



# ANNUAL REPORT 2012

NATIONAL UNION OF LIABILITY INSURERS

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# 1 WELCOME ADDRESS FROM THE PRESIDENT OF NULI



The President of NULI  
Andrey Yuryev

Dear Colleagues,

This is a report on the work done by the National Union of Liability Insurers in 2012. Throughout the year, the Union completed extensive work, not only to launch the mechanisms of compulsory general and employers' liability insurance of an owner of a hazardous object for damages in case of an accident involving a hazardous object, but also to carry out preparatory measures for the implementation of a new class of insurance: compulsory liability insurance of a carrier for damages to life, health and property.

Federal Law No. 67-FZ "On compulsory liability insurance of a carrier for damages to life, health, property and the order of indemnity for such damages caused during the transportation of passengers by underground trains" was adopted in the interest of passengers. Due to the social orientation of the Law, passengers receive a guaranteed protection mechanism in case of damages to life, health and property. Thus, the insurance entities are acting as financial guarantors for the protection of the life and health of Russian citizens. Therefore it is feasible to assume that such compulsory classes of insurance in our country should be the driving force for the development of the whole insurance market.

In 2012, the Union continued its active co-operation with the Ministry of Finance, the Federal Service for Financial Markets, the Federal Service for Ecological, Technological and Nuclear Supervision, the Ministry of Emergency Situations, the Ministry of Transport, the Federal Transportation Inspection Service and other executive authorities. Due to that, the mechanisms of informational co-operation aimed at identifying the key aspects of Russian legislation in the insurance field are being improved.

Given the increasing role of information technology in various sectors of the economy, the effective operation of the automated information system (AIS of NULI) provides comprehensive information about concluded insurance contracts, the accumulation of statistical information reflecting a clear picture of the implementation of Federal Law No. 225-FZ "On compulsory general and employers' liability insurance of an owner of a hazardous object for damages in case of an accident involving a hazardous object", as well as the numbers and status of hazardous objects in Russia.

This annual report not only present the work done by the Union in 2012, but also identifies the prospects for further development.





## 2 GENERAL INFORMATION ABOUT NULI

### 2.1 Status, purposes and functions of NULI

#### **NULI Status:**

NULI is a consolidated national union that is set up as a non-profit professional association based on the principle of compulsory membership of insurers implementing the compulsory general and employers' liability insurance of an owner of a hazardous object for damages in case of an accident involving a hazardous object.

The Union was created for the purpose of Federal Law of 27.07.2010, No. 225-FZ "On compulsory general and employers' liability insurance of an owner of a hazardous object for damages in case of an accident involving a hazardous object".

#### **Main objectives of NULI are:**

##### **To ensure co-operation of members of the Union in the conducting of business activities related to:**

- compulsory general and employers' liability insurance of an owner of a hazardous object for damages in case of an accident involving a hazardous object;
- compulsory liability insurance of a carrier for damages to life, health and property;
- reinsurance of risks accepted under the contracts for compulsory general and employers' liability insurance of an owner of a hazardous object for damages in case of an accident involving a hazardous object;
- reinsurance of risks accepted under the contracts for compulsory liability insurance and reinsurance of a carrier for damages to life, health, property.

##### **To develop national insurance in the Russian Federation, as well as:**

- development of the compulsory general and employers' liability insurance and reinsurance of an owner of a hazardous object for damages in case of an accident involving a hazardous object;
- development of the compulsory liability insurance and reinsurance of a carrier for damages to life, health, property and the order of indemnity for such damages caused during the transportation of passengers by underground trains;
- other classes of compulsory insurance as stipulated by the legislation of the Russian Federation.

## 2.2 The corporate structure of NULI

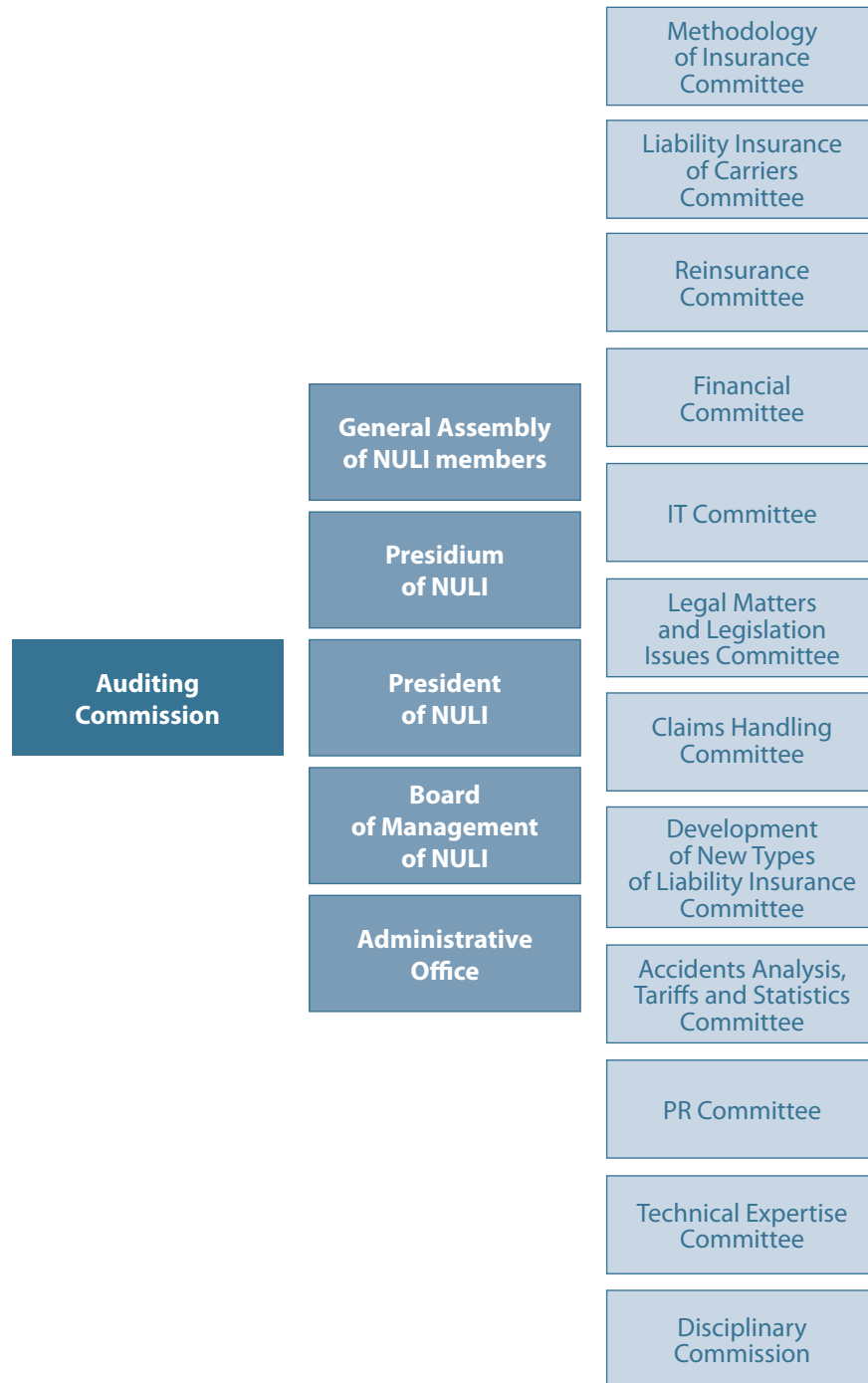
General Assembly of NULI members is the supreme governing body of the Union.

