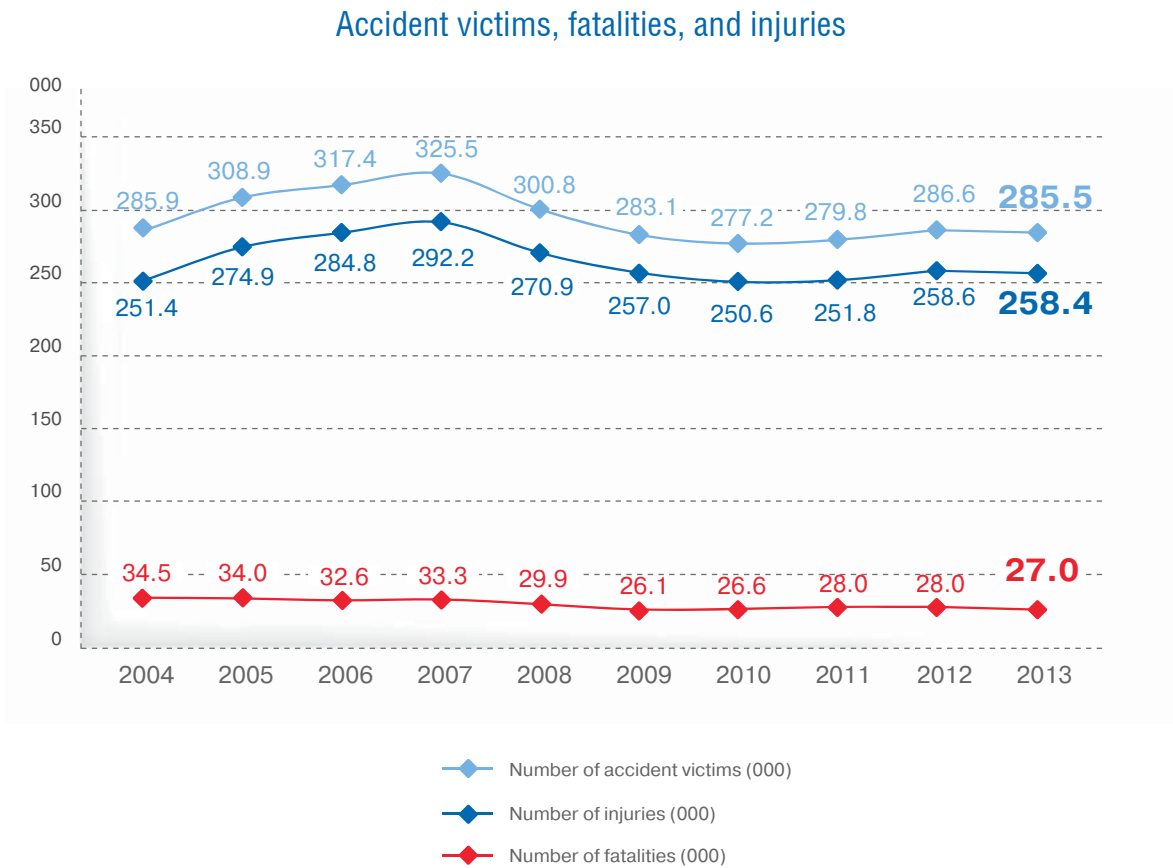


Figure 6

<sup>3</sup> Data provided by the department of road safety of the ministry of the interior.



Despite the relatively slow growth in road accidents causing bodily injury, the number of claims made under CMTPL insurance policies grew substantially (figure 7). The cause of this growth was in the first place the growth in the actual number of accidents where on vehicle damage was caused. In addition there was a growth in the propensity of road accident victims to use the CMTPL insurance system to seek compensation.

### Number of road accidents and reported claims

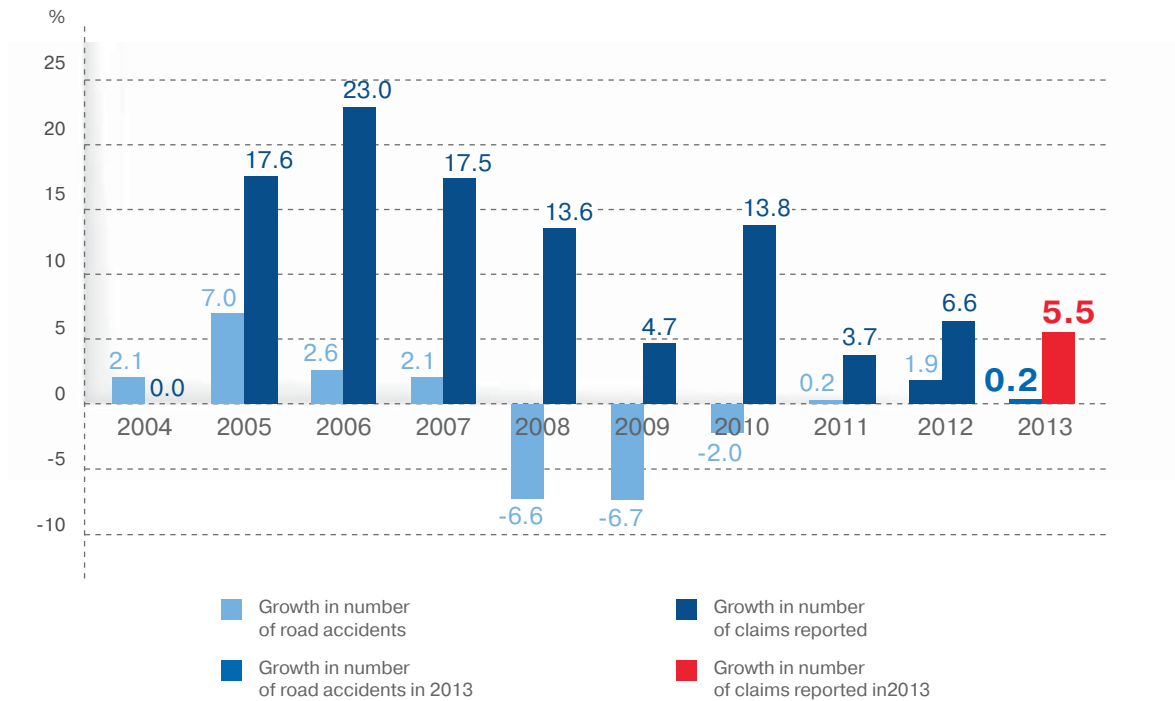


Figure 7

## The CMTPL insurance market

Between 1 July 2003 and 31 December 2013, more than 366 million CMTPL policies were issued, more than 19 million victims of accidents received compensation for damage caused by road accidents and the total sum paid out to these victims was more than 463 billion Roubles.

In 2013:

- 42.7 million policies were issued;
- Insurance companies received 135.1 billion Roubles in premiums;
- 2.75 million claims for compensation were made;
- 2.7 million claims were settled;
- The total amount of claims paid was 78.1 billion Roubles.

Data of premiums and claims are set out in figure 8.

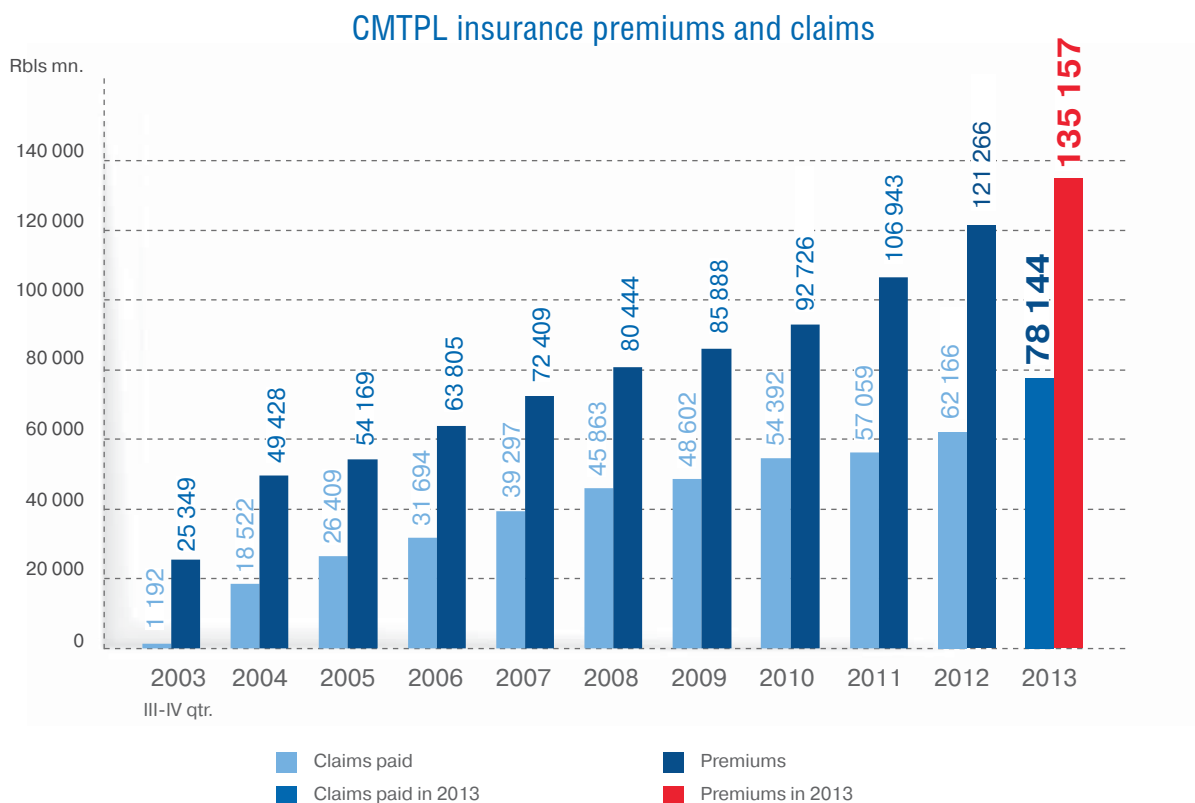


Figure 8





In 2013, for every 100 Roubles of CMTPL premium collected in Russia, 57.8 Roubles was paid out in claims payments.

The statistics of premiums and claims are set out in Table 6. It can be seen that in 2013, claims paid increased at the high rate of 25%, whilst premiums grew by only 11.4%.

Table 6

|                                | 2005 /<br>2004 | 2006 /<br>2005 | 2007 /<br>2006 | 2008 /<br>2007 | 2009<br>2008 | 2010 /<br>2009 | 2011 /<br>2010 | 2012 /<br>2011 | 2013 /<br>2012 |
|--------------------------------|----------------|----------------|----------------|----------------|--------------|----------------|----------------|----------------|----------------|
| Growth in insurance premiums % | 9.6%           | 17.8%          | 13.5%          | 11.1%          | 6.8%         | 8.0%           | 15.3%          | 13.4%          | 11.4%          |
| Growth in claims paid %        | 42.6%          | 20.0%          | 24.0%          | 16.7%          | 6.0%         | 11.9%          | 4.9%           | 8.9%           | 25.7%          |

One of the main causes of the growth in claims payments in 2013 was the increasing use by CMTPL claimants of the Federal law, passed in 1992 which was aimed at protecting the rights of consumers (figure 9). Thus in 2013 the number of accident victims making claims was 2.7 million and increased by 5.5% over 2012, whilst the number of CMTPL policies issued grew by 4.5%.

## Accident victims receiving compensation and amount paid

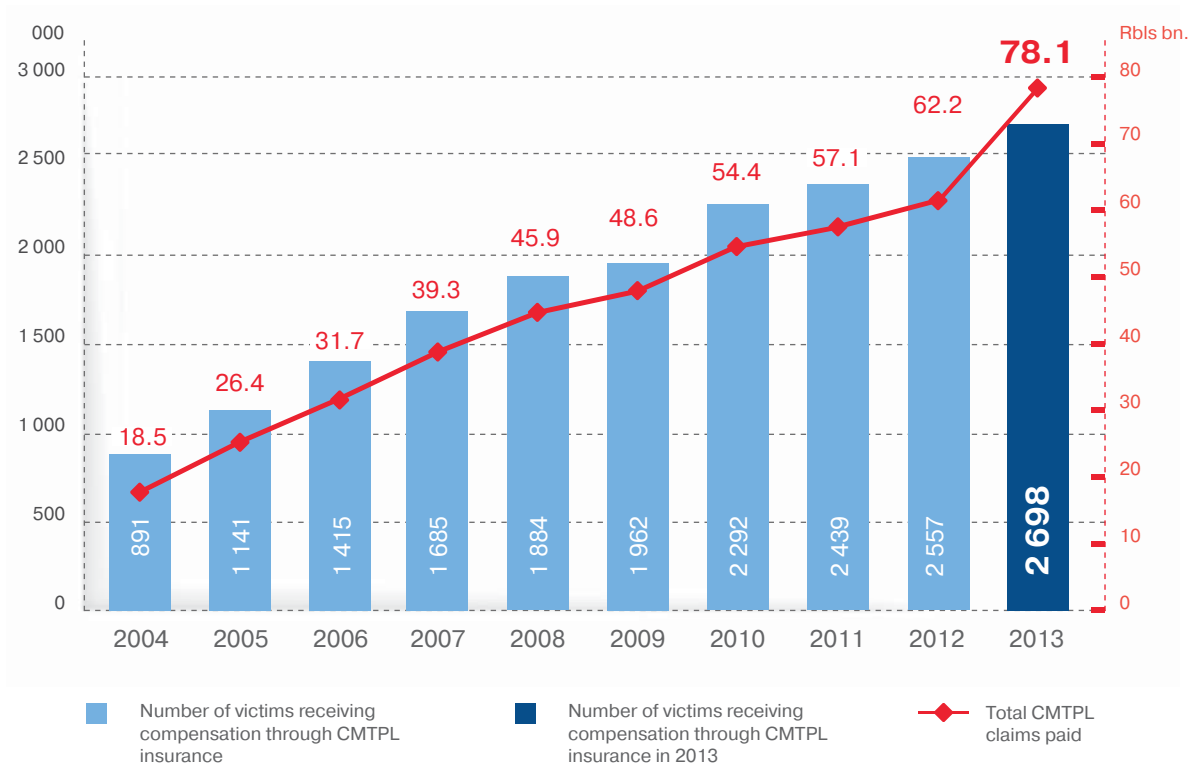


Figure 9



Figure 10 sets out the changes in the average CMTPL insurance claim.

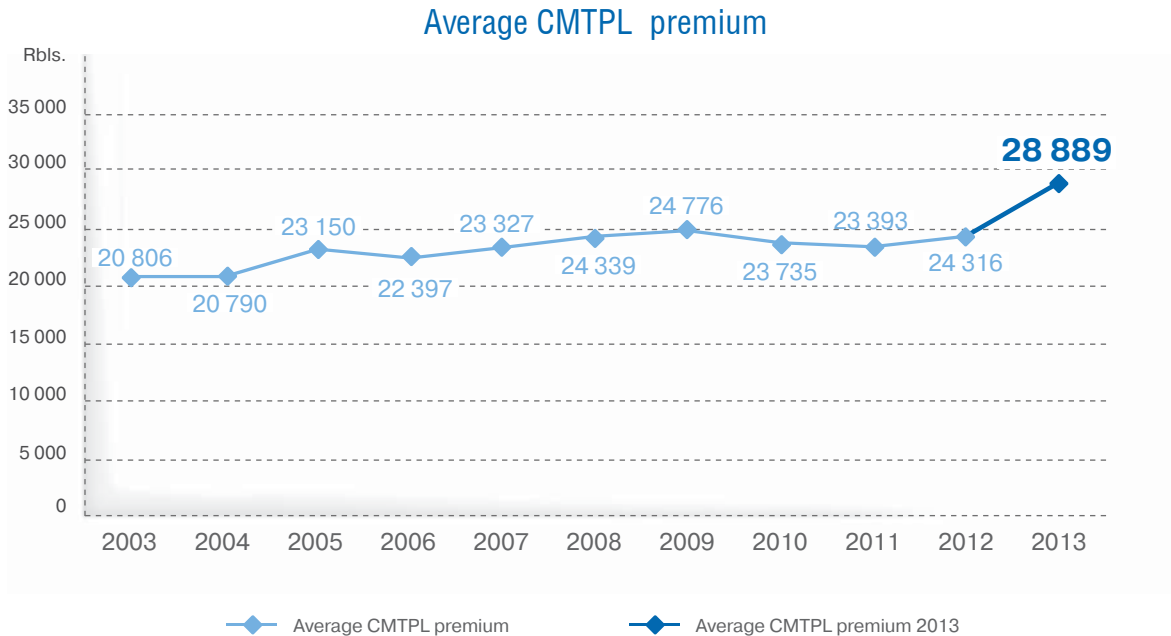


Figure 10

In 2013, work was carried out to collect and collate information relating to claims made between CMTPL and motor physical damage insurers. It should be noted that in 2013 the amount of such mutual claims between insurers that are members of RAMI reduced by 28%, from 2.315 bn. Roubles to 1.657 bn. Roubles.

