

## The rating report



Insurer stability rating according to the national rating scale:

**uaBBB+**

(Sufficient stability level)

Interpretation of the rating:

The company is characterized by high level of financial strength in comparison with other Ukrainian companies.  
(National scale approved by the Resolution of the Cabinet of Ministers of Ukraine no. 665 dated of 26.04.2007)

Rating date:

**October, 05, 2011**

Rating report update date:

On customer request



## Additional Liability Company Insurance Company "Proxima"

(Full name of the company)

34, Krasnoarmeyskaya str., Kiev, Ukraine, 01004

(Company legal address)

office 9, 43/11, Moskovskaya str., Kiev, Ukraine, 01015

(Company mailing address)

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Registration date:	16.06.2005
Date of start of operations:	June 2005
Full name of the Chief Executive:	Loznevoy Pavel Anatoliyevich
USREOU code no.	33592726
Account bank:	OTP Bank, Bank "Soyuz"
Auditor:	"Center of Professional Audit" LLC
Contact person:	Ananchenko Lesya Ivanovna, Head of Corporate Insurance Department
Tel.:	+38 (044) 590-51-33
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Web:	http://www.proksima.com.ua

**Types of voluntary insurance, for which the IC have been licensed:** Credit insurance (including borrower's liability for non-payment of the credit) – AB No. 321549, unlimited; Accident Insurance – AB No. 321550, unlimited; Freights and luggage insurance – AB No. 321551, unlimited; Railway transport insurance - AB No. 321552, unlimited; Insurance of civil liability of land transport owners (including carrier's liability) – AB No. 321554, unlimited; Insurance of land transport (except railway transport) - AB No. 321553, unlimited; Third party liability insurance (except for civil liability of land transport, air transport, owners, water transport owners (including carrier's liability) - AB No. 321555, unlimited; Insurance against fire and Acts of God risks - AB No. 321557, unlimited; Financial Risks Insurance – AB No. 321558, unlimited; Property insurance (except for railway, land, air and water transport (marine internal waterway transport and other types of transport), cargo and baggage (cargo-luggage) – AB No. 321556, unlimited; Insurance of medical costs – AB 396287, unlimited; Insurance of issued guarantees (sureties) and received guarantees – AB No. 396286, unlimited; Insurance of judicial costs – AB No. 396285, unlimited; Investments insurance – AB 396284, unlimited; Health insurance in case of disease – AB No. 396283, unlimited; Health insurance (uninterrupted health insurance) – AB No. 396282, unlimited.

**Types of voluntary insurance, for which the the Insurance Companies have been licensed:** Liability insurance of carriers of dangerous goods against negative consequences of dangerous goods transportation – AB No. 396291, unlimited; Insurance of liability of companies for any damages that may be caused by fires and accidents at high risk facilities, including fire-explosive facilities, business activity on which cannot result in accidents of environmental and sanitary and epidemic nature – AB No. 396290, unlimited; Personal insurance against accidents on transport – AB No. 396289, unlimited; Personal insurance of departmental security service (except for those working in institutions and organizations funded from the State Budget of Ukraine) and rural fire department service and members of voluntary fire brigades (teams) – AB No. 396288, unlimited; Insurance of civil liability of land transport owners – AB No. 398294 is valid till 11.06.2011.

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

## 1. Overview of the company

Being founded on June 16, 2005, presently the Insurance Company "Proxima" has 20 licenses issued by State Financial Services of Ukraine for mandatory and voluntary types of classic insurance. In terms of total assets, liabilities and capitalization, IC "Proxima" has stable positions among Ukrainian insurers.

The IC "Proxima" builds up communication and business processes with customers focusing on individual approach to clients' needs. The company provides to its corporate clients a comprehensive insurance coverage for the entire production lifecycle of the enterprise, starting from licensing, through development, manufacture, testing and delivery to the consumer of their products, and finishing with post-warranty service, eventual upgrade and improvement. The company has also special insurance programs for military and specialized purposes.

