

The rating report



Insurer stability rating according to the national rating scale:

Interpretation of the rating:

Rating date:

Rating report update date:

uaA

(High stability level)

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)

October, 06, 2011

On customer request



Private Joint Stock Company

“Insurance Group U.B.I.”

(Full name of the company)

Off 48, b.708, Degtaryevskaya str., Kiev, Ukraine, 04112
(Company legal address)

Off 48, b.708, Degtaryevskaya str., Kiev, Ukraine, 04112
(Company mailing address)

Registration date:	10.08.2000
Date of start of operations:	October 2000 r.
Former name:	Joint Stock Company “Finsttrakh”
Full name and title of the Chief Executive:	Moroz Andrey Aleksandrovich
USREOU code:	31113488
Account bank:	PJSC “Raiffeisen Bank Aval”
Auditor:	Audit firm “Original” Ltd (aud. cert. series A no. 001914 of 18.05.2004)
Contact person:	Britsyn Andrey Viktorovych , First Deputy General Director
Tel.:	+38 (044) 374-03-25
Fax:	+38 (044) 374-03-26
E-mail:	office@ubi.ua
Web:	http://www.ubi.ua

Types of voluntary insurance, for which the IC have been licensed: Insurance of land transport (except railway transport) - AB No 469761 of 26.06.2009; Freights and luggage insurance – AB No. 460762 from 26.06.2009; Insurance against fire and Acts of God risks - AB No. 469763 of 26.06.2009; 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. 469764 of 26.06.2009; Insurance of medical costs – AB no.469765 of 26.06.2009. Financial Risks Insurance – AB No. 469766 of 26.06.2009; Third party liability insurance (except for civil liability of land transport, air transport, owners, water transport owners (including carrier's liability) - AB No. 469756 of 26.06.2009 Insurance of civil liability of land transport owners (including carrier's liability) – AB No. 469757 of 26.06.2009; Health insurance in case of disease – AB No. 469758 of 26.06.2009; Health insurance (uninterrupted health insurance) – AB No. 469759 of 26.06.2009; accident insurance AB no. 469760 of 26.06.2009.

Types of mandatory insurance, for which the Insurance Company have been licensed: Civil liability insurance of citizens of Ukraine, who are owners of weapon or possess it on other legal grounds against damage resulting from owning, keeping or using weapon, which can be caused to third parties or third party's property; AB no.469767 of 26.06.2009; insurance against transport accidents AB no.469768 of 26.06.2009. Liability insurance of carriers of dangerous goods against negative consequences of dangerous goods transportation – AB No. 469769 of 26.06.2009; 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. 469770 of 26.06.2009; 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 can result in accidents of environmental and sanitary and epidemic nature AB no 469771 of 26.06.2009; Insurance of civil liability of land transport owners AB no.528850 of 18.05.2010.

*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

PJSC Insurance Group U.B.I. was founded in 2000. When incorporated the Company has the name "Finstrakh". The company was founded by three Ukrainian companies: Production Commercial Company "Glorius", Private Enterprise Building Company "Maria" and Private enterprise "Veselka".

Initially the Insurance Group U.B.I. was oriented to work in the corporate area of building and commercial risks insurance market, as well as on package insurance of property interests of the enterprises. The Company has been optionally developing transport and personal kinds of insurance. In the first phase of Company development most client companies had corporate relations or cooperated with its shareholders.

During 2000-2008 the Company has worked mainly as captive insurer, however, the share of market sales in Company portfolio varied from 5 to 10% in different years. Also, a small part of portfolio was presented by retail products focused on the insurance of individuals.

Since late 2008, under the influence of new shareholders who joined the company, including two foreign investors - FIRE WELL GROUP SA and Homerton Investments Limited, along with a number of individual shareholders, market strategy improved significantly, which presumed rise of financial stability indicators, formation of new brand of the Company (including change of name) and its increased market orientation.

Starting from Q2 of 2009, the Company entered the market under the brand "U.B.I. insurance" (JSC IG U.B.I.). The new name, been abbreviation of Ukrainian Business Insurance, (Ukrainian corporate insurance), meant to reflect the new ideology of the company and its future work been grounded based on European approaches to insurance in the corporate sector. In particular, the experience of the German and Swiss insurance companies and brokers, studied by Company specialists throughout 2008-2009 was laid in the grounds of creation of the new product line for corporate clients.

New vision of PJSC Insurance Group U.B.I. perspectives impacted as well the retail sales in its portfolio. During 2009-2010 their share grew to 20 %, and during 2011-2012, this figure will reach the level of 30-35 %, which should be assisted by Company accession to Motor (Transport) Insurance Bureau of Ukraine in March 2011. One of the key elements necessary to cope with this task is formation of Company's regional representation offices, which since 2009 cover the entire territory of Ukraine. This greatly facilitates communication with customers at both conclusions of insurance contracts and settlement of insured events.

Another component of Company's retail strategy is accreditation in the Ukrainian banks. By today the Company has been already accredited more than in five system banks. The expansion of the list of partner banks is ongoing. The list shall feature 15 partners before 2012.

At the same time corporate insurance remains a priority for PJSC Insurance group U.B.I.. Correct analysis of the market and customer needs allows the Company creating the most advantageous offers and regularly winning the bids conducted by Ukrainian enterprises. Among the clients of PJSC Insurance group U.B.I. there are such companies as: NAK "Naftogaz of Ukraine", Ukrainian Institute of Industrial Property ("Ukrpatent"), PUC "Kyivpastrans", SE "Ukrainian Coal", PC "Ukrtransgaz", PC "Ukrghazdobycha" PJSC "Chernomorneftegaz", "Slavic petroleum products" LLC, "Kakhovka plant of Electric welding equipment", etc. New direction of work in the corporate sector is to provide insurance coverage for non-resident companies carrying out activities in the territory of Ukraine. The largest non-resident customers of PJSC Insurance Group U.B.I. are British companies Waterton Finance Management and Westmark Commodities Ltd.