- Presidium of NULI is the permanent governing board of the Union coordinating general management of the Union.
- President of NULI is the sole executive body of the Union coordinating general management of the Union.
- Board of Management of NULI is the governance board of the Union coordinating current activities of the Union.
- Auditing Commission is the regulatory body controlling financial and economic activity.
- The President of the Union manages the administrative staff of the Union.





## The structure of NULI bodies



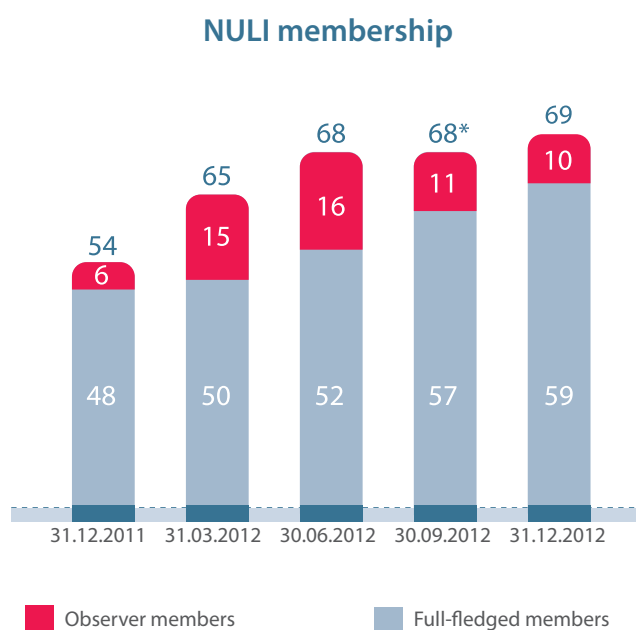
Pic. 1

## 2.3 NULI membership

As of 31 December 2011, NULI consisted of 69 members, i.e. 68 insurance companies and one non-profit organisation: the All-Russian Insurance Association.

Of the 68 insurance companies, 59 are full-fledged members and 9 are observer members. The All-Russian Insurance Association is an observer member as well.

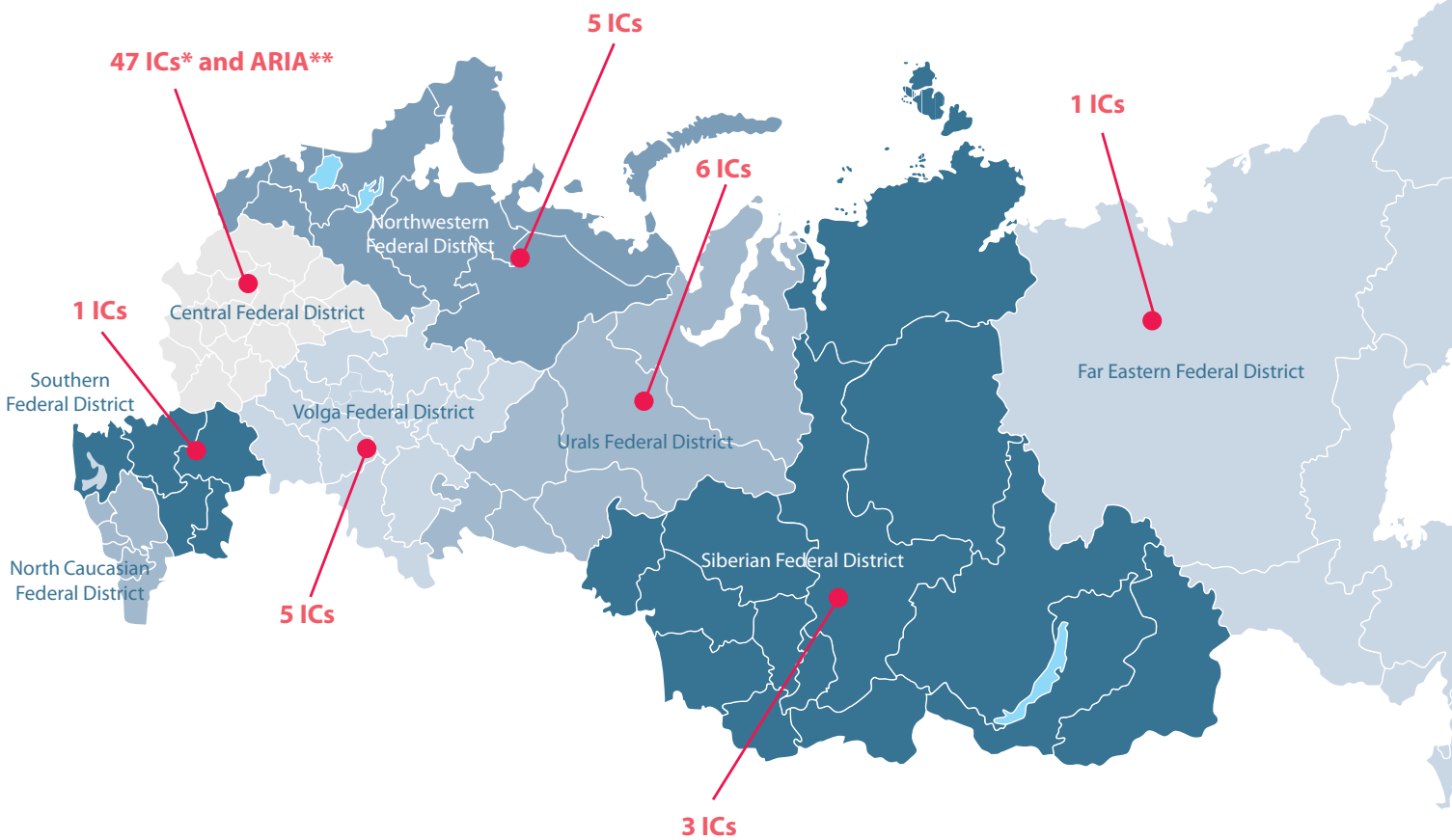
By the end of 2012, 66 insurance organisations held licenses for the implementation of compulsory general and employers' liability insurance of an owner of a hazardous object for damages in case of an accident involving a hazardous object, 60 of which hold licenses for reinsurance.



