

## Report on the rating research

Customer:	Open Joint Stock Company 'Insurance Company NOVA' (former 'Fuel and Energy Insurance Company')
Incorporation date:	30.11.2000
USREOU code:	31241449
Head office location (city, mail index, street):	11, M. Raskovoy Str., Kyiv, Ukraine, 02660
The name of the auditor company confirming the accounts in the last fiscal year:	Audit firm 'Mila Audit Ltd'
Key account bank:	Public Joint Stock Company 'OTP Bank'
Top executive, title:	Shinkarenko Olga, Chairwoman of Board of Management
Number of regular personnel at the time of questionnaire filling:	149
Telephone/fax:	+38 /044/ 496-80-80
Web-site:	<b><a href="http://www.nova-ua.com">http://www.nova-ua.com</a></b>
Rating type:	Insurer financial strength (general insurance business) / credit rating
Rating revision period:	Quarterly
Date of rating:	29.03.2012
Rating by RA 'Standard Rating' (Ukraine) according to the Ukrainian national scale (outlook):	<b>uaA+ (stable)</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 licenses

- 1) AV series no. 082264 - Insurance against fire risks and act of God risks;
- 2) AV series no. 082265 - Property insurance, except railway-, motor-, air-, water transports (incl. sea inland waters, and other watercrafts), freight and luggage;
- 3) AV series no. 082266 - Motor transport vehicle insurance (except r/w);
- 4) AV series no. 082258 - Insurance of watercraft (incl. sea inland waters, and other watercrafts);
- 5) AV series no. 082260 - freight and luggage insurance;
- 6) AV series no. 082245 - Ground transport owner's liability insurance (incl. carrier liability);
- 7) AV series no. 429890 - Railway transport insurance;
- 8) AV series no. 082263 - Third party liability insurance (except motor third party liability, air transport owners' liability, watercraft owners' liability (including carrier liability));
- 9) AV series no. 082268 - Accident insurance;
- 10) AV series no. 082262 - Health insurance against diseases;
- 11) AV series no. 082261 - Medical insurance (permanent health insurance);
- 12) AV series no. 082256 - Medical costs insurance;
- 13) AV series no. 082259 - Judicial costs insurance;
- 14) AV series no. 082267 - Financial risks insurance;
- 15) AV series no. 082251 - Credit insurance (including borrower liability insurance against existing loan)

### Mandatory insurance licenses

- 1) AV series no. 584401 - Ground transport owner's civil and legal liability insurance;
- 2) AV series no. 082257 - Personal traffic accident insurance;
- 3) AV series no. 082254 - Civil aviation insurance;
- 4) AV series no. 082253 - 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);
- 5) AV series no. 082252 - 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;
- 6) AV series no. 158970 - Insurance of nuclear facilities operator's public liability against damage caused by a nuclear incident;
- 7) AV series no. 429918 - Insurance of dangerous cargos carriers' liability against negative consequences of dangerous cargos transportation risks.

### **(A) Company history and general review of the Insurer**

IC "NOVA" was registered in 2000 as CJSC "Fuel and Energy Insurance Company". Oil and gas enterprises insurance became priority direction of insurer activity. Comprehensive insurance programs cover both insurance of special risks (connected with extraction, processing, transportation and storage of oil and gas) as well as third party liability and personal insurance of staff of the companies working in the industry.

In 2004 new shareholders and new management team came. New shareholders have approved development strategy up to 2009. The task of creation of versatile commercial insurance company working both with private and corporate clients was set before the management. At the same time the priority types of insurance have been defined: motor insurance, property insurance and voluntary medical insurance. On May, 17, CSJC "Fuel and Energy Insurance Company" was reorganized into OJSC "Insurance company "NOVA".

In 2006-2007 the Company has been growing extremely fast, it increased its authorized capital, accumulated funds and has occupied considerable share at retail market. In 2008 the insurer was already accredited in all the embassies of European Union in Ukraine, has become a member of American Chamber of Commerce, member of professional association of Ukrainian insurers "Nuclear insurance pool", and associated member of Ukrainian Union of Lessors.

