

Report on the rating research

| | |
|--|---|
| Customer: | Private joint stock company 'Persha Insurance Company' |
| Incorporation date: | 24.09.2001 |
| USREOU code: | 31681672 |
| Head office location (city, mail index, street): | Y letter, 10, Starokievskaya str., Kiev, 04116 |
| The name of the auditor company which approved the accounts the last fiscal year: | Limited liability Company Alex - Audit |
| Key account bank: | Public Joint Stock Company Credit Agricole Bank |
| Top executive, title: | CEO: Bezbakh Natalya |
| Number of regular personnel at the time of questionnaire filling: | 218 |
| Telephone/fax: | +38 (044) 201-54-05, (044) 521-74-00 |
| Web-site: | www.persha.kiev.ua |
| Rating type: | Insurer financial strength (general insurance business)/credit rating |
| Rating revision period: | Quarterly |
| Date of rating: | 18.06.2012 |
| Rating by RA 'Standard Rating' (Ukraine) according to the Ukrainian national scale (outlook): | uaA+ (stable) The insurer with the rating uaA+ has high financial strength as compared with other Ukrainian insurers. The level of financial strength is sensitive to the influence of adverse commercial, financial and economic conditions. |
| Correlation of the national scales with the international scale in the countries of operations: | |
| The correlation of Ukrainian scale ratings and the international scale ratings reflecting the rating in the countries of Agency operations is set by GPRC "Standard-Rating" Rating Committee. | |
| Information use restrictions: | |
| The report on rating research has no restrictions to distribution. When using materials contained in the report, the reference on RA "Standard Rating" (Ukraine) is mandatory. The Agency considers true all information contained in the report on rating research. | |
| 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. | |

Contents:

| # | Title | Page. |
|-----------|--|-----------|
| 1. | List of licenses and permits in possession of the Company | 2 |
| A. | Company history | 3 |
| B. | Business activity and competition | 3 |
| C. | Business diversification | 5 |
| D. | Assets quality | 6 |
| E. | Quality of reinsurance | 7 |
| F. | Adequacy of reserves | 7 |
| G. | Capital adequacy and solvency margin | 9 |
| H. | Support by shareholders | 9 |
| I. | Other factors influencing the rating | 9 |
| 2. | Summary of rating components | 11 |

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

Voluntary insurance licenses

1. Voluntary freight and luggage insurance AB no. 546694 of 21.07.2010.
2. Voluntary insurance against fire risks and act of God risks AB no. 546691 of 21.07.2010.
3. Voluntary third party liability insurance (except motor third party liability, air transport owners' liability, watercraft owners' liability (including carrier liability); AB no. 546681 of 21.07.2010.
4. Voluntary property insurance, except railway-, motor-, air-, water transports (incl. sea inland waters, and other watercrafts), freight and luggage AB no. 546695 of 21.07.2010.
5. Voluntary financial risks insurance AB no. 546679 of 21.07.2010.
6. Voluntary health insurance against diseases AB no. 546689 of 21.07.2010.
7. Voluntary accident insurance AB no. 546683 of 21.07.2010.
8. Voluntary credit insurance (including borrower liability insurance against existing loan) AB no. 546688 of 21.07.2010.
9. Voluntary ground transport owner's liability insurance (incl. carrier liability) AB no. 546693 of 21.07.2010.
10. Medical costs insurance AB no. 546686 of 21.07.2010.
11. Voluntary motor transport vehicle insurance (except r/w) AB no. 546685 of 21.07.2010.

Mandatory insurance licenses

1. Mandatory ground transport owner's civil and legal liability insurance AB no. 546690 of 21.07.2010.
2. Mandatory personal traffic accident insurance AB no. 546682 of 21.07.2010.
3. Mandatory medical insurance of medical and pharmaceutical employees (except those who work in the entities financed from the state budget of Ukraine) against HIV infection while performing their professional duties AB no. 546692 of 21.07.2010.
4. Mandatory insurance of dangerous cargos carriers' liability against negative consequences of dangerous cargos transportation risks AB no. 546684 of 21.07.2010.
5. Mandatory personal insurance of departmental fire protection workers (except those who work in the entities financed from the state budget of Ukraine) and rural fire prevention workers and members of voluntary fire brigades (teams) AB no. 546680 of 21.07.2010;
6. Mandatory liability insurance of economic entities against damage in case of fire and emergencies in extra hazardous facilities, including fire-dangerous facilities and facilities, wherein economic activities could result in environmental and sanitary-epidemiologic emergencies AB no. 546678 of 21.07.2010;

(A) Company history and general review of the Insurer

The private joint stock company Insurance Company Persha is present in the insurance market of Ukraine since 2001. In 2007 change of shareholders structure occurred. Simultaneously the CEO Bezbakh N.V. headed the new team of top managers. The company begun to develop actively. In 2008-2012 18 regional branches, 22 offices and about 200 sales points were opened.