Pic. 2

\* During the third quarter of 2012, one member was excluded and one entered NULI.

## Territorial representation of current NULI members



Pic. 3

\* Insurance Company.

\*\* All-Russian Insurance Association.



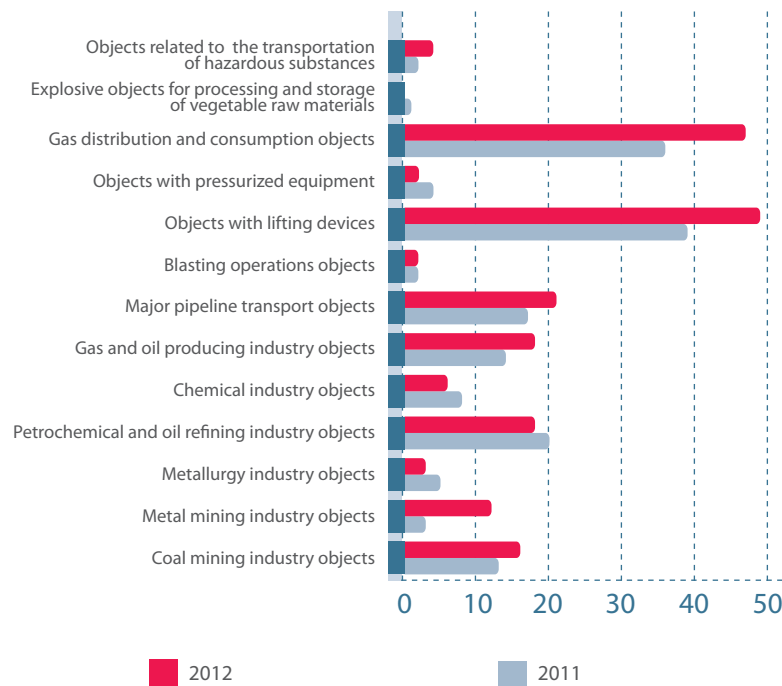
# 3 FIRST YEAR RESULTS OF FEDERAL LAW No. 225-FZ "On compulsory general and employers' liability insurance of an owner of a hazardous object for damages in case of an accident involving a hazardous object"

## 3.1 Statistics of accidents involving hazardous objects

198 accidents involving hazardous industrial objects (this category includes most types of hazardous objects), according to the Federal Service for Ecological, Technological and Nuclear Supervision ([www.gosnadzor.ru](http://www.gosnadzor.ru)) occurred in 2012. This number is 21% higher than in 2011 (164 accidents).

Below is the distribution of accidents by the fields of supervision of the Federal Service for Ecological, Technological and Nuclear Supervision.

**Distribution of accidents by the fields of supervision of the Federal Service for Ecological, Technological and Nuclear Supervision 2011–2012 statistics**

