

Report on rating research

Customer:	JSC «PROSTO-insurance»
Registration date:	02.04.1997
USREOU code:	24745673
Location of the chief office of the company (city, index, street):	04050, Kyiv city, Hertsenya street, 10
Name of auditing company confirming reporting in the last financial year:	CJSC «Kiev auditing group»
Top executive, title:	Kalyan Konstantyn, Chairman of Board
The number of staff members at the moment of filling out the questionnaire:	528 persons
Telephone/fax:	+38 (044) 206-28-85, 238-68-18
Web-site:	www.pro100.com.ua
Rating type:	Financial stability of the insurer (general insurance) / credit rating
Rating revision period:	Quarterly
Date of rating:	15.01.2014
Rating by RA 'Standard Rating' (Ukraine) according to the Ukrainian national scale (outlook):	uaAA (stable) The insurer with rating uaAA is characterized by a very high financial stability compared to other Ukrainian insurers.
The correlation of national (Ukrainian) scale ratings and the international scale ratings reflecting the rating in the countries of the Agency operations is set by GPRC "Standard-Rating" Rating Committee.	
Informational 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.	
Ratings use limitations:	
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.	

Report content:

#	Section title	Page
1.	List of licenses and permissions owned by the Company	2
A.	Company's history	3
B.	Business activity and competition	4
C.	Business diversification	5
D.	Asset quality	5
E.	Quality of reinsurance	6
F.	Adequacy of forming reserves	6
G.	Equity and solvency reserve	7
H.	Support of shareholders	8
I.	Other factors influencing the rating	8
2.	Summary of rating components	9

1. List of licenses and permissions owned by the Company

Licenses of voluntary insurance

AB 521051 voluntary insurance of land transport (except railway) from 01.02.2010 - termless

AB 521040 voluntary insurance of medical insurance (permanent health insurance) from 01.02.2010 - termless

AB 521039 voluntary insurance of health in case of illness from 01.02.2010 - termless

AB 521041 voluntary insurance of medical expenses from 01.02.2010 - termless

AB 521055 voluntary insurance against fire risks and natural disasters from 01.02.2010 - termless

AB 521053 voluntary insurance of property (except railway, land, air, water transport, cargo and baggage, property against fire risks and natural disasters) from 01.02.2010 - termless

AB 521036 voluntary insurance of cargo and baggage from 01.02.2010 - termless

AB 521038 voluntary insurance of water transport (marine internal and other types of water transport) from 01.02.2010 - termless

AB 521049 voluntary insurance of liability to third parties (except for liability of owners of land, air, water transport and carrier liability) from 01.02.2010 - termless

AB 521037 voluntary insurance of civil liability of owners of land transport (including the carrier liability) from 01.02.2010 - termless

AB 521050 voluntary insurance against accidents from 01.02.2010 - termless

AB 521045 voluntary insurance of financial risks from 01.02.2010 - termless

AB 521056 voluntary insurance of liability of the owners of water transport (including the carrier liability) from 01.02.2010 - termless

Licenses of compulsory insurance

AB 520638 compulsory insurance for fire brigades from 18.02.2010 - termless

AT 569234 compulsory insurance of owners of land vehicles from 30.12.2010 – termless

AB 521042 compulsory insurance of liability of the subjects of transport of dangerous goods in the event of negative consequences when transporting dangerous goods from 01.02.2010 – termless

AB 521047 compulsory insurance of civil liability of entities for harm, which can be caused by fires and accidents at high risk, including fire explosive objects from 01.02.2010 – termless

AB 521046 compulsory insurance of civil liability of the operator of a nuclear installation for the harm that can be caused by a nuclear incident from 01.02.2010 – termless

AB 521043 compulsory personal insurance against accidents on transport from 01.02.2010 – termless

AB 521052 compulsory medical insurance from 01.02.2010 – termless

AB 521048 compulsory insurance of athletes of the highest categories from 01.02.2010 – termless

AB 594291 compulsory insurance of the subject of mortgage against the risks of accidental destruction and damage from 19.01.2012 - termless

(A) Company's history and general characteristics of the insurer

The Company was registered in April of 1997 as “The State Joint-Stock insurance company for providing emergency medical assistance to foreign citizens”, later – IC “Ukrinmedstrah”. The Company's activity was regulated by the Resolution of the Cabinet of Ministers of Ukraine №79 from 28.01.1997, its authorized fund amounted to UAH 1,1 mln.