In the beginning of 2009 the Insurance Company Persha as agreed with the International Road Transport Union obtained the status of the National insurer of carnets in the International Road Transportation system TIR.

In 2010 the Company became full member of Motor (transport) Insurance Bureau of Ukraine and a member of the League of Insurance Organizations of Ukraine (LIOU).

In 2011 IC Persha was recognized nominee of the award 'Leader of the insurance market on introduction of new risk-management techniques' in the Second National Competition 'Leader of the insurance market-2010'.

In Q1 2012 total volume of insurer business has grown on 43,41 % compared to Q1 2011. The insurer finished the last reporting quarter with UAH 126 th. of net profit, that is almost 4 times higher than in Q1 2011.

In the period from 31.03.2011 to 31.03.2012 IC Persha increased the shareholders equity/liabilities ratio by 37,80 percentage points. Thus, on the beginning of Q2 shareholders equity of the insurer on 79 % covered its liabilities. The Agency identifies the level of Company capitalization as good and sufficient to ensure solvency in the long-term period.

Table 1

| Key performance indicators JSC IC Persha, UAH th, % | | | | | |
|--|-------------------------------|-------------------------|-------------------------|------------|-------------------|
| # | Indicators | Q1 2012 (31.03.2012) | Q1 2011 (31.03.2011) | Change | Growth rate, % |
| 1 | Total gross premiums | 37099 | 25869 | 11230 | 43,41% |
| 2 | Indemnities and compensations | 6903 | 6291 | 612 | 9,73% |
| 3 | Payout ratio | 18,61% | 24,32% | -5,71 p.p. | - |
| 4 | Shareholder equity | 42884 | 18445 | 24439 | 132,50% |
| 5 | Liabilities | 54426 | 44999 | 9427 | 20,95% |
| 6 | Equity/Liabilities ratio | 78,79% | 40,99% | 37,80 p.p. | - |
| 7 | Net profit | 126 | 32 | 94 | 293,75% |
| 8 | ROE | 0,29% | 0,17% | 0,12 p.p. | - |
| 9 | ROA | 0,13% | 0,05% | 0,08 p.p. | - |

Also the Agency highlights the growth of insurer IBA/liabilities ratio, this ratio as for 31.03.2012 exceeded 50 % and remained close to normal value, i.e. more than a half of insurer liabilities have been covered by interest bearing assets.

Thus, JSC IC Persha belongs to the category of rather young, but dynamically developing companies. The company for the last 12 months showed confident growth of solvency and liquidity indicators, against an essential gain of total business volumes and profitability of operations.

Business activity and competition

When developing and implementing competitive strategy the management of IC Persha counts mainly on innovation. Within the limits of a comprehensive program implemented in the Company and aimed at new level of effectiveness in the work with client, only for the last year two projects have been launched:

- **'Motor'**, which purpose is creation of mobile network of sales which allowed the Insurer to approach much closer the potential customer;
- **'Kasko super C'** with expanded structure of business service: on-road technical assistance card and video recorder (thanks to records from flash-card terms of payments reduced to 5 days).

A serious work on **IT** system updating is also performed in the Company, directed on quality control of customer service and optimization of business processes.

The Agency regards the following companies as IC Persha competitors: AXA Insurance, UNIQA, INGO Ukraine. However, the client focused strategy positively impacted market positions of IC Persha. Following the results of 2011 IC Persha went up in the rankings of insurers of Ukraine and occupied 26th place on receipts of insurance premiums (following the results of 2010 – 30th place) that is a proof of the growing confidence of clients. 37th place in the rating of insurance companies on payouts (in 2010 IC Persha was on 42nd place) became a proof of accomplishment by the Company of the commitments undertaken.

The Company is on 21st place in the ranking on obligatory insurance of ground transport owners, thus payout level makes 44,83 %.

On voluntary insurance of ground transport owners liability (including carrier liability) - IC Persha occupied 3rd place in 2011, against 8th place following the 2010.