IC "Proxima" endeavors to develop customer loyalty by:

- accurately fulfilling financial commitments to customers;
- large number of insurance products;
- individual approach to each customer;
- besides the classic types of insurance, the company offers exclusive projects developed to account for specific needs of business customers;
- comprehensive insurance coverage;
- financial stability;
- reliable reinsurance coverage, the Company is working with reliable reinsurers.

Over the past 12 months freights and luggage insurance, property insurance, insurance of financial risks have been the main types of IC "Proxima" insurance. Over the last 5 years Company assets grew more than in 6 times, the equity – in 5.5 times, liquid assets – in 17 times, the volume of gross premiums – more than in 10 times (Table 1).

Table 1

**Key Performance Indicators of ALC Insurance Company "Proxima", (UAH thous., %)\***

Indicators	2010	2009	2008	2007	2006	Growth rate in 2009-2010	Growth rate in 2006-2010
Assets	62,425.0	73,551.0	60,445.0	10,448.9	10,198.2	-15.13%	512.12%
Shareholders equity	55,954.9	70,105.4	58,944.8	10,113.2	10,015.5	-20.18%	458.68%
Shareholders equity/assets ratio	89.64%	95.32%	97.52%	96.79%	98.21%	-	-
Cash and its equivalents	3,201.2	3,073.7	1,324.4	238.4	187.7	4.15%	1605.49%
Authorized capital	50,000.0	72,000.0	60,000.0	60,000.0	10,000.0	-30.56%	400.00%
Gross premiums	6,893.1	13,888.1	13,798.0	984.4	642.3	-50.37%	973.19%
Reinsurers' share in gross premiums, %	64.7%	69.7%	86.8%	48.3%	50.8%	-	-
Payout ratio, %	9.0%	10.0%	3.0%	80.0%	9.0%	-	-
ROE, %	48.5%	-	-	1.0%	-	-	-
Net profit (loss)	27,681.0	-1289.9	-717.6	97.7	3.7	-	-

Source: Company data, Expert Rating RA calculations

The company developed very rapidly over the past five years, but by the end of 2010 a number of IC "Proxima" indicators worsened. For example, gross premiums have decreased by 50%, the assets – by 15% equity – by 20%. Generally, it had no impact on the financial strength of the insurer. The company remained profitable; the net profit for 2010 amounted to UAH 27.7 m., ROE – to 48.5% at 9% payout ratio. In 2006-2009 IC "Proxima" remained overcapitalized: shareholders equity/assets ratio of the Company exceeded 95%. At the beginning of 2011 it was 89.4%, which still indicates a high level of insurer's overcapitalization. According to the Agency, in 2011 changes of IC "Proxima" financial performance might have been caused primarily by change of shareholders in December 2010. IC "Proxima" moved under the control of two non-resident companies.

## 2. Market share and business activity of the company

IC "Proxima" has solid position in the market on the following types of insurance:

- Freights and luggage insurance
- Property insurance
- Financial risk insurance
- Medical costs insurance (for the persons travelling abroad).

According to the Agency, IC "Proxima" pertains to the category of small companies. It occupies stable position in the group of small companies. According to RA "Expert Rating", the market share of IC "Proxima" in the Ukrainian insurance market did not exceed 0.1 % of the total real volume of the market. In 2011-2012 the situation has changed due to new non-resident shareholders who joined the Company and who are ready to support the company both financially and by incoming business.

IC "Proxima" is planning to expand operations in the corporate segment and does not pretend to retail.

### 3. Diversification of insurance activities

#### 3.1. Activity-based diversification.

The diversification of IC "Proxima" business can be considered close to satisfactory. In 2010 approximately 50% of premiums have been received from freights and luggage insurance, 13.3% – from property insurance, 10.94% – from insurance of financial risks. The diversification impaired in 2010 compared to 2009. According to the Agency, it has been due to the fact that the IC "Proxima" belongs to the category of small companies and changes of customer base or customer needs influence the dynamics of total business portfolio per kinds of insurance (Table 2).

