



## Report on the rating research

Customer:	Private joint stock company 'Ukrainian Transport Insurance Company'
Incorporation date:	29.12.1994
USREOU code:	22945712
Head office location (city, mail index, street):	78-A, B. Khmel'nitskogo st., 01030, Kiev
The name of the auditor company which approved the accounts the last fiscal year:	Uspek'h – Audit LLC
Key account bank:	PJSC Ukreximbank
Top executive, title:	Chairwoman of Board Khymenyuk Natalya
Number of regular personnel at the time of questionnaire filling:	63
Telephone/fax:	+38(044) 303-97-70
Web-site:	+38(044) 303-97-70
Rating type:	Insurer financial stability rating/credit rating
Rating revision period:	Quarterly
Date of rating:	27.04.2012
Rating by RA 'Standard Rating' (Ukraine) according to the Ukrainian national scale (outlook):	<b>uaA (stable outlook)</b> 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.
<b>Correlation of the national scales with the international scale in the countries of operations:</b>	
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.	
<b>Information use restrictions:</b>	
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.	
<b>Ratings use limitations:</b>	
All the ratings by the Agency are not recommendations for purchase of securities, use of services or taking any economic decisions. The ratings irrespectively of the scale have to be perceived solely as opinions of Agency analysts on rating object and subject.	

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## 1. List of licenses and permits in possession of the Company

Voluntary insurance				
#	Series and number	Type	Validity term	
			Issuance date	Validity
1	АГ 569128	Accident insurance	23.11.2006	termless
2	АГ 569124	Medical insurance (continuous health insurance)	25.12.2007	termless
3	АГ 569126	Land transport insurance	23.11.2006	termless
4	АГ 569131	Air transport insurance	23.11.2006	termless
5	АГ 569116	Freight and luggage insurance	23.11.2006	termless
6	АГ 569120	Insurance against fire risks and act of God risks	12.12.2006	termless
7	АГ 569123	Insurance of the property (except railway, ground, air and water transport (inland waters and other maritime transport), freight and luggage	23.11.2006	termless
8	АГ 569118	Insurance of civil liability of ground transport owners (including carrier liability)	23.11.2006	termless
9	АГ 569119	Insurance of civil liability of air transport owners (including carrier liability)	23.11.2006	termless
10	АГ 569130	Insurance of third party liability (except civil liability of ground transport owners, aviation liability, liability of water transport owners (including carrier liability))	23.11.2006	termless
11	АГ 569122	Credit insurance (including borrowers' liability for non-repayment)	10.11.2005	termless
12	АГ 569133	Financial risks insurance	23.11.2006	termless
13	АГ 569125	Insurance of medical expenses	23.11.2006	termless
Mandatory insurance				
14	АГ 569132	Personal insurance of the personnel of departmental (except those employed in publicly financed organizations and entities) and rural fire prevention teams and members of volunteer fire prevention teams	05.10.2006	termless
15	АГ 569129	Insurance against road traffic accidents	05.10.2006	termless
16	АГ 569115	Civil aviation insurance	03.03.2009	termless
17	АГ 569427	Insurance of civil liability of transport vehicles owners	20.01.2011	termless
18	АГ 569117	Insurance of crops and perennial plantations by state agrarian enterprises, of grains and sugar beet crops by agrarian enterprises of any form of ownership	26.07.2005	termless
19	АГ 569135	Insurance of nuclear facilities operator's public liability against damage caused by a nuclear incident	03.10.2006	termless
20	АГ 569134	Insurance of liability of economic entities against damage in case of fire and emergencies in extra-hazardous facilities, including fire-dangerous facilities and facilities, which economic activities could result in environmental and sanitary-epidemiologic emergencies	10.11.2005	termless
21	АГ 569127	Liability insurance of dangerous cargo carriers against negative results upon carrying dangerous cargo	26.07.2005	termless
22	АГ 569121	Insurance of the liability of citizens of Ukraine who are owners of weapon or possess it on other legal grounds against damage resulting from owning, keeping or using weapon, which can be caused to third parties or third party's property	26.07.2005	termless

