

Report on the rating research

Customer:	Additional Liability Company Insurance Company "NASTA"
Incorporation date:	23.04.2008
USREOU code:	35893575
Head office location (city, mail index, street):	5- b, Vladimirskaya str., Kiev 01032
The name of the auditor company which approved the accounts the last fiscal year:	RADA LTD
Key account bank:	PJSC "OTP Bank", USREOU code 21685166
Top executive, title:	CEO: Litvin Pavel
Number of regular personnel at the time of questionnaire filling:	156
Telephone/fax:	+38 (044) 499-98-50
Web-site:	www.nasta.com.ua
Rating type:	Insurer financial strength (general insurance business)/ credit rating
Rating revision period:	Quarterly
Date of rating:	26.06.2012
Rating by RA 'Standard Rating' (Ukraine) according to the Ukrainian national scale (outlook):	uaA+ (stable) The insurer with the rating uaA+ has high financial strength as compared with other Ukrainian insurers. The level of financial strength is sensitive to the influence of adverse commercial, financial and economic conditions.
Correlation of the national scales with the international scale in the countries of operations:	
The correlation of Ukrainian scale ratings and the international scale ratings reflecting the rating in the countries of Agency operations is set by GPRC "Standard-Rating" Rating Committee.	
Information use restrictions:	
The report on rating research has no restrictions to distribution. When using materials contained in the report, the reference on RA "Standard Rating" (Ukraine) is mandatory. The Agency considers true all information contained in the report on rating research.	
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1. List of licenses and permits in possession of the Company

IC "NASTA" is a risk insurance company having 20 termless licenses: 12 for voluntary and 8 for mandatory insurance types.

All licenses are termless and have been issued by the State Commission for Regulation of Financial Services Markets of Ukraine

Voluntary insurance licenses

Voluntary motor transport vehicle insurance (except r/w) AB no. 442417 of 10.03.2009

Voluntary insurance of financial costs AB no. 442418 of 10.03.2009

Voluntary property insurance, except railway-, motor-, air-, water transports (incl. sea inland waters, and other watercrafts), freight and luggage AB no. 442419 of 10.03.2009

Voluntary insurance against fire risks and act of God risks AB no. 442420 of 10.03.2009

Voluntary freight and luggage insurance AB no. 442421 of 10.03.2009

Voluntary ground transport owner's liability insurance (incl. carrier liability) AB no. 442422 of 10.03.2009

Voluntary health insurance against diseases AB no. 442423 of 10.03.2009

Voluntary medical costs insurance AB no. 442424 of 10.03.2009

Voluntary medical insurance (continuous health insurance) AB no. 442425 of 10.03.2009

Voluntary accident insurance AB no. 442426 of 10.03.2009

Voluntary third party liability insurance, except liability of ground-, air-, water transports owners (incl. carrier liability), freight and luggage AB no. 442427 of 10.03.2009

Voluntary r/w transport insurance AB no. 594452 of 1.02.2012

Mandatory insurance licenses

Mandatory ground transport owner's civil and legal liability insurance AB 546831 of 25.08.2010

Mandatory liability insurance of economic entities against damage in case of fire and emergencies in extra hazardous facilities, including fire-dangerous facilities and facilities, wherein economic activities could result in environmental and sanitary-epidemiologic emergencies AB 546830 of 26.08.2010

Mandatory personal insurance of departmental fire protection workers (except those who work in the entities financed from the state budget of Ukraine) and rural fire prevention workers and members of voluntary fire brigades (teams). AB 546829 of 26.08.2010

Mandatory insurance against traffic accidents AB 546828 or 26.08.2010

Mandatory insurance of exporter liability and the entity in charge of disposal of harmful wastes, against a damage to health, property and environment which may arise during international transportation and disposal of harmful wastes. AB 546827 of 26.08.2010

Mandatory insurance of dangerous cargos carriers' liability against negative consequences of dangerous cargos transportation risks AB 546826 of 26.08.2010

Mandatory insurance of mortgaged property against accidental loss, accidental damage or deterioration AB no. 594112 of 7.11.2011

Aviation insurance of civil aviation as mandatory insurance AB no. 594113 or 07.11.2011

(A) History of the company and an overview of the insurer

The insurance company NASTA entered the market of Ukraine in June, 2008, just before the beginning of financial crisis. Availability of investments at the Company and absence of precipitate steps have allowed the insurer to occupy during this period an appreciable share of the Ukrainian market.