Table 2

Structure of premiums collected by ALC Insurance Company "Proxima, (UAH ths.)

Insurance kinds	2010		2009		Growth rate	Changes in the structure
	Ths. UAH	%	Ths. UAH	%		
Freights and luggage insurance	3,153.80	47.26%	2,961.10	24.05%	6.51%	25,18 p.p.
Property insurance	852.2	12.77%	2,134.60	17.34%	-60.08%	-4,03 p.p.
Financial risk insurance	700.8	10.50%	150	1.22%	367.20%	9,72 p.p.
Insurance of medical costs	572	8.57%	97.5	0.79%	486.67%	8,14 p.p.
Insurance of land transport (except for railway transport)	426.1	6.38%	1,800.10	14.62%	-76.33%	-7,97 p.p.
Insurance of fire and Acts of God risks	370.1	5.55%	924.6	7.51%	-59.97%	-1,73 p.p.
Accident insurance	322.4	4.83%	102.4	0.83%	214.84%	4,20 p.p.
Insurance of civil liability of land transport owners	6.5	0.10%	9.2	0.07%	-29.35%	0,03 p.p.
Third party liability insurance	1.7	0.03%	22.6	0.18%	-92.48%	-0,16 p.p.
Medical insurance	0.1	0.00%	0	0.00%	-	-
Health insurance in case of disease	0.1	0.00%	0	0.00%	-	-
Railway transport insurance	0	0.00%	3,421.20	27.79%	-	-27,79 p.p.
Credit insurance	0	0.00%	670	5.44%	-	-5,44 p.p.
Insurance of issued guarantees	0	0.00%	0.6	0.00%	-	-
Compulsory insurance of civil liability of land transport owners	257.6	3.86%	n/a	-	-	-
Compulsory accident insurance on transport	10.2	0.15%	n/a	-	-	-
<b>Insurance premiums, in total:</b>	<b>6673.60</b>	<b>100.00%</b>	<b>12,311.90</b>	<b>100.00%</b>	<b>-47.97%</b>	

Source: Company data, Expert Rating RA calculations

Diversification per insurance kinds on indemnities paid out has been even narrower. Totally for 2010 the Company paid UAH 535.8 thousand only, from which UAH 267.9 thousand have been paid on voluntary insurance of land transport (except railway transport) and UAH 267.8 thousand - on compulsory types of insurance.

IC "Proxima" positions itself as a company having considerable experience and specializing in three types of insurance: freights and luggage insurance, property insurance, insurance of financial risks. The content and specificity of insurance products consist in the following:

#### Cargo and baggage insurance (License of State Financial Services AB No. 321551)

Voluntary freights and luggage insurance (cargo-luggage) is carried out on conditions of IC "Proxima" Rules. All transport operations relating to freight transportation are connected with eventual material expenses, such as: damage, destruction or loss of cargo due to various circumstances.

The insurance contract can be concluded on terms of:

1) "All risks liability class A" clause of the Institute of London Underwriters (Lloyd), including, among other:

- Losses resulting from damage and total destroy of the insured cargo or of part of it, which occurred for any reason (except for the reasons listed in the exceptions);
- Losses, costs and fees on general average.

2) "Limited liability class B" clause of the Institute of London Underwriters (Lloyd).

The loss subject to coverage under insurance contract is resulting from damage and total destroy of the insured cargo or of part of it, which occurred because or in result (except for the causes listed in the exceptions) of:

- Fire or explosion;
- Running aground, ashore, flooding or capsizing of the vessel, lighter or barge;
- Collision or contact of vessel, lighter or barge, or any other vehicle with any external object other than water;
- Overturn or run off the tracks of ground transport means;
- Cargo unloading at the port where the disaster occurred;
- Earthquake, volcanic eruption or lightning;
- Cargo wave washing or ship rescue overboard throwing;
- Penetration of sea, lake or river water into the vessel, lighter or barge, other transport vehicles, container or storage location;
- Complete destruction of the whole shipping package during unloading or loading;
- Losses, costs and fees in general average.