Figure 11 sets out the data of such mutual claims:

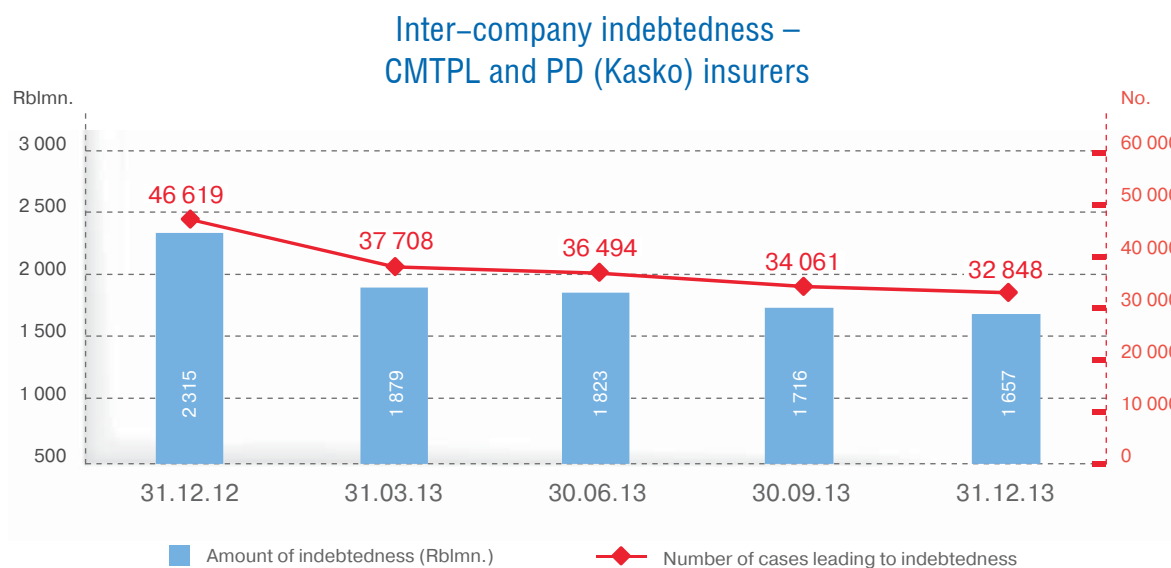


Figure 11

Since the inception of the CMTPL insurance scheme, the average premium has increased substantially from 1,880 Rubles to 3,169 Rubles. However, if inflation is taken into account, the real inflation adjusted value of the CMTPL insurance premium has reduced by 33.3% (Figure 12).

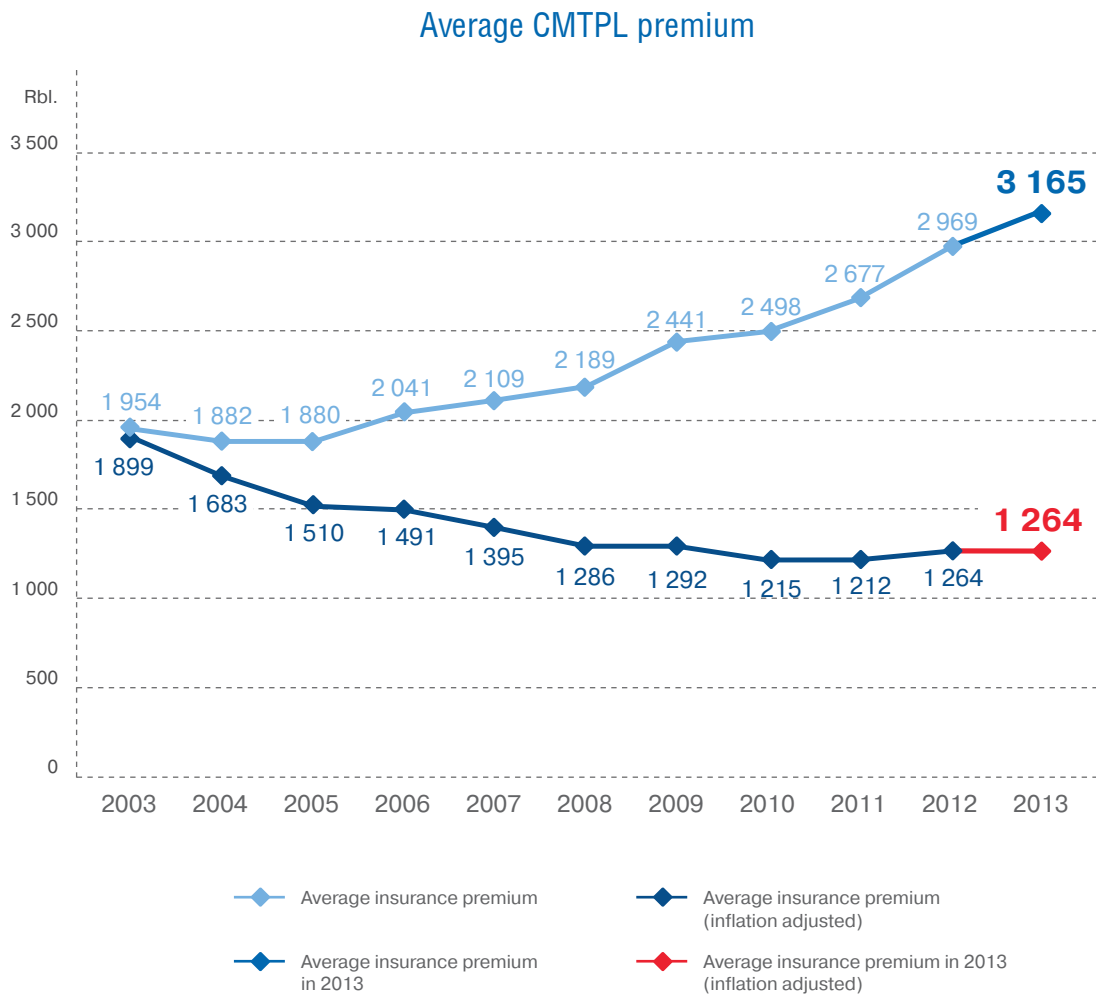


Figure 12



Figure 13 sets out the ten leading regions in terms of CMTPL insurance claims paid by insurance companies.

### Leading regions of Russia for CMTPL insurance claims payments (2013 год)

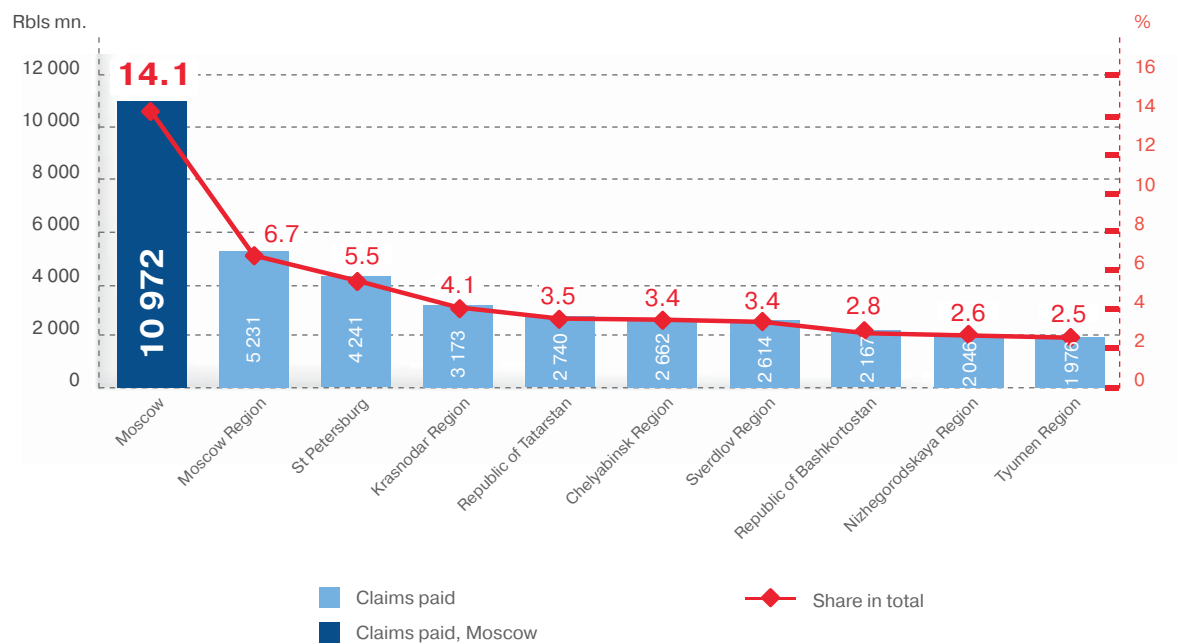


Figure 13

In 2013, Moscow city was the leading region in terms of CMTPL claims paid – 10.972 bn. Roubles (14.1% of the total). The Moscow Region followed with 5.231 bn. Roubles (6.7% of the total), after which came St Petersburg with 4.241 bn. Roubles (5.5% of the total).

Total claims payments between 1.9 bn. Roubles and 3.2 bn. Rouble (2.5% – 4.1% of the total) were made in :

- Krasnodar Region (3.173 bn. Roubles);
- the Republic of Tatarstan (2.740 bn. Roubles);
- Chelyabinsk Region (2.662 bn. Roubles);
- Sverdlovsk Region (2.614 bn. Roubles);
- the Republic of Bashkortostan (2.167 bn. Roubles);
- Nizhegorodskaya Region (2.046 bn. Roubles);
- Tyumen Region (1.967 bn. Roubles).

In terms of the Federal Administration Regions, without doubt the leading region in terms of premiums and claims was the Central Region. Insurers in the Central region collected 48.033 bn. Roubles in CMTPL premiums in 2013 (35% of the total) and paid out 25.571 bn. Roubles in claims (32.96% of the total). Figures 14 and 15 set out the data for 2013 derived from RAMI's statistical form 2-RSA.

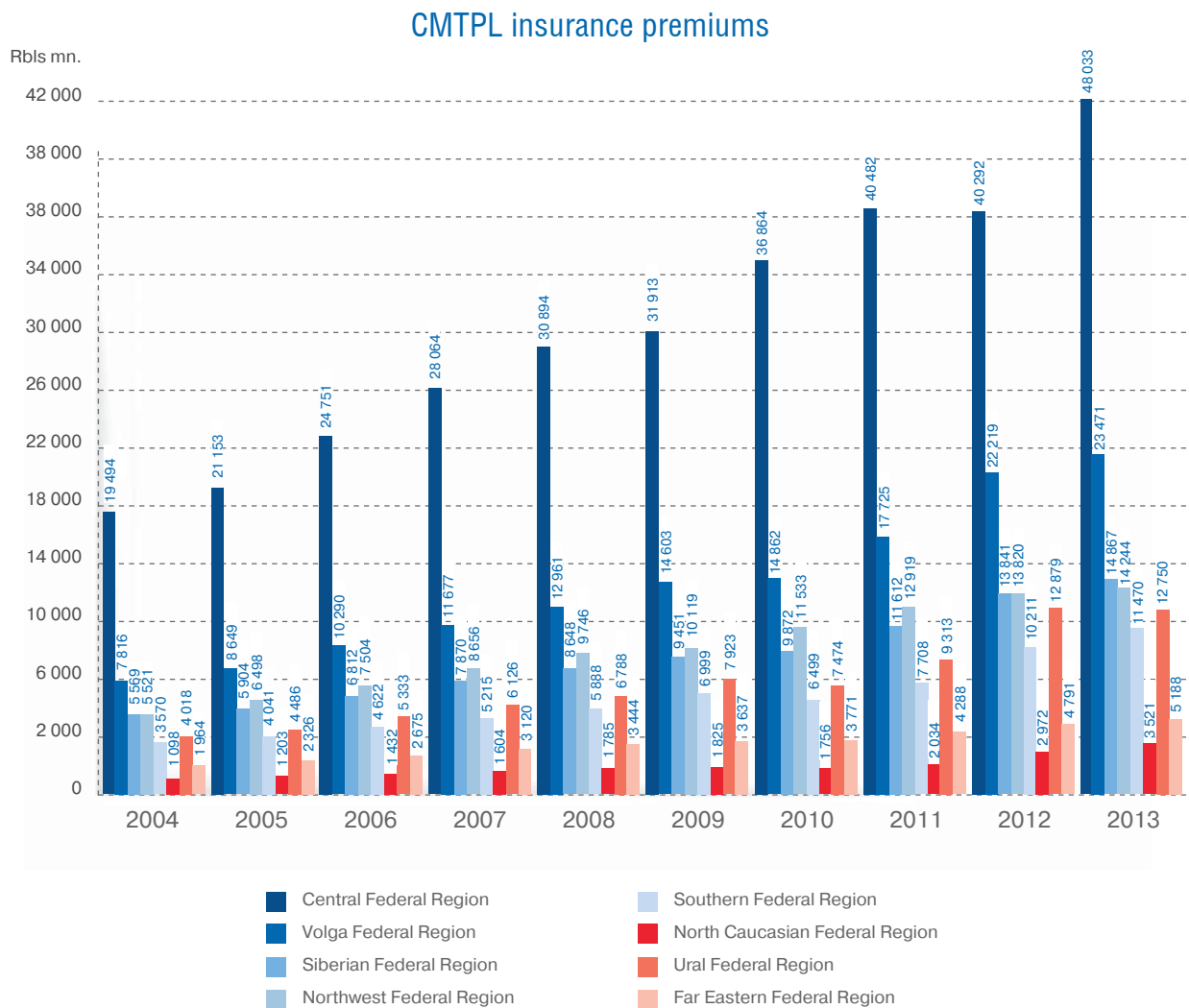


Figure 14

In 2013, the following percentages of the total premiums were collected:

- 17.6% – in the Volga Federal Region (23.471 bn. Roubles);
- 11.1% – in the Siberian Federal Region (14.867 bn. Roubles);
- 10.7% – in the North Western Federal Region (14.244 bn. Roubles);
- 9.6% – in the Ural Federal Region (12.750 bn. Roubles);
- 8.6% – in the Southern Federal Region (11.470 bn. Roubles);
- 3.9% – in the Far East Federal Region (5.188 bn. Roubles).



The 2013 breakdown of claims payment by Federal Region was as follows:

- 20.2% – in the Volga Federal Region (15.644 bn. Roubles);
- 11.2% – in the Siberian Federal Region (8.716 bn. Roubles);
- 11.0% – in the North Western Federal Region (8.523 bn. Roubles);
- 9.9% – in the Urals Federal Region (7.656 bn. Roubles);
- 8.9% – in the Southern Federal Region (6.879 bn.);
- 3.5% – in the Far East Federal Region (2.721 bn.).

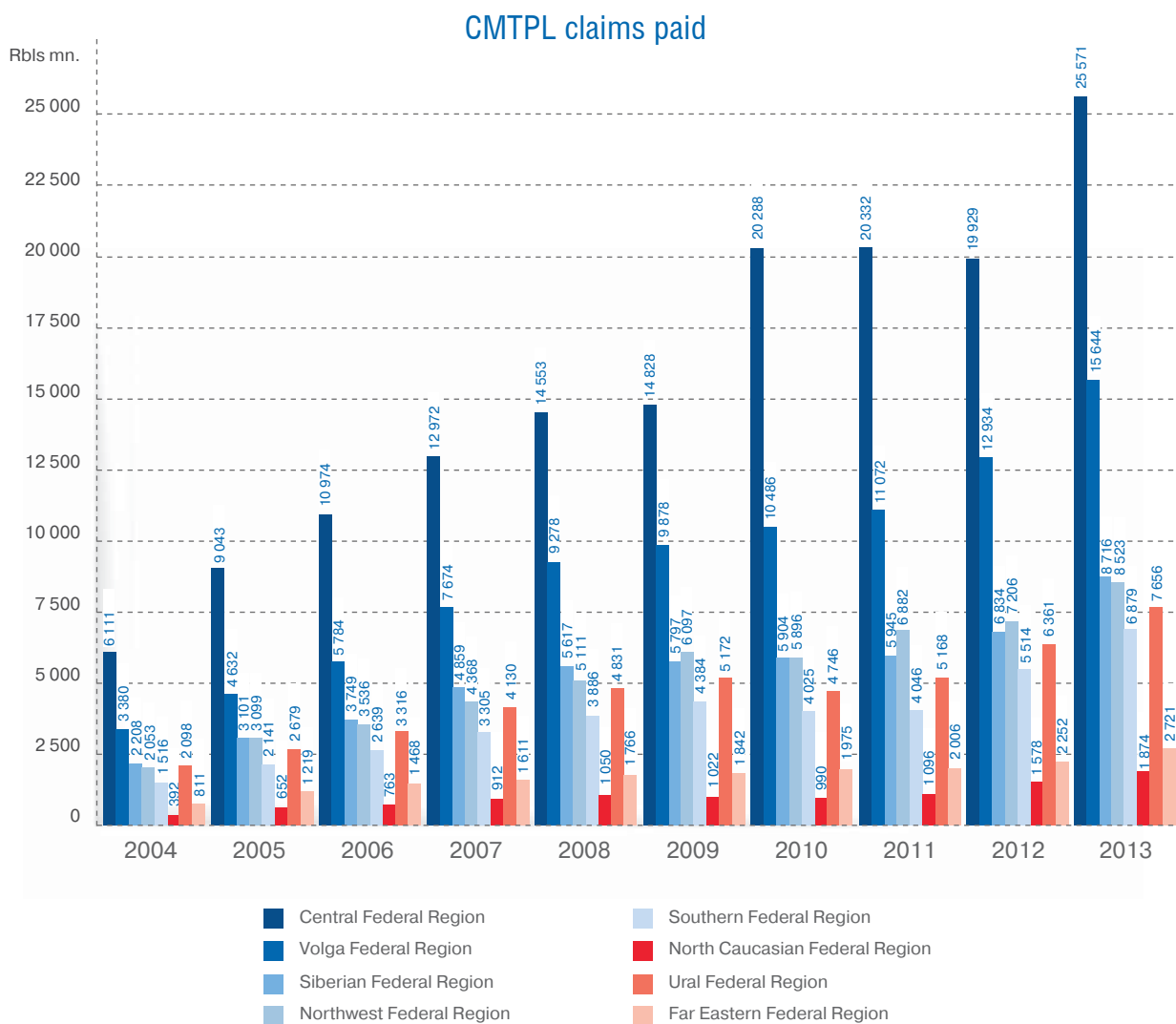


Figure 15

Bringing up the rear in terms of premium collected and claims made was the Northern Caucasus Federal Region. Here there were collected 3.521 bn. Roubles (2.6% of the total) and 1.874 bn. Roubles were paid out in claims (2.4% of the total). The reason for this was that in this Federal Region the lowest number of vehicles are registered.

## The share of CMTPL insurance premiums in total premiums of the Russian market

As of at 31 December 2013, 442 insurance organisations were included in the state register<sup>4</sup>, of which 100 (or 22.6% of the total number of organisations) were in possession of a license to carry on compulsory motor third party liability insurance.

Table 7 sets out detailed statistics relating to CMTPL insurance premiums and claims and the total market premium and claims<sup>5</sup>.