In the early 2000s, the Company began the creation of the network of regional offices in 11 regions and cities of Ukraine and AR Crimea, established the sales network of policies in border crossing points, with the departments of the passport and migration service of the MIA of Ukraine.

In 2004 Insurance company “Ukrinmedstrah” changed its strategy of business development and represented its new trade mark “PRO100-insurance” to the Ukrainian insurance market. One of the key shareholders of the Company became IC “PECO-Guarantee” (Russia). The main strategic directions were: creating the agent network and the retail business. Center of professional training of insurance agents, which prepared more than 200 graduates, is open, as well as four Centers of sales in Kyiv city, the ten – in regional centers. As a whole, the regional network of JSC “PROSTO-insurance” amounted to 27 branches.

March 30, 2010 the shareholders of the Company increased the authorized capital of JSC “PROSTO-insurance” by UAH 40 mln up to UAH 64 mln.

Last few years the Company was concentrated on improving the created business model and developing new directions. Thus, in 2011 the Company received the license for “Compulsory insurance of the mortgage subject against risks of accidental damage”.

In August of 2013 the shareholders of JSC “PROSTO-insurance” decided to increase the authorized capital of the Company from UAH 64 mln up to UAH 123,9 mln. As a result, the authorized capital of the Company was increased up to UAH 84 mln.

JSC “PROSTO-insurance” collected more than UAH 159 mln of gross premiums in the 9 months of 2013 that enabled to bring the Company to the category of large insurers.

Table 1

Key performance indicators of JSC "PROSTO-insurance", th. UAH, p.p., %

#	Indicators	9 months of 2013 (30.09.2013)	9 months of 2012 (30.09.2012)	Change	Growth rate, %
1	Total gross premiums	159128.6	148190.3	10938.3	7.38%
2	Insurance indemnities and compensations	60574.9	56265.2	4309.7	7.66%
3	Indemnities/gross premiums ratio	38.07%	37.97%	0.10 p.p.	-
4	Shareholders' equity	79983	100128	-20145	-20.12%
5	Liabilities	130360	114065	-77228	-67.71%
6	Shareholders' equity/liabilities ratio	61,36%	87,78%	-26,43 p.p.	-
7	Net profit	590	136	454	333.82%

Also, from among general data of JSC “PROSTO-insurance” (table 1) it is seen that according to the results of the 9 months of 2013 the Company was well capitalized, and its activity was profitable.

Therefore, JSC “PROSTO-insurance” can be characterized as large, dynamically developing Ukrainian insurance company with participation of foreign capital.

(B) Business activity and competition

The nominal share of JSC “PROSTO-insurance” in the Ukrainian insurance market is assessed by the Agency at the level 0,75% according to the results of the 9 months of 2013 on the basis of gross premiums of the insurer and the amount of the market as a whole. At the same time, the proportion of the company in the market of classical insurance in Ukraine exceeds 1% according to the Agency.

Gross premiums of the insurer grew by 7,38% in the 9 months of 2013. Net premiums grew by 10,53% in the same period, earned premiums – by 10,81%. The Company showed positive trends of the increase of business (*table 2*).