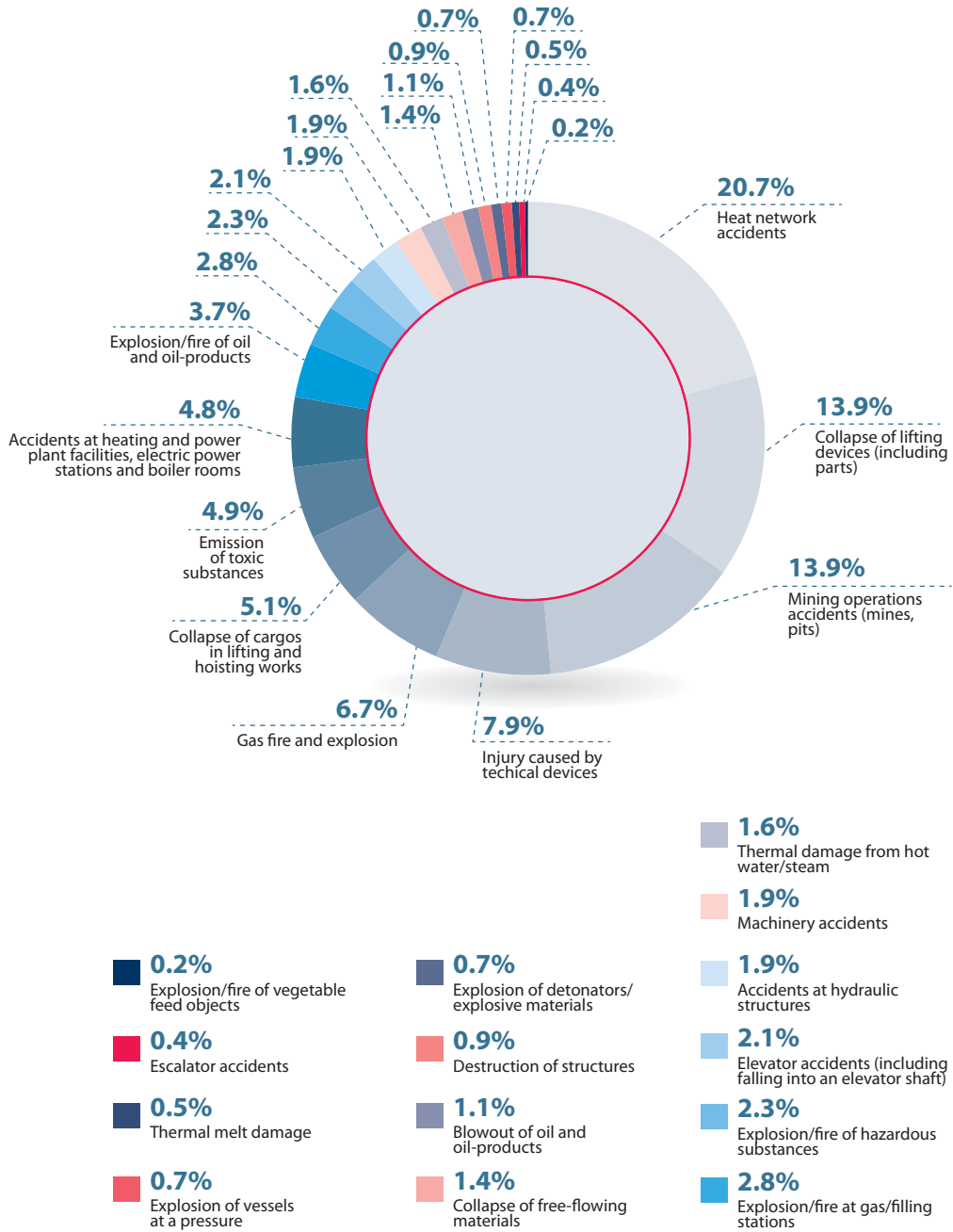


Pic. 4



Below is the distribution of accidents by their different types (according to the data provided by mass media):

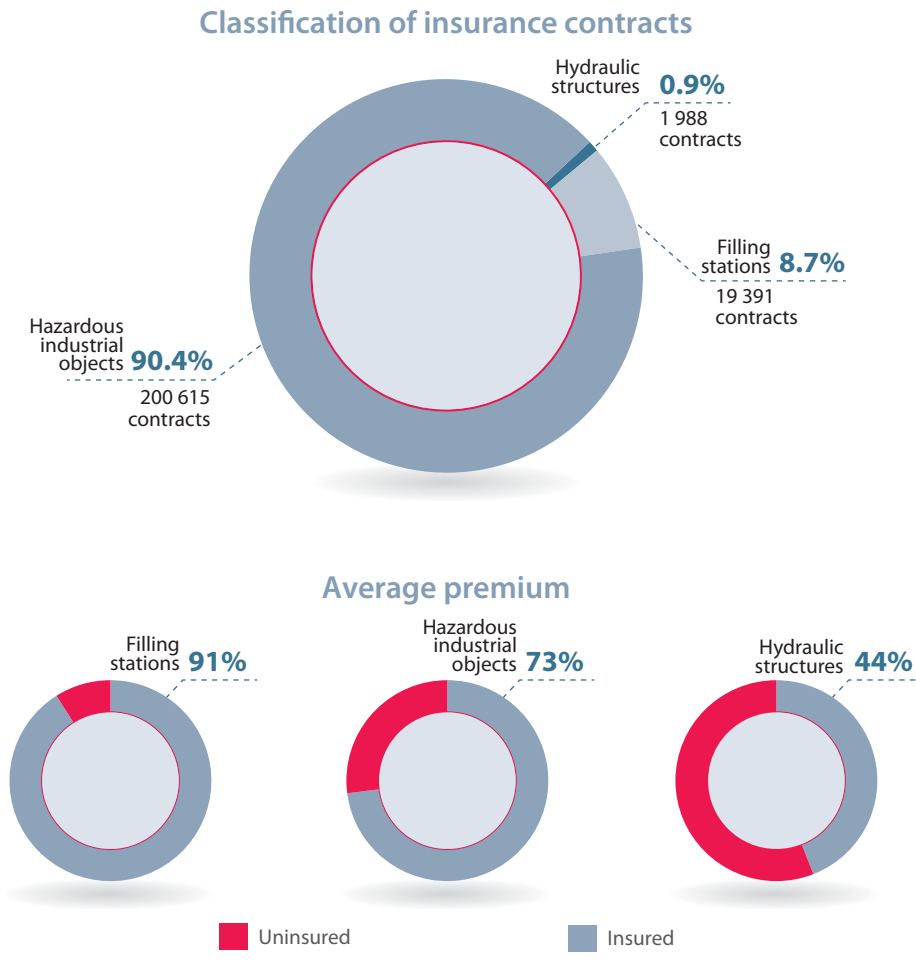
### Classification of accidents by different types of events



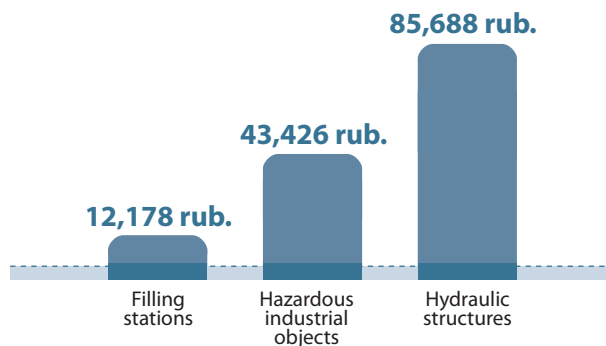
Pic. 5

## 3.2 Key figures of compulsory insurance

Classification of insurance contracts, average premium and insurance coverage for different types of dangerous objects