### (A) Company history and general characteristics of the insurer

The Private joint stock company Ukrainian Transport Insurance Company (UTICO) dates back the beginning of its history to the date of founding, December 29, 1994. **ERGO VERSICHERUNGSGRUPPE AG (ERGO INSURANCE GROUP)**, the second largest insurance group in Germany is one of the main shareholders of the insurer. Currently ERGO Group has business in 30 countries of Europe and Asia. The Group employs 50 th persons. For 2011 the gross business of the group exceeded Euro 20 b. During the year, the Group's companies paid out Euro 17.5 b to the clients. **Kyiv Chamber of Commerce and Industry** is another founder of the insurer. It makes part of the world system of Chambers of Commerce, which has 400 years of best practices in development of economic relations and formation of civilized business rules. Since 2007, over 97% of Company shares are controlled by natural persons, residents of Ukraine. PrJSC Ukrainian Financial Group is also shareholder of the insurer and one of the leading financial and investment companies in Ukraine, successfully operating at domestic and international markets for more than 20 years. The large foreign and Ukrainian strategists groups: ERGO, UFG have for a long time been strategic investors of the insurer and this positively influenced Company development, the product line and the insurance culture of the insurer.

During its presence on the market of insurance services PrJSC Ukrainian Transport Insurance Company (UTICO) participated in the following associative entities:

- The League of Insurance Organizations of Ukraine
- Full member of the MTIBU (Motor (Transport) Insurance Bureau of Ukraine),
- Ukrainian Nuclear Insurance Pool
- Chamber of Commerce and Industry of Ukraine
- State Aviation Service of Ukraine
- Kiev Chamber of Commerce and Industry

The regional network of the Company consists of more than 10 representative offices in different cities of Ukraine, which ensures most effective service to customers on the entire territory of Ukraine.

In 2010-2011, PrJSC Ukrainian Transport Insurance Company was awarded as the best company-member of the National Club of Insurance Payouts, upon the results of activity in 2010 and 2009. According to the Agency, PrJSC Ukrainian Transport Insurance Company maintains transparent policies in the area of disclosure of financial information to the insured. The Company repeatedly occupied high positions in rankings of transparency, published by various media and rating agencies.

The Company demonstrated good dynamics of development in 2011. Gross insurance business grew by 18.02% to UAH 43.579 m. Such scope of work put the Company to the category of small insurers. In 2011 the payouts have been on 20.16% less than in 2010. The payout ratio dropped by 10.31 percentage points (*See table 1*).

Table 1

**Key performance indicators of  
PrJSC Ukrainian Transport Insurance Company, UAH th.,%**

#	Indicators	2011	2010	Change	Growth rate, %
1	Total gross premiums	43579	36925,6	6653,4	18,02%
2	Indemnities and compensations	9397,6	11770,2	-2372,6	-20,16%
3	Payout ratio	21,56%	31,88%	-10,31 p.p.	-
4	Shareholder equity	161875	156775,3	5099,7	3,25%
5	Liabilities	41890,1	39402,6	2487,5	6,31%
6	Equity/Liabilities ratio	386,43%	397,88%	-11,45 p.p.	-
7	Net profit	2445,9	2962,1	-516,2	-17,43%
8	ROE	1,51%	1,89%	-0,38 p.p.	-
9	ROA	1,20%	1,51%	-0,31 p.p.	-

PrJSC Ukrainian Transport Insurance Company is classified as small insurance company. During its 18 years' history the Company has successfully developed the technology of operations at the Ukrainian market amidst foreign and Ukrainian standards, and successfully survived the 2008-2009 crisis. Now it remains profitable, and gross business volumes do grow.

### **(B) Business activity and competition**

PJSC Ukrainian Transport Company is one of the most significant universal insurance companies for the Ukrainian market, which operates in the market of classic insurance since 1994. The company's portfolio of services includes both integrated programs of business interests' protection and a wide range of insurance products for individuals.