Table 2

Indicators of business activity of JSC "PROSTO-insurance", th. UAH, %

#	Indicators	9 months of 2013 (30.09.2013)	9 months of 2012 (30.09.2012)	Change	Growth rate, %
1	Total gross premiums, including	159128.6	148190.3	10938.3	7.38%
2	from individuals	119595	112097	7498	6.69%
3	from reinsurers	3414.6	3128.8	285.8	9.13%
4	Proportion of individuals in gross premiums	75.16%	75.64%	-0.49 p.p.	-
5	Proportion of reinsurers in gross premiums	2.15%	2.11%	0.03 p.p.	-
6	Insurance payments sent to reinsurers	3662.6	7547.5	-3884.9	-51.47%
7	Coefficient of dependence on reinsurers	2.30%	5.09%	-2.79 p.p.	-
8	Net premiums	155466.00	140642.80	14823.20	10,53%
9	Earned insurance premiums	152758.4	137856.8	14901.6	10.81%
10	Financial result from operating activities	3873	3513	360	10.25%
11	ROS	2.43%	2.37%	0.06 p.p.	-
12	Acquisition costs	40442.4	35044.4	5398	15.40%
13	Acquisition costs/gross premiums ratio	25.41%	23.65%	1.77 p.p.	-

Proportion of individuals in gross premiums of the insurer amounted to 75,16% according to the results of the 9 months of 2013 that is by 0,49 p.p. less than in the same period of 2012. This statistics, the best way possible, characterizes business of JSC "PROSTO-insurance" as the companies, which specialize in the retail insurance. Despite that, the level of acquisition costs amounted to 25,41% according to the results of the 9 months of 2013 that is rather acceptable for the market company. The Agency positively assesses the Company's specialization on the work with individuals that should be positively reflected on the business diversification.

Therefore, the level of business activity of JSC "PROSTO-insurance" grew according to the results of the 9 months of 2013, the nominal proportion of the insurer in the Ukrainian market was assessed at the level 0,75%, the proportion in segment of classical insurance – at the level more than 1% that made the Company a significant participator of the market. More than 75% of gross premiums of the insurer came from individuals that positively affected the business diversification.

(C) Business diversification

Analysis of business diversification of JSC "PROSTO-insurance" by insurance types showed that according to the results of the 9 months of 2013 CASCO and CMTPL accounted for 70,08% (*table 3*). Such level of diversification is close to satisfactory. The Company had all the signs of availability of dependence on the insurance of transport risks, while the voluntary medical insurance and the insurance of property accounted for only 14,74% of business.

Table 3

TOP-10 of the largest insurance types of JSC "PROSTO-insurance", th. UAH, %

#	Insurance type	9 months of 2013		9 months of 2012		Change of structure, p.p.	Growth rate, %
		th. UAH	%	th. UAH	%		
1	CASCO	86792	39.67%	78757	39.63%	0.04 p.p.	10.20%
2	CMTPL	66536	30.41%	60694	30.54%	-0.13 p.p.	9.63%
3	Voluntary medical insurance	27813	12.71%	23748	11.95%	0.76 p.p.	17.12%
4	Property	10349	4.73%	12527	6.30%	-1.57 p.p.	-17.39%
5	Foreigners	6918	3.16%	6625	3.33%	-0.17 p.p.	4.42%
6	Other insurance types	5886	2.69%	3920	1.97%	0.72 p.p.	50.15%
7	Tourism	5258	2.40%	4510	2.27%	0.13 p.p.	16.59%
8	Accident insurance	4252	1.94%	3735	1.88%	0.06 p.p.	13.84%
9	Voluntary civil liability	2887	1.32%	2189	1.10%	0.22 p.p.	31.89%
10	CMR	1093	0.50%	864	0.43%	0.06 p.p.	26.50%
11	Cargo	1001	0.46%	1170	0.59%	-0.13 p.p.	-14.44%
12	Total:	218785	100.00%	198739	100.00%	-	10.09%

The level of business diversification of the Company close to satisfactory by insurance types has been compensated by a high level of diversification by clients.