The years 2009-2011 became the period of strength checking for the Company. The decreased activity at insurance market has painfully impacted key participants of insurance retail. However, the Company managed not only to keep afloat, but also to maintain key indicators of insurer solvency at high level. In the same period of time the information policy of IC NOVA aiming at maximum transparency and disclosure of information for insureds was formed.

For the 9 months of 2011 the total amount of Insurer business have decreased by 4.56 % in comparison with the similar period of 2010, and insurance pay-outs dropped by 23.34%. As a result, pay-out ratio of IC NOVA decreased on 9.18 percentage points to 37.5 %. Such trends in KPI of the Insurer led to that the Insurer finished the 9 months 2011 with UAH 6.6 m of net income that is on 83.71 % more than for 9 months of 2010. Growth of profitability of business transactions in 2011 and decrease in liabilities volume of the Company led to improvement of IEA/liabilities ratio of the Insurer from 78.8% до 86% (Table 1).

*Table 1*

#### **Key performance indicators of OJSC IC Nova, thousand UAH, %**

#	Indicators	9 months of 2011	9 months of 2010	Change	Growth rate, %
1.	Total gross premiums	52409,3	54913,1	-2503,8	-4,56%
2.	Indemnities and compensations	19635,1	25613,9	-5978,8	-23,34%
3.	Payout ratio	37,46%	46,64%	-9,18 p.p.	-
4.	Shareholder equity	41691,3	35086,9	6604,4	18,82%
5.	Liabilities	42221	45310,3	-3089,3	-6,82%
6.	Equity/Liabilities ratio	98,75%	77,44%	21,31 p.p.	-
7.	Net profit	6604,4	3595,1	3009,3	83,71%
8.	ROE	15,84%	10,25%	5,59 p.p.	-
9.	ROA	7,87%	4,47%	3,40 p.p.	-
10.	IEA/liabilities ratio	86,0%	78,8%	7,2 p.p.	-

Thus, IC "NOVA" may be classified as dynamically developing company with good level of profitability. The company maintains high level of liquidity and solvency providing, actually, high level of insurance protection for the clients.

### (B) Business activity and competition

After 9 months 2011 IC Nova entered the top 50 largest insurers of Ukraine, occupying:

- 20th position on voluntary insurance of medical costs.
- 21st position on voluntary health insurance;
- 24th position on voluntary insurance of ground transport;
- 30th position on OSGPO;
- 36th position on voluntary insurance against fire risks and risks of acts of God;
- 36th position on voluntary accidents insurance.

The nominal share of IC Nova in the insurance market of Ukraine is estimated by the Agency after 9 months 2011 as 0,34 %; the Company share in the segment of classical insurance, by Agency estimate, is about 0,7-1,0 %. Main competitors of IC Nova in Ukrainian market remain: Uniqa, AXA Insurance, Alpha Insurance, Providna, ROM Ukraine, TAC, Ingo Ukraine. Company strategy is currently directed to the work in the segment of classical insurance.

Considerable growth of operating income positive should be regarded as positive: for 9 months 2011 this indicator constituted UAH 8 737,3 thousand, and for 9 months 2010 - UAH 3 697,4 thousand (see table 2).

Table 2

**Business performance indicators of OJSC IC Nova, UAH thousand**

#	Indicators	9 months of 2011	9 months of 2010	Change	Growth rate, %
1	Total gross premiums, incl.:	52409	54913	-2504	-4,56%
2	- from individual insured	16412	18880	-2468	-13,07%
3	- from reinsurers	4761	4276	485	11,34%
4	Share of individuals in gross premiums	31,32%	34,38%	-3,07 p.p.	-
5	Share of reinsurers in gross premiums	9,08%	7,79%	1,30 p.p.	-
6	Premiums ceded to reinsurers	9911	10516	-605	-5,75%
7	Reinsurance dependence factor	18,91%	19,15%	-0,24 p.p.	-
8	Net premiums	42498,00	44397,00	-1899,00	-
9	Earned premiums	42119	46175	-4056	-8,78%
10	Financial result from operations	8737	3697	5040	136,33%
11	ROS	16,67%	6,73%	9,94 p.p.	-
12	Acquisition costs	8876	8889	-13,00	-0,15%
13	Acquisition costs/gross premiums ratio	16,94%	16,19%	0,75 p.p.	-

### (C) Business diversification

After 9 months 2011 the share of three principal types of insurance constituted 77 %, including:

- **Voluntary insurance of ground transport** occupies in the portfolio of gross premiums of the Company more than 40 %. It matches the tendencies of insurance market of Ukraine and is explained by the demand for this kind of insurance for natural persons at reception of car credit.

