

The rating report

(on basis of the Agreement No. 05/RA of May 20, 2009)



Insurer's stability rating,
Expert Rating RA scale:

aa-

(high stability level, with a positive forecast)

National scale equivalent:

uaAA-

Insurer's stability rating to the
international scale of the Expert
Rating RA:

BBB-
(good stability level)

Interpretation of the rating:

There is high probability of that the company with the given
rating will discharge its obligations with the clients

Rating date:

May 20, 2008

Last rating report review date:

June 15, 2009



Joint Stock Insurance Company MIR

(Full name of the company)

Primorskaya street 18, off. 46, 65026, Odessa, Ukraine,
(Company legal address)

Goloseevskaya Street 7, 03039, Kiev, Ukraine
(Company mailing address)

Incorporation date	November 4, 1992
Date of start of operations	February 18, 1993
National enterprises register code	19209435
Account bank	JSC CB Swedbank
Auditor	Transaudit (Odessa)
Actuary	n.a.
Registrar	Regionalniy Reestroderzhatel ltd
Phone	+38 (044) 594-94-01
Fax	+38 (044) 251-46-05
E-mail	info@avs-mir.com
Web address	http://www.sk-mir.com

The IC is licensed for the following types of voluntary insurance: Health insurance against diseases; Accident insurance; Freight and luggage insurance; Third party legal liability insurance (except motor third party liability, air transport owners' liability, watercraft owners' liability (including carrier liability); Motor transport vehicle insurance (except r/w); Credit insurance (including borrower liability insurance against existing loan); Insurance of guarantees (sureties) issued and guarantees accepted; Financial risks insurance; Air transport insurance; Liability insurance of economic entities against damage in case of fire and emergencies in extrahazardous facilities, including fire-dangerous facilities and facilities, which economic activities could result in environmental and sanitary-epidemiologic emergencies; Medical insurance (permanent health insurance); Property insurance, except railway-, motor-, air-, water transports (incl. sea inland waters, and other watercrafts), freight and luggage; Insurance of watercraft (incl. sea inland waters, and other watercrafts); insurance of watercraft owners' liability (including carrier liability);

The IC is licensed for the following types of obligatory insurance: Personal traffic accident insurance; 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); Civil aviation insurance; Insurance of dangerous cargos carriers' liability against negative consequences of dangerous cargos transportation risks;

*The present report is the rating research expressing opinion of Expert Rating RA analysts.
The report is a substantiation of the rating assigned, being also an opinion of Expert Rating RA analysts.
See the last page of the report for use limitations*

1. Company description.

Retrospective review. The insurance company MIR has been incorporated as open JSC on November 4, 1992 in the city of Odessa. It was the first in Odessa officially incorporated joint-stock company of open type. Initially the focus in company creation was made on medical insurance development. During first years of company's existence a special influence on its development has been produced by expert advisers from Association of New York State Life Insurance Companies. The foreign experts helped to develop programs of medical insurance, tariff and marketing policies. In a year after the launch 6000 persons ca. have been insured by the company, the range of services was expanding.

In April 1994, the company obtained the first license entitling for the following insurance activities: voluntary personal life insurance, personal accident insurance, personal medical insurance, property insurance of freights, property insurance of financial risks, and borrower liability insurance against existing loan.

In 1998, the company became a member of the Marine Insurers' Bureau of Ukraine and begun to insure motor vehicles, sea craft, freights and other perils of the sea.

In 2002, the subsidiary of the company in the city of Kiev has opened. The company has expanded its operations to cover fuller spectrum of insurance services.

Today the insurance company MIR provides insurance services in six cities of Ukraine: Kiev, Odessa, Vinnitsa, Kherson, Zhitomir and Lvov. The company provides insurance cover in 20 types of voluntary and obligatory insurance. IC MIR does successfully operate in agricultural risks insurance market.

Many well proved participants of insurance market, such as Oakshott Insurance Consultants Ltd., JSC IC USG, JSC RC VAB Re, JSC IC Status, JSC IC Energorezerv, JSC JSIC InterTransPolis and others are partners of IC MIR.

The company does quickly respond to market requirements, develops its product range. IC MIR has good competitive positions in the Ukrainian market, conducts a policy of moderate tariffs, pays out insurance indemnities in due time.

National Aviation University, JSC Chumak, Ceragem-Ukraine, Energoservis Kievenergo branch, Department of Veterinary Medicine of Ministry for Agrarian Policy of Ukraine are the largest clients of IC MIR:

Development trends. For the recent 5 years the assets and shareholders equity of IC MIR have grown more than by 4 times, annual gross premiums grew practically by 3 times (tab. 1).