Thus, analysis of diversification of the client base of the insurer has revealed a high level of diversification and almost complete absence of the Company's dependence on the 1-3 largest clients or groups of clients (*table 4*).

Table 4

Data on the structure of gross premiums of JSC "PROSTO-insurance" from the largest insurants, th. UAH, p.p., %

#	Indicators	9 months of 2013		9 months of 2012		Change of structure, p.p.	Growth rate, %
		th. UAH	%	th. UAH	%		
1	From 1 (one) the most largest insurant	3503	2.20%	3167	2.14%	0.06 p.p.	10.61%
2	From 3 (three) the most largest insurants	7324	4.60%	7241	4.89%	-0.28 p.p.	1.15%
3	From 5 (five) the most largest insurants	9551	6.00%	9141	6.17%	-0.17 p.p.	4.49%
4	From 10 (ten) the most largest insurants	12392	7.79%	11027	7.44%	0.35 p.p.	12.38%
5	Total:	159128.6	100.00%	148190.3	100.00%	-	7.38%

Therefore, though CASCO and CMPTL traditionally dominated in the business of the insurer, the proportion of the rest insurance types remained noticeable according to the results of the 9 months of 2013. The level of specific diversification close to satisfactory was compensated due to a high level of client diversification, TOP-3 of the company's clients accounted for only 4,6% of gross premiums, TOP-5 of clients – only 6%, TOP-10 of clients – 7,79% of gross premiums.

(D) Asset quality

Asset quality of JSC "PROSTO-insurance" can be characterized as very high. At the Company's balance there were no assets, which could be characterized as "trash", all the income assets were represented by categories, which exclude trash assets. More than 50% of income assets in JSC "PROSTO-insurance" were represented by real estate and about 47% – by cash at accounts of the bank.

The interest bearing assets amounted to 46,82% of the income assets and if we take into account that the rest of income assets were represented by real estate, the level of the interest bearing assets can be considered high (*table 5*).

Table 5

Structure of income assets of JSC "PROSTO-insurance", th. UAH, p.p., %

#	Indicators	9 months of 2013 (30.09.2013)		9 months of 2012 (30.09.2012)		Change of structure, p.p.	Growth rate, %
		th. UAH	%	th. UAH	%		
1	Cash at current accounts	10189.6	6.85%	14394.6	12.39%	-5.54 p.p.	-29.21%
2	Banking deposits	59450.7	39.97%	52307.4	45.03%	-5.06 p.p.	13.66%
3	Real estate	75848.1	50.99%	44416.3	38.23%	12.76 p.p.	70.77%
4	Stocks	500	0.34%	1385.8	1.19%	-0.86 p.p.	-63.92%
5	Right of claim to the insurers	2381.6	1.60%	3322.2	2.86%	-1.26 p.p.	-28.31%
6	Cash in hand	366.9	0.25%	339.9	0.29%	-0.05 p.p.	7.94%
7	Total income assets:	148741.9	100.00%	116171.2	100.00%	-	28.04%
8	Total interest bearing assets	69642.3	46.82%	66704	57.42%	-10.60 p.p.	4.40%

As a whole, the Agency recognizes the asset quality of JSC "PROSTO-insurance" as high and emphasizes positive dynamics of the increase in banking deposits, which in the period from 30.09.2012 to 30.09.2013 grew by 13,66%. The income assets of the Company grew by 28,04% in the same period.

(E) Quality of reinsurance

The Company well diversified the reinsurance protection and carefully chose reinsurance companies by reliability. 67,42% of risks (by volume) were reinsured in the companies with ratings higher than uaBBB (*table 6*).