Within 2008-2010 the Company organized 7 regional offices which cover the entire territory of Ukraine: Central, Southern, Western, Kharkov, Eastern, Dnepropetrovsk and Kiev offices, with sales offices in Kiev, Kharkov, Donetsk, Dnepropetrovsk, Odessa, Lvov, Vinnitsa, Zhitomir, Kirovograd, Cherkassy and Pavlograd. The head office of the Company is located in the city of Kiev. In total over 150 employees of IC NASTA work in Ukraine.

By the end of 2008 the amount of insurance premiums collected by IC NASTA constituted UAH 32 m, following 2009 - already UAH 67,5 m, in 2010 - UAH 62,8 m, and 2011 - UAH 63,1 m. The Limited liability company Insurance Company "VERNA" (Russian Federation, Moscow) is the owner of 99,9 % of ALC IC NASTA stock.

In 2011 the Company has obtained two licenses for mandatory kinds of insurance: mortgage insurance and aviation insurance.

In Q1 2012 IC NASTA continued an active development of channels of sales and buildup of insurance products portfolio, and obtained the license for the voluntary type of insurance - railway transportation insurance.

The actual solvency margin of the Company almost in 5 times exceeds the standard norm. Following Q1 2012 results the Company managed to achieve 15 % gain of gross premiums volume, thus level of payouts has grown on 6 percentage points, cover of liabilities by shareholders' equity increased by 2,45 percentage points.

Table 1

Key performance indicators of ALC IC NASTA, UAH th, p.p., %

#	Indicators	Q1 2012 (31.03.2012)	Q1 2011 (31.03.2011)	Change	Growth rate, %
1	Total gross premiums	15620,4	13588,4	2032	14,95%
2	Indemnities and compensations	8604,7	6669,7	1935	29,01%
3	Payout ratio	55,09%	49,08%	6,00 p.p.	-
4	Shareholder equity	57677,6	55432,1	2245,5	4,05%
5	Liabilities	65528,9	64783,9	745	1,15%
6	Equity/Liabilities ratio	88,02%	85,56%	2,45 p.p.	-
7	Net profit	4774,6	2648,9	2125,7	80,25%
8	ROE	8,28%	4,78%	3,50 p.p.	-
9	ROA	3,88%	2,20%	1,67 p.p.	-
10	IBA/liabilities ratio	43,77%	49,71%	-5,94 p.p.	-

Thus, IC NASTA belongs to the category of the insurers, development of which activity coincided with the post-recession period. Good level of capitalization and availability of a strategic investor doing business in Russia are capable to provide a stabilizing influence on the activity of the insurer in the future.

(B) Business activity and competition

By Agency estimates, the nominal share IC NASTA in the Ukrainian insurance market makes about 0,3 %, Company share in the market of classical insurance in Ukraine - about 0,6 %, and on separate kinds of insurance it can reach 1 %. The company belongs to the category of small, but quickly growing ones.

In Q1 2012 IC NASTA collected UAH 15,62 m of gross premiums that is on 15 % more than in Q2 2011. Following the results of 2011 the Company has shown growth of total business volumes on 1,9 % while the total volume of business in the market in 2011 decreased from UAH 23,081 to UAH 22,693 b, or on 1,7 %. That is in 2011 the Company managed to increase the market share insignificantly, and following the results of Q1 2012 already showed remarkable dynamics of growth that also impacted positively its market share.