Table 1

Key performance indicators of IC MIR in the years 2004–2008

Indicators	2008	2007	2006	2005	2004	Growth rate 2007-2008	Growth rate 2004-2008
Assets, th.UAH	61855.0	70259.2	31105.1	14182	13986.7	-11.96%	342.24%
Shareholders equity, ths. UAH	58631.6	58610	29463.7	13245.8	13245.8	0.04%	342.64%
Shareholders equity /Assets, %	94.78%	83.42%	94.72%	93.40%	94.70%	-	-
Authorized capital, ths. UAH	50050	50050	25050	10050	10050	0.00%	398.01%
Gross premium, ths.UAH	21990.0	50365.3	50463.4	16177.6	7234.8	-56.34%	203.95%
Gross premiums/capital, %	37.5%	85.93%	171.27%	122.13%	54.62%	-	-
Reinsurer's share in gross premium. %	64.12%	55.33%	92.07%	79.76%	0.09%	-	-
Loss ratio, %	12.43%	3.54%	1.95%	2.05%	5.85%	-	-
ROE, %	-	7.02%	3.40%	7.45%	14.64%	-	-
Net income (loss), ths.UAH	21.6	4116.3	1002.9	986.4	1938.8	-99.48%	-98.89%

Source: Company data; calculations by Expert Rating RA

Throughout the last five years, the company has undergone a period of rapid growth, and a considerable correction of business volumes following the results of 2008. IC MIR gets large volume of business due to reinsurers. Within the last 5 years the share of reinsurers in the gross premiums of the company reached its historical peak of 92.07% in 2006. However following the results of 2008 the dependence of the company on reinsurers decreased, and their share in gross premiums went down to 64%. The Agency positively estimates reduction of the company's dependence on reinsurers. The increase in volumes of direct insurance and development of a network of subsidiaries positively influenced the investment attractiveness of the company.

It will be noted that IC MIR through the last 5 years maintained a redundant solvency level. The ratio shareholders equity/assets for 2004–2008 never dropped below 70%. The ratio between gross premiums and company's shareholders equity did not cause fears for the last 2 years. The company was maintaining adequate level of capital and actuarial reserves for securing its obligations.

Rating research of IC MIR business activity has shown a high level of competitiveness of the company, good level of client diversification and of quality of assets, and an extensive penetration of Ukrainian market. The Agency decided to raise the rating of the company in 2009 regardless of business volumes decrease following the results of 2008, as in 2008 the company has essentially improved business diversity indicators by types of insurance and by client base.

The contents of the given rating report reflect the basic results of rating research carried out by Expert Rating RA in respect of IC MIR and are a substantiation to put IC MIR stability rating according to Expert Rating

RA scale for the Ukrainian insurance companies to the level **aa-** (high level of stability, with a positive forecast). The given rating does completely correspond to credit rating **uaAA-** of the company according to the national scale.

2. Market share and business activity of the company.

IC MIR is in the leading position in markets of freight and luggage insurance, crops insurance. By estimations of the company, its share in those markets makes 2–3%.

Study of market share. Traditionally the definition of insurer's share market for the classical types of insurance for any company in Ukraine encounters two problems that are the involvement of separate companies into a 'schemed' insurance and the absence of an authentic information base on market volumes by insurance types. The official figures for 2007–2008 suggest that the share of IC MIR in the Ukrainian market decreased from 0.29 % to 0.10% (tab. 2).

Table 2

Estimation of the share of JSC IC MIR in the insurance market of Ukraine (m UAH)

Indicators	2008	2007	2006	2005	Growth rate 2005 – 2008
Total gross insurance premiums in the market	22828.00	17224.30	13379.20	12532.20	37.44%
Gross insurance premiums of IC MIR	21.990	50.365	50.463	16.177	211.34%
Share of IC MIR gross premiums in the gross premiums of the market	0.10%	0.29%	0.38%	0.13%	-
Estimated share of IC MIR in the market of freight and luggage insurance*	2.5%	3.0%	3.0%	1.0%	-

Note: * Estimates by Expert Rating RA.

Sources: Company data, State Commission on Regulation of Financial Services Markets; calculations by Expert Rating RA

However, the Agency takes into account that a considerable part (up to 40%) of gross premiums in the total volumes of the market is obtained in insurance types hardly referable to classical ones. Nevertheless, the share of IC MIR in the Ukrainian market decreased for the last 2 years, due to that the premiums of company dropped more than by 50% while the consolidated premium in the market grew by circa one third. On the other hand, the volume of premiums received by IC MIR from direct insurance has essentially grown. Besides, in 2005–2008 the company's gross premiums growth rate exceeded 200%, i.e. the company proved, that it is capable to stimulate a dynamical growth of business. Thus, by Agency estimations, the share of IC MIR in the Ukrainian market as a whole can be evaluated as 1% from total amount of classical insurance market.