Table 6

Structure of reinsurance coverage of JSC "PROSTO-insurance", th. UAH, p.p., %

#	Indicators	9 months of 2013 (30.09.2013)		9 months of 2012 (30.09.2012)		Change of structure, p.p.	Growth rate, %
		th. UAH	%	th. UAH	%		
1	Reinsurer 1	169.7	4.63%	835.4	11.07%	-6.44 p.p.	-79.69%
2	Reinsurer 2	486.5	13.28%	537.9	7.13%	6.16 p.p.	-9.56%
3	Reinsurer 3	86	2.35%	189.2	2.51%	-0.16 p.p.	-54.55%
4	Reinsurer 4	96.5	2.63%	164.3	2.18%	0.46 p.p.	-41.27%
5	Reinsurer 5	45.1	1.23%	102.3	1.36%	-0.12 p.p.	-55.91%
6	Other reinsurers	2778.8	75.87%	5717.4	75.76%	0.11 p.p.	-51.40%
7	Total insurance premiums, sent to the reinsurers	3662.6	100.00%	7546.5	100.00%	-	-51.47%
8	Insurance premiums, sent to the reinsurers with ratings higher uaBBB-	2469.4	67.42%	2999.3	39.74%	27.68 p.p.	-17.67%

In the Agency's opinion, the quality of reinsurance coverage of JSC "PROSTO-insurance" remains high, more than 67% of risks are placed in reinsurers with rating higher uaBBB-. However, the reinsurance provision doesn't have a fundamental impact on the Company's business: according to the results of the 9 months of 2013 the proportion of reinsurers in gross premiums amounted to only 2,15%.

(F) Adequacy of forming reserves

Reserves. During the last 2 years JSC "PROSTO-insurance" formed all the types of reserves, which were provided by Ukrainian laws. In the period from 30.09.2012 to 30.09.2013 technical reserves of the insurer grew by 15,52% and on 30.09.2013 amounted to UAH 101 mln. At the same date 71,61% of reserves accounted for unearned premium reserves, domination of which is traditional in the structure of technical reserves. The Agency also appreciates the availability of reserve of declared, but not paid losses, reserve of losses, which occurred, but not declared, as well as reserve of fluctuations of loss and reserve of catastrophes (table 7).

Table 7

Structure of reserves of JSC "PROSTO-insurance", th. UAH, p.p., %

#	Indicators	9 months of 2013 (30.09.2013)		9 months of 2012 (30.09.2012)		Change of structure, p.p.	Growth rate, %
		th. UAH	%	th. UAH	%		
1	Unpaid premium reserves	72357.8	71.61%	65450.9	74.82%	-3.22 p.p.	10.55%
2	Reserve of declared, but not paid losses	14197.7	14.05%	10778.4	12.32%	1.73 p.p.	31.72%
3	Reserve of losses, which occurred, but not declared	6365	6.30%	922.5	1.05%	5.24 p.p.	589.97%
4	Reserve of fluctuations of loss	2627	2.60%	6156	7.04%	-4.44 p.p.	-57.33%
5	Reserve of catastrophes	5502.3	5.45%	4167	4.76%	0.68 p.p.	32.04%
6	Total technical reserves:	101049.8	100.00%	87474.8	100.00%	-	15.52%

In the Agency's opinion, the Company formed reserves in accordance with Ukrainian laws in full in 2012-2013.

Indemnities. Indemnities and compensations of the insurer grew by 7,66% up to UAH 60,575 mln in the 9 months of 2013. At the same time, the loss ratio grew only by 0,1 p.p. up to 38,07% that is an acceptable level for the companies of retail segment (table 8).

Table 8

**Indemnities and the ratio of interest bearing assets to indemnities of
JSC "PROSTO-insurance", th. UAH, p.p., %**

#	Indicators	9 months of 2013 (30.09.2013)	9 months of 2012 (30.09.2012)	Change	Growth rate of premiums, %
1	Insurance indemnities and compensations	60574.9	56265.2	4309.7	7.66%
2	Total gross premiums	159128.6	148190.3	10938.3	7.38%
3	Indemnities/gross premiums ratio	38.07%	37.97%	0.10 p.p.	-
4	Total interest bearing assets	69642.3	66704	2938.3	4.40%
5	Interest bearing assets/indemnities ratio	114.97%	118.55%	-3.58 p.p.	-

The Agency also draws attention that the Company has a very high ratio of interest bearing assets to indemnities, which amounted to 114,97% according to the results of the 9 months of 2013, the nine-month indemnities of the insurer were covered by liquid assets, which are at the disposal of JSC "PROSTO-insurance", with slight reserve.