Table 2

Business performance indicators of ALC IC NASTA, UAH th

#	Indicators	Q1 2012	Q1 2011	Change	Growth rate, %
1	Total gross premiums, incl.:	15620,4	13588,4	2032	14,95%
2	- from individual insured	7964,4	9778,9	-1814,5	-18,56%
3	- from reinsurers	3104,4	253,3	2851,1	1125,58%
4	Share of individuals in gross premiums	50,99%	71,97%	-20,98 p.p.	-
5	Share of reinsurers in gross premiums	19,87%	1,86%	18,01 p.p.	-
6	Premiums ceded to reinsurers	238	3586,8	-3348,8	-93,36%
7	Reinsurance dependence factor	1,52%	26,40%	-24,87 p.p.	-
8	Net premiums	15382,40	10001,60	5380,80	53,80%
9	Earned premiums	16856,2	7727,3	9128,9	118,14%
10	Financial result from operations	-1027,6	-6854,1	5826,5	-
11	ROS	-6,58%	-50,44%	43,86 p.p.	-
12	Acquisition costs	3097	5151,7	-2054,70	-39,88%
13	Acquisition costs /gross premiums	19,83%	37,91%	-18,09 p.p.	-

AXA, Ukrainian Insurance Group, UNIQA, INGO Ukraine, PZU Ukraine, Arsenal insurance and others belong to main competitors of IC NASTA in Ukraine.

(C) Business Diversification

The level of IC NASTA client portfolio diversification is considered close to satisfactory. The company is dependent on transport insurance. The largest kind of insurance following the results of Q1 2012 corresponded to 66,54 %, the three largest kinds – to 90,84 %.

Table 3

Top 10 largest types of insurance of ALC IC NASTA, UAH th, %

#	Indicators	Q1 2012		Q1 2011		Change of structure, p.p.	Growth rate, %
		UAH th.	%	UAH th.	%		
1	Ground transport insurance except r/w	10393	66,54%	9022	66,40%	0,14 p.p.	15,20%
2	Ground transport owner's liability insurance (standard agreements)	2332	14,93%	2080	15,31%	-0,38 p.p.	12,12%
3	Freight and luggage insurance	1463	9,37%	74	0,54%	8,82 p.p.	1877,03%
4	Other property insurance	378	2,42%	725	5,34%	-2,92 p.p.	-47,86%
5	Medical insurance (continuous health insurance)	351	2,25%	579	4,26%	-2,01 p.p.	-39,38%
6	Financial risks insurance	255	1,63%	274	2,02%	-0,38 p.p.	-6,93%
7	Ground transport owner's liability insurance, including carrier liability	193	1,24%	260	1,91%	-0,68 p.p.	-25,77%
8	Medical costs insurance	64	0,41%	36	0,26%	0,14 p.p.	77,78%
9	Civil aviation insurance	54	0,35%	0	0,00%	0,35 p.p.	-
10	Insurance of other third party liability	35	0,22%	23	0,17%	0,05 p.p.	52,17%
11	Other types of insurance	102	0,65%	515	3,79%	-3,14 p.p.	-80,19%
12	In total:	15620	100,00%	13588	100,00%	-	14,95%

In view of that Company activity has remained stably profitable the Agency did not downgrade the rating because of low level of portfolio diversification. However in the future the mentioned factor may negatively impact the business of the insurer.

Level of IC NASTA client diversification has been recognized as high. 10 largest insurers corresponded to only 23,31 % of total business volumes underwrote in Q1 2012.

Table 4

#	Показатели	Q1 2012		Q1 2011		Change of structure, p.p.	Growth rate, %
		UAH th.	%	UAH th.	%		
1	From 1 (one) largest insured	1153	7,38%	1650	12,14%	-4,76 p.p.	-30,12%
2	From 3 (three) largest insured	2420	15,49%	2319	17,07%	-1,57 p.p.	4,36%
3	From 5 (five) largest insured	2905	18,60%	2604	19,16%	-0,57 p.p.	11,56%
4	From 10 (ten) largest insured	3641	23,31%	3170	23,33%	-0,02 p.p.	14,86%
5	In total:	15620	100,00%	13588	100,00%	-	14,95%

Thus, level of diversification IC NASTA by insurance kinds has been recognized as close to satisfactory. Level of client diversification has been recognized as high.

(D) Quality of assets

The research of the system of earning assets management of the insurer has allowed to draw the following conclusions: when managing earning assets the insurer uses collegiate principles, adheres to the requirements of the domestic legislation and maintains a level of liquid assets, sufficient for settlements with creditors.