On the International Motor Insurance Green Card – in 2010 IC Persha was on 9th place, and in 2011 moved to 4th place in the rating.

On the insurance of medical costs the Company is stably on the 7th place, payout level increased and makes 57,99 %. On KASKO insurance the Company occupied 44th place following 2011, against 51st in 2010.

The analysis of key performance indicators following Q1 2012 shows an essential gain of total business volumes on 43,41 %, decrease in dependence on reinsurers and premiums received from physical persons. As positive the Agency regards also the decrease on 2,45 percentage points of acquisition costs/gross premiums ratio (tab. 2).

Table 2

Business performance indicators of JSC IC Persha, UAH th.

| # | Indicators | Q1 2012 (31.03.2012) | Q1 2011 (31.03.2011) | Change | Growth rate, % |
|----|--|-------------------------|-------------------------|-------------|-------------------|
| 1 | Total gross premiums, incl.: | 37099 | 25869 | 11230 | 43,41% |
| 2 | - from individual insured | 10353 | 10659 | -306 | -2,87% |
| 3 | - from reinsurers | 476 | 1342 | -866 | -64,53% |
| 4 | Share of individuals in gross premiums | 27,91% | 41,20% | -13,30 p.p. | - |
| 5 | Share of reinsurers in gross premiums | 1,28% | 5,19% | -3,90 p.p. | - |
| 6 | Premiums ceded to reinsurers | 11324 | 10189 | 1135 | 11,14% |
| 7 | Reinsurance dependence factor | 30,52% | 39,39% | -8,86 p.p. | - |
| 8 | Net premiums | 25775,00 | 15680,00 | 10095,00 | - |
| 9 | Earned premiums | 22337 | 19533 | 2804 | 14,36% |
| 10 | Financial result from operations | 931 | 1846 | -915 | -49,57% |
| 11 | ROS | 2,51% | 7,14% | -4,63 p.p. | - |
| 12 | Acquisition costs | 6993 | 5511 | 1482 | 26,89% |
| 13 | Acquisition costs/gross premiums ratio | 18,85% | 21,30% | -2,45 p.p. | - |

As a whole RA Standard Rating estimates the share of IC Persha in the Ukrainian market of classical insurance at 0,7-0,8 %. The given indicator of the Company has strongly pronounced growth trends because the management of the insurer ensures an essential gain of total business volumes.

(C) Business Diversification

Perceiving the data of IC Persha business diversification analysis it should be considered that the Company is the Insurer of the international road transportation carnets on TIR system. Loss ratio of this product is close to zero. Insurance is performed according to the license of insurance regulator of Ukraine for insurance activity in the form of voluntary insurance of ground transport owners liability (including carrier liability).

Also when insuring TIR carnets the Insurer is guided by the rules of voluntary liability insurance of ground transport carrier/forwarder liability which take into account the provisions of TIR Convention 1975. The amount of premiums for Q1 2012 by the given type of insurance makes UAH 11,204 m.

When working with the reports of the insurer, the Agency considered that in the last reporting period operations on preschedule termination of insurance contracts were performed and changes in insurance conditions have been made, see the relevant information in the section 7 of the report to regulator. In the sections 3 and 4 total amount of liability is shown under running contracts of insurance and contracts of inbound reinsurance. The share of reinsurers' liability was not considered. Under column 23 of section 3 'Quantity of insured events' the payout amounts are shown as payments to physical persons, i.e. the individuals insured under the contracts concluded with legal persons.

The Agency remarks essential concentration of transport insurance in the portfolio of the insurer, which is formally close to the critical one. However, in practice the insurance of TIR carnets in IC Persha portfolio has the features differing from common liability insurance of ground transport owners and does substantially balance the portfolio.