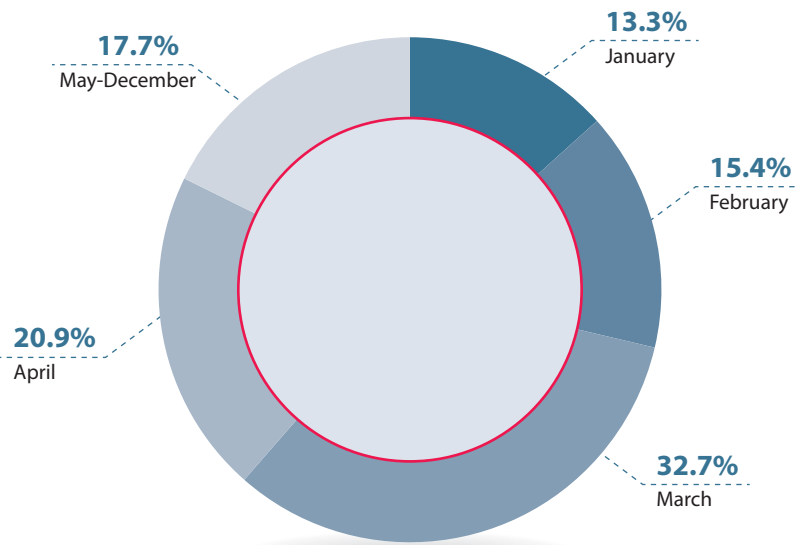


Insurance coverage for different types of dangerous objects



Pic. 6

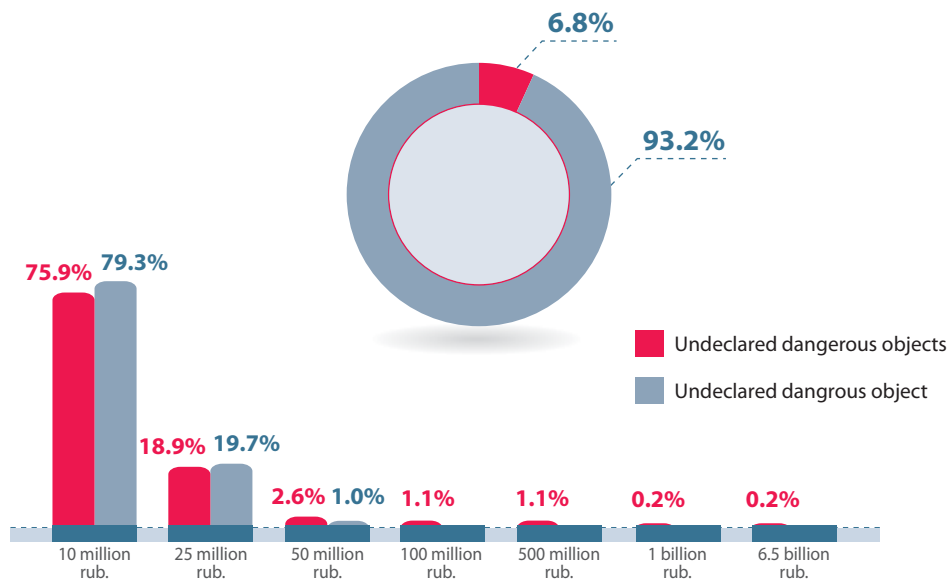
### Classification of insurance contracts according to the effective date of insurance



Pic. 7

222 thousand dangerous objects were insured in 2012.

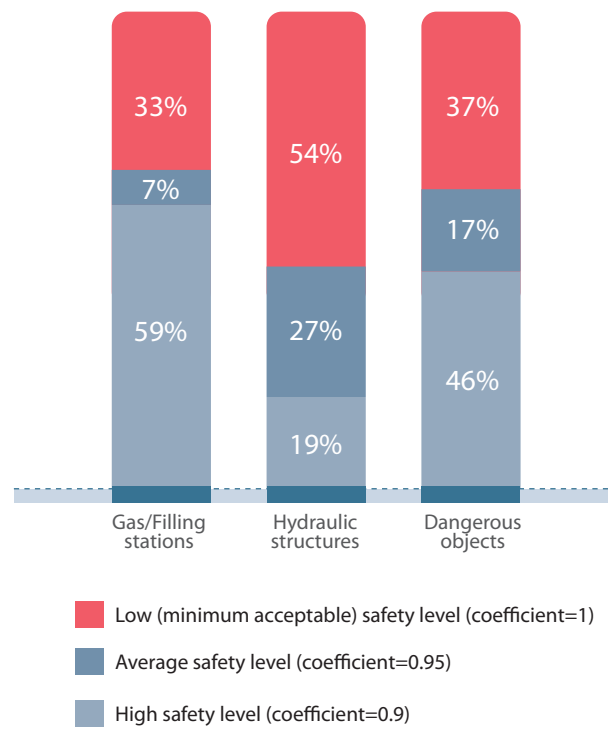
### Classification of insurance contracts according to the category of dangerous objects and insurance premiums



Pic. 8

Total scheduled gross premium amounts in 2012 accounted to 8.6 billion rubles.