As of 31.03.2012 the interest bearing assets of the insurer constituted UAH 29,2 m, compared to 31.03.2011 their volume decreased on 9,62 p.p. Thus IBA/liabilities ratio of the insurer has decreased on 5,94 percentage points to 43,77 % (tab. 1) that is much lower, than in the average on the market.

Table 5

#	Indicators	31.03.2012		31.03.2011		Change of structure, p.p.	Growth rate, %
		UAH th.	%	UAH th.	%		
1	Balances on current accounts	8089	7,78%	11226	11,13%	-3,35 p.p.	-27,94%
2	Bank deposits	21090	20,30%	26796	26,57%	-6,27 p.p.	-21,29%
3	Shares	72521	69,79%	55720	55,25%	14,54 p.p.	30,15%
4	Bonds	21	0,02%	21	0,02%	0,00 p.p.	0,00%
5	Claims to insurers	2024	1,95%	6870	6,81%	-4,86 p.p.	-70,54%
6	Cash in vault	171	0,16%	223	0,22%	-0,06 p.p.	-23,32%
7	Other earning assets	0	0,00%	0	0,00%	0,00 p.p.	-
8	Total earning assets ::	103916	100,00%	100856	100,00%	0,00 p.p.	3,03%
9	Total interest bearing assets:	29200	28,10%	38043	37,72%	-9,62 p.p.	-23,24%
10	Interest bearing assets with rating above uaBBB-	28678,9	27,60%	35815,7	35,51%	-7,91 p.p.	-19,93%
11	Share of assets with investment grade in the interest bearing assets	98,22%	-	94,15%	-	-	-

The share of interest bearing assets in earning assets of the Company is close to satisfactory, thus the level of IC NASTA liquidity remains at rather stable level.

(E) Quality of reinsurance

To provide the maximum protection of the interests of clients and partners, IC NASTA carries out a balanced reinsurance policy.

Main criteria in the choice of reinsurer for the Company are its reliability and quality of reinsurance protection.

However, being guided by the principle of maximum financial soundness of the Company, IC NASTA performs reinsurance of risks using established criteria and limits per each kind of insurance, insurance product and risk category separately, by applying various methods of reinsurance, such as:

- proportional facultative reinsurance;
- non-proportional facultative reinsurance;
- non-proportional compulsory reinsurance;
- proportional compulsory reinsurance.

Mainly such risks as KASKO car insurance, property risks, and also insurance of cargoes, insurance against accidents etc. are subject to reinsurance

In this connection the Obligatory Agreement of ground transport reinsurance (KASKO) with the reinsurer **OJSIC "Ingosstrah"** (Russia, BBB- rating by Standard and Poor's) has been concluded.

The key parameters of the mentioned Agreement are:

Total cover amount under the Agreement – USD 200 000,00.

Net retention (priority) – USD 18 750,00.

The given obligatory program allows obtaining an automatic reinsurance, and when needed - to reinsure large risks. Main advantage of the given Agreement is the possibility to provide even higher financial stability to insurance operations, to increase their profitability and to balance insurance portfolio that will warrant the accomplishment of obligations undertaken by the Company to clients and partners.

IC NASTA has also concluded the agreement of obligatory reinsurance of property portfolio with the **reinsurance company SCOR** which also covers risks of cargo transportation. The agreement on obligatory reinsurance is proportional and based on surplus. The total amount of agreement on property risks constitutes UAH 60 m per object, with retention of UAH 2 m. The aggregate annual limit for acts of nature makes UAH 90 m. The leader of the program is SCOR Global P&C. Its share in the treaty constitutes 60 % from 100 % of cession. The resting 40 % are in Hannover Re. On cargo transportation risks the amount is UAH 10 m, with retention – UAH 500 thousand.

The reinsurance agreement covers the insurance of property against fire (Flexa) and break of production caused by following dangers: earthquake, storm, hailstones, flooding, landslide (landslip), mudflow, ground slump, ground water flooding, transport run over, rupture of pipes, illegal actions of third parties concerning domestic property and other commercial and industrial risks. Besides, the agreement provides engineering types of insurance: for electronic devices (EEI), Erection All Risks (EAR), insurance of a building entrepreneur against all risks (CAR), of building technics, equipment and machines (CPM); and also risks of cargo transportation. The obligatory program allows receiving an automatic retrocession cover. The limit of indirect section constitutes 20 % from the original amount. The agreement is concluded for a period of 1 year with possibility of prolongation. At conclusion of the agreement the interests of IC NASTA with non-resident reinsurance company were represented by the broker Willis.