Table 7

|  | 2013  |
|--|-------|
| Total insurance premiums (Roubles bn.)           | 904.8 |
| CMTPL premiums (Roubles bn.)                     | 134.2 |
| CMTPL premiums as a percentage of total premiums | 14.8% |
| Total claims paid (Roubles bn.)                  | 420.7 |
| CMTPL claims paid (Roubles bn.)                  | 77.3  |
| CMTPL claims as a percentage of total claims     | 18.4% |

<sup>4</sup> Data provided by the department of the insurance market, Central Bank of the Russian Federation.

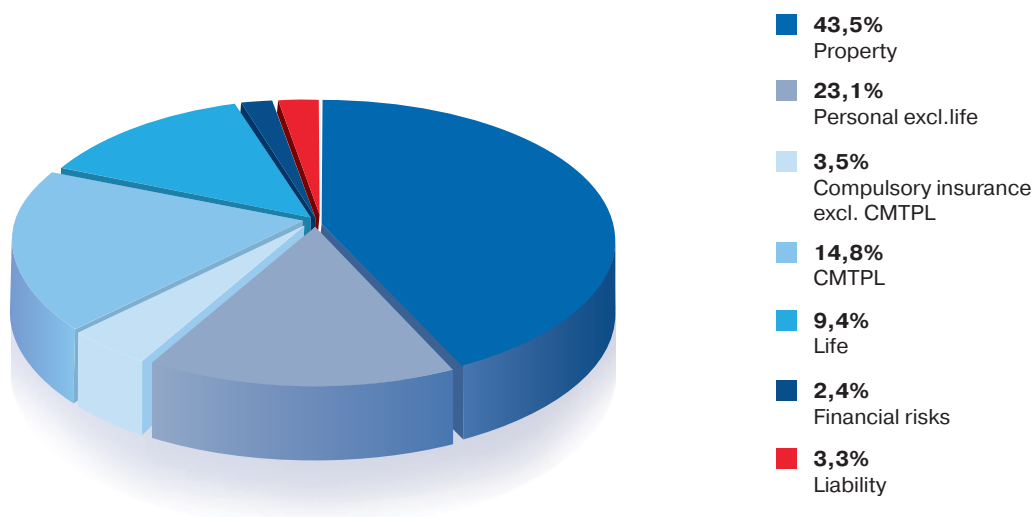
<sup>5</sup> Data provided by the department of the insurance market, Central Bank of the Russian Federation.





Figure 16 shows CMTPL insurance premiums and claims in relation to other classes of insurance in the insurance market<sup>6</sup>.

## Insurance market premiums by class 2013



## Total claims paid by class 2013

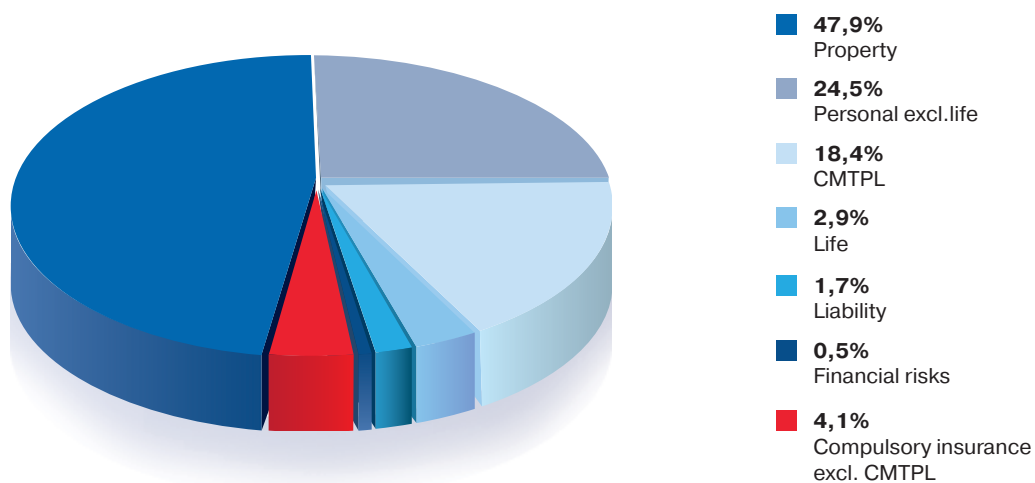


Figure 16

<sup>6</sup> Data provided by the department of the insurance market, Central Bank of the Russian Federation.

It can be seen from figure 16 that property insurance is the largest class of insurance, collecting 43.5% of premiums and paying 47.9% of claims. CMTPL insurance makes up 14.8% of total premiums and 18.4% of total claims.

Amongst voluntary classes of insurance, the greatest share is personal insurances (excluding life insurance) which collected 23.1% of premiums and accounted for 24.5% of claims. Life insurance accounted for 9.4% of premiums and 2.9% of claims.

All other classes of insurance combined (liability insurance, commercial risks, financial risks and compulsory insurance other than CMTPL insurance) made up 9.2% of premiums and 6.3% of claims.

Taking compulsory insurance as a whole, in comparison with 2012 the volume of premiums increased by 10.5% whilst voluntary insurance premiums increased by 12.1%<sup>7</sup>.

Total premiums from compulsory classes of insurance in 2013 amounted to Roubles 165 bn. in comparison with 149.9 bn. Roubles in 2012.

## CMTPL insurance premium tariff rates

Following the first reading of a law introducing amendments into the main insurance law and into the CMTPL insurance law that would introduce a number of changes into the CMTPL system, such as increasing the limits of liability of CMTPL insurance policies for bodily injury and physical damage, in 2013, the RAMI committee for tariffs, statistics and reserving organised scientific research on the impact of these increased limits on CMTPL tariff rates.

The results of this research were used to prepare proposals for amending CMTPL insurance tariff rates given to the Bank of Russia.

<sup>7</sup> Data provided by the department of the insurance market, Central Bank of the Russian Federation.



# 4 The legal regulation of compulsory insurance in 2013

Russian Association of Motor Insurers

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## Completing the regulatory framework for CMTPL insurance

On 19 April 2013, the Federal Duma of the Russian Federation gave the first reading to a draft Federal law that introduced amendments to the main insurance law and to the CMTPL insurance law.

These amendments were examined on 22 October 2013 in parliamentary hearings in which RAMI took part. As a result of these hearings recommendations were produced for changes to be made before the second reading.

The main changes proposed by RAMI at the parliamentary hearing were:

1. **Limitations on the extension of the law on protecting the rights of consumers to CMTPL insurance.** The draft law contains provisions under which consumer protection legislation does not apply to CMTPL insurance.
2. **Victims of road accidents must apply for compensation only to the insurer that issued their own CMTPL insurance policy with no alternative permitted.** Currently, the accident victim has the right to apply to the insurer of the driver that caused the accident, which can lead to the possibility of selecting losses. To prevent this, it will be made compulsory to apply to his CMTPL insurer in the event of an accident.
3. **Compulsory pre-trial negotiations to settle CMTPL claims and also an obligation to make a complaint to an insurance company if an accident victim believes that an insurance company has violated his legal rights, before resorting to court action.** At the present time, an accident victim has the right to go directly to court to apply for compensation through compulsory insurance. This leads to situations where accident victims go directly to court without informing the insurance company of this intention. These changes will encourage the development of out of court settlements, thereby reducing the judicial load.
4. **Repair of damaged vehicles (compensation in kind) should be carried out following agreement between the accident victim and the insurance company.** In the draft law which passed the first reading, the right to choose the form of the compensation remained with the accident victim. At the same time, an insurer is a legal entity with a special legal capacity and the business of organising repair was not included in its articles of association. It seems unreasonable to put such an obligation on insurance companies who do not have a relationship with repair garages. **The Central Bank of Russia has the power to approve a methodology for calculating the cost of repairs of a motor vehicle and RAMI is to develop this methodology. (For more details see below in the chapter on the technical inspection of motor vehicles).**
5. **The Central Bank also has the power to introduce requirements for the introduction of special technical equipment that can record details of accidents and which, by using satellite technology and GPS, can permit the use of the European Protocol to record details of accidents where the damages to the vehicles are greater than Roubles 50,000.** In the draft of the law a further article is added that gives the possibility – under certain conditions – of settling claims up to Roubles 400,000 without the involvement of a police officer. This procedure will be in force if the accident occurred in Moscow, the Moscow region, in St Petersburg or in the Leningrad region and if sufficient data relating to the accident can be supplied: photographs or videos and also data from a GPS system such as GLONASS.

6. **In addition, RAMI prepared draft amendments for governmental bodies relating to the following federal laws:**

- The draft federal law No 68702-6 'On the system of federal contracts in the sphere of the purchase of goods, work and services';
- Draft amendments to the federal law 'On the organisation of insurance business in the Russian Federation' and to the Russian Federation's code of administrative offences;
- Draft amendments to legal regulations and by laws in connection with the Russian Central Bank's role in regulating, controlling and supervising financial markets;
- The draft federal law 'On self-regulation in the financial market';
- The draft federal law No 306504-6 'On forensic activities in the Russian Federation'.

## New rules of professional conduct were produced and amendments were made to existing sets of rules and explanatory manuals

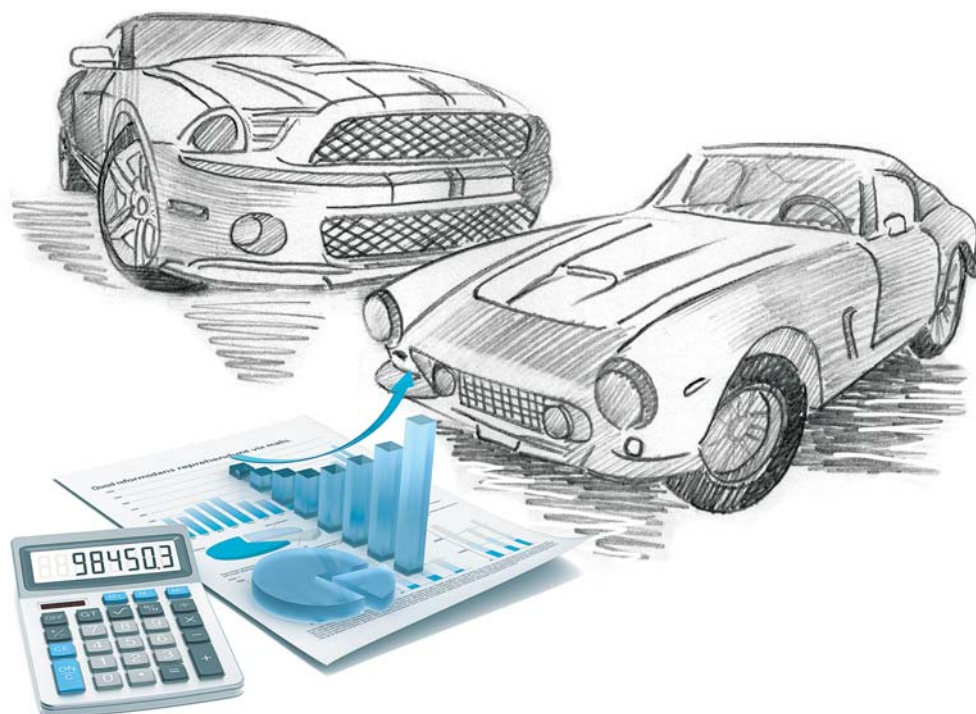
**Following changes in the CMTPL law that made the premium tariffs for CMTPL insurance dependent on the driver's loss record in the previous period (Bonus-Malus), new rules of professional conduct were drawn up which set out the procedures for calculating these loss based tariffs. In addition, a new explanatory manual (No 7) explaining the bonus malus system and the system of data collection was produced.**

In addition, amendments were made to the following rules of professional conduct and manuals:

- a) The rules of professional conduct relating to the development and use of RAMI information system;
- b) The rules of professional conduct entitled 'The rules governing the activities of the Russian Association of Motor Insurers in making compensation payments to victims of road accidents, including the rules governing the order of such payments should RAMI have insufficient funds and the RAMI's obligations to make such payments should be distributed amongst the members of the Association';
- c) The rules of professional conduct governing the relations between RAMI members and insurance intermediaries who sell CMTPL insurance policies;
- d) The rules of professional conduct governing the relations between RAMI members and their representatives when examining claims by accident victims for compensation;
- e) The rules of professional conduct entitled 'the procedure to be followed by RAMI members for settling claims under CMTPL policies that involve bodily injury';



- f) The rules of professional conduct entitled 'the procedures to be followed by RAMI members when settling claims under CMTPL insurance policies';
- g) The rules of professional conduct entitled 'the rules of professional conduct relating to subrogation in claims settlement and the payment of compensation';
- h) The rules of professional conduct relating to the provision of services within the CMTPL market;
- i) The rules that set out the sanctions and other measures to be applied to members of RAMI, their executives and employees;
- j) The procedures for providing to RAMI members blank CMTPL insurance policies and instructions for their use;
- k) The rules governing the way in which blank insurance policies should be accounted for, stored and destroyed;
- l) RAMI manual No.6 for training insurance company employees, entitled 'The procedure for amending CMTPL insurance policies';
- m) RAMI technical manual for training insurance company employees no 13 entitled: 'settling CMTPL claims'.



# 5 The direct settlement of claims

Russian Association of Motor Insurers

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In 2013, the total amount of claims settled under the system of direct settlement was 17.347 bn. Roubles. Over the whole period during which the system has been in force – from 1 March 2009 to 31 December 2013, more than 46.556 bn. Roubles in claims have been settled under the direct settlement system. The growth in the amount settled over 2012 was 51.88%. The growth in the use of the direct settlement system quarter by quarter is shown in figure 17.

## Payments made to accident victims using the direct settlement system

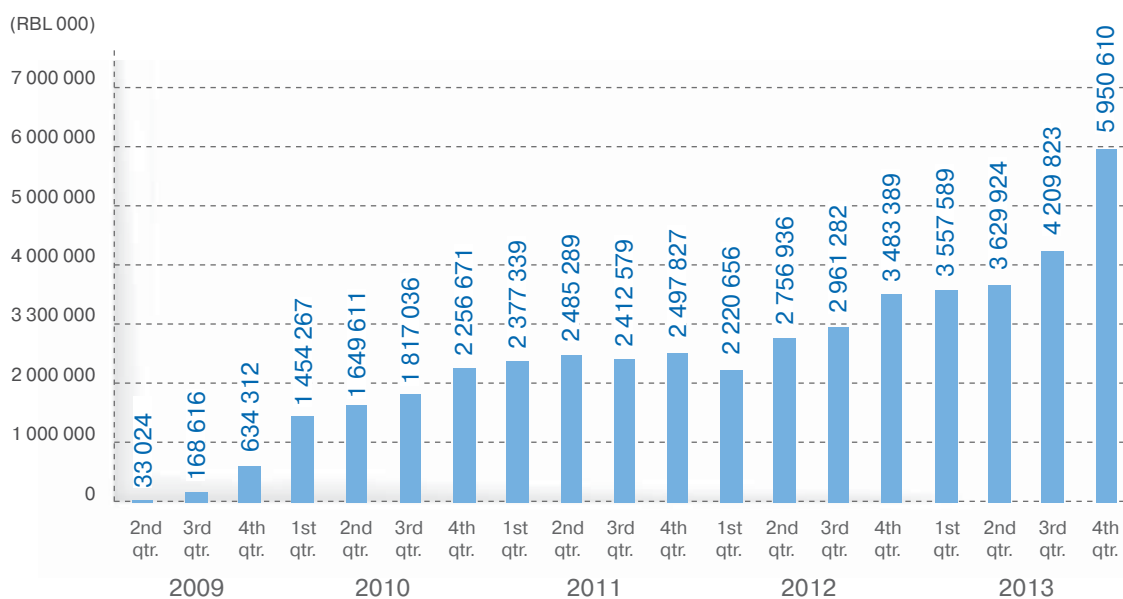


Figure 17

The average claim amount settled during 2013 also grew. In 2012 the average claim was 20,400 Roubles whilst in 2013 this had risen to 22,900 Roubles. The quarterly growth during 2013 is shown in figure 2 below. The rate of growth in 2013 was significantly quicker than in 2012.

In this context, on 24 October 2013, the RAMI Presidium decided to amend the table of average claims payments on which is based the inter-company system of accounting which is a feature of the system of direct settlement. These amendments had been proposed by the RAMI committee for tariffs statistics and reserves at the beginning of 2013, based on calculations which used data on claims payments made under the system of direct settlement between the fourth quarter 2012 and the third quarter 2013. As a result, 25 out of the 30 average claims payments included in the direct settlement agreement were amended.



Table 8

| Federal Region  | Average claims payment<br>(Roubles) |                                      |                |
|---|-------------------------------------|--------------------------------------|----------------|
|   | Light vehicles, local manufacture*  | Light vehicles, foreign manufacture* | Other vehicles |
| 1. Central Federal Region<br>(excl. Moscow and Moscow region)                 | 15,356                              | 25,539                               | 23,647         |
| 2. Volga Federal Region   | 15,392                              | 25,960                               | 20,239         |
| 3. Siberian Federal Region  | 15,414                              | 23,701                               | 20,783         |
| 4. North Western Federal Region<br>(excl. St Petersburg and Leningrad Region) | 14,720                              | 23,967                               | 21,775         |
| 5. Southern Federal Region  | 17,206                              | 29,396                               | 26,233         |
| 6. North Caucasus Federal Region  | 19,090                              | 30,241                               | 26,016         |
| 7. Ural Federal Region  | 16,679                              | 26,977                               | 24,569         |
| 8. Far East Federal Region  | 12,091                              | 29,863                               | 27,242         |
| 9. Moscow and Moscow Region   | 14,271                              | 24,690                               | 24,675         |
| 10. St Petersburg and Leningrad Region  | 15,691                              | 28,181                               | 31,726         |

\* Vehicles of foreign companies assembled in Russia are considered vehicles of foreign manufacture.



It should be noted that the above figures were used to calculate inter-company payments between 24 December 2013 to 27 January 2014, after which the 'Belgian model' was used (figure 18).