- **Obligatory insurance of civil and legal liability of motor transport owners (OSAGO)** occupies 21 % in Company portfolio. The reason of such considerable share is that one of sales development strategies of the Company in 2011 is development of combined products sales. Therefore, at sale of CASCO (HULL) INSURANCE the Company offers the client to acquire also OSAGO policy.

- **Voluntary medical insurance (VMI)** occupies 14 % in the portfolio of premiums. On this kind of insurance after 9 months 2011 the Company occupies 21<sup>st</sup> place and has 0,86 %. VMI is one of strategic directions of IC Nova development. Availability of own assistance service is a competitive advantage of the Company in this kind of insurance.

On the one hand, auto insurance in IC Nova corresponds to 61 %, that should deserve a negative assessment since the given segment is traditionally unprofitable in the Ukrainian market. On the other hand, despite the large specific weight of auto insurance, 9 months 2011 have been profitable for the insurer; moreover, the profit for 9 months 2011 has grown on 83 %.

The indicators of IC Nova in the auto insurance are a result of effective introduction of the strategy of development of this direction wherein main attention is given to the quality of insurance portfolio. Thus, IC Nova adheres to conservative strategies in forming insurance tariffs and does participate neither in price dumping nor in unreasonable increasing of commission expenses. These factors have provided the Company with acceptable financial result of activity in auto insurance segment in 2011.

Table 3

**Top 10 largest types of insurance of OJSC IC NOVA, UAH th, %**

#	Indicators	9 months of 2011		9 months of 2010		Change of structure, p.p.	Growth rate, %
		UAH th	%	UAH th	%		
1	Ground transport (excl. r/w) insurance	21 679,60	41,37%	23 694,95	43,15%	-1,78 p.p.	-8,51%
2	Ground transport owner's liability insurance (standard contracts)	11 370,50	21,70%	10 133,01	18,45%	3,24 p.p.	12,21%
3	Medical insurance (permanent health insurance)	7 262,80	13,86%	9 610,38	17,50%	-3,64 p.p.	-24,43%
4	Property insurance	2 120,20	4,05%	1 679,87	3,06%	0,99 p.p.	26,21%
5	Insurance against fire risks and act of God risks	1 970,70	3,76%	1 564,38	2,85%	0,91 p.p.	25,97%
6	Medical costs insurance	1 859,20	3,55%	2 488,71	4,53%	-0,98 p.p.	-25,29%
7	Financial risks insurance	1 610,90	3,07%	752,55	1,37%	1,70 p.p.	114,06%
8	Insurance of nuclear facilities operator's public liability	1 298,70	2,48%	1 454,14	2,65%	-0,17 p.p.	-10,69%
9	Third party liability insurance	747,30	1,43%	565,26	1,03%	0,40 p.p.	32,20%
10	Accident insurance	700,10	1,34%	1 250,27	2,28%	-0,94 p.p.	-44,00%
11	Other types of insurance	1 789,30	3,41%	1 719,61	3,13%	0,28 p.p.	4,05%
12	In total:	52 409,30	100,00%	54 913,12	100,00%	-	-4,56%

The profile of IC Nova insurance portfolio client diversification was also balanced, thus in comparison with 9 months 2010 the level of client diversification improved. So, if three largest clients after 9 months 2010 corresponded to 30,14 % of total business, for the same period of 2011, - to 27,37 %. The share of the largest client also decreased by 10,8%. However the share of 10 largest clients raised by 1,44 percentage points.

Decrease in dependence on large clients is one of key factors of investment attractiveness growth in insurance business of such markets as Ukraine (see table 4).