Over the last twelve years the company firmly holds the position in the leading group of insurers of Ukraine and ranks among the top 50 leading companies in Ukraine, which is confirmed by ratings, as well as by many awards and diplomas in business area and namely in the field of insurance.

One of the basic directions of work of the company is provision of wide range of services on property, transport, personal insurance and liability insurance for legal entities being large and medium-sized enterprises of different spheres of economy, international carriers, banking institutions, leasing companies, tour operators in different regions of Ukraine.

The own regional network of the insurer provides a cover for virtually entire densely populated part of Ukraine. The regional network of the insurer covers the following oblasts:

- Vinnytsa
- Volyn
- Donetsk
- Zakarpatska
- Kiev
- Kirovograd
- Lviv
- Poltava
- Kharkiv
- Rivne
- Sumy
- Ternopil
- Chernihiv
- Chernivtsi

The work with customers and CR of the insurer are characterized by:

- meeting financial obligations to customers;
- wide range of insurance products;
- capability of individual approach to the client;
- comprehensive and reliable insurance protection of the client.

Organized work of insurer's agent network allows selling insurance services not only in Ukraine but also in the territory of the European Union, namely: in Poland, Romania and Slovakia, as well as in the Republic of Belarus and the Russian Federation.

According to Agency's view, PrJSC Ukrainian Transport Insurance Company maintains its competitive position due to:

- Diversification of insurance portfolio;
- Diversification within sales channels, wide coverage of customers by plenty of vendors through opening points of sale, development of regional and agent networks;
- Improving access to relevant customer segments (that is regulated by a segmented approach when creating products, combined with motivation);
- Reducing the overall dependency on the market and on individual sales channels (e.g., banks, etc.), which can be quite strong in absence of sales channels diversification;
- Possibility to increase performance through more effective cross-sales and prolongations, that is - horizontal use of the existing client base.

In 2010 and 2011, according to Agency estimates, the share of the Company at the Ukrainian classic market was 0.4%. According to the Agency, such small scope of work remains a competitive advantage of the insurer at stagnating market. Company's management doesn't need to chase a larger market share.

The Agency considers NJSIC Oranta, UJSIC ASKA, UNIQA, UPSK, INGO-Ukraine, IC Universalnaya, PZU-Ukraine as main competitors of PrJSC Ukrainian Transport Insurance Company.

The 18.02% increase in gross premiums of PrJSC Ukrainian Transport Insurance Company in 2011 compared to 2010 can be deemed a main achievement. The company increased the amount of premiums from individuals by 10.32%, from reinsurers by 96.23%, while the proportion of individuals in gross business remained small and relatively constant, at the level of 8.27%. Main volumes of Company business have been provided at the expense of incomes from legal persons (*See table 2*).

Table2

**Business performance indicators of  
PrJSC IC Ukrainian Transport Insurance Company, UAH th., %**

#	Indicators	2011	2010	Change	Growth rate, %
1	Total gross premiums, incl.:	43579	36925,6	6653,4	18,02%
2	from individual insured	3602,7	3265,8	336,9	10,32%
3	from reinsurers	3375,5	1720,2	1655,3	96,23%
4	Share of individuals in gross premiums	8,27%	8,84%	-0,58 p.p.	-
5	Share of reinsurers in gross premiums	7,75%	4,66%	3,09 p.p.	-
6	Premiums ceded to reinsurers	6396,9	4273,4	2123,5	49,69%
7	Reinsurance dependence factor	14,68%	11,57%	3,11 p.p.	-
8	Net premiums	37182,10	32652,20	4529,90	13,87%
9	Earned premiums	34013,6	35823,2	-1809,6	-5,05%
10	Financial result from operations	4107,5	6729,9	-2622,4	-38,97%
11	ROS	9,43%	18,23%	-8,80 p.p.	-
12	Acquisition costs	13024	9812,1	3211,9	32,73%
13	Acquisition costs/gross premiums ratio	29,89%	26,57%	3,31%	-