## Average claim payment under the direct settlement system

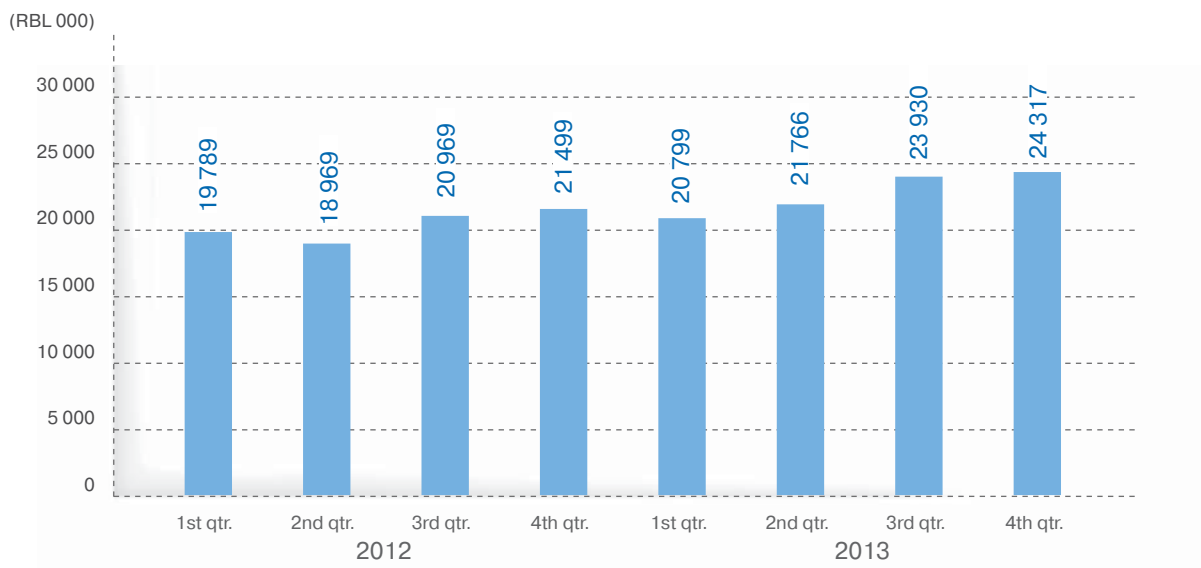


Figure 18

The number of transactions made by insurers as part of the system of direct settlement grew during 2013: the number of claims dealt with under the system grew by 39.94 % in relation to the previous year.

### Comparative data on the direct settlement system 2009–2013

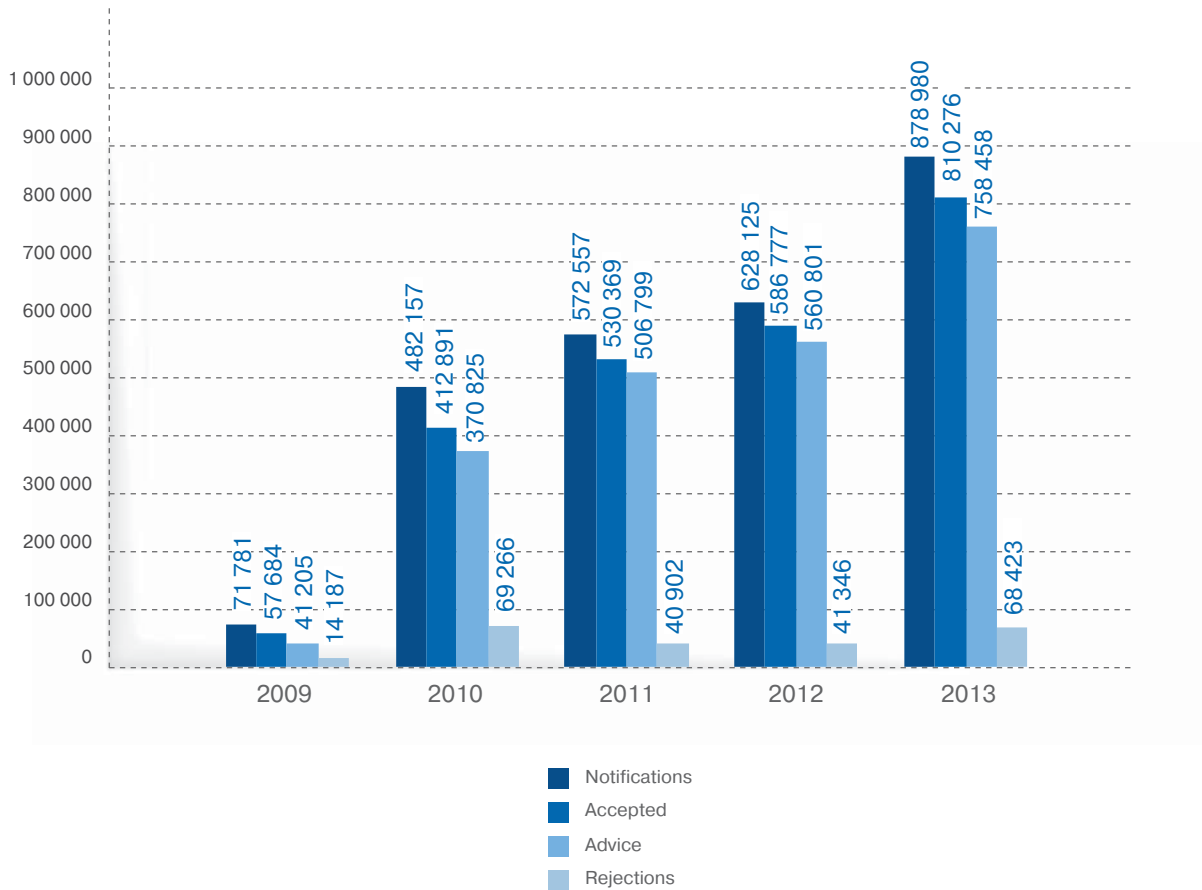


Figure 19

The statistics of the direct settlement system since its inception set out in figure 19 show that the number of refusals to accept applications as a proportion of settled claims was somewhat higher in 2013 than in 2012, though it should be noted that the number of refusals increased at the same rate as the number of applications for direct settlement. Since the commencement of the scheme, there has been a steady growth in the number of claims settled where the insurer of the victim of the accident sent a demand for settlement to the insurer of the driver responsible for the accident. In 2013, the rate of growth of such demands for settlement made to insurers under the direct settlement scheme was 35% in comparison with 2012.



On average during 2013, 28.1% of claims were settled by insurers using the direct settlement scheme. Figure 20 shows the fact that monthly figures for the proportion of claims settled under the direct settlement scheme vary quite widely.

## The percentage of total CMTPL claims paid that were settled using simplified reporting of claims for the period 01.01.2013 to 31.12.2013

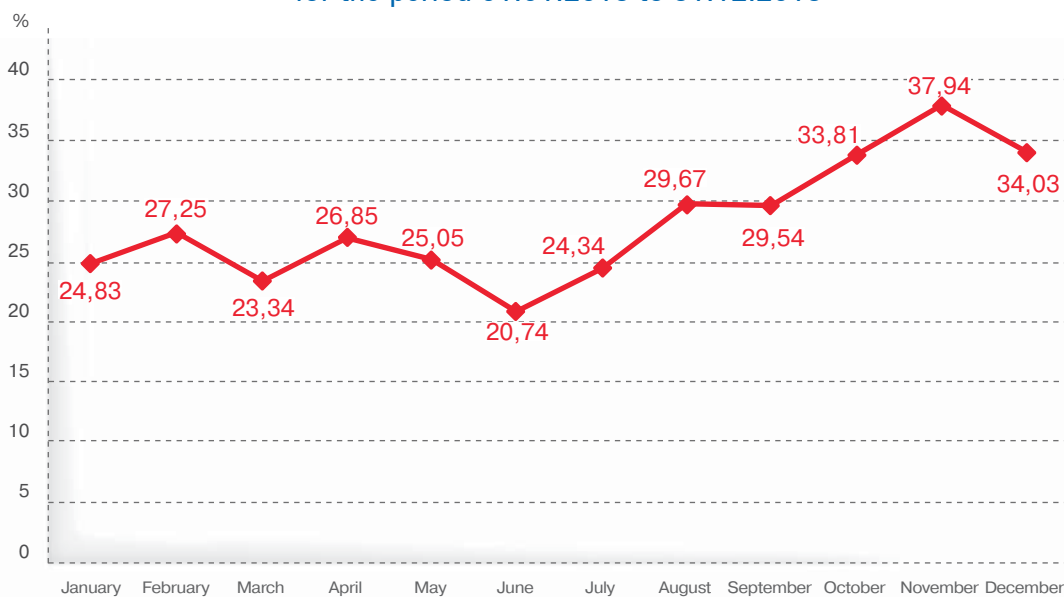


Figure 20

The figures show that the use of the direct settlement scheme is growing every year. At the same time it should be noted that the number of complaints made to RAMI concerning the implementation of the direct settlement scheme by insurers is 3.8 times less than complaints made concerning claims settled under the standard CMTPL system without using direct settlement.

In terms of complaints by insurance companies – in 2013 only five complaints were received and of these two resulted in decisions that the insurance company about which the complaint had been made had not breached the rules of professional conduct.

During 2013, the Association continued to work towards implementing improvements to the system of direct settlement of claims.

In the first half of the year preparations took place for the implementation of an accounting system in relation to the insurers' payments system which had been developed at the end of 2012, and which brought insurers in line with the requirements of the federal law 'On a national payments system' passed on 27 June 2011.

In order to alert insurance companies as to the requirements of this new law and to show how their payment systems were affected, the Association organised eight seminars for insurance company specialists, six of which took place in the regions.

Implementation of the requirements of the law in relation to payments under the direct settlement system was completed in July 2013.

During 2013, particular attention was paid to the development of a new inter-company settlement system under the direct settlement scheme. The principles of the new system were derived from the system used in Belgium (with the result that the system is known as the Belgian model). The main features of this system are as follows:

- the calculation of the average sum of insurance claim payments (the fixed amount) is carried out during each session using random numbers;
- accounting is carried out using a special bank account where money is accumulated and can be accessed by the insurers of drivers who caused accidents (settlement account).

The uncertainty in the average amount of insurance payment is the main advantage of the Belgian model since it prevents insurers from 'selecting claims' which had been a feature of the direct settlement system from its inception. Preventing 'claim selection' improves the situation for claimants since there is no incentive for insurers to understate the claim amount. It also improves the situation for insurers as the calculation of the average claim amount is carried out every week, meaning that an accurate figure for the average claim is used. In contrast, under the system in force before the change to the Belgian model, changes were made to the average claim no more than once a year.

It should be noted that the provisions of the law setting up a national payments system permit the development of a centralised clearing system for mutual obligations which will be the basis of operation of the insurance payment system.

In addition, in 2013, new principles for the settlement of uncontested direct settlement were developed. These formed the basis for proposed changes to internal RAMI documentation and also for proposed amendments to legal regulations permitting insurers to implement the principles of uncontested direct settlement, and which are set out in the draft amendments to the law on insurance and the law on CMTPL insurance that are currently being discussed in the DUMA.



## Simplified reporting of road accidents

In 2013, the number of applications sent to insurers under the system of direct settlement which were completed without the involvement of the road traffic police (simplified reporting of road accidents) increased by 57.46% in comparison with 2012. The number of claims settled under this system increased by 54.11% (figure 21).

Comparative data on claims settled using simplified reporting of accidents and settled under direct settlement  
2009–2013

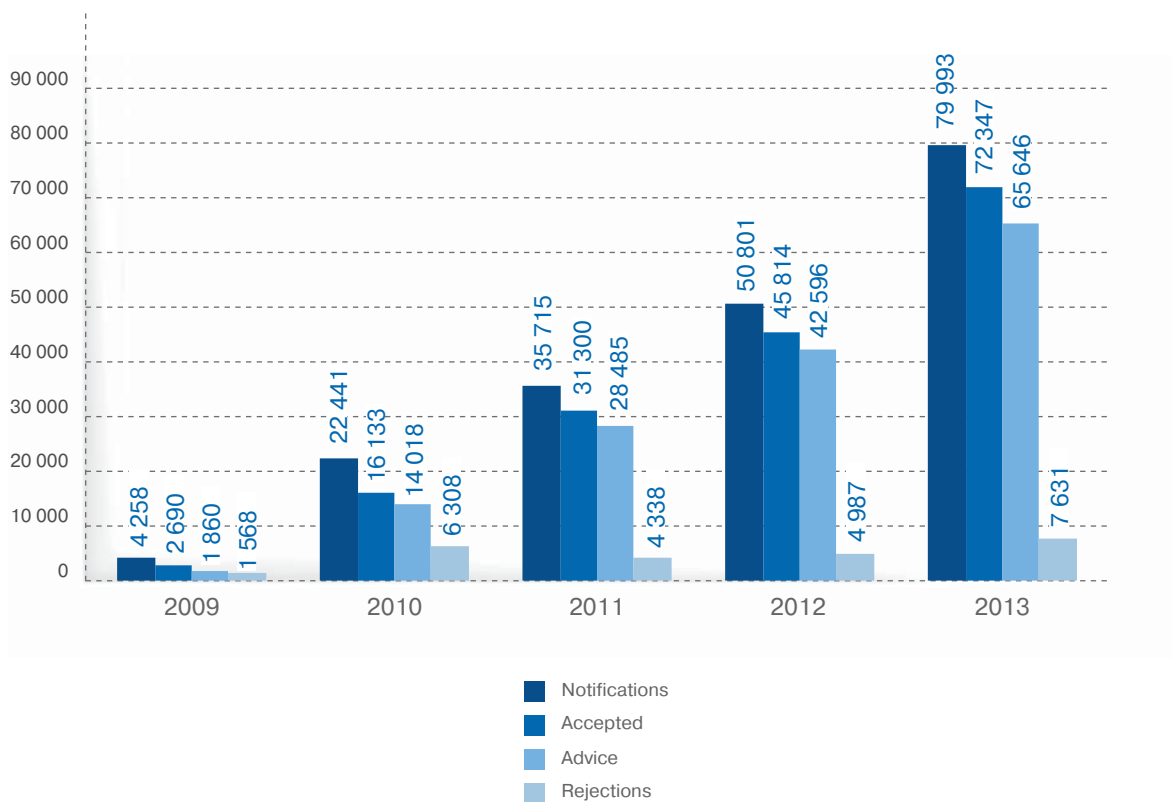


Figure 21

In comparison with 2012, the percentage of claims that were settled using the simplified reporting system increased from 8.09% to 9.1%, and in the fourth quarter of 2013 there was a significant jump in the number of claims using the simplified procedure (figure 22).

### Percentage of claims notifications using the simplified reporting of road accidents

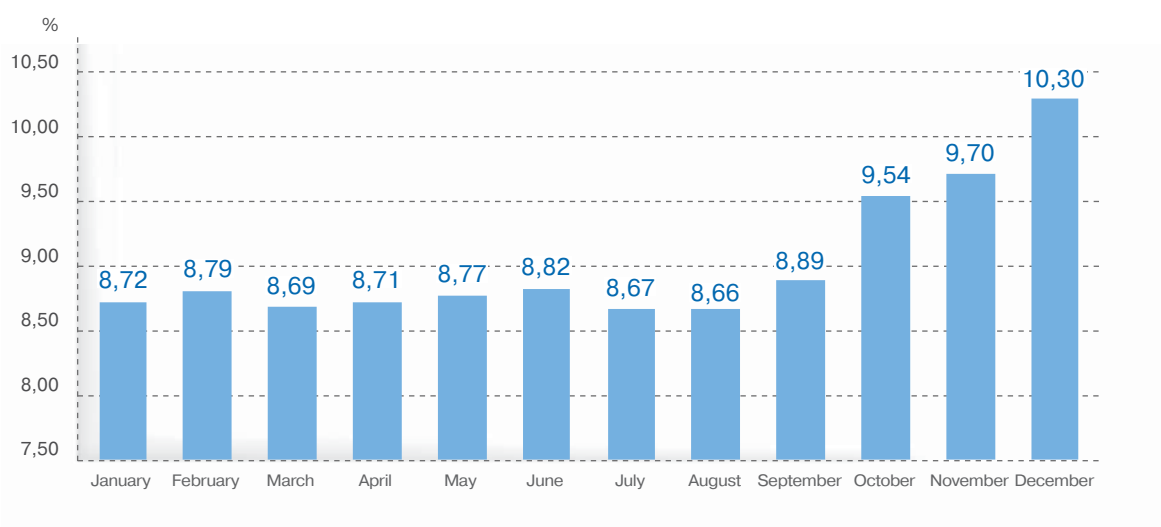


Figure 22

11.15% of applications using the simplified system were rejected. It should be noted that 43.56% of all rejections were caused by a failure to properly report the accident, indicating that road users currently have not obtained the skills necessary to properly report a road accident.

As a result, RAMI has continued to develop recommendations setting out the best methods of completing documents relating to road accidents without the involvement of police officers, which were originally prepared in 2012 with the assistance of the department of road safety of the ministry of internal affairs. These guidelines are regularly sent to RAMI members with a reminder that it is necessary to inform policyholders of their right to report road accidents without the involvement of police officers and to include the guidelines in their contract of CMTPL insurance.

In addition, at the beginning of 2013 a letter was received from the Russian ministry of education which states that the guidelines which were sent to the ministry in 2012 will be considered and taken into account in programmes of driver training for various types of vehicle.

It is important to note that the increased use of simplified reporting of road accidents has a limited impact on the growth of insurance fraud. One way in which insurers can protect themselves against fraud is to ensure that they receive secure (inalterable) information about accidents, about the position of the vehicles during the accident and on the resulting damage. RAMI is working on a project to achieve this based on satellite technology.



## The RAMI project to organise claims settlement using the European protocol in conjunction with the GLONASS GPS system

In the previous section the RAMI policy to encourage the use of simplified reporting of road accidents in Russia without the intervention of road traffic police was outlined. In order to carry this out, work was begun on a project that would record data relating to road accidents using the GLONASS GPS system. The decision to start a pilot project was taken by the Presidium of RAMI on 25 April 2013. The objective of this project is as follows:

1. To develop an insurance telematics subsystem of the RAMI IT system that will enable devices installed on the vehicles to communicate details of road accidents to the RAMI Member Company's IT system.
2. To prepare draft legal regulations that will permit the data that insurers receive from the RAMI IT system to be used for settling claims.
3. To prepare draft legal regulations that will reduce the time for reporting the accident in the event that information relating to the event is sent using technical means.
4. Increasing the effectiveness of support given to victims of road accidents thereby reducing the amount of compensation paid to accident, victims who are injured by the accident.