The experience and the set up system of partnership with foreign reinsurance companies allow IC NASTA to response operatively to inquiries, to provide effective reinsurance protection of property portfolio and to expand the range of services.

When assessing complex risks the Company uses services of skilled foreign underwriters having long-term experience in the leading insurance companies. First of all, it concerns the assessment of obligatory programs.

Except obligatory programs, IC NASTA uses facultative reinsurance of Company risks on other types of insurance. As of today the partners of the insurer in the area of facultative reinsurance are such insurance companies as: Providna, PZU, INGO-Ukraine, Etalon, Allianz Ukraine, TAC, Ukrainian Insurance Group, PROSTO-INSURANCE, Globus, QBE Ukraine and many others.

More than 57 % of reinsurance has been performed at the expense of foreign insurers with high financial strength ratings (tab. 6).

Table 6

Structure of reinsurance of ALC IC NASTA earning assets, UAH th, %, p.p.

#	Indicators	Q1 2012 (31.03.2012)		Q1 2011 (31.03.2011)		Change of structure, p.p.	Growth rate, %
		UAH th.	%	UAH th.	%		
1	Ingosstrakh RIJSC, RF	1804	52,93%	0	0,00%	52,93 p.p.	-
2	Ukraine IC, PrJSC	1123	32,95%	5423	50,86%	-17,91 p.p.	-79,29%
3	SCOR Global P&G SE	158	4,64%	0	0,00%	4,64 p.p.	-
4	Allianz Ukraine, ALC IC	143	4,20%	184	1,73%	2,47 p.p.	-22,28%
5	IC Globus	110	3,23%	92	0,86%	2,36 p.p.	19,57%
6	Other reinsurers	70	2,05%	4963	46,55%	-44,49 p.p.	-98,59%
7	Total premiums ceded to reinsurers	3408	100,00%	10662	100,00%	-	-68,04%

High level of reinsurance partially compensated the small share of interest bearing assets in the earning assets of the Company. Availability of several treaty insurers proves to the readiness of the Company to provide a qualitative insurance coverage.

(F) Adequacy of reserves

IC NASTA generates the following types of reserves:

- Unearned premium reserve (UPR) is generated separately under each acting agreement (policy) of insurance by a 1/365 method. Calculation of reinsurer share in UPR under acting contracts of reinsurance is made in the same way.
- Reserve for reported but not settled losses (RBNS) is generated under each acting agreement (policy) of insurance based on the reported size of damage or expected loss under each not settled claim. For more precise calculation of the amount of liabilities at estimation of expected damage the calculations made in Audatex system are used. The share of the reinsurer in the reserve is determined based on the conditions of the acting reinsurance contracts.
- Reserve for loss adjustment expenses is calculated according to actually declared or average indicators of loss adjustment expenses. The share of the reinsurer in the reserve is determined based on the conditions of acting reinsurance contracts.
- Since September, 2010, in connection with reception of licenses for obligatory kinds of insurance, the Company also generates IBNR at 10 percent of insurance premium earned for the last four quarters previous to reporting date.
- Equalization fund on the contracts of transport owners' liability insurance.

The generation of the given kinds of reserves is regulated by the Ukrainian legislation; the approaches to generation of reserves meet the international standards.

For the last 12 months the structure of reserves generated by IC NASTA practically did not change. As of 31.03.2012 URP corresponded to 83,21 % of the total amount of generated reserves, the reserve for catastrophes hasn't been generated (tab. 7).

Table 7

Structure of technical reserves of ALC IC NASTA UAH th, %, p.p.