Table 3

Top 10 largest types of insurance of JSC IC PERSHA, UAH th, %

| # | Indicators | 2011 | | 2010 | | Change of structure, p.p. | Growth rate, % |
|----|---|---------|--------|---------|-------|---------------------------|----------------|
| | | UAH th. | % | UAH th. | % | | |
| 1 | Third party liability insurance (voluntary) | 42682 | 31,63% | 32673 | 32,9% | -1,28 p.p. | 30,63% |
| 2 | Ground transport owner's liability insurance (domestic agreements) | 33236 | 24,63% | 28877 | 29,1% | -4,45 p.p. | 15,10% |
| 3 | Ground transport owner's liability insurance (international agreements) | 26862 | 19,91% | 12966 | 13,1% | 6,85 p.p. | 107,17% |
| 4 | Medical costs insurance (voluntary) | 9311 | 6,90% | 9387 | 9,45% | -2,55 p.p. | -0,81% |
| 5 | Ground transport insurance (voluntary) | 8538 | 6,33% | 7827 | 7,88% | -1,56 p.p. | 9,08% |
| 6 | Ground transport owner's liability insurance (voluntary) | 4068 | 3,01% | 2763 | 2,78% | 0,23 p.p. | 47,23% |
| 7 | Property insurance (voluntary) | 3811 | 2,82% | 1807 | 1,82% | 1,00 p.p. | 110,90% |
| 8 | Financial risks insurance (voluntary) | 4266 | 3,16% | 1060 | 1,07% | 2,09 p.p. | 302,45% |
| 9 | Personal insurance against traffic accidents | 669 | 0,50% | 979 | 0,99% | -0,49 p.p. | -31,66% |
| 10 | Freight and luggage insurance (voluntary) | 848 | 0,63% | 587 | 0,59% | 0,04 p.p. | 44,46% |
| 11 | Other types of insurance | 652 | 0,48% | 367 | 0,37% | 0,11 p.p. | 77,66% |
| 12 | In total: | 134943 | 100% | 99293 | 100% | - | 35,90% |

The analysis of insurer client base diversification revealed rather strong dependence on five largest clients of the company. The value of concentration of premiums received from largest clients is close to satisfactory, however following 2011 concentration level significantly decreased (tab. 4).

Table 4

**Data on gross premiums from large insured of
JSC IC Persha, UAH th., p.p., %**

| # | Indicators | 2011 | | 2010 | | Change of structure, p.p. | Growth rate, % |
|---|--------------------------------|---------|--------|---------|--------|---------------------------|----------------|
| | | UAH th. | % | UAH th. | % | | |
| 1 | From 1 (one) largest insured | 30 560 | 75,44% | 32 229 | 90,63% | -15,19 p.p. | -5,18% |
| 2 | From 3 (three) largest insured | 37 517 | 92,61% | 34 005 | 95,62% | -3,01 p.p. | 10,33% |
| 3 | From 5 (five) largest insured | 38 808 | 95,80% | 34 614 | 97,33% | -1,54 p.p. | 12,12% |
| 4 | From 10 (ten) largest insured | 40 510 | 100,0% | 35 562 | 100,0% | - | 13,91% |

Thus, diversification level by kinds of insurance and by large clients in IC Persha is considered as close to satisfactory, but has positive dynamics.

(D) Quality of assets

As Agency research has shown, a system of EBA assets management, based on collegiate principles, is acting in IC Persha. Company top management has all levers of control over the collegiate system to perform monitoring on the efficiency of decisions taken.

On the beginning of the quarter approximately half of earning assets of the insurer belonged to the category of interest bearing assets, 86,52 % of interest bearing assets had investment grade rating (tab. 5).

Table 5

Structure of JSC IC Persha earning assets

| # | Indicators | 2011 (31.12.2011) | | 2010 (31.12.2010) | | Change of structure, p.p. | Growth rate, % |
|----|--|----------------------|--------|----------------------|--------|---------------------------|----------------|
| | | UAH th. | % | UAH th. | % | | |
| 1 | Balances on current accounts | 7687 | 13,47% | 3793 | 10,68% | 2,80% | 102,66% |
| 2 | Bank deposits | 20166 | 35,35% | 12014 | 33,82% | 1,53% | 67,85% |
| 3 | Shares | 3527 | 6,18% | 0 | 0,00% | 6,18% | - |
| 4 | State securities | 16606 | 29,11% | 12328 | 34,70% | -5,59% | 34,70% |
| 5 | Claims to insurers | 8786 | 15,40% | 7104 | 20,00% | -4,60% | 23,68% |
| 6 | Cash in vault | 275 | 0,48% | 287 | 0,81% | -0,33% | -4,18% |
| 7 | Total earning assets : | 57047 | 100,0% | 35526 | 100,0% | 0,00% | 60,58% |
| 8 | Total interest bearing assets: | 27853 | 48,82% | 15807 | 44,49% | 4,33% | 76,21% |
| 9 | Interest bearing assets with rating above uaBBB- | 24098 | 42,24% | 13506 | 38,02% | 4,23% | 78,42% |
| 10 | Share of assets with investment grade in the interest bearing assets | 86,52% | - | 85,44% | - | - | - |
| 11 | Financial income | 619 | - | 218 | - | - | 183,94% |
| 12 | Efficiency of interest bearing assets | 1,09% | - | 0,61% | - | - | - |

As a whole the Agency recognizes the high quality of assets, and that the portfolio of earning assets is managed according to collegiate principles and is well diversified.