A working group set up by the RAMI management board is studying all aspects of this project and is conducting a pilot study of an 'unlimited' European protocol in Moscow, the Moscow region, St Petersburg and Leningrad region.

As part of this project, requirements for monitoring the system have been developed and implemented, as have the technical requirements for the devices that will be installed in vehicles to transmit data about the accident via the GSM operator. Rules have also been drawn up that will govern the exchange of information between the database of the monitoring organisation, RAMI and insurance companies.

On the basis of these documents, a prototype IT subsystem has been developed to using GLONASS to accumulate data about road accidents received from the monitoring organisation and to transmit this data to insurance companies at their request.

Following a decision by a decision of the RAMI management board on 12 September 2013, the process of selection began for organisations that have the necessary equipment and infrastructure to carry out the monitoring procedures that are required by RAMI to effect the transfer of data between insurance company IT systems and GLONASS. In order to participate in the selection process, organisations were required to provide information about their experience and technical information relating to their equipment. In addition, they were asked to develop ways in which tests could be carried out to see whether they are able to satisfy the requirements of RAMI.

For its part, RAMI began to work on developing a testing methodology which will allow it to select from those solutions available on the market the one that best meets the requirements of the Association.



Green  
card



# 6 The Green Card System

Russian Association of Motor Insurers

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The Green Card Bureau is part of the Russian Association of Motor Insurers. Its members carry on motor third party liability insurance within Green Card System. As of at 31 December 2013, the Green Card Bureau had ten members.

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

## Green Card Bureau' activities

In 2013, the number of insurance policies issued under the Green Card System amounted to about 2.3 million.

In all, since the adherence of Russia to the Green Card System, more than 8.6 million Green Card policies have been issued.

### Green Cards and road accidents 2009–2013

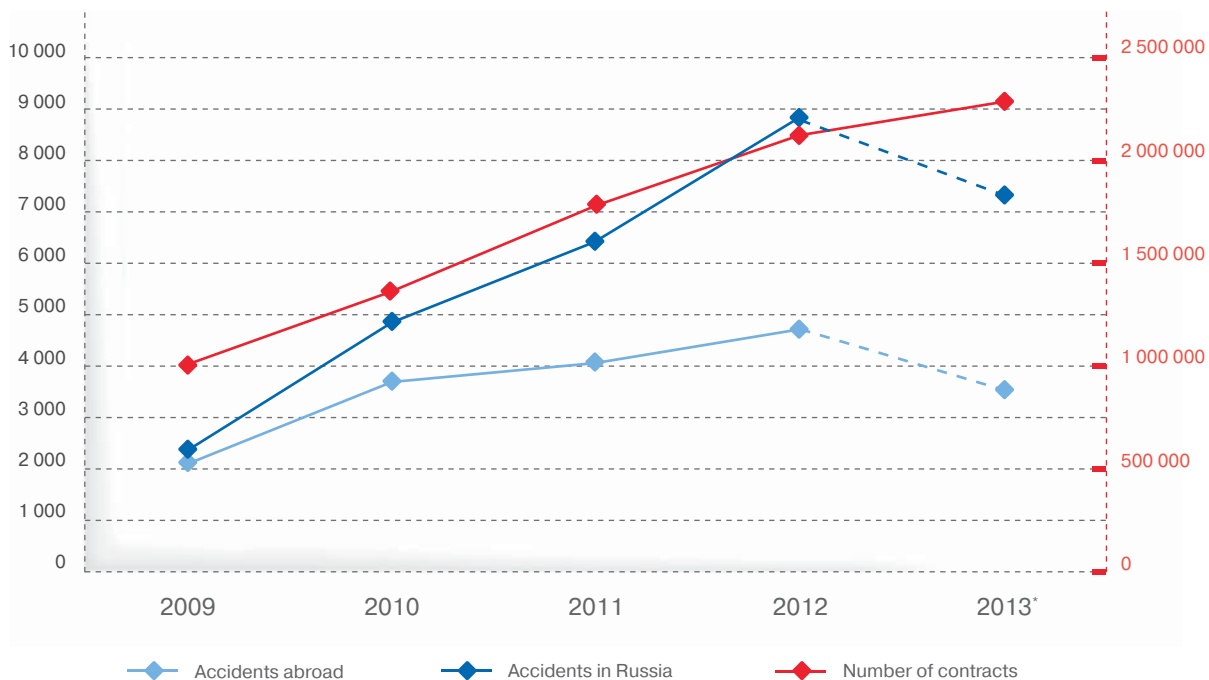


Figure 23

\* Data for 2013 are not complete since there is a delay under the Green Card System in accidents being reported.

In 2013 7,486 accidents within Russia were reported that involved drivers with Green Card. In total, since 2009 there have been 30,150 such accidents.

### Green card road accidents in Russia

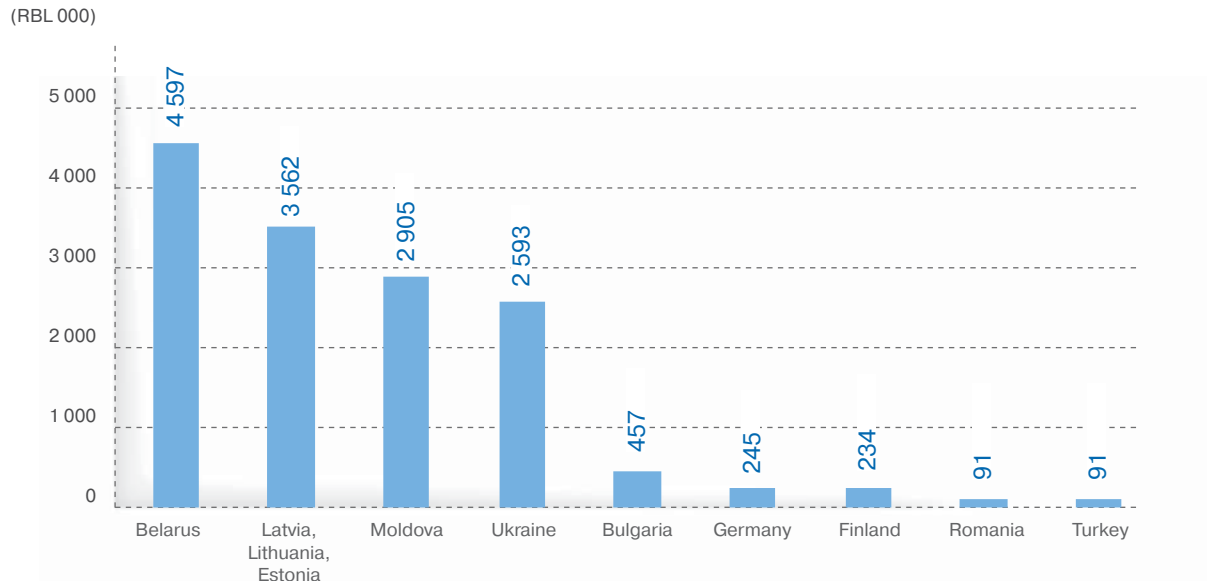


Figure 24



In 2013, 3,614 road accidents were reported where drivers holding Green Cards issued in Russia were involved. In total there have been 18,440 such accidents since 2009, of which 3668 occurred in Belarus, 2949 in Ukraine, 2238 in Poland and 2117 in Finland.

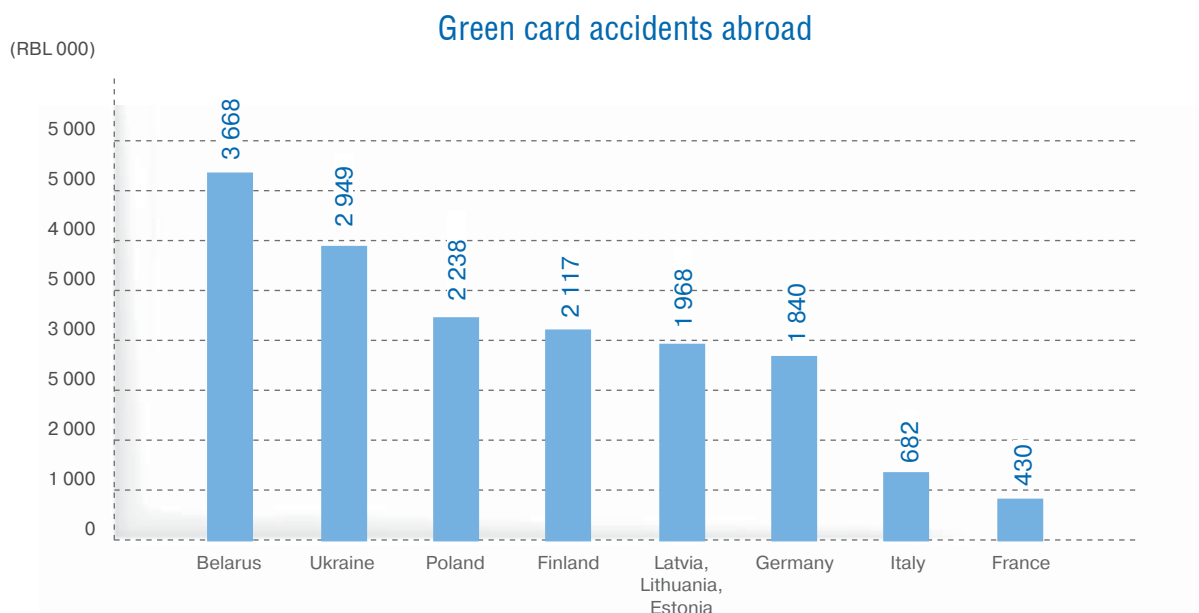


Figure 25

Since 2009, there have been 30 claims arising out accidents outside of Russia with significant bodily injuries or property damages exceeding €50,000 in payments/reserves, 26 of them resulted in claims between €50,000 and €200,000. The highest claims payment was made in Italy (€580,000) in 2012. There was a further large payment for a loss in Germany in 2010 (€520,000 with an additional reserve of more than €6.8 million). The second highest loss reserve is for a claim in Greece which took place in 2011. Here the reserve is €763,000.

During 5 year-work within Green Card System Russian Green Card Bureau has not only set up the procedures for issuing Green Cards and settling claims both inside the Russian Federation and outside, but also has established financially stable system of activities control and cooperation between Bureau and its members that ensure compliance with the rules of Green Card System. The financial discipline is maintained on the highest level and all the demands for reimbursements on Russian Green Cards are paid in due time. It is well proved by the annual report of the Monitoring Committee of the Council of Bureaux – the percentage of number of Guarantee Calls (special demands issued towards Russian Bureau due to the non-payments of the Bureau' members) to the number of accidents is 0.08% – Russian Bureau is among top-5 Bureaux within the 46 System' members. During the whole period, RAMI has received only 25 Guarantee Calls and all of them were results of minor technical problems (for instance the original demand for reimbursement was sent to the incorrect email box).

On the basis of this record, in 2013 the Bureau applied to the Council of Bureaux to reduce the period of transitional membership in Green Card System from 10 years to 5 years.

## Projects undertaken by the Board of the Bureau in 2013

The Bureau has undertaken a number of projects aimed at improving its methodology, IT, analysis and organisation.

Bringing Russian legislation and RAMI's internal regulation into line with the regulatory framework of Green Card System.

New versions and/or changes have been made to the following documents relating to the Green Card Bureau:

- Regulations governing the financing of the work in relation to Green Card System, adopted by the management board of RAMI 10 October 2013;
- The rules governing the imposition of sanctions and other measures over RAMI members, their management and staff, which were adopted by the RAMI Presidium 19 December 2013;
- The rules governing audits and inspections of members of RAMI in relation to their operations in CMTPL insurance and in liability insurance through Green Card System and in relation to their compliance with the rules of professional conduct, adopted by the RAMI Presidium 28 August 2013;
- Regulations governing the settlement of requirements in relation to Green Card System approved by the Management board of RAMI 7 November 2013;
- Regulations relating to the Green Card insurance certificate approved by the management board of RAMI 1 August 2013 and 21 November 2013.;
- Regulations relating to the status of the Green Card Bureau, approved by the management board of RAMI 27 June 2013;
- Instructions on the procedures for imposing disciplinary measures on members of the Green Card Bureau for breaches of the regulations relating to Green Card System, approved by the management board of RAMI 1 August 2013.

In 2013 the transition to the electronic issuance of the Green Cards began. In Kaliningrad and in the Kaliningrad region all Green Cards are issued in an automated mode. The transition to an electronic issuance in the whole of Russia will be accomplished in the second quarter of 2014.



## Actuarial work

In accordance with an order from the Ministry of Finance of the Russian Federation issued on 11 June 2002, a procedure for calculating the average claim amount was carried out within Green Card System.

## Participation in events relating to the Green Card System

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

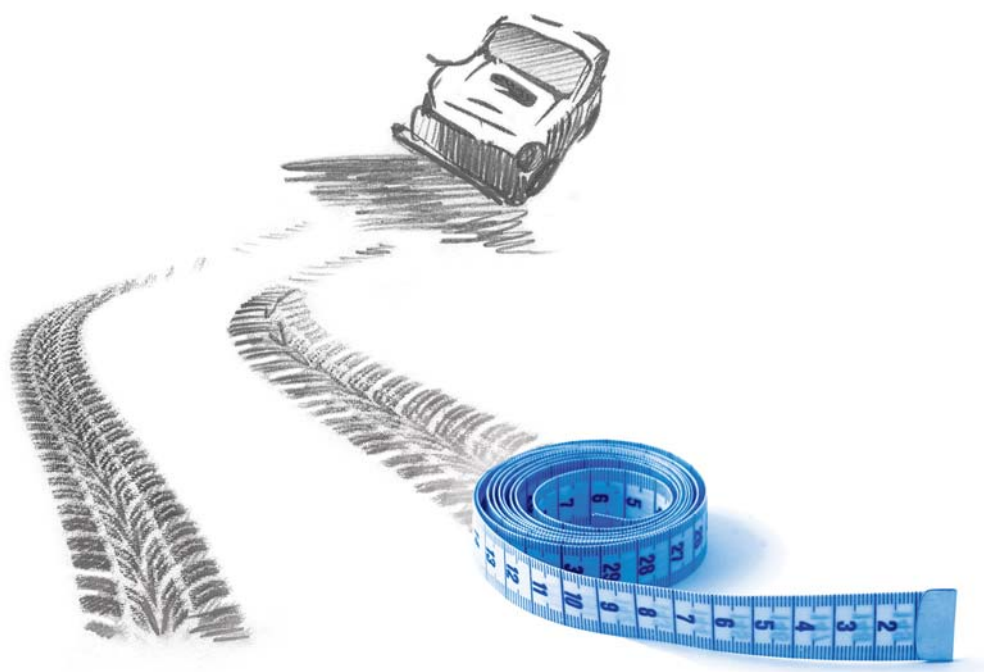
- Meeting of working bodies of the Council of Bureaux;
- The General Assembly of the Council of Bureaux (Istanbul, May);
- Working meetings of representatives of Group 'A' (Warsaw, February; Madrid, October);
- Annual BalticRim meeting (Riga, March);
- Annual Northern Group meeting (Oslo, October).

## Preventing insurance fraud

The Green Card Bureau has carried out regular work to prevent foreign insurance policies (CMTPL, frontier insurance policies and Green Cards) being issued on the territory of the Russian Federation contrary to the main insurance law that was passed in November 1992.

The following measures were taken:

- Checks carried out in regions of Russia bordering Ukraine, Belarus and the Baltic republics and also in regions where the sale of such policies has most frequently been reported;
- Supplying information to the Council of Bureaux international bureau, the membership of which consists of insurance companies, about the fact that these policies are being issued, which is unacceptable and contrary to the law;
- Supplying information to law enforcement agencies and insurance supervisors – for instance in Latvia and Lithuania;
- In September 2013, an interdepartmental meeting was organised in Kaliningrad whose participants included representatives of the Central Bank of Russia, of law enforcement agencies and of the customs service of the Kaliningrad region. The theme of the meeting was the reduction of the number of violations of the law relating to insurance in that region.



# 7 Independent technical examinations of motor vehicles

Russian Association of Motor Insurers

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2013



## Developing the methodology for the provision of independent technical examinations of vehicles

In order to improve the legal and regulatory framework, RAMI prepared the following proposals which were sent to various governmental bodies:

- A draft order from the ministry of transport concerning the approval of the rules governing independent technical examination of motor vehicles;
- A draft order from the ministry of transport introducing amendments and additions to the ministry order issued on 12 December 2011, which approved the information supporting the calculation the costs of materials and replacement parts when repairing a motor vehicle;
- The conditions and procedures governing the professional qualifications of vehicle examiners who carry out independent examinations of motor vehicles, including the requirements set out in the order of the ministry of transport, the ministry of justice, the ministry of internal affairs and the ministry of health, issued 17 October 2006.

## Professional qualifications for technical experts. RAMI's role in developing a system of professional qualification for experts involved in independent technical examinations of motor vehicles

On 19 December 2011 a decree of the ministry of transport, the ministry of justice and the ministry of internal affairs was issued which set up an inter-departmental commission charged with introducing a system of professional qualifications for technical experts who are involved in the independent technical examinations of motor vehicles. RAMI was given a role in the procedure.

Last year RAMI examined 1194 documents relating to applications by technical experts to receive professional qualification. The procedure set out in the decree was followed and as a result RAMI took a decision on each of the applications and submitted this decision to the interdepartmental committee.

The committee met 13 times during 2013 as a result of which:

- 1194 applications to receive professional qualifications were examined;
- 882 applications were successful;
- 251 were unsuccessful;
- 61 applications required further review.