3) "Minimum coverage class C" clause of the Institute of London Underwriters (Lloyd).

The loss subject to coverage under insurance contract is resulting from damage and total destruction of the insured cargo or of part of it, which occurred because or in result (except for the causes listed in the exceptions) of:

- Fire or explosion;
- Running aground, ashore, flooding or overthrow of the vessel, lighter or barge;
- Collision or contact of vessel, lighter or barge, or any other vehicle with any external object other than water;
- Unloading of the cargo at the port where the disaster occurred;
- Discharge of deck cargo overboard to rescue the ship;
- Losses, costs and fees in general average.

If necessary, the insurance coverage can include:

- War and strike risks (for sea and air transportation);
- Theft of cargo by third parties, through fraud, in particular, by passing themselves for other persons and (or) using forged documents;
- The risks of cargo destruction and damage during loading and unloading;
- Risks of storage on intermediate warehouses in transit.

Insurance coverage is coming into effect from the moment of cargo reception by the carrier and continues throughout the entire transportation to the destination point.

Insurance coverage is provided in all the countries of the world (except for the danger areas) for all types of transportation.

The sum insured is determined by mutual agreement of the parties to the limits of the actual cargo value at the moment of insurance contract conclusion or in its excess in accordance with cargo delivery terms. Within these limits the costs of transportation, packaging, custom clearance (if any) and expenses of the Insured on loss reduction of the insured event are covered.

Insurance rate depends on the type of cargo and cargo carrying vehicle, route of transportation, insured risks and other terms and conditions of insurance.

#### **Property Insurance (Licenses of State Financial Services AB No. 321556 and 321557)**

Voluntary property insurance is carried out under IC "Proxima" Rules. Items insured (as owned or rented) can be the following:

*Immovable property: homes and buildings, namely:*

- Structure elements of premises, buildings and facilities: foundation, walls, floor, ceilings, cover, etc.;
- external engineering systems and equipment, including water treatment systems, pumping equipment, underground equipment (such as water supply, sewerage, main water lines and power lines) and other;
- internal engineering equipment and service lines of buildings and structures, including systems and equipment of power, gas and water supply, heating, sewage, fire extinguishing and alarm systems, sanitary equipment, etc.

*Dressing and accessories of buildings and structures, namely:*

- exterior decoration and stationary equipment, including entrance doors with locks, handles, paneling, windows with glass, shutters, grilles, etc., equipment of balconies and loggias;
- internal finishing and fixed equipment of the premises, including internal joinery, permanent coverage of floors, walls and ceilings, including suspended ceilings, moldings, parquet, laminate, carpet, linoleum, fireplaces, stoves, built-in furniture, etc.

*Movable property:*

- production (sales) process equipment (all structural elements and communications, including, in particular, the foundations of industrial machinery and power transmission lines);
- computers and office equipment, household appliances, furniture;
- trade stock and inventory (finished goods, goods at warehouse, in sales area, raw material, material and half-finished goods);
- vehicles of any kind belonging to the Insured and insured at their place of storage.

*Insurance risks, related to the total insurance coverage:*

- fire risks;
- natural disasters;
- failure of water supply, sewage, heating systems; damage by water coming from plumbing, sewage, heating systems and fire extinguishing systems; water ingress from the adjacent (alien) facilities;
- hitting/collision with a vehicle and animals;
- breakage of glass;
- unlawful acts of third parties aimed at destruction or damaging of the property;
- theft or attempt of theft;
- robbery or holdup.

Insurance coverage is provided at the insurance address stipulated by the contract and specified as place of insurance.

The insured sum is determined by mutual agreement of the parties within property actual market value at the time of insurance contract conclusion.