Table 4

**Data on the structure of insurance premiums from large insured of  
OJSC IC Nova, UAH thousand, p.p., %**

#	Indicators	9 months of 2011		9 months of 2010		Change of structure, p.p.	Growth rate, %
		UAH th	%	UAH th	%		
1	From 1 (one) largest insured	7 361,94	14,05%	13 247,86	24,13%	-10,08 p.p.	-44,43%
2	From 3 (three) largest insured	14 345,25	27,37%	16 551,78	30,14%	-2,77 p.p.	-13,33%
3	From 5 (five) largest insured	17 110,09	32,65%	17 910,94	32,62%	0,03 p.p.	-4,47%
4	From 10 (ten) largest insured	20 367,17	38,86%	20 549,38	37,42%	1,44 p.p.	-0,89%
5	In total:	52 409,30	100,00%	54 913,12	100,00%	-	-4,56%

### (D) Asset quality

Asset management system in IC Nova is directed, first of all, on diversified distribution of resources and reception of maximum incomes from their placement. Decisions on asset placement are taken jointly, and the placement of assets (except for contributions on deposit accounts) worth more than UAH 1 m is decided by the Supervisory Board.

IEA assets are mainly investments on deposit accounts. Criteria of choice of bank for placing money funds are: reasonable deposit rates, availability of a relevant rating stipulated by the legislation, bank positioning within the twenty top banks, and stable business reputation of the bank. Thus placement of a deposit resource is in most cases accompanied with additional contractual relations on cooperation with bank at insurance of pledges.

Securities which are on the balance of the Insurer are quoted not lower than at the second tier of PFTS Listing. The Agency positively estimates the quality of Company assets. The IEA have been almost totally presented by investment grade instruments (see table 5).

Table 5

**The structure of earning assets of OJSC IC Nova**

#	Indicators	9 months of 2011		9 months of 2010		Change of structure, p.p.	Growth rate, %
		UAH th	%	UAH th	%		
1	Balances on current accounts	6141,4	9,22%	7281,1	11,41%	-2,19 p.p.	-15,65%
2	Bank deposits	30181,1	45,29%	28407,5	44,52%	0,77 p.p.	6,24%
3	Shares	25712,5	38,58%	23442,8	36,74%	1,84 p.p.	9,68%
4	Claims to insurers	4578,9	6,87%	4678,8	7,33%	-0,46 p.p.	-2,14%
5	Cash in vault	31,3	0,05%	3,4	0,01%	0,04 p.p.	820,59%
6	Total earning assets:	66645,2	100,00%	63813,6	100,00%	-	4,44%
7	Total interest earning assets	36322,5	54,50%	35688,6	55,93%	-1,43 p.p.	1,78%
8	Interest earning assets with rating above uaBBB-	36317,5	54,49%	35683,6	55,92%	-1,42 p.p.	1,78%
9	Share of investment grade rated assets in the IEA	99,99%	-	99,99%	-	-	-
10	Financial income	976,6	-	1247,1	-	-	-21,69%
11	IEA efficiency	1,47%	-	1,95%	-	-	-

### (E) Quality of reinsurance cover

Main criteria of IC Nova for reinsurer choice are:

- Business reputation;
- Financial stability;
- Successful experience of cooperation with the company-reinsurer in the past.

As of 30.09.2011 the Company has concluded the contracts of obligatory reinsurance (reinsurance of objects of property, construction, cargo transportation, motor transport) with foreign reinsurers being world leaders, namely: SCOR (France, Paris (Standard & Poor's rating 'A'); Polish Re (Poland, Warsaw (A.M.Best rating 'A -'); Unite Re (Russian Federation, Moscow ( 'Standard & Poor's' rating 'BB').

The international reinsurance brokers placed the obligatory reinsurance programs for the Company within the last 4 years. The program of obligatory reinsurance of property items, construction and cargo transportation in 2011 has been placed by the Company with participation of international insurance and reinsurance broker 'Willis'.

The Agency notes high level of reinsurance portfolio diversification (see table 6).