## Voluntary certification of technical examiners through RAMI

At the present time, the number of qualified technical experts under the above scheme is not enough to satisfy the needs of the market. RAMI has therefore continued its procedure of operating a voluntary system of qualifying technical experts. The objective of this scheme is to confirm the level of qualifications of the technical experts who carry out inspections of motor vehicles in relation to CMTPL insurance claims. During 2013:

- RAMI certified 48 technical experts of which 32 received extended certification for three years;
- 12 applicants were refused certification.

## Completing the regulatory framework for independent technical examinations

In 2013, the State Duma gave a first reading to a draft law that introduced amendments to the insurance law and to the CMTPL law. RAMI put forward a number of recommendations for changes to this draft law including a number that related to the introduction of a system of independent technical inspections of motor vehicles:

RAMI put forward draft amendments that established the principles under which the documentation for the costs of repairing motor vehicles would be created, how this documentation would be used and distributed. The basis of this documentation would be a standard table of labour and materials costs to be applied to 12 economic regions.

The system of independent technical examination will come into force based on proposals submitted by RAMI to the central bank for approval. Included in the system will be the table of standard costs for labour and materials for repairing vehicles which will form the basis for the level of claims payments. This will be based on the documentation prepared by RAMI and approved by the Central Bank.

On 24 October 2013, the Presidium of RAMI instructed the committee on technical inspections to begin the process of preparing the documentation necessary to produce the table of standard costs for the repair of motor vehicles.

On the basis of these instructions the following documents were produced:

- a standard methodology for calculating the amount of costs in relation to the repair of motor vehicles;
- Rules governing the introduction of a system of independent technical inspection of motor vehicles.

The Management Board of RAMI on 7 November 2013 set up an advisory committee of experts to develop the standard methodology of calculating vehicle repair expenses which included representatives of government bodies, insurance companies, consumers associations, technical experts and vehicle manufacturers.

# ANNUAL REPORT 2013



In December 2013 a draft report was produced which included:

- The procedure for calculating the cost of materials, replacement parts and labour;
- The method of calculating depreciation of vehicle components;
- The method of calculating the value of the vehicle in the event of the damage resulting in a total loss;
- statistics relating to the average mileage of vehicles;
- other issues.

These draft documents were reviewed and approved by the committee of experts.

In 2014 it is planned:

- to continue work on the methodology of producing a manual setting out standard costs of replacement parts and materials and labour costs for the repair of motor vehicles;
- to publish the manual on standard vehicle repair costs.

All the above documents will be submitted to the Central Bank for approval.



# 8 Technical inspections of motor vehicles

Russian Association of Motor Insurers

ANNUAL REPORT  
2013



The federal law of 1 June 2011 on technical inspection of motor vehicles gave responsibility to RAMI to carry out the following functions:

- to certify technical inspection centres;
- to inspect applications for certification by technical inspection centres;
- to supervise the operations of technical inspection centres to ensure compliance with the requirements of certification and with the law on technical inspections of motor vehicles;
- to produce a register of certified technical inspection centres;
- to publish and make freely available to the public the register of certified technical inspection centres.

In order to carry out perform these responsibilities, RAMI established a department for organising technical inspections and certification.

## Certification in 2013

Between 1 January and 31 December 2013, 8120 applications relating to technical inspections were examined. Of these, 5108 were applications for certification or for renewal of certification received from 2729 organisations or individuals carrying out technical inspections.

- 2406 were advised that they needed to address shortcomings;
- 1723 were returned with a denial of certification and with examination of the events.

### Applications relating to certification: issuance, amendment and annulling

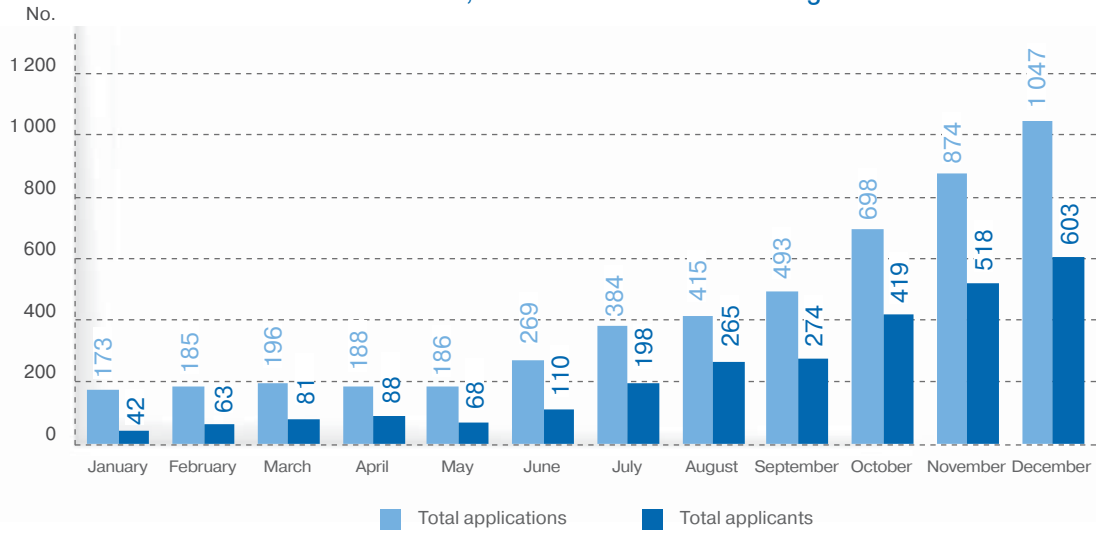


Figure 26

### Number of cases related to technical inspections referred to RAMI

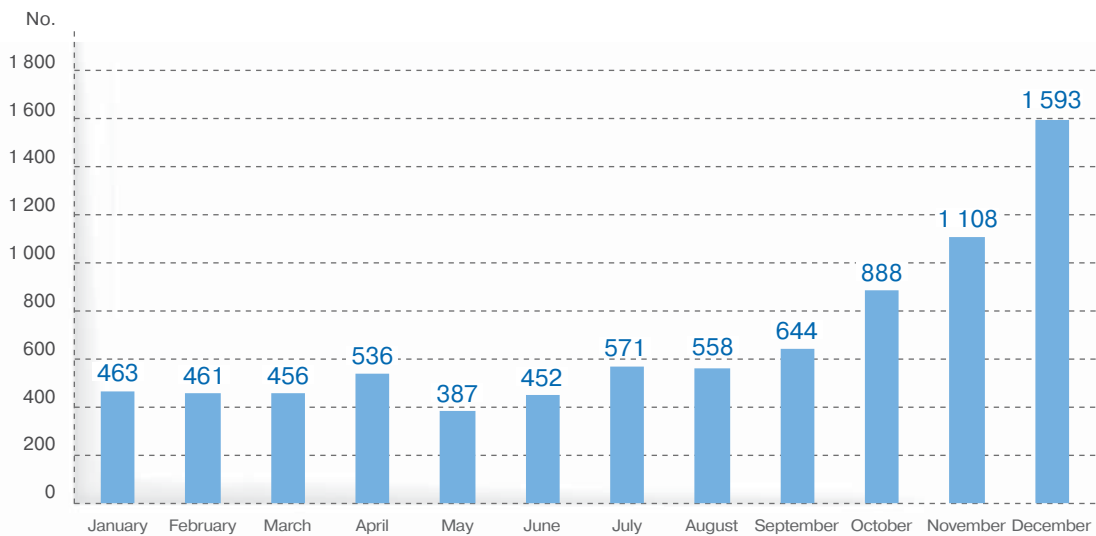


Figure 27



As a result of the examination of applications to grant, revoke or renew certification of Technical inspection centres in 2013:

- 1461 centres were certified;
- 31 centres had their certification revoked;
- 199 centres had their certification renewed.

The sharp increase in the number of applications was due to the fact that organisations that were created to comply with the legislation relating to the state technical inspection of vehicles and to their inclusion in the RAMI register had to complete the certification process before 1 January 2014.

## Accreditation certificates issued in 2013

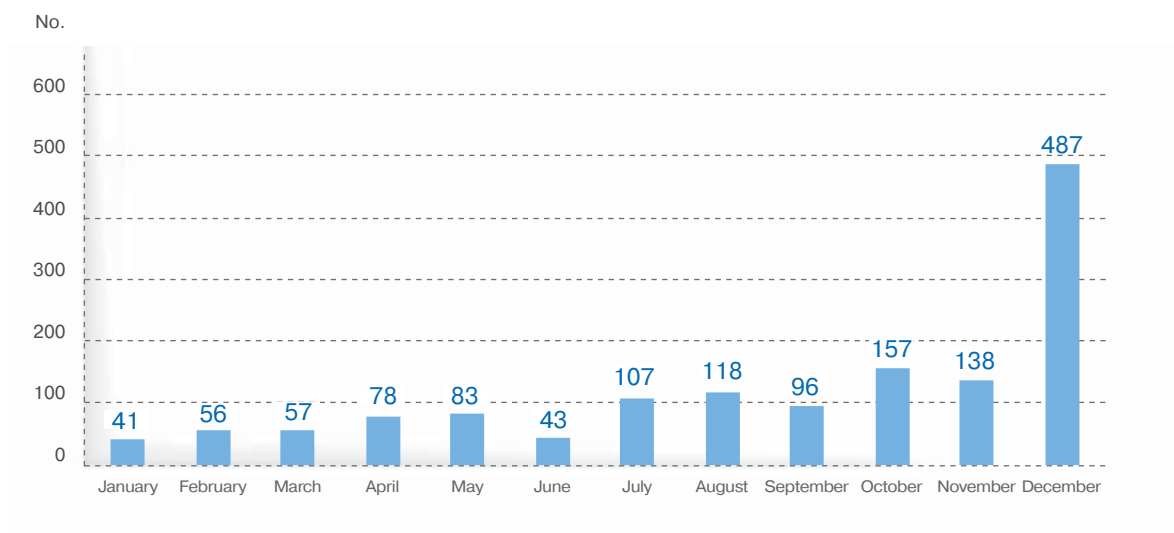


Figure 28

## Supervision of technical inspection centres

The supervision of technical inspection centres and the examination of applications for certification are carried out by the professional association of insurance companies in conformity with article 23 of the law passed on 1 June 2011 that established the technical inspection system. The work includes:

- the examination of applications for certification;
- carrying out inspections of the centres in the event that there are reasonable grounds for believing that the information provided in the documents supporting the application is not accurate.

Grounds for checking the supporting documentation and/or carrying out an inspection are:

- a request from a member of the public, a legal entity or a state body alleging that the operator has not carried out the requirements of certification or has broken the law relating to technical inspection.

In 2013:

1. 15 inspections of technical inspection centres were carried out in 8 regions of Russia. As a result, 10 centres had their certification withdrawn and 4 centres were permitted to keep their certification.
2. 61 inspections were made on centres in relation to their application for certification and of these resulted in the centres receiving certification.

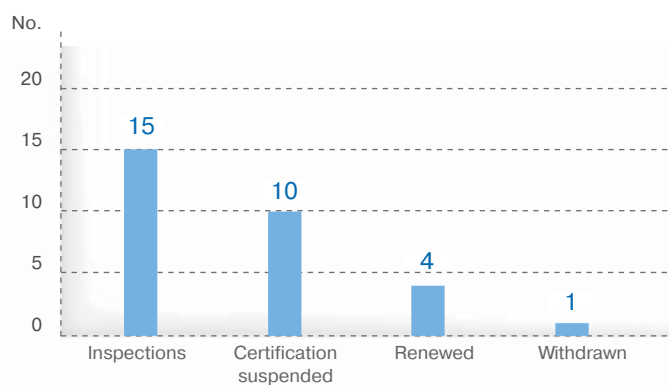


Figure 29



## Publicity

Last year RAMI carried out the following:

- updated the section of the RAMI web site relating to the technical inspection of vehicles to include details of legislation, recommendations, announcements and other information;
- dealt with by email more than 10,000 communications from the general public, from technical inspection centres and applicants.

In order to assist applicants for certification to complete the necessary documentation, RAMI organised a number of free seminars. These took place fortnightly in the RAMI office. In addition, as part of a programme to increase the professional skills of inspection centres, RAMI organised 9 seminars outside their office. Applicants from 32 regions of Russia took part in these seminars.

In total, 32 seminars were organised which were attended by 840 people.

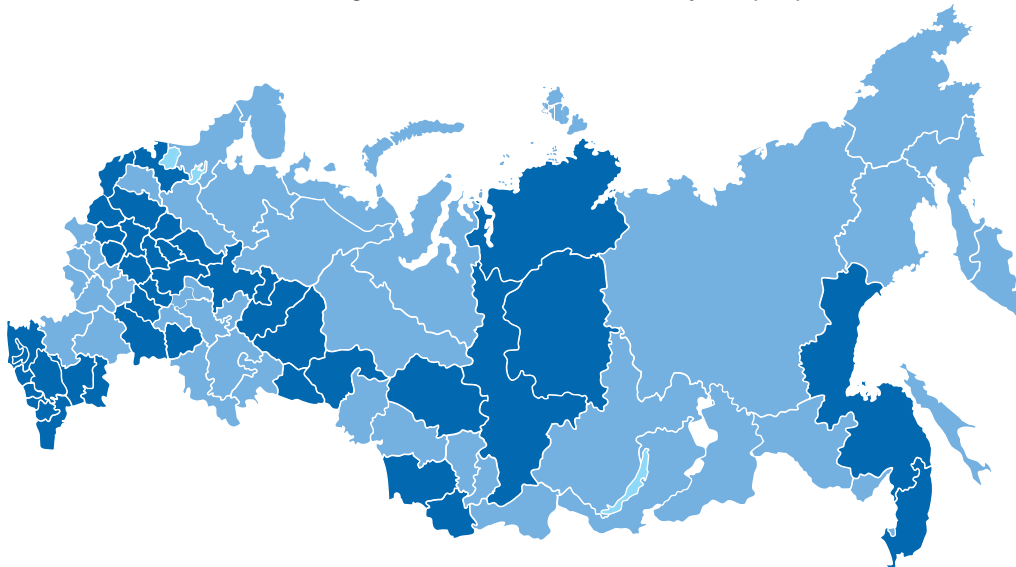


Figure 30

## Working with associations representing technical inspection centres

RAMI has signed a partnership agreement with the association representing technical inspection centres, in order to ensure the effective operation of the system of technical inspection.

Under this agreement a joint council has been formed to provide consultation and expert advice to ensure the smooth running of the partnership agreement.







## The RAMI IT system

According to point 3 of article 30 of the CMTPL insurance law, RAMI has developed an IT system for CMTPL insurance which includes a database with information on CMTPL insurance contracts, insurance claims, motor vehicles and drivers. It also contains other statistical material and other data relating to CMTPL insurance.

RAMI operates this system and organises and carries out the analysis of the information it contains.

On 1 January 2013 RAMI began work to develop a subsystem designed to support a bonus malus system (the RAMI bonus malus subsystem).

During 2013, data relating to more than 39.5 million CMTPL insurance contracts was loaded on to the subsystem. About 5 million additional agreements were also added along with data on 1.6 million claims. The RAMI database is now the largest and most complete information system containing data on insurance contracts.

Other work on the RAMI IT system in 2013 included the following:

- Completion of the bonus malus subsystem;
- Development work on a backup data processing centre for the bonus malus subsystem;
- Work to connect the RAMI IT system with the combined database of technical inspections using the international system of data exchange.

### Completing the RAMI bonus malus subsystem

In 2013 improvements were made to the bonus malus subsystem. These included:

1. Including data on blank CMTPL policies;
2. Changing the format in which information relating to vehicles having passed technical inspections is transmitted;
3. Bringing in a standard format for documents of subjects, documents relating to technical inspection and vehicle log books;
4. Identification of vehicles and keeping standardised identity values for vehicles;
5. Developing a procedure for updating the classification of addresses in Russia;
6. Changing the format of the data when working with the data relating to payments, with queries about the status of contracts and claims;
7. Connecting with the subsystem that accounts for blank CMTPL policy forms when cancelling a contract;
8. Restoring the history of the changes in status of blank CMTPL policy forms from the series 'SSS' of CMTPL insurance policies that have previously been loaded into the bonus malus subsystem;
9. Changing the algorithms that process data on CMTPL insurance contracts, supplementary contracts and claims during transmission and technical correction;
10. Procedures for loading data and for the control of format and logic during transmission.

In 2013 revised software for the RAMI bonus malus subsystem was completed which included:

1. The introduction of information about the rules and giving instructions.
2. The development of reports on the operation and its development.

In March and September 2013 in every region of Russia was organised for members of RAMI seminars could be consulted and technology explained relating to the introduction of the bonus malus subsystem and how it could be used.

### Creating a backup data processing centre for the RAMI bonus malus subsystem

As part of the programme of maintaining data security within the RAMI IT system, work began in 2013 on the development of the backup data processing centre for the bonus malus subsystem.

Various options were examined in relation to the storage and processing of data and to organising the subsystem in respect of data security and network interaction.

On 30 October 2013, the technical objectives and specifications for hardware and software for the backup processing centre were reviewed and approved.

Currently the technical design process is taking place.

## Measures for the protection of personal data

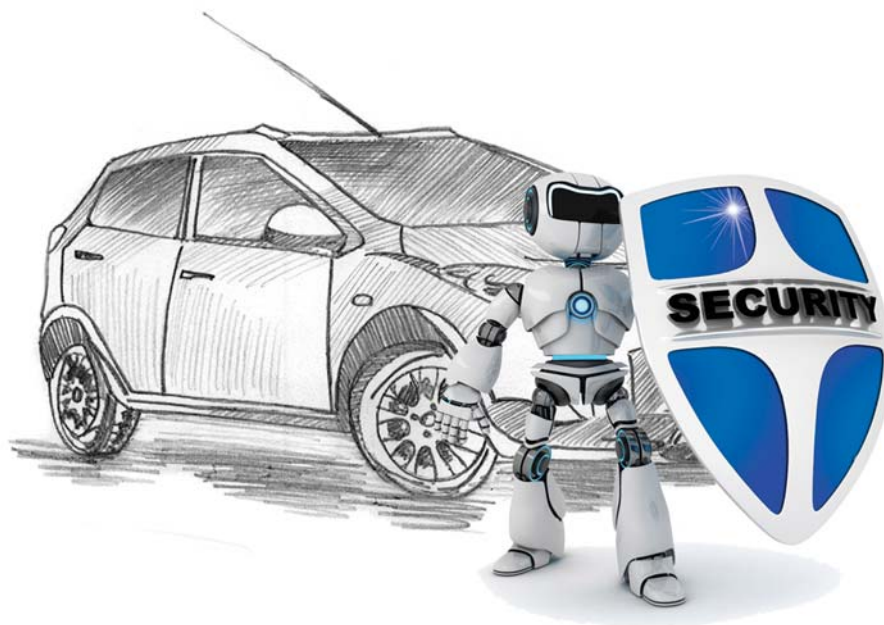
In 2010, work was carried out to create a system for protecting personal data for the RAMI IT systems that contained personal data.