Insurance compensation is determined by the amount of direct loss caused to the Insured and is assessed by an independent expert.

The insurance rate depends on the type of property, technical facilities used for its storage, insured risks, and other insurance conditions.

#### **Insurance of financial risks (License of State Financial Services AB No. 321558)**

Voluntary insurance of financial risks is regulated by IC "Proxima" Rules.

The insured event for this type of insurance is the risk of financial loss to the Insured when exercising the entrepreneurial activity, which occurs as a consequence of non-execution (non-proper execution) of contractual commitments by the contracting parties or by the Insured under the contract made between the Insured and given contracting parties.

The insured sum is determined under agreement of Insured and Insurer at conclusion of the insurance contract based on the amount of possible unforeseen financial losses of the Insured in the exercise of entrepreneurial activity within insurance contract validity, and shall not exceed the actual size of the liabilities (the cost of works, services, goods shipment, etc.) stipulated by the contract (agreement) between the Insured and its contracting part during the execution of which contract the losses of the Insured may arise.

The insurance rate is set based on the size of the sum insured, deductibles, validity term of the insurance contract and taken into account the factors influencing the occurrence of the loss.

Deductibles are determined by agreement of the parties at conclusion of the insurance contract as percentage of the sum insured or in absolute terms.

IC "Proxima" has a head office in Kiev and main amounts of the premiums are collected in Kiev region. Let it be reminded that "Expert Rating" agency is no longer assessing geographical diversification of insurers' business because of no territorial registration of the insured objects in most companies.

#### *3.2. Diversification by customers.*

In 2010 the level of IC "Proxima" customer diversification was close to satisfactory. One client provided 55.75% of gross premiums. 5 top clients – 83.5%, 10 clients – 86.53% (Table 3)

Table 3

**Share of large clients in the structure of collected premiums of IC "Proxima", 2009-2010.**

Insurance types	2010	2009	Change
The share of 1 top customer	55.75 %	22.34 %	33,41 p.p.
The share of 5 top customers	83.48 %	69.76 %	13,72 p.p.
The share of 10 top customers	86.53 %	75.44 %	11,09 p.p.

Source: Company data, Expert Rating RA calculations

According to the Agency, the insurer needs to increase both per type and per customer diversification. At the same time diversification of types of insurance can be postponed because the type of insurance prevailing in insurer's portfolio is historically not the loss-making one. In 2011-2012 customer diversification should become a priority area.

## **4. Quality of assets and of reinsurance cover**

### *4.1. Quality of assets*

RA "Expert Rating" assesses the assets quality of IC "Proxima" as sufficient. At the beginning of 2011, 94.71% of the earning assets were investments into stocks. The Agency believes that at the beginning of 2011 about one third of stock portfolio can be assessed as highly liquid stocks, belonging to active market, and easily salable when necessary. Given that according to the balance sheet figures the Company is overcapitalized, the requirements to insurer assets quality may be minimal (Table 4).

**The structure of ALC IC "Proxima" earning assets, 2009-2010.**

Type of assets	2010		2009		Growth rate	Changes
	Ths. UAH	%	Ths. UAH	%		
Other financial investments Form 1 (p. 040 + 045)	57,260.00	94.71%	46,852.40	88.40%	22.21%	6,31 p.p.
Cash and cash equivalents Form 1 (p.. 230 + 240), including:	3,201.20	5.29%	3,073.30	5.80%	4.16%	-0,51 p.p.
Settlement account	1,687.70	2.79%	398.7	0.75%	323.30%	2,04 p.p.
Deposits	1,510.50	2.50%	2,674.30	5.05%	-43.52%	-2,55 p.p.
Cash in vault	3	0.00%	0.7	0.00%	328.57%	-
<b>Total, earning assets:</b>	<b>60,461.20</b>	<b>100.00%</b>	<b>52,999.40</b>	<b>100.00%</b>	<b>14.08%</b>	<b>-</b>

Source: Company data, Expert Rating RA calculations

#### 4.2. Quality of reinsurance cover.

After the analysis the Agency did not reveal any signs of fictitious reinsurance. IC "Proxima" selects mostly the Ukrainian reinsurer companies with large market share, or those specialized on specific type of risk. Most reinsurers of IC "Proxima" have no financial strength rating, which is a traditional problem for the Ukrainian market.