(E) Quality of reinsurance

IC Persha uses Reinsurance as the financial tool aimed at protection of own property interests connected with the performance by the Company of the duties to clients on the concluded insurance contracts.

At execution of reinsurance operations, the Company applies progressive methods and forms of reinsurance, newest technologies and modern approaches to the development of risk management principles and insurance portfolio management. IC Persha co-operates in the sphere of reinsurance with all known reinsurance and insurance companies located both in Ukraine and abroad.

Table 6

Structure of reinsurance of JSC IC Persha

| # | Indicators | 2011 (31.12.2011) | | 2010 (31.12.2010) | | Change of structure, p.p. | Growth rate, % |
|---|--|----------------------|---------|----------------------|---------|---------------------------------|-------------------|
| | | UAH th. | % | UAH th. | % | | |
| 1 | LLOYDS SYNDICATES | 8497 | 75,04% | 24111 | 47,67% | 27,36% | -64,76% |
| 2 | SCOR Global P&C | 344 | 3,04% | 1397 | 2,76% | 0,28% | -75,38% |
| 3 | Unity Reinsurance Company Ltd. | 225 | 1,99% | 1255 | 2,48% | -0,49% | -82,07% |
| 4 | OJSIC Ingosstrakh | 367 | 3,24% | 2725 | 5,39% | -2,15% | -86,53% |
| 5 | Hannover Re, Germany | 430 | 3,80% | 485 | 0,96% | 2,84% | -11,34% |
| 6 | Other reinsurers | 1461 | 12,90% | 20601 | 40,73% | -27,83% | -92,91% |
| 7 | Total premiums ceded to reinsurers | 11324 | 100,00% | 50574 | 100,00% | 0,00% | -77,61% |
| 8 | Premiums ceded to reinsurers with ratings above uaBBB- | 11324 | 100,00% | 32238 | 63,74% | 36,26% | -64,87% |

IC Persha has unprecedentedly high quality of reinsurance cover, 100 % of which are provided by the companies with investment grade ratings according to the national Ukrainian scale.

(F) Adequacy of reserves

The Agency established that reserves of unearned premiums (RUP) and shares of reinsurers in the reserves of unearned premiums per corresponding kinds of insurance were calculated using the method «1/24», in the order established by the Law of Ukraine 'On insurance' no. 86/96-BP dd 07.03.96 and the Resolution of Statefinervice no. 3104 dd 17.12.2004.

Reserves of unearned premiums under the contracts of obligatory liability insurance are charged according to the Order confirmed by the resolution of the Cabinet of Ukraine dd July, 23, 2008 no. 671.

The shares of receipts of the amounts of insurance payments (insurance premiums, insurance fees) and the amounts of shares of insurance payments paid on reinsurance, have been determined in the volume of 80 %.

As of March, 31st, 2012 the Company generated:

- Reserve for loss reported but not paid;
- Reserve for loss arisen but not reported;
- Loss variation reserve.

The size of the reserve for loss reported but not paid was determined under each non settled claim, and the size of reinsurer share was determined in accordance with the terms of the concluded contracts of reinsurance.

The means of the generated insurance reserves as of March, 31st 2012 have been placed taking into account safety, profitability, liquidity, and diversification and are split per such categories:

- current account balance;
- bank deposits;
- claims to reinsurers;
- cash in vault of the company totally in the limits of cash balances on each standalone division;
- real estate property.