The company's share in freight and luggage insurance market is estimated by Agency at the level of 3% in this sector.

Such companies as JSC ASKA, IC Nova, IC Lemma are the main competitors of IC MIR, according to Agency. The company IC MIR expands the covering of the standard terms of insurance. It allows covering a non-standard market of freights, for example, the company manages to collect a large volume of premiums from transportation of special cargoes. Thanks to a smart competitive strategy, the company serves such big clients as Idex ltd, JSC Chumak, National Aviation University, JSC Ukrtelecom, International Solomon University, Kherson Regional Public Broadcasting Company, etc. Presence in a portfolio of the company of big clients strengthens its market positions.

Brokers are main channel of premiums income for IC MIR. The subsidiaries do operate effectively, the company plans to increase their number. Front offices are in organizational stage. Cost of different sales channels for the company looks approximately as follows:

- Brokers — 21%;
- Agents — 19%;
- Direct sales — 15%.

To reduce dependence on insurance intermediaries the company plans to increase the presence in the sector of banking insurance, and to increase the number of sales channels, diversification of product range and to start working with consumer loans.

3. Diversification of insurance activities

Diversification by insurance types. In 2008, the company managed to essentially reverse the situation with diversification level by insurance types. So following the results of 2008 the specific amount of premiums received from freight and luggage insurance, dropped from 56.29% (in 2007) to 16.62%. Insurance against fire risks became the most essential one, with the volume of gross premiums making 25 % of the total collected premiums. This value is not to consider as critical.

Company specialization on freights and luggage insurance has been caused by history of attracting clients, lasting mutual relations and confidence between JSC IC MIR and the carriers. Specificity of freight insurance in IC

MIR was the small number of contracts and their large volumes that in the past was negatively influencing client diversification indicators.

An essential share of property insurance in 2008 has been received at the expense of agricultural risks insurance. The Agency evaluates positively the appearance of property insurance in the portfolio of IC MIR in 2007 as it increases branch diversification level of the company.

Table 3

Key indicators of insurance activities diversification, JSC MIR, %

Types of insurance	2008	2007	2006	2005	Changes, 2005-2008
Personal insurance	4.80%	2.90%	1.13%	3.08%	1.72%
Transport means insurance	23.35%	6.71%	3.51%	7.34%	16.01%
Freight and luggage insurance	16.62%	56.29%	90.81%	75.89%	-59.27%
Fire risk and act of God risks insurance	24.96%	1.89%	1.78%	0.52%	24.44%
Property insurance	15.78%	28.15%	1.29%	5.53%	10.25%
Liability insurance	5.81%	4.06%	0.58%	1.93%	3.88%
Financial risks insurance	8.67%	0.0%	0.90%	5.71%	2.96%
Total:	100.00%	100.00%	100.00%	100.00%	0.00%

Source: Company data

Following the results of 2008, two largest types of insurance in IC MIR collected less than 50 % of the premiums. The character of main company's specialization insurance types did not cause concern about systemic risks. The company kept preventing from prevalence in the portfolio of the so-called retail types of insurance, which, as a rule, are characterized by a considerable loss ratio. Despite it, product diversification level in the company may be named as good, and it seems that the company has exhausted all reserves for its strengthening.

As of the beginning of 2009, IC MIR was providing following types of insurance services:

Freight and luggage insurance: Insurance contract can be concluded using one of the following variants:

1. 'All risks'. In this case, losses are indemnified consequent to luggage damage or wreckage, caused by whatsoever reason, along with all expenses necessary for rescue, preservation of luggage and prevention of its further damage.
2. 'Partial loss'. In this case losses are indemnified consequent to damage or loss of luggage, which were result of fire, lightning, storm, wreckage or collision of trains, aircrafts and other means of transportation between themselves or their crash against fixed or floating objects, downfall or collapse of bridges, etc., along with all expenses necessary for rescue, preservation of luggage and prevention of its further damage.
3. 'Free of particular average'. In this case, losses are indemnified consequent to damage or loss of luggage, which were result of fire, lightning, storm, wreckage or collision of trains, aircrafts and other means of transportation between themselves or their crash against fixed or floating objects, downfall or collapse of bridges, etc.

The amount insured is established based on the assessed value of freight.

The underwriting rate comes from 0.1%.

Health insurance against diseases: Insurance contract can be concluded under the following programs: 'Clinical out-patient care', 'In-patient care', 'Acute care' 'Dental care', 'Pharmacy' and 'Insurance against critical diseases'.

The amount insured is established under agreement of parties.

The underwriting rate comes from 3.0%.

Insurance of motor transport (Hull insurance): Insurance contract can be concluded against the following risks: damage and theft.

The amount insured is established within the valid market value of the vehicle as of the moment of contract conclusion.