### (C) Business diversification

The Agency assessed the level of diversification per types of insurance in PrJSC Ukrainian Transport Insurance Company as close to satisfactory. Insurance of civil liability of transport vehicles owners made 44.11% of insurer's gross business in 2011, and 40% – in 2010. In total the motor transport insurance segment made 52.68% of gross business. To increase ratings in the future, the Agency recommends the Company to reduce the share of motor transport insurance in gross business down to 25-30%. At the moment this level of diversification does not financially threatens the insurer. In 2010 and 2011, the Company remained profitable, not only in terms of net profit, but also on the financial result of operations (See table 3).

Table 3

**Top 10 largest types of insurance of  
PrJSC IC Ukrainian Transport Insurance Company, UAH th., %**

#	Indicators	2011		2010		Change of structure, p.p.	Growth rate, %
		UAH th	%				
1	Insurance of civil liability of air transport owners (additional agreements)	12059,8	<b>27,67%</b>	9259,1	25,08%	2,60 p.p.	30,25%
2	Financial risks insurance	10425,4	<b>23,92%</b>	6690,4	18,12%	5,80 p.p.	55,83%
3	Insurance of civil liability of ground transport owners (standard agreements)	7164,3	<b>16,44%</b>	5574,8	15,10%	1,34 p.p.	28,51%
4	Insurance of nuclear facilities operator's public liability	3083,4	7,08%	3049,8	8,26%	-1,18%	1,10%
5	Ground transport (excl. r/w ) insurance	3735,7	8,57%	8059,3	21,83%	-13,25 p.p.	-53,65%
6	Insurance against fire risks and act of God risks	2313,1	5,31%	197,7	0,54%	4,77 p.p.	1070%
7	Insurance of civil liability of ground transport owners (incl. carrier liability)	1266,7	2,91%	1049,8	2,84%	0,06 p.p.	20,66%
8	Insurance of medical costs	835,2	1,92%	1767,8	4,79%	-2,87 p.p.	-52,75%
9	Freight and luggage insurance	484,9	1,11%	496,9	1,35%	-0,23 p.p.	-2,41%
10	Property insurance	540,2	1,24%	151,6	0,41%	0,83 p.p.	256,3%
11	Other types of insurances	1670,3	3,83%	628,4	1,70%	2,13 p.p.	165,8%
12	<b>Total:</b>	<b>43579</b>	<b>100,0%</b>	<b>36925,6</b>	<b>100,0%</b>	-	<b>18,02%</b>

The Agency assessed the level of per client diversification of the insurer as good. The company does not have customers or customer group of related entities who would correspond to more than 1/3 of its total business.

### (D) Asset quality

During 2011 the volume of earning assets of the insurer grew by 3.32%, and the most liquid assets - interest-bearing assets grew by 6.97%. The Agency notes a small proportion of interest-bearing assets in Company's earning assets, - at the beginning of 2012 it was just 24.26%. However, bearing in mind that interest-bearing assets fully covered liabilities of the insurer and that the Company was evidently overcapitalized, asset quality in volumes adequate to liabilities of the insurer can be estimated as high.

100% of interest-bearing assets of PrJSC Ukrainian Transport Insurance Company were placed in assets with rating above uaBBB. The Company adhered to requirements of the Ukrainian legislation, but all deposits of the insurer were placed in three banks. The Agency recommends paying attention to small level of diversification of the deposit portfolio of the insurer, and to possibly expand the portfolio at the expense of banks with investment grade rating (See table 4).