Table 7

Structure of technical reserves of JSC IC Persha, UAH th., %

| # | Indicators | Q1 2012 (31.03.2012) | | Q1 2011 (31.03.2011) | | Change of structure, p.p. | Growth rate, % |
|---|--|-------------------------|--------|-------------------------|--------|------------------------------|----------------|
| | | UAH th. | % | UAH th. | % | | |
| 1 | Unearned premium reserve | 29265 | 70,63% | 12979 | 53,47% | 17,17 p.p. | 125,48% |
| 2 | Reserve for loss reported but not paid | 6870 | 16,58% | 1627 | 6,70% | 9,88 p.p. | 322,25% |
| 3 | Reserve for loss arisen but not reported | 4303 | 10,39% | 2190 | 9,02% | 1,36 p.p. | 96,48% |
| 4 | Loss variation reserve | 994 | 2,40% | 1831 | 7,54% | -5,14 p.p. | -45,71% |
| 5 | Catastrophe reserve | 0 | 0,00% | 0 | 0,00% | 0,00 p.p. | - |
| 6 | Other reserves | 0 | 0,00% | 5648 | 23,27% | -23,27 p.p. | -100,00% |
| 7 | Total technical reserves: | 41432 | 100,0% | 24275 | 100,0% | - | 70,68% |

The company uses a single unified approach to all insurance events. It includes application of 'ex-gratia' principle and accounting of actual costs of the damaged party. At settlement of insurance events in the territory of Ukraine, the insurance company acts according to the requirements of the current legislation of Ukraine, at settlement of insurance events in the territory of other states, the legislation of the country of event and the acting international agreements are taken into account.

Table 8

Payouts and coverage of payouts by interest bearing assets of JSC IC Persha, UAH th., %

| # | Indicators | Q1 2012 (31.03.2012) | Q1 2011 (31.03.2011) | Change | Growth rate of premiums, % |
|---|------------------------------------|-------------------------|-------------------------|------------|----------------------------|
| 1 | Indemnities and compensations paid | 6903 | 6291 | 612 | 9,73% |
| 2 | Total gross premiums | 37099 | 25869 | 11230 | 43,41% |
| 3 | Payout ratio | 18,61% | 24,32% | -5,71 p.p. | - |
| 4 | Total interest earning assets | 27853 | 13506 | 14347 | 106,22% |
| 5 | IBA/payouts ratio | 403,49% | 214,68% | 188,8 p.p. | - |

The research of the activity of insurer has shown availability of large payouts that excludes signs of fictitious activity or activity directed on offering of 'schemed insurance'. For the last 12 months the Agency fixed the following large payouts:

- **UAH 240,0 th.** paid on 'KASKO' product to the insurer legal person in Q1 2012
- **UAH 200,0 th.** paid on 'KASKO' product to the insurer natural person in Q1 2012.
- **UAH 403,0 th.** paid on the product 'CMR + waybill' to the insurer legal person in Q4 2011
- **UAH 388,0 th.** paid on the product CMR + waybill to the insurer natural person in Q4 2011
- **UAH 154,0 th.** paid on the product 'Trips abroad' in Q1 2012 through assistance company PrJSC 'Coris Ukraine' on a loss in Spain.

(G) Capital adequacy and solvency margin

The last time the authorised capital increase was performed in December, 2011. The authorized capital increased by UAH 15 m. Currently the shareholders equity of the insurer by 93,27 % is generated at the expense of the authorized capital which share raised in shareholder equity after its repeated increase.

Table 9

Structure of shareholders' equity of JSC IC Persha, UAH th., %

| # | Indicators | Q1 2012 (31.03.2012) | | Q1 2011 (31.03.2011) | | Change of structure, p.p. | Growth rate, % |
|---|--------------------------------|----------------------------|--------|----------------------------|--------|---------------------------------|-------------------|
| | | UAH th. | % | UAH th. | % | | |
| 1 | Authorized capital | 40000 | 93,27% | 15000 | 81,32% | 11,95% | 166,67% |
| 2 | Additional paid-in capital | 0 | 0,00% | 1800 | 9,76% | -9,76% | -100,00% |
| 3 | Other additional capital | 1048 | 2,44% | 9 | 0,05% | 2,40% | 11544,4% |
| 4 | Reserve capital | 397 | 0,93% | 367 | 1,99% | -1,06% | 8,17% |
| 5 | Retained profit | 1313 | 3,06% | 1269 | 6,88% | -3,82% | 3,47% |
| 6 | Shareholders' equity, in total | 42884 | 100,0% | 18445 | 100,0% | 0,00% | 132,50% |

According to the Agency, the Company is well capitalized; the size of its capital corresponds to the liabilities undertaken by the Company and stays within the limits of norms approved by the regulator.