The underwriting rate comes from 4.5%.

Geographical diversification. Following the results of 2008, more than 90% of premiums have been collected in Kiev and the Kiev region. It is explained by that main number of potential clients and main financial flows are concentrated in this region.

Table 4

Regional structure of OJSC MIR premiums for 2006–2008

Region (area)	2008		2007		2006		2006	
	Ths UAH	%	Ths UAH	%	Ths UAH	%	Ths UAH	%
Vinnitsa region	613.9	3.23	452.1	2.41%	82.1	1.53%	0	0.00%
Kiev and Kiev region	17829.7	93.71	17740.6	94.50%	5134.7	95.73%	974.3	99.54%
Kharkov region	0	0	0	0.00%	0.3	0.01%	0	0.00%
Kherson region	582	3.06	579.5	3.09%	146.9	2.74%	4.5	0.46%
Total:	19025.6	100.00	18772.2	100.00%	5364.0	100.0%	978.8	100.00%

Source: Company data; calculations by Expert Rating RA

At the same time, objects of insurance, in view of prevailing types of insurance specificity, do circulate across country's territory, i.e. the difference is available between the region where the premium was written, and the region in which the insured object is physically present. In addition, disproportions in indemnities payments are seen in the past. For example, following the results of 2007, in Vinnitsa region only 452 th. UAH were collected, and 1.781 m UAH were paid in indemnities. Such disproportions highlight the role of company's Kiev office in the support of payments. As a whole, the business activity of IC MIR is not national-wide nor does it cover all the industrially developed regions of Ukraine. On the other hand, the company specializes on non-retail types of insurance, so it is not constrained to maintain a wide network of subsidiaries, but uses broker services instead.

Clients' diversification. The company managed to improve key client diversification parameters in 2008. Near 46 % of premiums on freight and luggage insurance in 2008 came from one and same client that put IC MIR in dependence on financial and economic activity of this client, but the Agency pays attention to that such dependence has decreased through the year (tab. 5).

Table 5

Information on the share of large clients in the structure of the collected premiums and paid indemnities of OJSC MIR, %

Insurance types	Premiums, %		Indemnities paid	
	2008	2007	2008	2007
<i>Freights and luggage insurance</i>				
From 1 largest client	46%	53%	0	0%
From top 5 largest clients	76%	79%	0	0%
From top 10 largest clients	90%	91%	0	0%
<i>Motor hull insurance</i>				
From 1 largest client	14%	11%	28	32%
From top 5 largest clients	36%	29%	39	47%
From top 10 largest clients	72%	78%	57	69%
<i>Medical insurance</i>				
From 1 largest client	77%	78%	63	64%
From top 5 largest clients	86%	85%	89	87%
From top 10 largest clients	92%	93%	91	94%

Source: Company data

However it will be remembered, that in 2008, 65% of company's gross-premiums came from reinsurers, and freight and luggage insurance made only 16 % in the total amount of premiums arrived directly from insurers. As a result, even after loss of the top big client, gross premiums of the company would decrease not more than by 10%. As concerns the record share of premiums arrived from one client on medical insurance at the rate of 78%, this type of insurance makes an insignificant percentage in the total amount of gross premiums.

As a whole, the level of product, regional and client diversification in IC MIR can be named stable. The current diversification level, according to Agency, allowed improving company rating in 2009.

4. Quality of assets and of reinsurance cover

The analysis indicates a good degree of quality of company assets. The agency revealed a number of trends allowing saying that IC MIR adheres to a reasonable strategy of assets management.

22% of IC MIR assets can be regarded as earning as of 2008 beginning. The company invested resources in the stocks of Ukrainian issuers and placed them on bank deposits. On the one hand, the share of liquid assets (money resources) in the earning assets of IC MIR in 2005–2007 continuously decreased, but at the beginning of 2009, it grew to 34%. The agency evaluates positively company assets liquidity growth. On the other hand, since 2004, the level of company obligations' coverage by money resources did never dropped below 100 %, and in 2005 and 2008, the company had an obviously redundant size of assets: during these periods, the volume of liquid assets exceeded company obligations by accordingly 8 and 5 times (tab. 6).