In 2013 this system was updated to version 5.3.

### Recommendations to insurance companies about data security and the protection of personal data

In 2010, work was carried out to develop the principles of protecting the personal data on insurance company databases.

On 23 October 2013, a document was approved entitled 'an industry model of security threats to personal data during processing by the IT systems of insurance companies in the Russian Federation'.



10

Combating insurance fraud

Russian Association of Motor Insurers

ANNUAL REPORT  
2013



## Fighting insurance fraud when making compensation payments

In 2013, 200 attempts to fraudulently obtain compensation payment were foiled. The total sum claimed in these attempts was more than 12 million Roubles.

RAMI is continuing to work closely with law enforcement agencies to prevent breaches of the law in the CMTPL insurance market:

1. Sent information on 13 cases to law enforcement agencies relating to the attempted misappropriation of funds from RAMI in the amount of 7.5 million Roubles.
2. In Moscow, Perm, Kazan and in other Russian cities 20 criminal cases were initiated, of which:
  - 9 resulted in convictions;
  - 2 are pending in the courts;
  - 9 are under preliminary investigation.
3. Law enforcement agencies solved 207 cases of illegally obtaining funds from RAMI carried out by a group in the Krasnodar region.

## Fighting insurance fraud in relation to insurance claims payments

Last year, RAMI continued their work to prevent insurance fraud using the integrated database Spektr.

Spektr is an IT system that allows the collection, storage, analysis and distribution of information relating to insurance claims.

Spektr contains:

- the Spektr database containing data about claims;
- the application 'Spektr – Query' designed to exchange information between insurance companies about insurance contracts and insurance claims that have been investigated.

The exchange of information through Spektr takes place on the basis of voluntary bilateral agreements between RAMI and insurance companies.

Currently the system contains data relating to 6.6 million insurance claims and records of 15 million individuals and legal entities and their motor vehicles.

Insurance companies can access this database on line through the internet. Data security is achieved by a multistage system of control of access rights, data encryption and through the use of secure connections. Every week Spektr updates data on 130,000–140,000 claims. Between 250,000 and 300,000 queries of the system by insurance companies are handled each month on average.



# 11

## Making compensation payments

Russian Association of Motor Insurers

ANNUAL REPORT  
2013



## Compensation payments made by RAMI

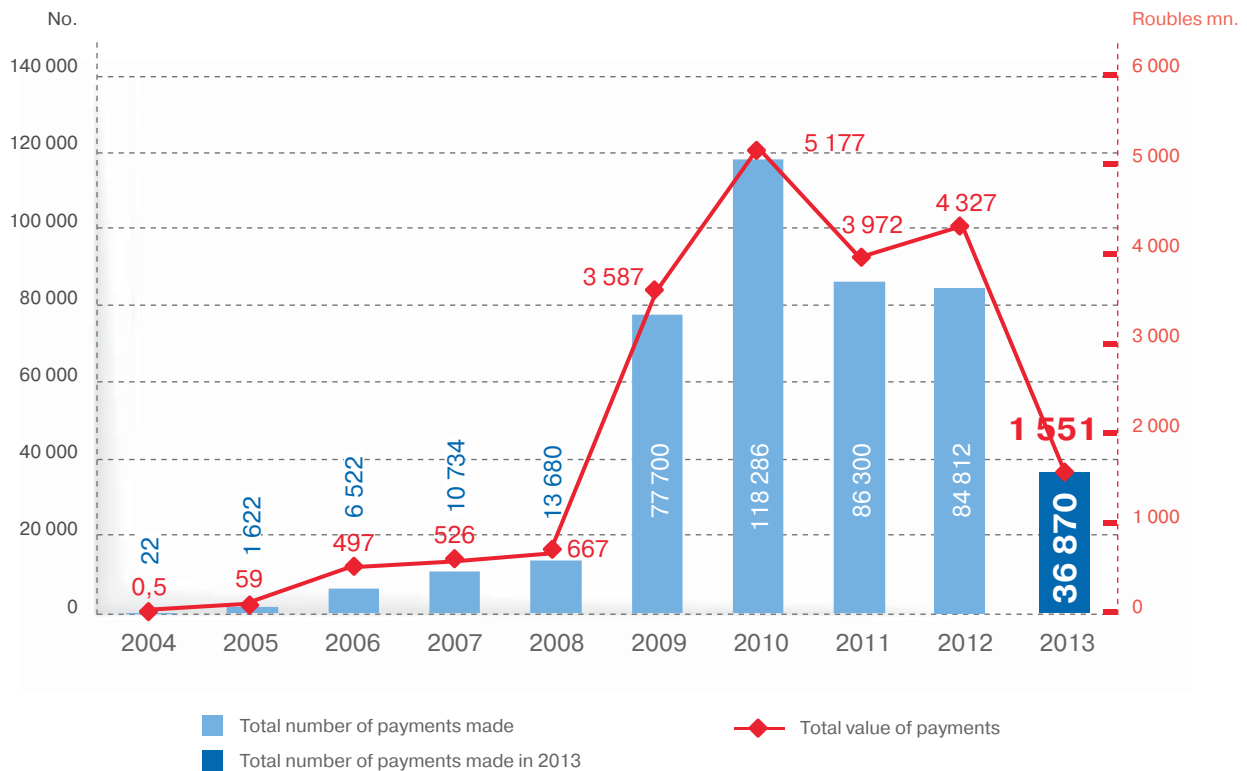


Figure 31

Between 1 July 2004 and 31 December 2013, RAMI decided on 436,548 cases where victims had claimed compensation. Of these cases, 408, 651 resulted in compensation payments being made and these payments totalled 20.4 bn Rubles.

There were 2,183 compensation payments for bodily injury and these claims totalled 81.3 million Rubles.

About 98% of these payments were made in respect of insurance companies that had lost their license to transact insurance business.

### Insurance companies having their license withdrawn

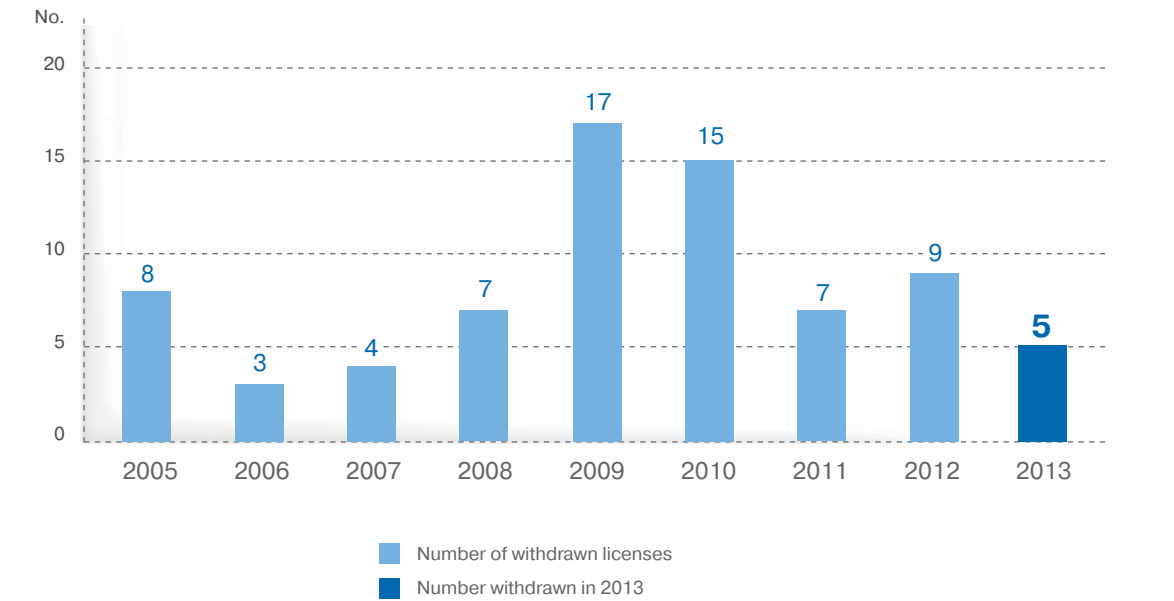


Figure 32





RAMI administers compensation payments on behalf of 75 insurance companies, of which 5 withdrew from the market in 2013. Rossiya Insurance Company was one of those that ceased operations in 2013. Satisfying the obligations of Rossiya Insurance Company resulted in 6,508 cases being examined and 5,475 compensation payments were made in the total sum of 240 million Roubles.

## Number of cases decided in 2013

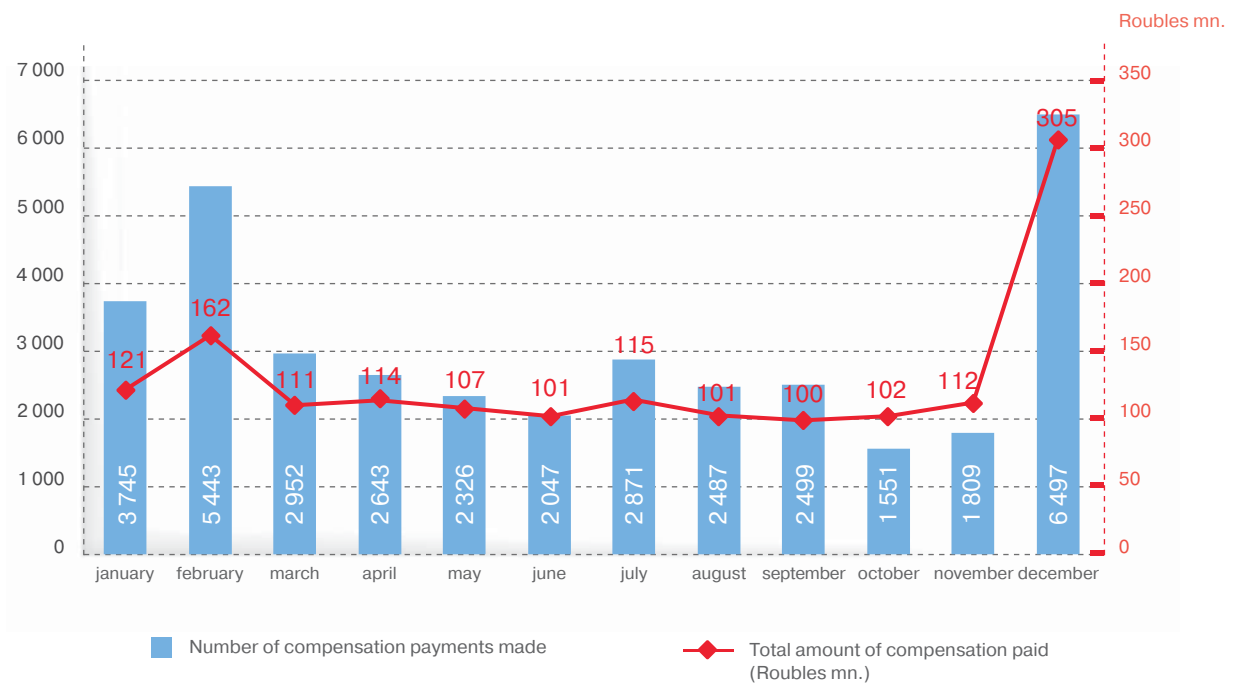


Figure 33

In 2013, 36,870 applications by accident victims were examined, of which 28,668 resulted in compensation payments being made in the sum of 1.551 bn Roubles.



# 12 Dealing with complaints from the public

Russian Association of Motor Insurers

ANNUAL REPORT  
2013



RAMI continually handles both verbal and written communications from the public relating to current legislation.

Dealing with issues raised by the public is one of the most important social activities of RAMI and is carried out on the basis of the rules for protecting the rights of insureds drawn up by the Presidium of RAMI.

In 2013, RAMI and its representative bodies in the Federal regions received 8823 written communications and complaints from the public, of which 6994 related to the fulfilment of obligations under CMTPL policies and 1829 related to the bonus malus system.

Communications from the general public are an important means whereby insurance companies can communicate with their clients. They are an important source of information that can be used to sort out problem areas.

Among the main topics raised were the issue of insurance companies failing to settle claims within the required time limit – 2,715 complaints, disagreements about the amount to be paid – 652 complaints, disagreement with the decision to refuse the claim – 438 complaints, and failure to agree on the bonus malus calculation – 1,829 complaints.

Failure by CMTPL insurers to settle claims within the time limit, therefore, is still the largest cause of complaints. In addition, the operation of the bonus malus system resulted in a large number of complaints.

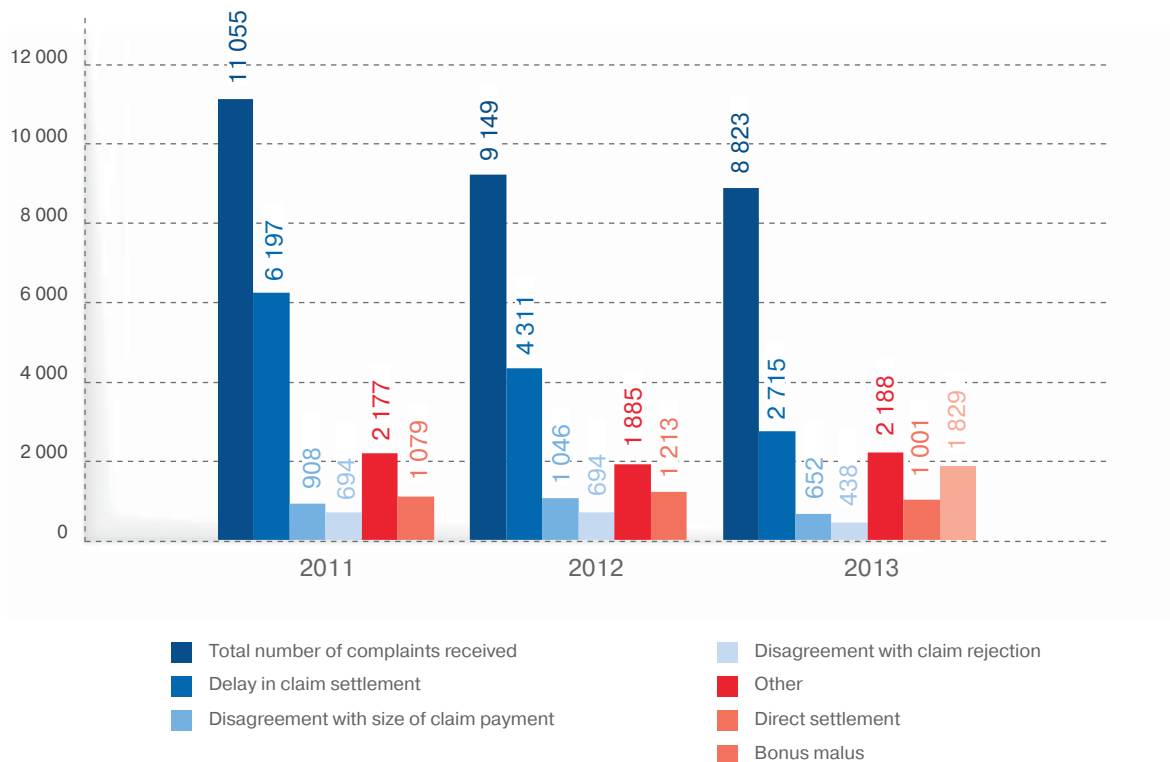


Figure 34

The RAMI call centre is an integral part of RAMI's system of dealing with the public.

The main function of the call centre is to answer questions raised about the CMTPL insurance system and the system of technical inspections of motor vehicles. It also provides information about the progress of compensation payments that have been requested from the Association. The work of the call centre is organised and regulated by the management group for working with communications from the public.

In 2013, the RAMI call centre received 327,687 telephone calls.

### Main issues raised by callers to the RAMI call centre

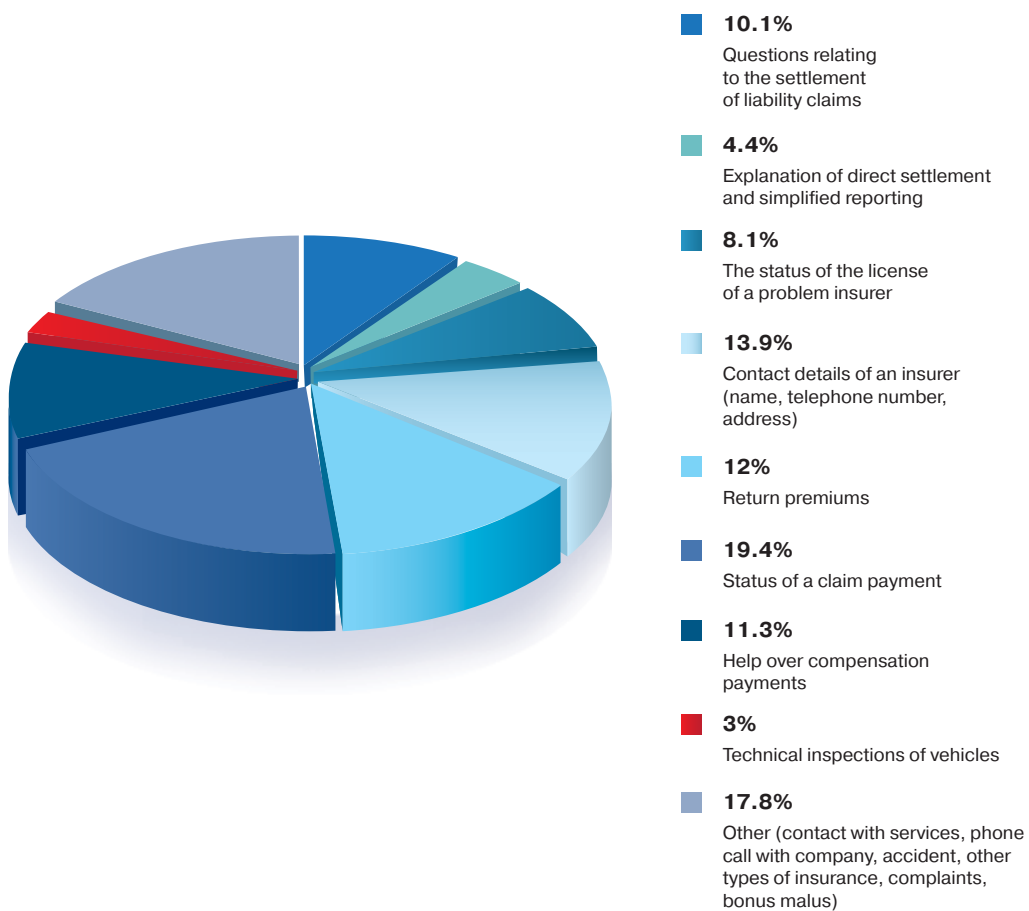


Figure 35



# 13

Supervising the work  
of RAMI members

Russian Association of Motor Insurers

ANNUAL REPORT  
2013



In accordance with the rules of professional conduct, the Association continuously monitors the work of its members in relation to CMTPL insurance. The main areas of monitoring relate to the compliance of RAMI members with the following:

- The CMTPL law;
- The RAMI Charter;
- The rules of professional conduct;
- The decisions of managing bodies of RAMI.