Table 4

**The structure of earning assets of  
PrJSC IC Ukrainian Transport Insurance Company, UAH th., p.p.,%**

#	Indicators	2011 (31.12.2011)		2010 (31.12.2010)		Change of structure, p.p.	Growth rate, %
		UAH th	%				
1	Balances on current accounts	13107,1	7,05%	9674,9	5,37%	1,67 p.p.	35,48%
2	Bank deposits	32006	17,21%	32500,2	18,06%	-0,85 p.p.	-1,52%
3	Shares	136600,3	73,45%	136159,5	75,64%	-2,20 p.p.	0,32%
4	Real estate	2843,3	1,53%	359,2	0,20%	1,33 p.p.	691,56%
5	Claims to insured	1412,4	0,76%	1294,4	0,72%	0,04 p.p.	9,12%
6	Cash in vault	12,9	0,01%	11,2	0,01%	0,00 p.p.	15,18%
7	Other earning assets	0	0,00%	0	0,00%	0,00 p.p.	-
8	<b>Total earning assets :</b>	<b>185982</b>	<b>100,00%</b>	<b>179999,4</b>	<b>100,00%</b>	<b>-</b>	<b>3,32%</b>
9	Total interest bearing assets	45113,1	24,26%	42175,1	23,43%	0,83 p.p.	6,97%
10	IBA with rating above uaBBB-	45113,1	100,00%	42175,1	100,00%	0,00 p.p.	0,00%

### (E) Quality of reinsurance

Choice of reinsurers in PrJSC Ukrainian Transport Insurance Company is dictated by financial soundness indicators of the partner companies, their experience at certain insurance markets in different insurance types, and the competitiveness of the offered terms of reinsurance cover. There are no companies from offshore among the reinsurers. Summarizing the results of 12 months of 2011, the reinsurers were sent premiums to the amount of UAH 5.3 m.

Such foreign companies with high ratings of financial strength as: SCOR, Chartis UK Limited, Catlin, General IC Limited of India, VIG Re, Hannover Re, Partner Re, Odyssey Re, Aspen Re, Caisse Re, IC Providna, etc have been and are supporting part of PrJSC Ukrainian Transport Insurance Company reinsurance portfolio.

The Agency notes good level of reinsurance portfolio diversification of (See table 5).

Table 5

**Structure of reinsurance cover  
of PrJSC IC Ukrainian Transport Insurance Company, UAH th., p.p.,%**

#	Indicators	2011 (31.12.2011)		2010 (31.12.2010)		Change of structure, p.p.	Growth rate, %
		UAH th.	%	UAH th.	%		
1	Providna IC	2229,8	22,82%	129,4	2,16%	20,66 p.p.	1623,18%
2	SCOR	446,3	4,57%	499	8,33%	-3,76 p.p.	-10,56%
3	Moscow Re	353,7	3,62%	621,9	10,38%	-6,76 p.p.	-43,13%
4	DOBROBUT CJSC NFIC	232,6	2,38%	531,3	8,86%	-6,48 p.p.	-56,22%
5	Garantiya I ALC	142,4	1,46%	80	1,33%	0,12 p.p.	78,00%
6	Other Reinsurers	6367,8	65,16%	4132	68,94%	-3,78 p.p.	54,11%
7	<b>Total premiums sent to reinsurers</b>	<b>9772,6</b>	<b>100,00%</b>	<b>5993,6</b>	<b>100,00%</b>	<b>0,00 p.p.</b>	<b>63,05%</b>
8	Premiums sent to reinsurers with rating above uaBBB-	1616,3	16,54%	1192,6	19,90%	-3,36 p.p.	35,53%



### (F) Adequacy of reserves

PrJSC Ukrainian Transport Insurance Company forms reserves in accordance with the current legislation. According to RA Standard-Rating, Company reserves have been formed in accordance with the requirements of Ukrainian insurance regulator and match the liabilities of the Company in a foreseeable period.

The company operates in the market of classical insurance. For 2010 there were insured events that have been paid. The company also works with the debtors using recourse. Audit of the Agency showed that the activity of the insurer does not have signs of fictitiousness. Over the last 12 months, 5 largest payout of the Company made up UAH 1.7 m. The lowest of them was UAH 150.160 th. All 5 large payouts related to transport insurance.