Table 6

Structure of earning assets of JSC IC MIR for 2004–2008 (ths UAH, %)

Indicators	01.01.2009	01.01.2008	01.01.2007	01.01.2006	01.01.2005	Growth rate 2004–2008
Total assets	61855.0	70259.2	31105.1	14182	13986.7	342.24%
Total earning assets	13738.5	67443	30207.3	13479	12949.8	6.09%
Share of earning assets in the assets	22.21%	95.99%	97.11%	95.04%	92.59%	-
Long term financial investments. total (045)	9121.0	53718.2	21673.8	5928.5	11933.2	-23.57%
Cash and cash equivalents (230 + 240)	4617.5	13724.8	8533.5	7550.5	1016.6	354.21%
Share of money resources in earning assets	33.61%	20.35%	28.25%	56.02%	7.85%	-
Cover of obligations by money resources	784.13%	117.82%	519.89%	806.51%	137.21%	-

Source: Company data; calculations by Expert Rating RA

Shares of the Ukrainian issuers make up the most part of the assets accounted as long-term financial investments. It is rather difficult to evaluate the quality of these securities: most of them circulate in the organized

stock market, and another part can be regarded as non-liquid securities. Considering that IC MIR through the last 4 years maintained the ratio of obligations coverage by money resources higher than 100% and also complied with the national legislation requirements on insurance reserves provisioning, the Agency evaluated quality of assets based on the quality of bank deposits portfolio of the company (tab. 7).

Table 7

Rating structure of bank deposits portfolio, JSC IC MIR, 2007–2008
Expert Rating RA scale

Rating category	2008		2007	
	Ths. UAH	Portfolio share, %	Ths. UAH	Portfolio share, %
A (high reliability)	4617.5	100.0%	10981.7	80.01%
B (acceptable reliability level)	0	-	2730.2	19.89%
C (satisfactory reliability level)	0	-	0	0.00%
Deposits in banks not having Expert Rating RA pi rating	0	-	12.90	0.09%
In total:	4617.5	100.0%	13724.8	100.00%

Source: Company data; calculations by Expert Rating RA

99% of company deposits are placed in banks, which received highest reliability rating according to Expert Rating RA pi-scale. Concentration of considerable portfolio volume in a limited number of banks is a drawback of deposits portfolio management. The Agency recommended the company to increase portfolio diversification level, to increase the number of banks with placed amounts starting from 0,5m UAH and more. An obvious advantage is in that a part of liquid assets is placed in bank metals, a considerable part of them is placed on current accounts. Purchase of bank metals, according to Agency, was a successful investment decision for the company, which has provided both due level of profitability and the necessary liquidity.

Assets management system of the company is based upon joint decision taking. IC MIR has internal Provisions on assets management, which regulates management of earning assets. The management of the company monitors assets management efficiency. Assets management process in the company implies certain selection algorithm containing examination by the company of banks' rating, mobility of banks work with clients, range of interest rates.

Quality of reinsurance cover. IC MIR carries out an independent selection of reinsurers. The company analyzes independently the partner's financial situation. Research of IC MIR reinsurance portfolio has shown that it does not contain obligations of the companies with license suspended. The companies with an individual stability rating of investment grade from Expert Rating RA provide part of reinsurance cover for IC MIR.

IC MIR does not work on reinsurance directly or indirectly with the companies incorporated in offshore jurisdictions. Work with reinsurers is organized in such a manner that in domestic market IC MIR concludes contracts independently, and works through brokers with non-residents.

5. Adequacy of risks and profitability

IC MIR listed the largest insured accidents in 2008:

1. 681.7 ths. UAH. The insured is a legal person. Type of insurance is property. Insured event: flooding.
2. 167.3 ths. UAH. The insured person is a physical person. Insurance type: motor hull insurance. Insured event: theft.
3. 84.3 ths. UAH. The insured person is a physical person. Insurance type: motor hull insurance. Insured event: road accident.

At the moment of rating research, no judicial case has been considered in Ukrainian courts initiated by an insured person where JSC IC MIR would appear. The total amount of non-settled losses for 2008 was not available.

Evaluating the capacity of the Company to quickly increase shareholders equity, the Agency takes into consideration the following factors:

1. Throughout the last 5 years the activity of IC MIR was profitable.
 2. ROE level varied from 0 to 14.6%. In 2008, the company got 21600 UAH of net profit. In spite of the fact that the company has shown practically zero level of profitability for 2008, the Agency positively estimates the given situation, allowing for an uneasy situation in the Ukrainian insurance market in the second half of 2008.
 3. For the last 5 years IC MIR increased authorized capital twice and both times the authorized capital was doubled.
 4. IC MIR belongs to the insurance group of companies AVS MIR. Besides IC MIR insurance agencies AVS Brok and AVS Finans, and the insurance company Mercury do belong to the group of companies AVS MIR.
- IC MIR is incorporated in the form of an open joint-stock company.

The research of company shareholders structure has shown that as of the beginning of 2008 the major package of shares of the company has been concentrated by the insurance broker AVS Finans ltd (tab. 8).