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

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

In 2013, the on-site inspections of RAMI members were carried out on the basis of decisions made by the management board of RAMI and resulted from the need to react quickly to signs that insurance companies were breaking the law or not following the rules of professional conduct. A quick response is necessary both to record the violations and make sure that they cease and to take measures to minimise the negative impact that these violations can cause.

Off-site inspections and audits of RAMI members in 2013 were carried out on a continuous basis by monitoring and analysing data from the RAMI database, from reports submitted by the companies to RAMI and from other information. One of the most common violations uncovered by inspections is the late submission of data to the RAMI IT system relating to CMTPL contracts, claims, motor vehicles and their owners, statistics and other required data about CMTPL insurance.

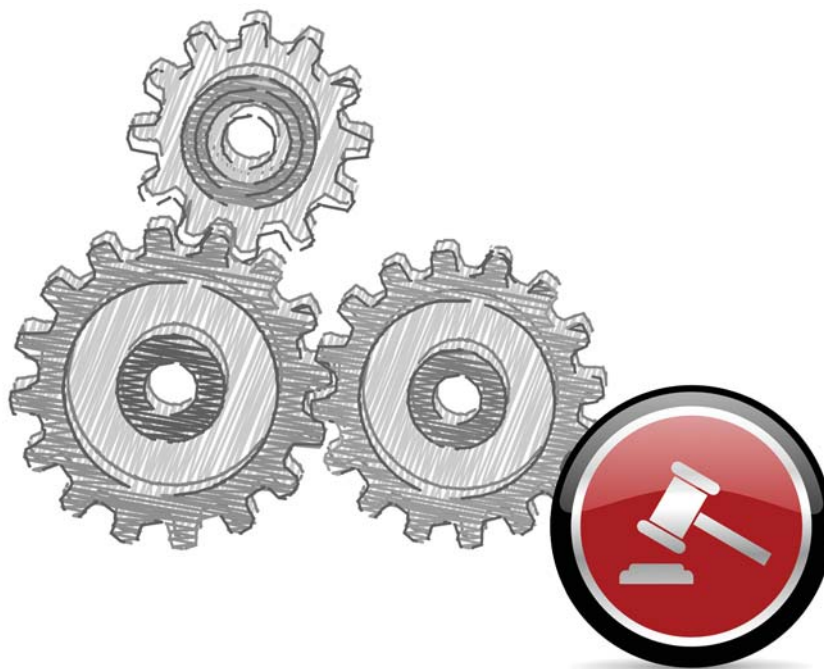
In order to improve the RAMI monitoring of the activity of the Association's members, in 2013 amendments were made to the rules of professional conduct setting out the system of sanctions to be applied to member companies, their executives and employees. These amendments clarified the disciplinary procedures and brought in new areas where sanctions applied, including the late provision of data to the RAMI IT system.

As a result of the process of monitoring in 2013, 476 disciplinary actions were taken, of which 387 resulted in financial sanctions and 89 in reprimands. As a result of on-site inspections of 7 insurance companies, disciplinary sanctions were applied.

## Breaches of the rules identified during inspections



Figure 36



# 14 Court cases and dealing with bankrupt insurance companies

Russian Association of Motor Insurers

ANNUAL REPORT  
2013





## Legal issues

In accordance with article 20 of the CMTPL law, RAMI is able to reclaim compensation payments:

- from a person or a legal entity responsible for causing damage. RAMI pays compensation to an accident victim who suffered bodily injury when the driver who caused the injury cannot be traced and also if the driver who caused the injury is not in possession of a valid CMTPL insurance policy;
- from insurance companies. RAMI pays compensation to victims when the insurance company responsible for making the compensation payment has lost its license or has commenced bankruptcy proceedings.

In these circumstances, RAMI intervenes in bankruptcy proceedings to recover compensation payments made so as to protect and rationalise its funds.

## Intervening in bankruptcy proceedings of insurance companies that have had their licence to carry on CMTPL insurance withdrawn

In 2013, RAMI intervened in 31 bankruptcy proceedings involving insurance organisations.

In total, as a result of these proceedings, RAMI recovered 37 million Roubles, of which 57% was received in cash during 2013 from the insurance companies RST, Skiff Tver and Rosstrakh.

In 2013, claims were made by RAMI for inclusion in the register of creditors amounting to 1.2 bn. Roubles, of which 346.9 million Roubles were successful and 301.2 million Roubles were unsuccessful. The remainder remain under consideration.

In 2013, RAMI filed applications for current demands totaling 31.2 million Roubles. During the year a total of 34 million Roubles were accepted as current demands – part of this sum related to demands that had been made in 2012.

In 2013 RAMI took over the temporary administration of two insurance companies (Rossiya and Metroton). RAMI did not take part in the temporary administration of a further 4 insurance companies as these companies had been excluded from membership of the Association. (Aini, Tirus, BASK and Zashita Hakhodka).

## Debt collection

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

In 2013, RAMI made successful claims for recovery to the courts of 9.5 million Roubles out of a total amount of claims made of 13.7 million Roubles. As a result of court decisions, 1.1 million Roubles was returned to RAMI and 100,000 Roubles were returned voluntarily.

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

In 2013, RAMI recovered 3.8 million Roubles in duplicate claims payments.

## Disputes arising out of consumer protection law

On 28 June 2012, the Plenum of the Supreme Court determined that the laws of consumer protection applied to a contract of property insurance to the extent that they are not regulated by special laws.

In 2013, RAMI received 1,488 applications under the consumer protection law. Only 34% of these cases (504 cases) resulted in the consumer protection law being applied to RAMI.

Of these, the appeal court decided in all cases except 16 that the law on consumer protection did not apply to RAMI. In these 16 cases, RAMI had to pay financial and moral damages arising out of the consumer protection law.

## Combating illegal payments

In 2013, work continued to prevent fictitious contracts of assignment. 72 cases were filed in which it was claimed that the contracts of assignment were fictitious on the basis of evidence from individuals that they had not entered into them. The return of Roubles 9 million in payments was claimed. In 60 cases the claim was successful and 12 remain under consideration.

At the same time, the practice of 'auto lawyer' continues, which involves forging documents that give rights of payments to be made from RAMI funds.

In this context, RAMI successfully contested in the courts of the Krasnodar region three judgements where 'auto lawyers' had claimed payments from RAMI in the sum of 18.5 million Roubles, funds which were to be taken from RAMI by collection orders. In all cases measures were taken to restore the funds by seizure of property of debtors. Writs to enforce these measures by bailiffs are currently being prepared. Enforcement proceedings in tracing debtors has resulted in the recovery of 7.9 million Roubles by RAMI.



15  
19

The RAMI Arbitration Court

Russian Association of Motor Insurers

ANNUAL REPORT  
2013



The RAMI Arbitration Court was established on 23 December 2010, when the Presidium passed a decree that created a body in accordance with the law on CMTPL insurance and which operated under the rules of professional conduct 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 also other disputes involving the rules of professional conduct.

## The work of the Arbitration Court in 2013<sup>8</sup>:

In 2013, 409 cases were sent to the court, of which:

- 393 involved the recovery of compensation payment;
- 14 involved the return of duplicated claims payments;
- 1 involved subrogation;
- 1 involved the collection of funds through the direct settlement system.

The number of cases decided was 323, of which:

- 259 resulted in the claim being satisfied in full;
- 8 resulted in the partial settlement of the claim;
- 56 resulted in the dismissal of the claim.

12 cases were withdrawn as a result of the refusal of the claim, of which:

- 2 were withdrawn before the court was formed;
- 10 were withdrawn after the formation of the court.

36 cases were dismissed because of a failure to make an out of court settlement.

One case was withdrawn due to the existence of an enforceable decision of the arbitration court in the application of the claimant.

83 applications were returned on formal grounds.

46 cases remained outstanding to be dealt with in 2014.

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<sup>8</sup> The data includes cases initiated in 2012 (92 cases).



# 16

Publicity and public relations

Russian Association of Motor Insurers

ANNUAL REPORT  
2013



In the second half of 2013, RAMI conducted a public relations campaign to popularise CMTPL insurance as a means of social protection. The aim of this campaign was to create favourable conditions for a public discussion by experts on changes in the CMTPL insurance tariffs by explaining the main provisions to drivers and to the general public.

As part of this campaign, 10 information packs containing publicity material relating to the main theme of the campaign were distributed to the press, to television and radio, to other media, news agencies and through the internet.

In order to maximise the impact of the campaign by using the latest information technology and in order to reach the widest possible audience, 6 discussions took place over the internet as on line question and answer sessions aimed at setting out RAMI's position on a number of current issues.

## Events aimed at publicising the campaign to improve road safety

- a campaign was organised to support improved road safety through the use of seat belts. The objective of the campaign was to reduce the number of injuries caused to drivers and passengers, especially children, as a result of not using seat belts, through the incorrect use of seatbelts to restrain children, or the incorrect use of child restraints. A video film was produced as part of this campaign (the box) which was shown on national television. In addition, radio clips which were broadcast on radio, promotional material and banner advertisements which appeared in the internet were also produced.







- in October 2013, work began on a road safety campaign called 'Slow down!'. The campaign is aimed at reducing the number of pedestrians crossing the road at pedestrian crossings.
- other measures were taken as part of the road safety campaign. These included producing 6 applications called 'Little Zebra' which appeared in 6 editions of the magazine 'Your roads/make roads safe'. These applications came in a number of different formats: cartoons, animated comics and computer games. A stand was organised (Children's village) at the 9th international exhibition of the motor industry (Interavto) which was held in Crocus Expo, the international exhibition centre; RAMI also organised events (Mothers on the roads) during the 3rd All Russia open multi event driving competition for women (Auto Lady) which took place in Yekaterinburg; the Association also organised social events for young drivers with less than three years' experience 'YOUR LIFE ON THE ROAD' and also organised activities aimed at increasing the knowledge of children and their parents about road safety during the winter months. These activities were



called 'Little Zebra and his friends during the winter holidays' and they took place in schools and kindergartens in Moscow; information about the primary activities of RAMI were placed in 6 editions of the magazine 'Your road/make roads safe'.



## Distributing publicity material to federal and regional media

RAMI plays an active role in providing information to the public about CMTPL insurance, the main principles that lie behind the system and how it works in practice. Publicity is also provided about RAMI's role as organiser of the system of technical inspections of vehicles in Russia. Thus in 2013, the RAMI public relations committee implemented the following:

- distributed information and publicity relating to the Association's projects associated with its core functions of improving the CMTPL and technical inspection systems;
- organised 18 press conferences on topical issues relating to the work of RAMI;
- organised the broadcasting of television programmes about RAMI's work on national channels. Programmes included a description of how RAMI organises the payment



of compensation to accident victims and a programme about the system of technical inspection of vehicles;

- organised the participation of senior staff and specialists from the Association in radio discussions on the following radio channels: Avtoradio, City-FM, Business FM, Vesti FM and Mayak;
- published 15 interviews with senior staff and specialists from RAMI and more than 200 commentaries. In addition, many representatives of insurance companies and members of RAMI took part as members of various committees in publicity events organised for national, specialist and regional press and media. The following newspapers carried RAMI publicity during 2013 – Vedomosti, Kommersant, Rossiskaya Gazeta, Izvestiya, Noviy Izvestiya, MK, KP, Moscow News, at the wheel, Avtorevue, Abtomobil, Klaxon and Delovoi Peterburg. Items appeared in a number of national and regional programmes such as ‘Today’, ‘Morning’, ‘Main roads’ (NTV), ‘Moscow news’, ‘24 News’ ‘Morning Russia’ (Rossiya channel), Channel 1 news, TVTs, Channel 5, Ren TV, Podmoskovia, Rossiya 24 and Moscow 24. Radio channels carrying such information included Vesti FM, Avtoradio, Business FM, Radio Rossiya, Mayak and City FM;
- produced, edited and posted YouTube films of RAMI specialists giving advice and information to operators of technical inspection units relating to the system of accreditation that is required to be completed before they can carry out technical inspections;
- organised meetings with regional journalists from Yekaterinburg, St Petersburg, Novosibirsk and other towns and cities;
- provided information for the publication ‘Stop – newspaper – road safety’. An article ‘Advice from RAMI’ was published in every edition last year of the newspaper the Good Childhood road;
- provided information for the publication ‘Your road’. In every edition could be found information about the activities of RAMI and interviews with staff and specialists;
- on the website of the newspaper Klaxon, under the heading ‘questions and answers’, RAMI specialists answer questions on line about CMTPL insurance and technical inspection of vehicles.

### Disseminating information through seminars and conferences

- RAMI organised events aimed at disseminating information (Conferences, seminars, discussion groups);
- the following were organised: a round table with RIA Novosti, the second conference on technical inspection and a number of other events;
- senior staff of RAMI took part in organising and publicising insurance congresses, conferences and round tables, and made presentations. They provided information and publicity material and in addition RAMI, senior staff supported and addressed a number of international events;
- RAMI supported the annual All Russia insurance conference.



On 24 September 2013 RAMI and NULI jointly organised the 6th International conference entitled 'Compulsory liability insurance: systematic approaches to achieving guaranteed compensation for damage caused.'



A number of representatives of state bodies took part in this event as well as insurer and international and Russian experts. These included:

- Pavel Bunin from RAMI;
- Andrei Yuriev from NSSO;
- Igor Zhuk from the Central Bank;
- Vera Balalireva from the Ministry of Finance;
- Dmitri Popov (Chairman of the RAMI committee for tariffs, statistics and reserving, Allianz insurance company);
- Dmitri Markarov from Rosgosstrakh;
- Igor Yamov from Ingosstrakh;
- Evgenny Yanenko from the independent actuarial analytic centre;
- Gregory Babushkin from PricewaterhouseCoopers;
- Vladimir Novikov from the Guild of Actuaries.

Chris Barrett from Great Britain discussed international experience together with Luke Baker from the Royal Sun Alliance in the UK, Mart Lesse from the Estonian fund for motor insurance, Jorg Schult from the German Insurance Association and Gunter Geisler from Axa in France.

The main issues discussed were related to implementation of CMTPL insurance and the compulsory liability insurance of dangerous operations and trades in the Russian Federation. In addition there were discussions of the development of insurance tariffs, developing a bonus-malus system for CMTPL insurance and creating insurance

reserves for CMTPL insurance. There was an international dimension, when international experience in developing CMTPL insurance and insurance of dangerous operations was related to the problem of giving practical support to the development of these classes in Russia

# APPENDIX

Russian Association of Motor Insurers

ANNUAL REPORT  
2013

Extract from the opinion of the auditors

Extract from the opinion of the Auditors,  
BDO, on the RAMI accounts for 2013

*'In our opinion, the Accounts of RAMI reflect accurately in all significant respects the Russian Association of Motor Insurer's financial position as at 31 December 2013 and the results of the Association's financial and commercial operations between 1 January and 31 December 2013 inclusive in accordance with the legislation of the Russian Federation in respect of the preparation of accounts.'*

*Signed*

ZAO BDO

Partner L.V.Efremova

*signed 28 March 2014*

## Extract from the report of the internal audit commission

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

15 April 2014 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 2013 and of the financial results of the Associations operations between 1 January and 31 December 2013 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 2013 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 2013:*

- The Department for dealing with appeals from the public;*
- The Department of Analysis and Control;*
- The Department for making compensation payments;*
- The Department of the European Protocol;*
- The Department for developing insurance methodologies;*
- The Department of Public relations;*
- The Directorate of the Green Card Bureau;*
- The Department of Legal Affairs and Bankruptcy proceedings;*
- The Department for developing technical inspections;*
- The Department for developing mutual settlement systems involving CMTPL and KASKO policies;*
- 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 during 2013. The work of all of the above departments or subdivisions of RAMI was carried on in conformity with the requirements of Russian Federal Law and with the rules of the Association.*

*Chairman of the Control commission*

*Vitaly A Poltavetsev*

*Member of the Control Commission*

*Igor V Zagradka*

*Member of the Control Commission*

*Kirill K Brovkovich*

*Member of the Control Commission*

*Nikolai F Galaguza*

The Russian Association of Motor Insurers

Address: Lusinovskaya UI 27, building 3 (metro Dobrininskaya), Moscow, 115093

Telephone: +7 (495) 771-69-44

Fax: +7 (495) 771-69-44 (ext.133), +7 (499) 236-16-07

Email: [request@autoins.ru](mailto:request@autoins.ru), [rsa@autoins.ru](mailto:rsa@autoins.ru)

**[www.autoins.ru](http://www.autoins.ru)**