### Safety level coefficients for different types of dangerous objects



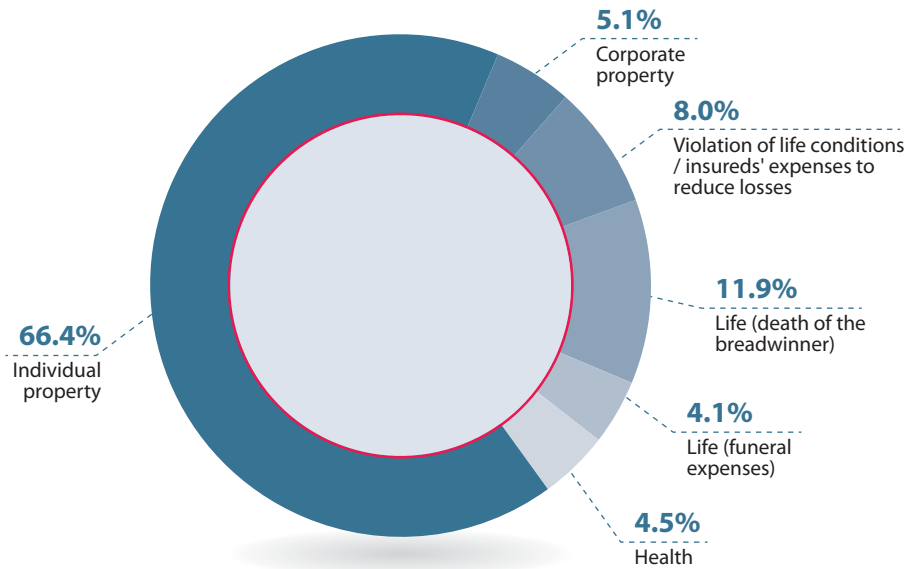
Pic. 9



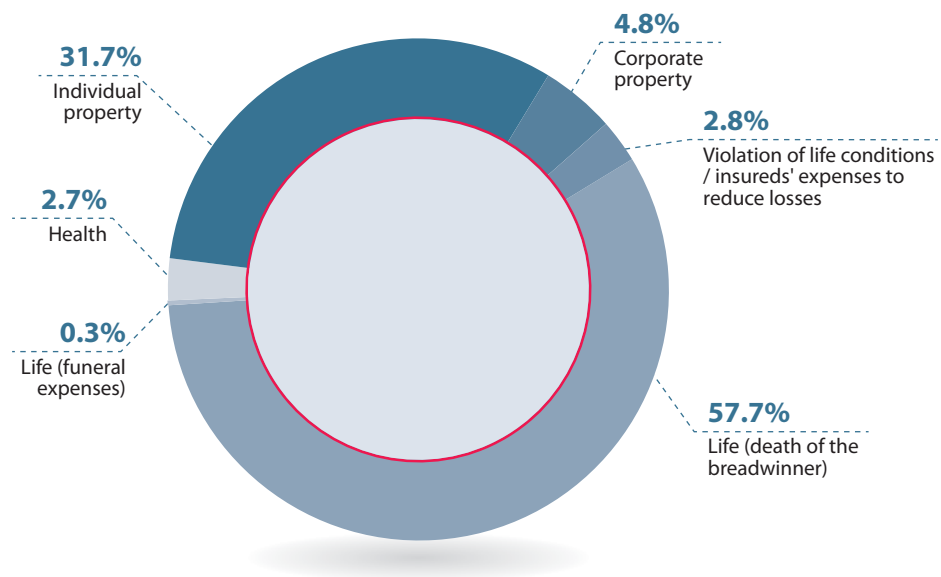
For the period of 2012 the insurers paid over 144 million rubles in insurance indemnities under insurance contracts. The losses occurred in 2012 in the amount of 130 million rubles were still in the process of settlement as of 31 December 2012.

### Distribution of insurance payments by the type of damages caused

#### Share (%) in the total number of victims

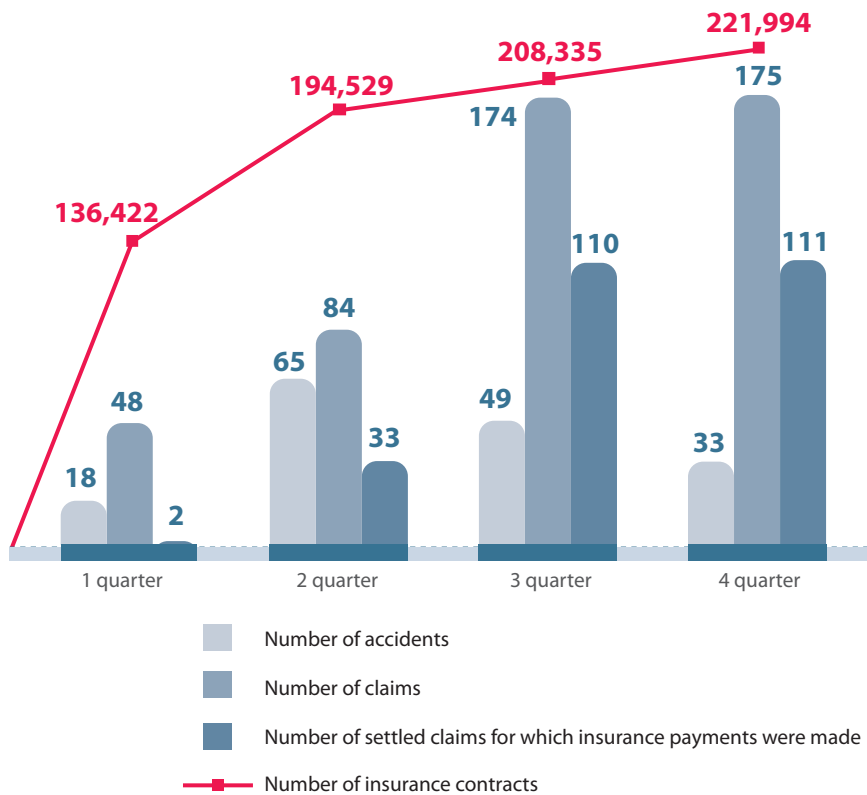


#### Share (%) in the total amount of insurance payments



Pic. 10

## The dynamics of insurance events, reported and paid claims as compared to the dynamics of concluded insurance contracts



Pic. 11

First figures relative to Law No. 225-FZ may not reflect the real picture of the loss ratios. By looking at the experience of other types of insurance, it will take three for four years to collect reliable statistics.

### The formation of the compensation fund

According to the Resolution of the Government of the Russian Federation No. 808 of 01.10.2011 "On the approval of insurance rates for compulsory general and employers' liability insurance of an owner of a hazardous object for damages in case of an accident involving a hazardous object, their structure and order of application by insurers for calculation of the insurance premium" 3% of the gross premium (rate of the insurance premium per unit of the insured sum) is allocated to the reserve for financing compensation payments. 258.5 million rubles were sent to the Unions' compensation fund in 2012.