Table 8

Shareholders of JSC IC MIR controlling more than 5% of votes				
Name of shareholder company	control share, %			
	2008	2007	2006	2005
Physical person	12.79%	-	-	-
AVS Finans ltd.	79.92%	29.97%	-	-
AVS Brok ltd.	-	-	9.78%	24.374%
JSC AMC Kiev investprojects	-	13.07%	26.11%	65.075%
Fondoviye tekhnologii i investitstii ltd.	-	49.95%	-	-
Tsentr brokerskikh tekhnologiy ltd.	-	-	59.88%	-

Sources: Company data, SMIDA

The Agency positively evaluates the presence of the core business shareholder among shareholders of the company. Nevertheless, as of the beginning of 2009, IC MIR had no shareholders capable to provide a high level of external financial support. The structure of shareholders of the company varied dynamically enough. Initially eight physical persons were founders of IC MIR. Shares were issued and sold by stockjobbers across Ukraine, and the initial number of IC MIR shareholders was nearby 100 persons. In time, the maximum quantity of shareholders grew to 300 persons, with considerable number of medics among them. It will be recalled that the liner company Ukrferry purchased 70% of shares in 1998. In 2008, JSC AMC Kiev investprojects and Fondoviye tekhnologii i investitstii ltd left the number of shareholders. Evaluating a frequent change of shareholders, it should be accounted that IC MIR is incorporated as an open JSC and historically it had a number of minority shareholders. Still now, minority shareholders have more than 7% of company stock. Considering profitable operation of the company throughout last 5 years, the Agency positively evaluates company prospects on capital attraction from portfolio investors in the stock market.

As a whole, JSC MIR carries out a weighed risks management policy, the volumes of inbound and outbound reinsurance are duly balanced, the company maintains an adequate level of liquidity and solvency. The shareholders had repeatedly showed the capability to increase the authorized capital of IC MIR.

6. Other factors considered at rating estimation

Among other positive factors influencing the operations of IC MIR, the following can be listed:

1. IC MIR has its own Corporate Governance Code.
2. The company pursues open enough information policy and complies with all requirements of SCSSM concerning information disclosure. In addition, IC MIR is one of the few companies in Ukraine, which do annually publish on a regular basis not only the financial statement and profit & loss account, but also the Insurer Incomes and Expenses Statement submitted to insurance regulator.
3. The state supervising authorities had no material claims to the company as by the time of rating research. Following the inspection by STI of Primorskiy district of Odessa of 10.07.2007 of the period 01.01.2005–31.03.2007 additional income tax payments in the amount of 1704 UAH, and on cash in hand limit in the amount of 1296,48 UAH have been made. In total, it has been charged in addition 3000.48 UAH. The inspection of 31.01.2007 by insurance regulator — State Committee on Financial Services Markets of the period 01.01.2006–01.01.2007 revealed infringements of Articles 16, 20, 28 of the Law of Ukraine ‘On insurance’. The found drawbacks have been eliminated.

7. Calculation and estimation of the main factors

Table 9

Calculation of factors making part of JSC IC MIR estimation

		Name of indicator	Numerator	Denominator	2008	Scoring	Weight	Calculation
Market share and business activity	1	Market share**	RA estimate	RA estimate	>1%	6	0.05	0.3
	2	Investment ratio of insurance process	Underwriting expenses P1: 300+310	Gross premiums P1: 010	1.1%	1	0.02	0.02
	3	Gross premiums growth rate	Change of gross premiums for the period P1: 010	Gross premiums over period previous to the reporting period P1: 010	-56.0%	3	0.02	0.02
	4	Receivables ratio	Accounts receivable F1: 050+160+170+180+190+200+210+060	Gross premiums P1: 010	>50%	1	0.01	0.01
Diversity of insurance operations **	5	Share of net premiums by insurance types	Gross premiums from the largest insurance type	Gross premiums, P1: 010	25%	1	0.18	1.62
	6	Share of top 5 largest clients	Gross premiums from the top 5 largest clients	Gross premiums, P1: 010-020	20%	3	0.12	1.44
Assets and reinsurance coverage quality	7	Poor quality assets ratio	Assets with a grade lower than investment grade	Earning assets	1.0%	1	0.03	0.03
	8	Reinsurance coverage ratio	Premiums ceded to reinsurers not having investment grade	Shareholders equity – Non tangible assets F1: 280-010-430-480-620-630	1.0%	1	0.075	0.675
	9	Reinsurance coverage quality factor	Premiums ceded to reinsurers having investment grade	Premiums belonging to reinsurers P1: 020	20%	6	0.045	0.405
Adequacy of risks and profitability	10	Insurance risk ratio	Gross premiums P1: 010	Shareholders equity – Non tangible assets F1: 280-010-430-480-620-630	37.0%	1	0.15	0.15
	11	Payout ratio	Indemnities P1: 240	Gross premiums P1: 010	12.43%	1	0.025	0.025
	12	ROE	Net income F2: 220 (225)	Shareholders equity F1: 380	0.01%	3	0.05	0.3
	13	ROI	Income on investment F2: 110+120+130-140-150-160	Average amount of resources available for investment	>20%	3	0.025	0.3
Adequacy of reserves and liquidity	14	Adequacy of reserves	Indemnities P1: 240	Reserves F1: 415-416	>40%	6	0.02	0.24
	15	Coverage of net indemnities by capital	Indemnities P1: 240	Shareholders equity– Non tangible assets F1: 280-010-430-480-620-630	>5%	1	0.14	0.14
	16	Liquidity	Highly liquid assets F1: 230+240	Liabilities F1: 430+480+620+630	<100%	1	0.04	0.04
		Amount calculated of II:						2.00