#	Indicators	Q1 2012 (31.03.2012)		Q1 2011 (31.03.2011)		Change of structure, p.p.	Growth rate, %
		UAH th.	%	UAH th.	%		
1	Unearned premium reserve	27532,8	83,21%	30535,9	83,80%	-0,59 p.p.	-9,83%
2	Reserve for reported but not settled losses	4844,5	14,64%	5805,9	15,93%	-1,29 p.p.	-16,56%
3	Reserve for loss arisen but not reported	686,2	2,07%	78,7	0,22%	1,86 p.p.	771,92%
4	Loss variation reserve	24,9	0,08%	18,9	0,05%	0,02 p.p.	31,75%
5	Catastrophe reserve	0	0,00%	0	0,00%	0,00 p.p.	-
6	Other reserves	0	0,00%	0	0,00%	0,00 p.p.	-
7	Total technical reserves:	33088,4	100,00%	36439,4	100,00%	-	-9,20%

The policy of the Company on payouts on obligatory types of insurance is as follows:

- The insurance amount is paid out not later, than in 10 days from the date of reception of the necessary documents.
- Payment term is provided (in KASKO contracts) within 25 working days, thus 15 days are provided for decision-making and 10 days for payment from the moment of reception of the last document necessary for payout.
- Actual term of payout makes about 35 calendar days from the moment of traffic accident.
- A V.I.P. option is foreseen in the Company - a package which allows not to call the road police in case when only the insured vehicle is damaged, under condition of registration of the fact of road accident in place by the employee of IC NASTA (except for car theft and total destruction of the vehicle). Thus the representative of the insurance company is in charge of collection of almost all documents.

The research of large payouts for the last 12 months has shown that all the 5 largest payouts concerned the vehicles. The company paid such amounts upon damage of vehicles: LEXUS LX 570 (UAH 559 971,05), AUDI S5 (UAH 544 504,32), PORSCHE CAYENNE DIESEL (UAH 408 078,57) etc.

Payout level following Q1 2012 exceeded 55,09 %, and compared vs. Q1 2011 has grown on 6,0 p.p. According to the Agency, the level of IC NASTA payouts in Q1 2012 was above the mean market approximately in 2 times.

**Payouts and coverage of payouts by interest bearing assets
of ALC IC NASTA UAH th, %, p.p.**

#	Indicators	Q1 2012	Q1 2011	Change	Growth rate of premiums, %
1	Indemnities and compensations paid	8604,7	6669,7	1935	29,01%
2	Total gross premiums	15620,4	13588,4	2032	14,95%
3	Payout ratio	55,09%	49,08%	6,00 p.p.	-
4	Total interest bearing assets	29200	38043	-8843	-23,24%
5	IBA/payouts ratio	339%	570%	-231,00 p.p.	-

As a whole, the profitable work of the Company in 2010, 2011 and Q1 2012 gives grounds to assert that a policy envisaging high payout level cannot be a cause of credit risk growth.

(G) Capital and solvency margin

Last time the increase of ALC IC NASTA authorised capital stock was performed in February, 2009, when the capital has been raised on UAH 27,6 m. As of 31.03.2012 shareholders' equity of the insurer has been generated almost on 70 % at the expense of the authorized capital and on 30 % at the expense of retained profit (tab. 9).

Table 9

Structure of shareholders' equity of ALC IC NASTA UAH th, %, p.p.

#	Indicators	Q1 2012 (31.03.2012)		Q1 2011 (31.03.2011)		Change of structure, p.p.	Growth rate, %
		UAH th.	%	UAH th.	%		
1	Authorized capital	39927,6	69,23%	39927,6	72,03%	-2,80 p.p.	0,00%
2	Reserve capital	442	0,77%	442	0,80%	-0,03 p.p.	0,00%
3	Retained profit	17308	30,01%	15062,5	27,17%	2,84 p.p.	14,91%
4	Shareholders' equity, in total	57677,6	100,00%	55432,1	100,00%	-	4,05%

The level of insurer capitalization as of 31.03.2011 was 85,56 %, and as of 31.03.2012 - 88,02 %. The company maintained good level of capitalization, sufficient to operate in the Ukrainian market.

(H) Support by shareholders

The 99,9 % of stock of IC NASTA belong to the Russian insurance company IC "VERNA".

The Agency assessed the possibility of external support of IC NASTA by major shareholder as "notable".