Table 6

**Structure of reinsurance cover of OJSC IC Nova**

#	Indicators	9 months of 2011		9 months of 2010		Change of structure, p.p.	Growth rate, %
		UAH th	%	UAH th	%		
1	Status, IC PrJSC	734,87	7,41%	-	0,00%	7,41 p.p.	-
2	UNITY-Re, Ltd	403,54	4,07%	441,87	4,20%	-0,13 p.p.	-8,68%
3	SCOR	397,52	4,01%	347,54	3,30%	0,71 p.p.	14,38%
4	ARMA, IC PrJSC	215,14	2,17%	-	0,00%	2,17 p.p.	-
5	Partner Reinsurance Europe Ltd	184,42	1,86%	39,54	0,38%	1,48 p.p.	366,41%
6	Other reinsurers	7 975,92	80,47%	9 686,65	92,12%	-11,64 p.p.	-17,66%
7	Total premiums sent to reinsurers	9 911,40	100,00%	10 515,60	100,00%	-	-5,75%

### **(F) Adequacy of reserves**

The policy of forming reserves in IC Nova is directed on provision of adequate reserves, sufficient for the future insurance payouts.

The Company forms the following kinds of reserves:

- Unearned premium reserves are calculated based on 80% of the total volume of charged insurance premiums with  $\frac{1}{4}$  method, except for OSAGO. OSAGO is calculated using '1/365' method.
- Reserve of losses reported is formed on all known stated insured events, proceeding from expert assessment of loss or, till the moment of expert assessment reception, proceeding from the average amount of loss for this kind of insurance as of concrete date.
- The Company forms reserve of losses occurred but not reported on OSAGO through calculation technique stipulated by the legislation, namely, method of 10 % from earned insurance premiums.
- The Reserve for loss variation is formed on OSAGO proceeding from loss ratio 0,72 through calculation technique stipulated by the legislation of Ukraine.

Except the above mentioned reserves, the Company forms catastrophe reserve on obligatory insurance of nuclear risks.

The core tasks of the Company are prompt pay out of indemnities and qualitative execution of undertaken contractual duties. To ensure timely and fast service the Company has in its structure own technical and medical assistance, and also contact centre with free of charge round the clock hot line. Specially trained employees of IC Nova receive the calls and accompany each addressing to the Company with necessary consulting and technical support.



In case of events with victims, an obligatory trip of emergency commissioner of the Company is foreseen. The servicing of IC Nova clients outside of the Kiev oblast is organized with participation of Assistance Company ECLIS; the insured tourists are accompanied abroad by the international Assistance Companies CORIS Ukraine and ALBUR S.R.O.

In 2010 IC Nova has successfully implemented on-line access service for large corporate clients and intermediaries-partners of the Company to the registers of losses being settled. By means of this resource the clients of the Company can control the process of settlement.

According to PA "Standard-rating", as of Q1 2011 end the insurer has generated adequate reserves, in compliance with the demands of insurance market regulator (see table 7).

Table 7

**The structure of reserves of OJSC IC Nova, UAH thousand, %**

#	Indicators	9 months of 2011		9 months of 2010		Change of structure, p.p.	Growth rate, %
		UAH th	%	UAH th	%		
1	Unearned premium reserve	20840	50,00%	22401,4	50,00%	0,00 p.p.	-6,97%
2	Reserve for loss reported but not paid	15362,3	36,86%	17462	38,98%	-2,12 p.p.	-12,02%
3	Reserve for loss occurred but not reported	1269,7	3,05%	1376,4	3,07%	-0,03 p.p.	-7,75%
4	Loss variation reserve	2181,3	5,23%	2091,4	4,67%	0,57 p.p.	4,30%
5	Catastrophe reserve	2026,7	4,86%	1471,6	3,28%	1,58 p.p.	37,72%
6	Other reserves	0	0,00%	0	0,00%	0,00 p.p.	-
7	Total technical reserves:	41680	100,0%	44802,8	100,0%	-	-6,97%

To verify the work of the Insurer on large kinds of insurance RA 'Standard-Rating' requested the information on IC Nova largest payments for the last 12 months. All five largest payments corresponded to car insurance. The largest payment constituted UAH 251,682 thousand, the aggregate five largest payments of the Insurer constituted UAH 777,244 thousand.