8. Conclusions (Brief public substantiation of the rating)

During the period from June 1 to June 16, 2009 Expert Rating RA carried out rating research of JSC IC MIR. The purpose of rating research was to assign stability rating to the company. Following the results of research JSC IC MIR (company register code 19209435) was awarded stability rating at the level **aa-** (high level of stability, with a positive forecast) according to Expert Rating RA scale, what does completely match the rating **uaAA-** according to the national scale.

By results of rating research, it is possible to draw the following main conclusions:

1. IC MIR is one of the oldest insurance companies of Ukraine having such clients as National Aviation University, Ceragem-Ukraine ltd, Energoservis Kievenergo branch, JSC Chumak, Department of Veterinary Medicine of the Ministry for Agrarian Policies of Ukraine. IC MIR occupies certain market share. As a whole, the market share of the company is estimated by Expert Rating RA at the level of not less than 1%.

2. In past IC MIR had strongly pronounced specialization in freight and luggage insurance. However, in 2008 the company succeeded in reverting the situation and considerably to improve insurance activities diversification both by insurance types and by clients. It became one of the reasons of Company rating rise in 2009.

3. IC MIR pursues weighed assets management policy: 99% of the assets are placed in banks with high and good reliability levels, according to pi-ratings by Expert Rating RA. It is impossible to recognize as liquid part of

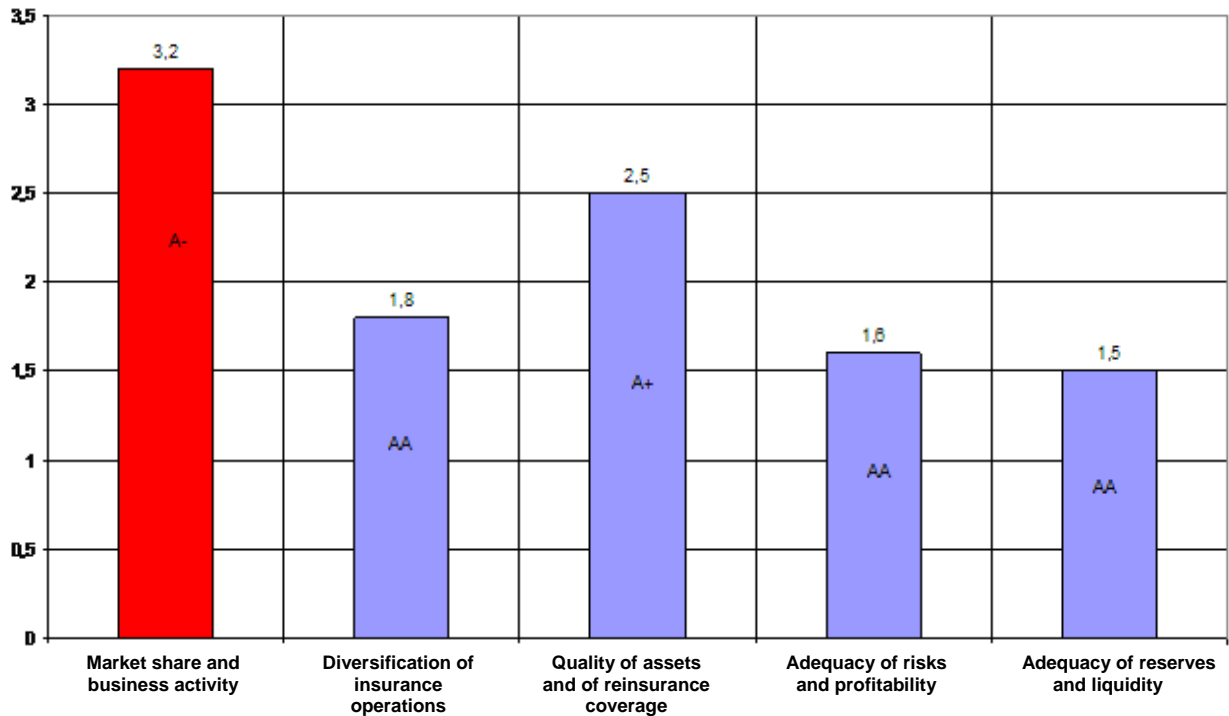
earning assets of the company, however cash resources and cash equivalents do historically cover obligations of the company with a good redundancy.