As of 31.12.2011 insurer's technical reserves amounted to UAH 22.522 m. For the 2011 they grew by 9%. In the structure of the technical reserves, 55% took unearned premiums, and 31.24% – catastrophe reserve. In 2011 the structure of the reserves remained actually unchanged, however as of 31.12.2011 the Company discontinued forming loss variation reserve.

Table 6

**The structure of technical reserves of  
PrJSC IC Ukrainian Transport Insurance Company, UAH th., p.p.,%**

#	Indicators	2011 (31.12.2011)		2010 (31.12.2010)		Change of structure, p.p.	Growth rate, %
		UAH th	%	UAH th	%		
1	Unearned premium reserve	12389,5	55,01%	9161,2	44,35%	10,66 p.p.	35,24%
2	Reserve for loss reported but not paid	1931,4	8,58%	1120,8	5,43%	3,15 p.p.	72,32%
3	Reserve for loss occurred but not stated	1165,7	5,18%	974,9	4,72%	0,46 p.p.	19,57%
4	Reserve for loss variation	0	0,00%	3692,7	17,88%	-17,88 p.p.	-100,00%
5	Catastrophe reserve	7036,1	31,24%	5706,5	27,63%	3,61 p.p.	23,30%
6	Other reserves	0	0,00%	0	0,00%	0,00 p.p.	-
7	Total technical reserves:	22522,7	100,0%	20656,1	100,0%	-	9,04%

The Agency considers policy of reserves formation of PrJSC Ukrainian Transport Insurance Company as adequate to market realities. There is no need to create reserve for reported but not paid losses at Company payout rate reduction from 31.88% to 21.56%. Thus the decrease of payout ratio can be regarded as general market trend characteristic for 2011.

Comparison of payout volumes with volume of interest-bearing assets held by the Company revealed that in 2011 the payouts made just 20.38% of interest-bearing assets held by the insurer at the beginning of 2012. Compared to 2010 this indicator decreased by 7.52%. The decrease was due to the growth of interest-bearing assets and reduction of annual payouts (See table 7).

Table 7

**Payouts and coverage of payouts by interest earning assets of  
PrJSC IC Ukrainian Transport Insurance Company, UAH thousands, p.p. %**

#	Indicators	2011 (31.12.2011)	2010 (31.12.2010)	Change	Growth rate, %
1	Indemnities and compensations paid	9397,6	11770,2	-2372,6	-20,16%
2	Total gross premiums	43579	36925,6	6653,4	18,02%
3	Payout ratio	21,56%	31,88%	-10,31 p.p.	-
4	Total interest earning assets	45113,1	42175,1	2938,0	6,97%
5	IEA/payouts ratio	20,38%	27,90%	-7,52 p.p.	-

According to the Agency, PrJSC Ukrainian Transport Insurance Company has sufficient volume of funds to ensure payouts to the insured in the future due periods and has a good reserve of resources for future payouts.



### (G) Capital adequacy and solvency margin

The last time PrJSC Ukrainian Transport Insurance Company has increased the statutory fund on 30.06.2007, by UAH 4088732.40.

As of the beginning of 2012, the shareholder equity of the insurer consisted by 82.75% of authorized capital, which amounted to UAH 133.959 m. (See table 8).

Table 8

**Structure of shareholders' equity of  
PrJSC IC Ukrainian Transport Insurance Company, UAH thousands, p.p. %**

#	Indicators	2011 (31.12.2011)		2010 (31.12.2010)		Change of structure, p.p.	Growth rate, %
		UAH th	%	UAH th	%		
1	Authorized capital	133958,8	82,75%	133958,8	85,45%	-2,69 p.p.	0,00%
2	Other additional capital	2535	1,57%	21,7	0,01%	1,55 p.p.	11582,03%
3	Reserve capital	17418,4	10,76%	17270,3	11,02%	-0,26 p.p.	0,86%
4	Retained profit	7962,8	4,92%	5524,5	3,52%	1,40 p.p.	44,14%
5	Shareholder equity, in total:	161875	100,00%	156775,3	100,00%	-	3,25%

As of 31.12.2011 the shareholder equity of PrJSC Ukrainian Transport Insurance Company was UAH 161.875 m, and the liabilities were UAH 41.89 m. The company was overcapitalized. As of the time of publication of the rating report there was no need for support of the insurer by shareholders in the foreseeable future.