It is indicative that after 9 months 2011 the Company has generated an excessive level of liquidity. For example, as of 30.09.2011 the interest bearing assets by 185 % covered Company payouts for 9 months 2011. IEA/payouts cover volume grew on 45,65 percentage points (see table 8).

Table 8

**Payouts and cover of payouts by interest earning assets of OJSC IC Nova, UAH thousand, %**

#	Indicators	9 months of 2011	9 months of 2010	Change	Growth rate, %
1	Indemnities and compensations paid	19635,3	25613,9	-5978,6	-23,34%
2	Total gross premiums	52409,3	54913,1	-2503,8	-4,56%
3	Payout ratio	37,47%	46,64%	-9,18 p.p.	-
4	Total interest earning assets	36322,5	35688,6	633,9	1,78%
5	IEA/payouts ratio	184,99%	139,33%	45,65 p.p.	-

### (G) Capital and solvency margin

Last time the Company increased authorized capital by 14,8 m in 2006. As of 30.09.2011 the authorized capital of the insurer constituted UAH 30,0 m, it is paid-in completely, the Company has not own shares at the disposal. The Authorized capital stock constitutes 72% of shareholders equity, 26,94 % correspond to the retained profit of the Insurer (see table 9).



Table 9

**Structure of shareholders' equity of OJSC IC Nova, UAH thousand, %**

#	Indicators	9 months of 2011		9 months of 2010		Change of structure, p.p.	Growth rate, %
		UAH th	%	UAH th	%		
1	Authorized capital	30000	71,96%	30000	87,44%	-15,48%	0,00%
2	Reserve capital	458,6	1,10%	458,6	1,34%	-0,24%	0,00%
3	Retained profit	11232,7	26,94%	3852,1	11,23%	15,72%	191,60%
4	Shareholder equity, in total	41691,3	100,00%	34310,7	100,00%	-	21,51%

Considering high quality of assets of the Insurer, the Company has generated shareholders equity in excess and remains overcapitalized.

**(H) Support by shareholders**

At the moment of the publication of report on rating research 74,9987 % of the shares of the Insurer belonged to three natural persons-residents of Ukraine who have been identified by the Agency as related persons.

Traditionally, if more than 60 % of company shares belong to natural persons-residents of Ukraine, the Agency recognizes the level of external support as uncertain; hence, it does not influence the rating.

**(I) Other factors influencing the rating****Interaction with the authorities**

After additional requests to the insurer, the Agency has not revealed any additional risks connected with interaction of the insurer with the Ukrainian authorities.

Last planned audit of financial activity of the Company in the period from 01.01.2009 to 31.03.2010 was conducted by the State tax inspection in the Dneprovsky district of the city of Kiev in June, 2010. As of 30.09.2011 there are no outstanding tax liabilities.

Last planned audit by the State Commission for Regulation of Financial Services Markets was conducted in 2009. The revealed insignificant infringements have been eliminated in the terms established by the regulator.

**The Management and the labor collective:**

For years of work the Company generated the managerial link involving managers with considerable experience in the insurance market.

**Zaytseva Olga - Chairman of Supervisory Board**

Has begun work in insurance in 1993 in JSC Ometa-Inster. In 1995 - 2004 worked in IIC Nadra, holding the positions of director for the finance and reinsurance, Deputy Chairwoman of Board of Management. On March, 19th, 2004 was appointed to the post of the Chairman of Board of the Company. Heads the Supervisory Board of IC Nova since December, 2008.

- In 2005 - 2009 headed the LIOU Committee on Reinsurance Issues
- Since 2008 heads the Procedural Committee of the Nuclear Insurance Pool of Ukraine.
- Since 2010 heads the Procedural Committee of Motor Transport Insurance Bureau of Ukraine.

**Shinkarenko Olga - Chairwoman of Board**

In 1996 has begun insurance business carrier in the IIC 'Nadra'. Since 2004 held the position of Deputy Chairwoman of Board in IC Nova, was responsible for reinsurance. Since January, 2008 - Member of Supervisory Board of IC 'Nova', was responsible for IR. On December, 23rd, 2008 appointed Chairwoman of Board IC Nova.