(H) Support by the shareholders

At the moment of rating report publication the Agency established that 67 % of the authorized capital of the insurer belongs to three individuals residents of Ukraine. Also 31 % of votes are fixed upon company top management. 24 % of insurer shares belonged to the International Motor Carriers Association. According to the Agency the presence of the Association among the shareholders provided an additional business support for the insurer; that means that the structure of shareholders had an intrinsic external support from the very beginning.

Traditionally external support by individual shareholders is identified by the Agency as uncertain. However the Agency pays attention to that for the last 2 years the authorized capital of the insurer has been raised by the shareholders more than once that shows in practice the possibility of shareholders to provide external financial support to the Company.

(I) Other factors influencing the rating

After studying IC Persha interaction with state bodies the following has been established:

The last planned in-office documentary audit of the Company performed by the State tax inspection checked the period of Company activity from 01.10.2007 to 30.09.2009. The act of audit of the main office of Company was made by the State tax inspection in Shevchenkivsky district of Kiev and was signed on 01.02.2010 by both sides. According to the act the following infringements have been established:

- income tax understating to the amount of UAH 5 348,0;
- tax commitment understating under income tax of natural persons to the amount of UAH 322,65;
- violation of the Provision 'On conduction of cash operations in the national currency of Ukraine' to the amount of UAH 111,60;

- According to the Act of inspection by STI, the Company has paid penalties to the total amount of UAH 3 762,41.

The mentioned penalties did not essentially influence the work of the company and its financial result.

Last audit date is January 2012, on request of a Deputy. Before that there was an audit in November, 2011, resulted in the Act of planned audit no 982/42/5 dd 13.12.2011.

Infringements of:

- requirements of the article 3 of the Law of Ukraine 'On insurance' on absence in insurance contracts of signatures of the insured persons which would prove to their consent on insurance performance (contracts of voluntary insurance of medical costs dd 03.01.2011 no 21-08.00.11.00005, dd 31.10.2011 no 04-06.00.11.00001, dd 08.06.2011 no 21-08.00.11.00007 as of 19.12.2011);
- requirements of the article 16 of the Law of Ukraine 'On insurance' on absence in contracts of insurance of the address of the beneficiary (contracts no 11-02.00.11.00006 dd 28.04.2011 and no 11-01.00.11.00012 dd 22.07.2011);
- requirements of article 16 of the Law of Ukraine 'On insurance' concerning absence of terms of payment of insurance payments (fees, premiums) in insurance contracts (contracts no. 15-01.00.11.00006 dd 17.02.2011, no. 15-01.00.11.00009 dd 05.09.2011, no 15-01.00.11.00005 dd 07.02.2011);
- requirements of article 16 of the Law of Ukraine 'On insurance' and requirements of article 6 of the Law of Ukraine 'On financial services and state regulation of the markets of financial services' on absence of signatures of Insurers in insurance contracts (policies no. AA/4975967 dd 21.05.2011, no. AA/2976640 dd 07.04.2011, no.AA/2976675 dd 06.04.2011 and no AA/2976829 dd 28.04.2011 as of 19.12.2011);
- requirements of part one of point 3 of article 20 of the Law of Ukraine 'On insurance' concerning default of obligation of the insurer at insured event to perform payment of insurance compensation in the term provided by the agreement and failure to pay forfeit (penalty, fee) to the insured which size is determined by insurance contract provisions;
- requirements of part one of article 25 of the Law of Ukraine 'On insurance' on payment of insurance compensation not under the insurance agreement;
- point 2.15 of section 2 of License conditions of execution of insurance activity, approved by the order of State commission on regulation of the markets of financial services of Ukraine no. 40 dd 28.08.03, registered in the Ministry of Justice of Ukraine on the 15.09.03 under no. 805/8126 on default of obligations by the insurer to perform obligations of the relations specified by article 20 of the Law of Ukraine 'On insurance';
- requirements of point 2.16 of section 2 of License conditions for realization of insurance activity, approved by the Resolution of State commission on regulation of the markets of financial services of Ukraine no. 40 dd 28.08.03, registered in the Ministry of Justice of Ukraine 15.09.03 under no 805/8126 on default by the insurer of insurance payment in the order and under the conditions specified by article 25 of the Law of Ukraine 'On insurance';
- requirements of point 37.1 of article 37 of the Law of Ukraine 'On mandatory insurance of ground transport owners liability' as regards default of payments of insurance compensation within one month after the date of reception by the insurer of the documents specified in article 35 of the present Law;
- requirements of point 37.2 of article 37 of the Law of Ukraine 'On mandatory insurance of ground transport owners liability' as regards default of payment of fine for every day of nonpayment of insurance compensation by fault of the insurer to the person entitled to reception of compensation at double discount rate of National bank of Ukraine, acting during the period for which the penalty is charged.