### (H) Support by shareholders

As analysis of insurer shareholder structure dynamics showed, since 2007 shareholders controlling over 5% of insurer stock controlled 97.2869% of shares. At the time of publication of the rating research report, 73.8414% of the Company's shares were owned by two individual non-residents of Ukraine, one of them controlled 60% of insurer's stock.

The Agency independently analyzed the participation of natural persons - shareholders of JSC Ukrainian Transport Insurance Company in the capital of other companies through SSR and revealed that following are related persons for PrJSC Ukrainian Transport Insurance Company are:

- Flotservis LLC
- PE Briz
- Oil and gas company Bukovina LLC
- Prim-Invest LLC
- ARGO LLC, etc.

The insurer is owner of shares of the Corporation Ukrainian financial group and of Ukrainian financial group LLC. A number of persons related with the insurer form around the Company an environment capable to generate some demand for insurance services that is a positive factor for the financial stability of the insurer.

### (I) Other factors influencing the rating

#### **Interaction with the authorities**

During the last tax audit the following violations have been established:

1. Of the sp. 7.2.1., paragraph 7.2., article 7 of the Law of Ukraine dated 28.12.1994., No. 334/94-VR "On Company Income Tax" as revised by the Law of Ukraine dated 22.05.1997 № 283/97-VR with amendments and additions, that resulted in reduced profit tax from insurance activity in 2008 in the amount of UAH 11099, including in Q4 2008 in the amount of UAH 11099.

According to paragraph 11, article 11 of the Law of Ukraine dated December 4, 1990 No. 509 -XII (hereinafter Law № 509 - XII) (as revised by Law of Ukraine dated December 24, 1993 No. 813-XII "On Civil Service in Ukraine") and according to subparagraph 17.1.1, 17.1.3, p.17.1, article 17 or other articles of the Law of Ukraine dated December 21, 2000 No. 2181-III "On order of repayment of taxpayers obligations to the budget and state target funds" (with amendments and additions), for violations revealed during the audit, penalties and administrative responsibility are provided to be used against the insurer.

Last audit of insurance regulator was carried out on 10.04.2009. The audit found the following violations: of the part 4, article 16, Law of Ukraine "On insurance", first part of the article 20 of the Law of Ukraine "On insurance", paragraph 3, section 10 of the Provision of State Financial Services No. 41, paragraph 2, of the Provision No. 1523.

According to the Agency the violations revealed during the audit cannot significantly influence the work of the insurer.

#### **Management of the company:**

Chairwoman of Board of PJCS Ukrainian Transport Insurance Company Nataliya Artyomovna Hymenyuk has over 25 years of working experience, 20 of which on senior positions in various companies of the financial sector.

During her working experience, Nataliya Artyomovna held various positions in IC NASTA ALC, UJSIC ASKA, CLOSED NONDIVERSIFIED CORPORATE INVESTMENT FUND Ukrainian financial group, CJSC Ukrainian Transport Insurance Company, etc.

At the beginning of 2012, the company's staff was 63 persons, and another 121 persons worked as off-staff agents of the insurer. 80.95% of full-time employees of the company had experience over 3 years. According to the Agency, PrJSC Ukrainian Transport Insurance Company had enough staff to service business processes.