(G) Equity and solvency reserve

The registered (authorized) capital of the insurer didn't change since March of 2010. In August of 2013 the shareholders of JSC "PROSTO-insurance" decided to increase the authorized capital of the Company from UAH 64 mln up to UAH 123,9 mln. As a result, the authorized capital was increased up to UAH 84 mln. The increase in the authorized capital resulted in the growth of shareholders' equity of the company and the increase in the insurer's capitalization. According to the Agency, the Company currently doesn't require additional capitalization, however, the shareholders apparently predict the increase in the insurer's business in future (table 9).

Table 9

Structure of shareholders' equity of JSC "PROSTO-insurance", th. UAH, p.p., %

#	Indicators	30/09/2013		01/01/2013		Change of structure, p.p.	Growth rate, %
		th. UAH	%	th. UAH	%		
1	Registered capital	64000	80.02%	64000	87.91%	-7.89 p.p.	0.00%
2	Result of revaluations	45825	57.29%	40555	55.71%	1.59 p.p.	12.99%
3	Additional capital	11632	14.54%	11632	15.98%	-1.43 p.p.	0.00%
4	Reserved capital	1363	1.70%	1363	1.87%	-0.17 p.p.	0.00%
5	Retained earnings (uncovered loss)	-50966	-63.72%	-51556	-70.82%	7.09 p.p.	-1.14%
8	Total shareholders' equity:	79983	100.00%	72803	100.00%	-	9.86%

The Agency assesses the capitalization level of JSC "PROSTO-insurance" as sufficient. The Company managed to create certain reserve of equity during years of work in the Ukrainian market. Additional capitalization of the insurer, which was announced by his shareholders, will increase the reserve of the Company's equity, and thus, the level of its solvency.

(H) Support of shareholders

At the moment of assigning the rating of JSC «PROSTO-insurance» had the following structure of shareholders – table 10.

Table 10

Structure of shareholders of JSC «PROSTO-insurance» at the moment of assigning rating

Shareholder	Quantity of shares (pcs)	Total nominal value in UAH	% of the total votes of shareholders
Company ASTROVEI LIMITED	627253	62 725 300,00	74,67298%
Subsidiary enterprise «PECO-Inter»	212746	21 274 600,00	25,32690%
Private JSC «Insurance company «Life and pension»	1	100,00	0,00012%

«PROSTO-insurance» enters the group of the Group PECO, which was created in 2004. As of today, the group includes more than 20 companies, working in the insurance, pension and leasing business in Russia and CIS.

Assets of the Group PECO, except others, include the controlling package of OIJS «PECO-Guarantee» – the universal insurance company created in 1991. OIJS «PECO-Guarantee» has a license for more than 100 types of insurance services and reinsurance activity, enters TOP-4 of insurers of Russian Federation. The branch network of OIJS «PECO-Guarantee» – one of the largest in Russia – includes more than 800 branches and sales offices in all the regions of Russian Federation. The beneficiaries of OIJS «PECO-Guarantee», if necessary, can provide significant financial support.

(I) Other factors, influencing the rating

As a result of the study of the interaction of JSC «PROSTO-insurance» with state authorities, the Agency formed the opinion that at the moment of assigning rating the Company didn't have debates with regulating and tax authorities, which could significantly affect the level of the insurer's solvency in future.

The study of the insurer's staff showed that the Company owned management with high qualification. As of 30.09.2013 in the Company there were 528 hired staff employees, only 5,11% of which had work experience of less than three years (*table 10*).