In accordance with Law No. 225-FZ, the implementation of compensation payments began on 01 July 2012. To date the Union carried out compensation payments to three beneficiaries in the total amount of 2,004,716.60 rubles.

Thus, the size of the Unions' compensation fund amounted to 256.5 million rubles in 2012.



### 3.3 The improvement of standards and rules — of professional activity and methodological framework

The comprehensive work by the National Union of Liability Insurers in co-operation with the federal executive authorities during 2012 was related to the development and refinement of regulatory legal acts and internal documents of the Union, aimed at the creation of a high-quality methodological framework for the implementation of the provisions of Law No. 225-FZ.

#### The improvement of the standards and rules of professional activity of the Union

In accordance with the provisions of Law No. 225-FZ (part 1, paragraph 1 of Article 18) the Union facilitates co-operation of its members, establishes standards and rules of professional activity that are mandatory for all its members in the implementation of compulsory insurance, and controls their enforcement.

Pursuant to the requirements of Article 19 of Law No. 225-FZ, throughout 2012 the Union developed, approved and agreed five new standards and rules of professional activity as well as methodological recommendations in the established order. Changes and amendments necessary for the functioning of the compulsory insurance system were implemented in all acting standards and rules of professional activity.

### 3.4 Compensation payments

In 2012 the National Union of Liability Insurers carried out the following compensation payments to beneficiaries:

- **2,000,000 rubles** – as compensation for the loss of a breadwinner;
- **4,716.60 rubles** – as compensation for funeral expenses.



## 4 REINSURANCE POOL

According to Federal Law No. 225-FZ of 27.07.2010 "On compulsory general and employers' liability insurance of an owner of a hazardous object for damages in case of an accident involving a hazardous object", members of the professional association of insurers formed a reinsurance pool to reinsure risks of general and employers' liability of an owner of a hazardous object for damages in case of an accident involving a hazardous object.

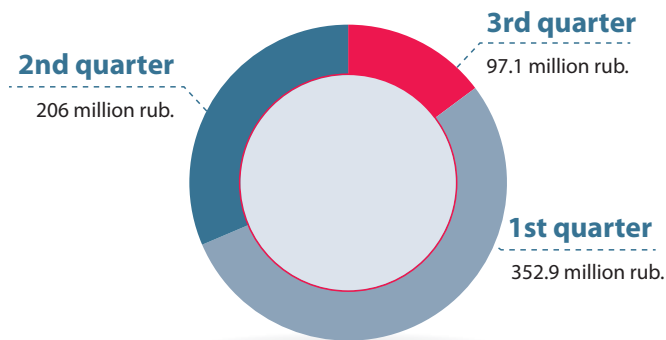
At the beginning of 2012, the reinsurance pool had 53 insurance companies, and by the end of 2012 that number increased to 62 insurance companies.

At the moment of concluding the obligatory treaties by members of the pool, its volume was at the rate of 2.371 million rubles, and by the end of 2012 the volume had increased to 2.638 million rubles.

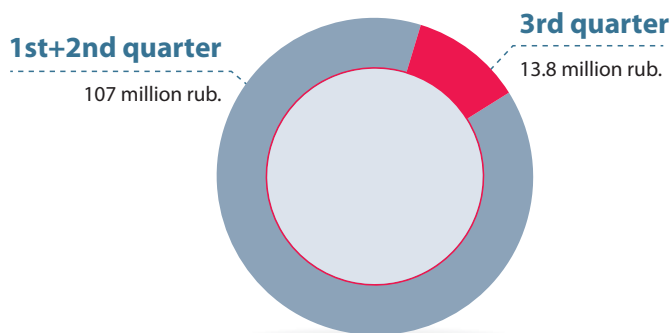
Three settlement sessions were held in 2012: on the basis of the first quarter, six months and nine months. 776.8 million rubles were involved in mutual settlements, 120.8 of which were transferred to retrocession.

### The activity of the reinsurance pool (hazardous objects)

Mutual settlements (in the pool), million rub.  
(13,787 contracts with the sum of 656 million rub.)



Mutual settlements for reinsurance in the name of the pool, million rub. (29 contracts with the sum of 120.8 million rub.)



Pic. 12





## **5 PREPARATIONS FOR THE ENTRY INTO FORCE OF FEDERAL LAW No. 67-FZ "On compulsory liability insurance of a carrier for damages to life, health, property and the order of indemnity for such damages caused during the transportation of passengers by underground trains"**

On 14 June 2012, the President of the Russian Federation signed Federal Law No. 67-FZ "On compulsory liability insurance of a carrier for damages to life, health, property and the order of indemnity for such damages caused during the transportation of passengers by underground trains", that came into force on 01 January 2013.

On 20 June 2012, the General Assembly of NULI members unanimously decided to include the implementation of Law No. 67-FZ and the formation of a professional association of insurers in the goals and objectives stated in the Charter of the Union. The following changes to the Charter were registered by the Ministry of Justice on 12 July 2012.

The second half of 2012 was the time of active preparation for the entry into force of Federal Law No. 67-FZ.

On 20 July 2012, the Deputy Prime Minister of the Russian Federation approved the Plan of activities that were required for the implementation of Law No. 67-FZ.

In order to implement Federal Law No. 67-FZ, the Union, in conjunction with federal executive authorities, worked on the preparation of essential documents necessary for the realisation of Law No. 67-FZ.

As a result of the comprehensive work during 2012, by 01 January 2013, insurer members of the Union received the necessary methodological support from the Union in the implementation of a new type of compulsory insurance.

### **The development of internal documents of NULI**

During 2012, for the purposes of implementation of Federal Law No. 67-FZ, the Union developed and approved 13 standards and rules of professional activity as well as methodological recommendations.