It has been established that VERNA IC LTD was registered to the address: 14, suite 1, Haritonovsky lane, Moscow , Russian Federation. The company has authorized capital stock of 250 m roubles, is active in the insurance market of transport risks in the Russian Federation. Following 2011 the IC "VERNA" collected 640 m roubles of premiums; in 2011 the company increased the volume of total business on 28 %. Such volume of business has allowed the insurer to enter into TOP 100 largest companies of Russia.

The Agency positively evaluates the presence at IC NASTA of the shareholder doing similar business in the Russian Federation. As a rule, such shareholder is able to provide not only the financial support, but also technical assistance; that will be positively impacting the work of the insurer in Ukraine.

(I) Other factors influencing the rating

When analyzing the work of IC NASTA the Agency considered a number of additional factors:

- Last tax audit was performed the 06.11.2009. No essential infringements have been found by the audit;
- Insurance regulator audit resulted in some insignificant remarks. When checking the compliance of insurer accounts to the standard documents of prescribed reporting forms to be submitted to the body of insurance activity surveillance, no infringements have been found. The audit was performed on the 24.11.2010;
- No requests appeared from Gosfinmonitoring for the last 12 months.

The management of IC NASTA has a considerable experience of work in the insurance market:

Litvin Pavel, Chief Executive Officer of IC NASTA. Overall experience of work in insurance makes 15 years.

Pavel Litvin has started the career in insurance in 1997 in the company 'Skide -West' (now – IC "PZU Ukraine") at the position of insurance agent.

Since 2004 he became the vice-president of the company "Skide-West" on customers sales and servicing in Kiev and Kiev oblast.

In March 2005 he passed to the post of the chief executive of the sector of individual business in the company 'PZU Ukraine', and in December of the same year – to the post of the director of department on work with non-insurance intermediaries of IC ROSNO Ukraine (now - IC 'Allianz Ukraine').

In January, 2007 Pavel Litvin has been appointed sales manager, and in August 2007 – interim CEO of the company "Allianz Ukraine".

In April, 2008 he occupied the post of CEO of the new player in the insurance market of Ukraine - IC NASTA.

Kovaleva Elena, Chief financial officer of IC NASTA. Insurance experience - 17 years.

In 1995 she came to insurance in the position of the accountant in IC "Skide-West" (now – IC "PZU Ukraine").

In 1996 Elena Kovaleva has been appointed to the post of senior accountant.

In 2000 she passed to the position of general accountant assistant in the head office of the company (Kiev), and three years later has been appointed general accountant.

Since 2007 she occupied the post of Director of Financial and Accounting Department in IC "Ukraine".

In January 2010 Elena Kovaleva was appointed to the position of Chief Financial Officer of IC NASTA.

As of Q2 2012 155 persons worked in the Company, 90 % of the personnel had more than 3 years of experience.

Table 10

Structure of insurer personnel

#	Indicators	Q1 2012		Q1 2011		Change of structure	Growth rate, %
		pers.	%	pers.	%		
1	Number of staff with experience under 3 years	17	10,97%	19	9,74%	1,22%	-10,53%
2	Number of staff with experience above 3 years	138	89,03%	176	90,26%	-1,22%	-21,59%
3	Total number of staff	155	100,00%	195	100,00%	0,00%	-20,51%

2. Summary of rating

The following factors influenced the rating of joint-stock company IC NASTA:

1. The nominal share of joint-stock company IC NASTA in the insurance market of Ukraine is estimated by the Agency as 0,3 %. By estimates of RA "Standard-rating" IC NASTA occupies approximately 0,6 % in the market of classical insurance. Following the results of 2011 the growth of IC NASTA total business volumes made up 1,9 % against 1,7 % decrease in total amount of insurance premiums collected by all insurance companies in the Ukrainian market. Company gross premiums in Q1 2012 have grown on 15 % compared vs. Q1 2011. The company shows good dynamics of development that indirectly proves to high level of its products competitiveness.

2. The level of insurer business diversification by insurance kinds has been recognized as close to satisfactory. Following the results of Q1 2012, 66,54 % of gross premiums corresponded to the insurance of ground transport except r/w. Three largest kinds of insurance corresponded to 90,84 %. The level of IC NASTA client diversification has been recognized as high. 10 largest insurers occupied only 23,31 % of total business volume underwritten in Q1 2012.