## 5. Capital adequacy and the adequacy of risk

#### 5.1. Support by shareholders

According to the Agency, the new shareholders of the insurer, the non-resident companies: IFBC LTD and FUTURE RESERVE LTD are able to provide an adequate level of support to IC "Proxima", but presently the insurer anyway is overcapitalized and by the time being does not require any additional capital from shareholders (Table 5).

Table 5

Structure of ALC Insurance Company "Proxima" owners with more than 5% share,  
from 2007 up to the publication of the rating report

Company Name	USREOU	Percentage of control				
		2010 (since 20.12.10)	2010 (till 20.12.10)	2009	2008	2007
ALC Financial Group "KOSMOS"	33493361	---	85.54%	85.54%	85.54%	85.54%
ALC "Sinergiya"	33592396	---	12.5%	12.5%	12.5%	12.5%
IFBC LTD (Great Britain)	-	33.00%	---	---	---	---
FUTURE RESERVE LTD (Great Britain)	-	65.04%	---	---	---	---

Source: Company data, Expert Rating RA calculations

#### 5.2. Adequacy of risks.

Over the past 5 years ALC Insurance company "Proxima" at the end of 2007 only had a significant payout ratio of 80%. In the other years, the payout ratio did not rise above 10%. Low payout ratio is associated with the insurer specialization in traditionally profitable types of insurance. The research of major indemnities paid out by the Agency revealed that IC "Proxima" does a real business, devoid of schemed features. The largest indemnities paid out in the last 12 months:

- 01.03.2011 – payment of UAH 25,356.81 as recourse of OSGPO policy (compulsory civil liability insurance) no. VS/7864042 in favor of IC UNIQA;
- 02.03.2011 – payment of UAH 25,475.90 as recourse of OSGPO policy no. VS/7858025 in favor of IC "Salamander-Ukraine";
- 17.03.2011 – payment of UAH 92,000.00 indemnity under the contract no. 20-06-0653 of 13.07.2010 (RTA of insured vehicle with participation of a motorcycle).

## 6. Other factors considered at rating estimation

The research of the insurer's personnel showed that the Company's management had neither previous convictions nor claims from tax authorities and State Financial Services for the last 12 months. Neither there have been any legal proceedings which could adversely affect the operations of the insurer.

## 7. Conclusions

From 17 to 04 December, RA Expert-Rating performed a research of financial stability of ALS IC "PROXIMA". According to the research results the ALC IC "Proxima" (USREOU code 33592726) was assigned by the rating committee of the Agency the **uaBBB+** rating of insurer stability (sufficient level of stability) according to the national scale.

According to the results of rating research the following main conclusions can be drawn:

1. IC "Proxima" belongs to small insurers with total premiums a year amounting to UAH 10 m. The Agency assess the market share of IC "Proxima" as 0.1% of total market of classic insurance in Ukraine. Change of shareholders in late 2010 led to increase of gross premiums. According to Agency the shareholders are able to provide IC "Proxima" with incoming business.

2. RA "Expert Rating" assesses diversification per types of insurance as close to satisfactory. At the end of 2010 IC "Proxima" received approximately 50% of premiums from freights and luggage insurance, 13.3% – from property insurance, 10.94% – from insurance of financial risks. Level of customer diversification has also been found as close to satisfactory. At the end of 2010 the Company received from the largest client 55.75 % of gross premiums, from 5 top clients – 83.48 %. The Agency recommends SC "Proxima" to deepen customer diversification for improving financial stability rating.