Table 9

**Structure of personnel of  
PrJSC IC Ukrainian Transport Insurance Company, UAH th., p.p. %**

#	Indicators	2011 (31.12.2011)		2010 (31.12.2010)		Change of structure, p.p.	Growth rate, %
		persons	%	persons	%		
1	Number of staff with experience under 3 years	12	19,05%	14	19,18%	-0,13 p.p.	-14,29%
2	Number of staff with experience above 3 years	51	80,95%	59	80,82%	0,13 p.p.	-13,56%
3	<b>Total number of staff</b>	<b>63</b>	<b>100,00%</b>	<b>73</b>	<b>100,00%</b>	-	<b>-13,70%</b>
4	Number of off-staff insurance agents	121	192,06%	180	246,58%	-54,51 p.p.	-32,78%

## **2. Summary of rating components**

The rating of PrJSC Ukrainian Transport Insurance Company was influenced by the following factors:

1. The company has more than 18 years of experience in the Ukrainian insurance market. The number of shareholders of the insurer include: the second largest German insurance group ERGO; PJSC Ukrainian financial group - one of the leading financial and investment companies in Ukraine, which has been successfully operating at the domestic and international markets; Kyiv Chamber of Commerce and Industry. According to the Agency, a prolonged presence of ERGO and UFG groups among strategic investors of the insurer did positively influence the development of the Company and its product range.

2. The Agency evaluates the share of PrJSC Ukrainian Transport Insurance Company at the Ukrainian classical insurance market in 2010 and in 2011 as 0.4%. The company has been referred to the category of small companies based on the UAH 43.579 m volume of gross business, but in the context of stagnating classical insurance in Ukraine the small scale of work remains a competitive advantage of the insurer because it increases the manageability of the Company and allows its management to respond market changes more effectively.

3. The diversification of insurer's gross business per insurance types is close to

satisfactory. The analysis of the Agency found that in 2011 the Insurance of civil liability of transport vehicles owners accounted for 44.11% of gross premiums of the insurer. The insurer maintained per client diversification at a good level, despite an expressed specialization of the Company on work with legal entities.

4. The Agency assesses the quality of insurer's assets as high. 100% of interest-bearing assets have been placed into investment grade rated assets. However, according to the Agency, the diversification of interest-bearing assets portfolio has a reserve for improvement. The Agency recommends the Company to increase in 6-9 months the number of banks where part of insurance reserves is placed.

5. The structure of reinsurance portfolio of PrJSC Ukrainian Transport Insurance Company is deemed as well diversified. Part of insurer's reinsurance portfolio has been provided by the following foreign companies with high financial stability ratings: SCOR, Chartis UK Limited, Catlin, General IC of India, VIG Re, Hannover Re, Partner Re, Odyssey Re, Aspen Re, Caisse Re, IC Providna, etc.

6. The Company's insurance reserves have been formed at the adequate level and meet the scale of liabilities of the insurer in the foreseeable future. At the end of 2011, the payout/interest-bearing ratio was 20.38%. The Company is ensured with liquid assets to make payouts to policyholders and has significant safety margin. As of 31.12.2011 the interest-bearing assets exceed the liabilities by 7% that also proves to the sound financial condition of the insurer.

7. The core package of shares (73.8414%) is controlled by 2 physical persons-residents of Ukraine; in such case the Agency traditionally assesses the level of the external support as uncertain. However, the analysis showed that the insurer is related through its shareholders with a number of companies of financial and non-financial sectors, which form around the insurer an environment capable to generate demand for insurance services at some minimal volumes that provides certain level of business support to the Company.

## 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
<b>uaAAA</b>	The insurer with the rating uaAAA is characterized by an outstanding high financial strength in comparison with other Ukrainian insurers.
<b>uaAA</b>	The insurer with the rating uaAA is characterized by very high financial strength in comparison with other Ukrainian insurers.
<b>uaA</b>	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.
<b>uaBBB</b>	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.
<b>uaBB</b>	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.
<b>uaB</b>	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.
<b>uaCCC</b>	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.
<b>uaCC</b>	The insurer with the rating uaCC is characterized by high probability of suspension of activity with further default of commitments to insured.
<b>uaC</b>	The insurer is expecting the suspension of activity and default of commitments to insured.
<b>uaD</b>	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 to insured*