Table 10

Staff structure of the insurer JSC "PROSTO-insurance"

#	Indicators	9 months of 2013 (30.09.2013)		9 months of 2012 (30.09.2012)		Change of structure	Growth rate, %
		person	%	person	%		
1	Quantity of staff employees with experience up to 3 years	27	5.11%	33	5.53%	-0.41 p.p.	-18.18%
2	Quantity of staff employees with experience from 3 years	501	94.89%	564	94.47%	0.41 p.p.	-11.17%
3	Total quantity of staff employees	528	100.00%	597	100.00%	-	-11.56%
4	Quantity of insurance agents out of the staff	998	189.02%	1343	224.96%	-35.94 p.p.	-25.69%

Therefore, the relations of the insurer with state authorities don't bear any risks for the Company. The insurer owns sufficient quantity of staff, and management has more than sufficient work experience in insurance.

2. Summary of rating components

Generalizing the components of the rating of JSC «PROSTO-insurance», RA «Standard-Rating» (Ukraine) decided to assign the credit rating (the financial stability rating of the insurer) at the level **uaAA** according to the national scale. The insurer with rating uaAA is characterized by a very high financial stability compared to other Ukrainian insurers. Making decision to assign the rating, the Agency was guided by the following conclusions:

1. The level of business activity of JSC «PROSTO-insurance» grew according to the results of the 9 months of 2013: gross premiums grew by 7,38%, net premiums – by 10,53%, earned premiums – by 10,81%. The nominal proportion of the insurer in the Ukrainian market was assessed at the level 0,75%, the proportion in segment of classic insurance – at the level more than 1% that made the Company a noticeable participator of the market. More than 75% of gross premiums of the insurer came from individuals that positively affected the business diversification.

2. CASCO and CMPTL traditionally dominated in the Company's business, its proportion accounted for 70,08% of premiums according to the results of the 9 months of 2013. The level of specific diversification close to satisfactory was compensated due to a high level of client diversification, TOP-3 of the company's clients accounted for only 4,6% of gross premiums, TOP-5 of clients – only 6%, TOP-10 of clients – 7,79% of gross premiums.

3. The Agency recognizes the asset quality of JSC «PROSTO-insurance» as high and emphasizes positive dynamics of the increase in banking deposits, which in the period from 30.09.2012 to 30.09.2013 grew by 13,66%, the income assets of the Company grew by 28,04% in the same period.

4. In the Agency's opinion, the quality of reinsurance coverage of JSC «PROSTO-insurance» remains high, more than 67% of risks are placed in reinsurers with rating higher uaBBB-. However, the reinsurance provision doesn't have a fundamental impact on the Company's business: according to the results of the 9 months of 2013 the proportion of reinsurers in gross premiums amounted to only 2,15%.

5. The Agency also draws attention that the Company has a very high ratio of interest bearing assets to indemnities, which amounted to 114,97% according to the results of the 9 months of 2013, the nine-month indemnities of the insurer were covered by liquid assets, which are at the disposal of JSC «PROSTO-insurance», with slight reserve.

6. The Agency assesses the capitalization level of JSC «PROSTO-insurance» as sufficient. The Company managed to create certain reserve of equity during years of work in the Ukrainian market. Additional capitalization of the insurer, which was announced by his shareholders, will increase the reserve of the Company's equity, and thus, the level of its solvency.

7. «PROSTO-insurance» enters the group of the Group PECO, which was created in 2004. As of today, the group includes more than 20 companies, working in the insurance, pension and leasing business in Russia and CIS. The Agency appreciates the availability of such shareholder, which can not only perform financial contributions into the Ukrainian business, but also can provide technical support of development of JSC «PROSTO-insurance» in Ukraine. The level of external support from the Company's shareholders is assessed as very high.

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 to insured. In the insurance companies, which don't have significant debt liabilities to banks and didn't perform obligation borrowings, the financial stability rating coincides with the credit rating.