3. The Agency recognizes as sufficient the quality of insurer's assets. At the beginning of 2011 investments in shares made about 95% of insurer's earning assets, part of these investments is recognized by the Agency as highly liquid. 5.3% of insurer's assets corresponded to funds on current and deposit accounts in banks. The quality of reinsurance coverage of IC "Proxima" cannot be assessed, which is a common problem in Ukraine due to small number of companies with financial stability ratings.

4. The new shareholders of IC "Proxima", - IFBC LTD and FUTURE RESERVE LTD are non-resident companies, which according to the Agency can provide a significant level of external support, as well as promote the growth of gross premiums of the insurer in the future. At the same time, the Agency reminds that IC "Proxima" is considered an overcapitalized company. As of early 2011, Company's equity/assets ratio was almost 90%, i.e. at the present time the Company does not require additional capital from shareholders.

*Full substantiation of the rating is provided in the rating report. The report is available on the Web-site of RA "Expert Rating".*

Table 6

**Calculation of factors making part of ALC "Insurance company "Proxima"  
financial stability rating assessment**

No.	Name of indicator	Numerator	Denominator	At the time of publication of the report	Scoring	Weight	Calculation
1	Market share	premiums collected by the company P1: 010	Premiums of the whole market	0.0425%	12	0.05	0.6
2	Investment ratio of insurance process	Underwriting expenses (sales) P1: 300+310	Gross premiums collected by the company P1: 010	5.08%	3	0.02	0.06
3	The growth rate of net premiums	Change in net premiums for the period P1: 010-020	Net premiums for the period preceding the reporting period P1: 010-020	31.81%	1	0.02	0.02
4	Receivables ratio	Accounts receivable F1: 050+160+170+180+190+200+210+060	Gross premiums P1: 010	44.82%	6	0.01	0.06
5	Share of net premiums by type of insurance	Premiums on most bulk type of insurance	premiums collected by the company P1: 010	49.23%	12	0.18	2.16
6	Share of the 5 largest customers	premiums received from the five largest customers	premiums collected by the company P1: 010-020	55.75%	12	0.12	1.44
7	Poor quality assets ratio	Assets with a grade lower than investment grade	Earning assets F1: (040+045+220)	0	1	0.03	0.03
8	Poor quality assets ratio	Premiums belonging to reinsurers not having investment grade	Shareholders equity – Non tangible assets F1: 280-010-430-480-620-630	100%	12	0.075	0.9
9	Reinsurance coverage quality factor	Premiums belonging to reinsurers having investment grade	Premiums belonging to reinsurers P1: 020	0	6	0.045	0.27
10	Insurance risk ratio	Net premiums collected by the company P1: 010-020	Shareholders equity – Non tangible assets F1: 280-010-430-480-620-630	5.17%	1	0.15	0.15
11	Portfolio loss ratio	Indemnities P1: 240	Gross premiums P1: 010	15.08%	6	0.025	0.15
12	ROE	Net income F2: 220 (225)	Shareholders equity F1: 380	0.2495%	6	0.05	0.3
13	ROI	Income on investment F2: 110+120+130-140-150-160	Average amount of resources available for investment (F1: 040(H)+045(H)+220(H)+040(K)+045(K)+220 (K)) / 2	0.00087	6	0.025	0.15
14	Adequacy of reserves	Indemnities P1: 240	Reserves F1: 415-416	25.02%	3	0.02	0.06
15	Coverage of net indemnities by capital	Indemnities P1: 240*	Shareholders equity – Non tangible assets F1: 280-010-430-480-620-630	0.6684%	1	0.14	0.14
16	Liquidity	Highly liquid assets F1: 230+240	Liabilities F1: 430+480+620+630	48%	12	0.04	0.48
							6.97



## Appendix A

### Use limitations of the rating report

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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 <b>aa</b> , 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 ratings

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

Positive (+);

Neutral ( );

Negative (-).

This appendix makes an integral part of any rating report.