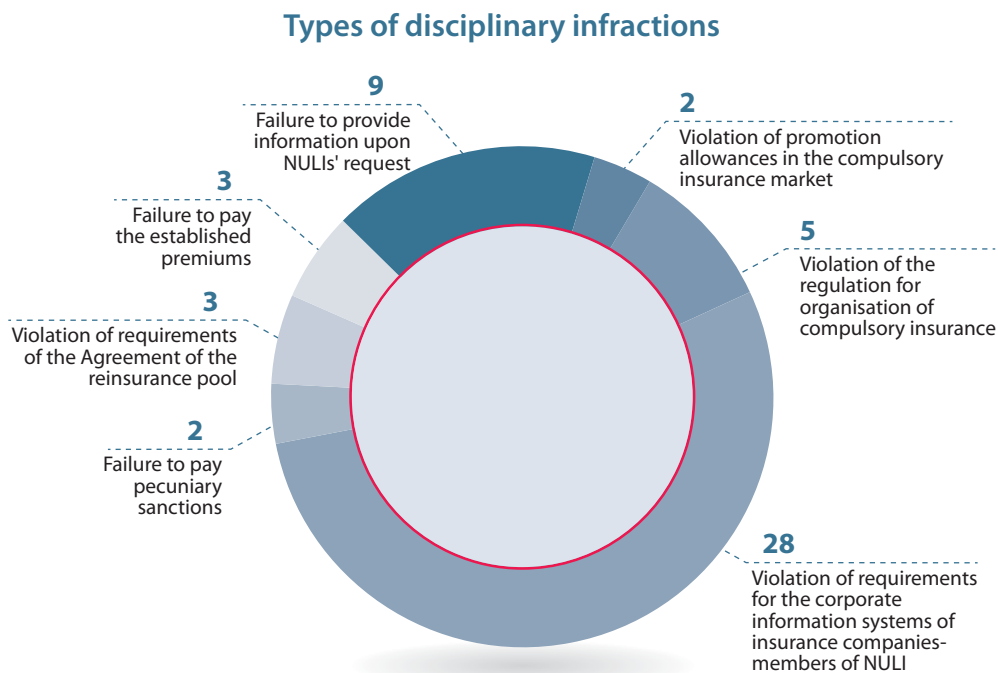
## 6 CONTROLLING ACTIVITY BY NULI

The activity to control the Union members within compulsory general and employers' liability insurance of an owner of a hazardous object for damages in case of an accident involving a hazardous object is based on the analysis of members' activity, including reports and information on violations that are sent by the members to the Union.

2012 included the following activity:

- 31 appeals and complaints on violations of activities by members of the Union were considered;
- 125 audits of NULI members were conducted.

52 orders were made to initiate proceedings for disciplinary infractions on the detected violations by the members of the Union, which resulted in 19 financial sanctions amounting to 4.5 million rubles and 28 issued warnings.



Pic. 13





## 7 AUTOMATED INFORMATION SYSTEM

In 2012, the National Union of Liability Insurers introduced the Automated Information System into commercial operation. This is the first federal-level system in the insurance market that accumulates the basic elements of all insurance contracts concluded by members of a professional association of insurers.

The AIS of NULI is a set of information resources, information and telecommunications systems and networks based on the associated technologies for their creation and usage. The AIS operates on the basis of common principles and general rules, providing information co-operation between insurance companies, the Union, citizens, and the federal executive authorities in terms of implementation of the laws for compulsory types of liability insurance (except for CMTPL insurance), as well as their information needs and requirements.

The AIS is based on the integration of several modules and subsystems:

- Workflow system
- Accounting System
- Integration Adapter
- Analytical system
- Portal
- Settlement payments in the reinsurance pool

The AIS of NULI provides the tracking of movement and status of strict accounting forms. The collection of data on the state of strict accounting forms allows the monitoring of balances of insurance companies. It also allows the monitoring of their movement, including loss, damage and usage of insurance contracts. Due to the availability of such data in the AIS the formation of regulated reports on the status and movement of the strict accounting forms is provided for each insurance company of the Union.

In accordance with the standards and rules of professional activity approved by the Union, members of the Union transfer information on the concluded (terminated) compulsory general and employers' liability insurance of an owner of a hazardous object for damages in case of an accident involving a hazardous object contracts - as well as on the additional agreements - into the AIS. The system not only enables to account for the concluded contracts, but also to calculate the insured cover and premium for each contract on the basis of algorithms implemented by the AIS of NULI. The existence of such functional facilitates control of the accuracy of the insured sum, the insured premiums and tariffs calculated by the insurance companies. Based on the data entered into the system, NULI prepares reports on the retention of insurance premiums for

contracts of compulsory general and employers' liability insurance of an owner of a hazardous object for damages in case of an accident involving a hazardous object for the purposes of the implementation of compensation payments.

The data on occurred events, damages and payments carried out by insurance companies are also accumulated in the AIS. The availability of such data allows the Union to control the timeliness of insurance claims settlement.

The AIS of NULI ensures the informing of federal executive authorities on the fact of conclusion and termination of insurance contracts. Currently, the AIS has a mechanism of information exchange with the Federal Service for Ecological, Technological and Nuclear Supervision. Information on the concluded and terminated insurance contracts is sent to the Federal Service for Ecological, Technological and Nuclear Supervision from the AIS of NULI. The information on the presence/absence of hazardous industrial objects with registration numbers that are recorded in the system in the register of the Federal Service for Ecological, Technological and Nuclear Supervision is being sent from the information system of the Federal Service for Ecological, Technological and Nuclear Supervision to the AIS of NULI. Such information exchange makes it possible to notify the federal executive authorities of insurance accidents at the facilities under their jurisdiction, as well as to control the accuracy of the information about hazardous industrial objects stated by the insured under insurance contracts.

On 8 August 2012, the Presidium made a decision to develop the AIS of NULI for the purposes of meeting the requirements of Federal Law No. 67-FZ "On compulsory liability insurance of a carrier for damages to life, health, property and the order of indemnity for such damages caused during the transportation of passengers by underground trains".





## 8 CONTACTS

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