3. The share of IBA assets in the earning assets of the Company is close to satisfactory; however level of IC NASTA liquidity remains stable enough. The volume of interest bearing assets approximately corresponds to the annual volume of insurer payouts. The high quality of reinsurance protection compensated the little share of interest bearing assets in the earning assets of the Company. Availability of several treaty insurers proves to the readiness of the Company to provide insured with high quality insurance protection.

4. Research of IC NASTA large payouts for the last 12 months has shown that all the 5 largest payouts concerned ground transports. The company paid upon damage of vehicles: LEXUS LX 570 (UAH 559 971,05), AUDI S5 (UAH 544 504,32), PORSCHE CAYENNE DIESEL (UAH 408 078,57) etc. The level of payouts following Q1 2012 exceeded 55,09 %, and compared vs. Q1 2011 has grown on 6,0 p.p. According to the Agency, the level of IC NASTA payouts in Q1 2012 exceeded the mean market one approximately in 2 times. As a whole, the profitable work of the Company in 2010, 2011 and in Q1 2012 gives grounds to assert that the policy of high level of payouts cannot increase credit risk and simultaneously provides a good level of insurance protection.

5. 99,9 % of shares of ALC IC NASTA belongs to the Russian insurance company IC VERNA. The Agency positively estimates the availability at IC NASTA of shareholder who does same business in the Russian Federation. Such shareholder is capable to render not only financial support, but also technical and advisory assistance. It has been established that IC VERNA LTD has authorized capital stock of 250 m roubles and is active in the market of insurance of transport risks in the Russian Federation. Following 2011 IC VERNA collected 640 m roubles of premiums; in 2011 the company increased the volume of total business on 28 %. Such volume of business allowed the insurer to enter the TOP 100 largest companies of Russia.

Rating scale for estimation of insurer financial strength

National rating scale adapted by RA 'Standard Rating' (Ukraine) for the assessment of financial strength of the insurers

Rating	Contents of insurer financial strength according to the national scale
uaAAA	The insurer with the rating uaAAA is characterized by an outstanding high financial strength in comparison with other Ukrainian insurers.
uaAA	The insurer with the rating uaAA is characterized by very high financial strength in comparison with other Ukrainian insurers.
uaA	The insurer with the rating uaA is characterized by high financial strength in comparison with other Ukrainian insurers. The stability level is sensitive to the influence of adverse commercial, financial and economic conditions.
uaBBB	The insurer with the rating uaBBB is characterized by sufficient financial strength in comparison with other Ukrainian insurers. The stability level depends upon influence of adverse commercial, financial and economic conditions.
uaBB	The insurer with the rating uaBB is characterized by credit solvency below the sufficient one in comparison with other Ukrainian insurers. There is high dependence of stability level upon influence of adverse commercial, financial and economic conditions.
uaB	The insurer with the rating uaB is characterized by low solvency level in comparison with other Ukrainian insurers. There is very high dependence of stability level upon influence of adverse commercial, financial and economic conditions.
uaCCC	The insurer with the rating uaCCC is characterized by very low financial stability in comparison with other Ukrainian insurers. There is potential probability of suspension of activity, or temporary interruption of business process with further default of commitments to insured.
uaCC	The insurer with the rating uaCC is characterized by high probability of suspension of activity with further default of commitments to insured.
uaC	The insurer is expecting the suspension of activity and default of commitments to insured.
uaD	The insurer terminated its activity and started liquidation procedure.

- or + are intermediate rating categories within the major categories.

The scale of rating the financial strength of the insurer has been adapted by RA 'Standard-rating' (Ukraine) based on the national scale approved by the resolution of the Cabinet of Ukraine no. 665 of April, 26th, 2007 'On approval of national rating scale'.

Information for the insured:

The rating of insurer financial strength does not indicate the speed and probability of timely payouts. The rating of insurer financial strength is the opinion of Agency analysts on the probability of suspension of business processes in the company with the subsequent default to meet the obligations. In the insurance companies which have no essential debts to banks and did not performed bonded loans, the financial strength rating coincides with credit rating.