A prescription was issued on the established infringements which as of 17.01.2012 have been completely eliminated.

The research of the biographic data of management has shown availability of considerable experience of work on executive positions in the Ukrainian insurance market.

Bezbakh Natalya, CEO

Work experience in insurance sector - 17 years.

List of previous positions:

- Head of insurance protection department of branch representation of JSC 'OMETA – Instert', Vinnitsa;
- Head of underwriting department of JSC 'OMETA – Protection';
- Authorized person on supervision of insurance activity of the Committee on affairs of supervision on insurance activity in Vinnitsa oblast;
- Head of department of medical insurance, director on medical insurance and organizational-methodical work, chief executive, director of the Western regional branch of the JSC Insurance centre Podolye;
- CEO of JSC Insurance company Universalnaya;
- Adviser on development of financial projects of the financial department of the foreign company 'Universal investment group'.

As of the beginning of 2012 company staff totaled 218 persons. 82,57 % of insurer personnel had experience of work more than 3 years. The agency network of the company totaled 173 persons. According to the Agency, this amount of employees was enough for execution of the tasks set for the company. For last 12 months the number of salaried employees has grown on 51,39 % that is almost proportional to business volumes gain.

Table 10

Structure of insurer personnel

| # | Indicators | 2011 (31.12.2011) | | 2010 (31.12.2010) | | Change of structure | Growth rate, % |
|---|---|----------------------|--------|----------------------|--------|------------------------|-------------------|
| | | pers. | % | pers. | % | | |
| 1 | Number of staff with experience under 3 years | 38 | 17,43% | 42 | 29,17% | -11,74% | -9,52% |
| 2 | Number of staff with experience above 3 years | 180 | 82,57% | 102 | 70,83% | 11,74% | 76,47% |
| 3 | Total number of staff | 218 | 100,0% | 144 | 100,0% | 0,00% | 51,39% |
| 4 | Number of off-staff agents | 173 | 79,36% | 152 | 105,6% | -26,20% | 13,82% |

Thus, relations of the insurer with state authorities do not bear risks for the Company, the insurer possesses enough personnel, and the management has more than sufficient experience in insurance area.

2. Summary of rating components

The rating of JSC IC Persha was influenced by the following factors:

1. In Q1 2012 the insurer managed to increase essentially total business volume. The gross premiums grew on 43,41 % and in Q1 2012 have constituted UAH 37,099 m. Such growth of total business of the insurer essentially exceeded rates of business gain in the market, hence, led to growth of market share of the insurer.

2. In Q1 2012 the share of population and reinsurers in gross premiums of the Company has essentially decreased. In 2012 IC Persha more and more relied on the business in corporate segment. According to the Agency the given tendency should be considered positive as it leads to increase in profitability of the company, what is proved by the statistic data of Q1. So following the results of Q1 2012 acquisition costs/gross premiums ratio decreased on 2,45 percentage points in comparison with Q1 2011.

3. Diversification level by insurance kinds in IC Persha was close to satisfactory. The client portfolio of the company was too dependent on transport insurance; however the portfolio was balanced at the expense of insurance of TIR carnets wherein loss ratio was close

to zero. Certain improvements of client diversification as well could be observed in 2011.

4. The quality of assets of the insurer was high enough. On the beginning of 2012 the interest bearing assets of the insurer occupied almost half of earning assets, 86,52 % of interest bearing assets belonged to assets with investment grade ratings. The process of earning assets management in the company carried signs of collegiate character, the portfolio of earning assets has been well diversified.

5. The quality of reinsurance provision of IC Persha can be named unprecedentedly high. Reinsurance cover to IC Persha was provided by LLOYDS SYNDICATES, SCOR Global, Hannover Re and a number of other known and reliable reinsurers.

6. In Q1 2012 the Company paid out UAH 6,9 m. Payout level constituted 18,61 % that is on 5,71 percentage points than following Q1 2011. Earning assets have been in 4 times larger than payments in Q1 that against good capitalization of the company ensured a reserve of liquidity and solvency of the insurer as a minimum for a year.

Rating scale for estimation of insurer financial strength

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

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

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

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

Information for the insured:

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