**Kadukova Svetlana - Deputy Chairwoman of Board**

Started working in insurance business in 1991 in the JSC Ometa-Inster. From March, 2001 till March, 18th 2005 occupied posts of Deputy Chairwoman of Board, Chairwoman of Board of the Fuel and Energy insurance Company. Since March, 19th 2005 she works in IC Nova as Deputy Chairwoman of Board. Svetlana has more than 10-years of experience with corporate business.

As of 30.09.2011 the insurer reduced the staff by 18,13 %, but the number of insurance agents out of Company staff has grown. The given trend proves to that the Company focuses its HR policies on sales divisions. Such personnel selection should promote strengthening of insurer's market position.

Table 10

Personnel structure of the Insurer

#	Indicators	9 months of 2011		9 months of 2010		Change of structure	Growth rate, %
		pers.	%	pers.	%		
1	Number of staff with experience under 3 years	39	26,17%	56	30,77%	-4,59 p.p.	-30,36%
2	Number of staff with experience above 3 years	110	73,83%	126	69,23%	4,59 p.p.	-12,70%
3	Total number of staff	149	100,00%	182	100,00%	-	-18,13%
4	Number of off-staff agents	323	216,78%	318	174,73%	42,05 p.p.	1,57%

## 2. Summary of rating

The rating of OJSC 'Nova' was affected by the following factors:

1. IC Nova has considerable history of work in various segments of Ukrainian insurance market. The company has successfully endured 2008-2009 financial crisis, has managed to maintain market positions and a competitive range of services. The nominal share of IC Nova in the insurance market of Ukraine is estimated by the Agency following the results of 9 months 2011 at 0,34 %, the Company share in classical insurance segment, by Agency estimates, fluctuates at 0,7 %-1,0 %.

2. IC Nova finished 9 months of 2011 with operational income of UAH 8,7 m, that is in 2,42 times higher than for the similar period of 2010. For 9 months of 2011 the net profit of the Insurer constituted UAH 6,6 m, that is in 1,83 times more than for the same period of 2010. Growth of profitability of the insurer occurred because of pay-out drop from 46,64 % (9 months of 2010) to 37,46 % following the results of 9 m 2011.

3. Growth of profitability and decrease in liabilities of the Insurer allowed IC Nova to increase liquidity level essentially. On 30.09.2011 IEA/liabilities ratio of the Insurer has constituted 86 %, at average market value of 70-75 %. Thus good liquidity was enhanced by the growing solvency: shareholders equity/liabilities ratio has grown from 77,44 % to 98,75 %.

4. The motor insurance in total following 9 m 2011 occupied 61 % of total IC Nova business (40 % voluntary insurance of ground transport, 21 % OSAGO). Based on the results of 9 m 2011, IC Nova managed to take under control this type of risk and to achieve profitable work in the problematic segment of the Ukrainian insurance market. Diversification level per large clients following the results of 9 months 2011 is assessed as acceptable by the Agency, the three largest clients of the insurer corresponded to 27,37 % of Company total business.

5. The quality of IC Nova earning assets is estimated as high. On 30.09.2011 the earning assets of the insurer constituted UAH 66,645 m, 54,5 % from them corresponded to IBA, thus 99,99 % of IBA assets had investment grade level, i.e. above uaBBB-. Despite decrease in liabilities of the insurer, the amount of IEA as of 30.09.2011 compared to 30.09.2010 has grown by 1,78 %. At the same time, the IEA generated on 30.09.2011 in 1,85 times covered the amount if volume of pay outs of the insurer in 9 m 2011.

6. IC Nova maintains high level of reinsurance cover diversification. As of 30.09.2011 the insurer has signed agreements of mandatory reinsurance with the following foreign reinsurers: SCOR (France), Polish Re (Poland), Unite Re (Russian Federation) etc. The reinsurance portfolio of IC Nova is balanced and provides the Company a substantial level of protection.

## 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*