4. The reinsurance portfolio of the company contains an insignificant number of rated reinsurers. This is a systemic problem, explained by that from near 400 insurers registered in Ukraine, less than seven are rated. The Agency admits that reinsurance covering quality evaluation of the company is rather complicated.

5. The company has good grounds for increase of the shareholders equity both at the expense of earnings capitalization, and at the expense of external sources. Within the analyzed period, the company doubled the authorized capital twice, demonstrating the capacity of the shareholders. The Agency positively evaluates company's possibilities on attraction of external investors. The company is incorporated as Open JSC; it has Corporate Governance Code, an experience of work with minority shareholders, normal level of profitability.

Visualization of rating:

Visualization of JSC IC MIR rating for 2009



See in the rating report the detailed substantiation of rating estimation by Expert Rating RA.

Members of Rating Committee of Expert Rating RA:

1. **Vladimir Duhnenko**, Director of Expert-Rating RA ltd., PhD. —
2. **Vitaliy Shapran**, Deputy Director,
Chief financial analyst of Expert-Rating RA ltd, PhD., —

By the present, I confirm signatures of members of the Rating Committee of Expert Rating RA ltd:

Director of Expert-Rating RA ltd. _____ **Vladimir Duhnenko**

Appendix A

Use limitations of the rating report

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Depositors, insurers, investors, when using the given rating report, do automatically agree that the contents of the given rating report are the opinion of analysts of Rating Agency Expert Rating.

Taking into consideration the results of estimation of level of stability of the insurance company, it should be understood, that Expert Rating RA Ltd does not evaluate the probability of a default. The estimation pays attention to the factors, which can affect positively or negatively the stability of the insurance company. Therefore, Expert Rating RA Ltd evaluates level of resistibility of the insurance company to adverse influences. The estimation is made for insurers according to the scale of Expert Rating RA Ltd (table A). Conversion to the national scale can be considered valid only after Expert Rating RA Ltd written confirmation of rating assignment according to the national scale.

Table A

Rating scale of stability level for insurance companies

Rating	Stability level	Meaning of stability level
aaa	Highest	The best probability of that the company will withstand the adverse influences. The company corresponds to level aa , but in addition, its obligations are underwritten by foreign shareholders or by the state.
aa	Very high	Very high probability of that the company will withstand the adverse influences.
a	High	High probability of that the company will withstand the adverse influences.
bbb	Good	Regular probability of that the company will resist under the influence of adverse factors.
bb	Acceptable	Acceptable probability of that the company will resist under the influence of adverse factors.
b	Satisfactory	Satisfactory probability of that the company will resist under the influence of adverse factors.
ccc	Alerting	Alerting probability of that the company will resist under the influence of adverse factors.
cc	Low	Low probability of that the company will resist under the influence of adverse factors. As a rule, the company is removed from rating estimation

There are three types of forecast corresponding to each letter category:

Positive (+);

Neutral ();

Negative (-).

This appendix makes an integral part of any rating report.

Company's name: "MIR" Joint Stock Insurance Company
 Type of business: General insurance
 Registration date: 04.11.1992
 Business address: Goloseevskaya Street 7, 03039, Kiev, Ukraine
 Web address: <http://www.avs-mir.com>
 E-mail: info@sk-mir.com
 Tel.: +38 (044) 594-94-01
 Fax: +38 (044) 251-46-05

"Expert-Rating" Rating Agency
 Web address: <http://www.expert-rating.com>
 Researcher: Vitaliy Shapran, ph.D., Chief financial analyst, Deputy Director
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Table

Key indicators of MIR Insurance Company (in thousand of UAH)*

Indicators	2008	2007	2006	2005	2004
Total assets	61855.0	70259.2	31105.1	14182	13986.7
Shareholders Equity	58631.6	58610	29463.7	13245.8	13245.8
Shareholders Equity / Assets, %	94.78%	83.42%	94.72%	93.40%	94.70%
Authorized fund	50050	50050	25050	10050	10050
Gross premiums	21990.0	50365.3	50463.4	16177.6	7234.8
Share of reinsurance companies in gross premiums, %	64.12%	55.33%	92.07%	79.76%	0.09%
Loss ratio, %	12.43%	3.54%	1.95%	2.05%	5.85%
ROE, %	-	7.02%	3.40%	7.45%	14.64%
Net profit	21.6	4116.3	1002.9	986.4	1938.8

Rating **aa-** (scale of "Expert-Rating" Rating Agency) — high level of stability high level of stability.

*Translated from Russian