Maximum flexibility of insurance service, its focus on innovation and implementation of preventive measures reducing the risk of insured events occurrence are the main features of cooperation with corporate clients. To date, the implementation of this policy allows for rather low level of PJSC Insurance Group U.B.I. insurance portfolio loss.

The reinsurance of accepted risks is an essential component ensuring stability and good balance of the Company. During 2009-2010, PJSC Insurance Group U.B.I. significantly increased reinsurance activities. Leading Ukrainian and foreign companies became partners of PJSC Insurance Group U.B.I.. In particular, the company cooperates actively with reinsurers in Lloyd's market, as well as with Russian reinsurance market, ceding the risks of both domestic and non-resident client companies.

In general, Company current market position can be characterized as perspective and at the same time stable, as the Company has sufficient resources to both preserve and enhance leadership in the occupied market niche.

The analysis of Company key performance indicators over the recent 5 years shows that major changes occurred in 2009 with the arrival of new shareholders. However, PJSC Insurance Group U.B.I. is still adhering to an extremely conservative management strategy. The company is highly overcapitalized. At the beginning of 2011 the shareholder equity/assets ratio was 84%.

The Company accelerated its development over the past two years. In 2010 only gross premiums of PJSC Insurance Group U.B.I. grew by 206% compared to 2009 (Table 1).

Table 1

Key Performance Indicators of PJSC Insurance Group U.B.I., (UAH th, %)

Indicators	2010	2009	2008	2007	2006	Growth rate 2009-2010	Growth rate 2006-2010
Assets	40859	34296	7545	27333,4	27505,5	19,14%	48,55%
Shareholders equity	34268	33622	7505	27320,4	27447,5	1,92%	24,85%
Shareholders equity/assets ratio	83,87%	98,03%	99,47%	99,95%	99,79%	-	-
Cash and cash equivalents	4433	1046	0	62,7	179,4	323,80%	2371,01%
Authorized capital	33000	33000	7500	7500	7500	-	-
Gross premiums	18732,3	6129,0	15,8	320,1	791,7	205,63%	2266,09%
Reinsurers' share in gross premiums, %	63,55%	86,44%	1,27%	96,91%	100,16%	-	-
Payout ratio, %	2,08%	0,07%	0%	0%	11,39%	-	-
ROE, %	1,9%	1,84%	-0,46%	-0,47%	-0,69%	-	-
Net profit (loss)	652,0	617,0	-34,8	-127,1	-190	-	-

Source: Company data, Expert Rating RA calculations

Therefore, PJSC Insurance Group U.B.I. belongs to the category of small but rapidly growing companies. At the end of 2009-2011 the Company showed profitable operation and growth of liquid assets on the balance sheet.

2. Market share and business activity of the company

PJSC Insurance Group U.B.I. positions itself as a versatile company working in the corporate market segment offering a wide range of classic types of insurance. At the same time PJSC Insurance Group U.B.I. offers specialized programs of risk insurance for oil and gas companies (liability insurance of oil and gas field developers, balt-oil cargo insurance, insurance of equipment for drilling rigs, etc.) The company has a number of developments focused exclusively on the corporate segment, such as a comprehensive program of business owners insurance, bidders' liability insurance, etc. The available "reinsurance certificate" from Willis for placement of PJSC Insurance Group U.B.I. "freight" risks ensures the Company stable positions and clear perspectives in the market of cargo transportation insurance.

The volume of corporate insurance market in recent years shows slight increase and currently amounts to about UAH 10 b. This market is largely divided between insurance groups belonging to different FIGs (financial-industrial groups) and between branch insurers. Relatively free competition can be seen in small and medium businesses insurance, as well as in the insurance of state-owned enterprises. PJSC Insurance Group U.B.I. is oriented to work namely with the above mentioned markets. At present the company holds the role of "market challenger" in a number of industry segments of corporate insurance market. In particular, the strategic direction of the company is to strengthen positions in provision of insurance services for oil and gas companies of Ukraine. In the period from 2008 to Q1 2011, the Company has been consistently strengthening its market positions. Company's share in the overall market of corporate insurance in this period increased from 0.00018 to 0.2%, while the share of the Company's in target market segments to date can be estimated as 1-1.5%.

Main competitors of PJSC Insurance group U.B.I. in the target markets are the "medium-size" insurance companies with alike strategy, such as: Brokbusiness, VUSO, NOVA, as well as large universal insurance companies: AXA, Providna, INGO-Ukraine, IG TAS, UPSK, etc. Main competitive advantage of PJSC Insurance Group U.B.I. consists in flexible product for each customer, as well as in exclusion of "mechanistic" approach to requests coming from the Insureds.

PJSC Insurance Group U.B.I. positions itself as an individual outsourcing risk-manager of the enterprise. Such approach to business is reflected in Company's corporate mission and ensures continuity of marketing strategy. Implementation of this business philosophy is also assisted by the size of the Company ensuring possibility communication at top level with most large and medium customers. In its tariff policy the Company is following the average market indicators, focusing not on insurance price reduction, but on increasing the amount of insurance coverage at the expense of additional specific risks. For example, in CASKO insurance at 6% base rate the Company offers additional coverage of vehicle transport risk (by other transport types, as well as haulage and evacuation). In insurance of international grain transportation by sea at the insurance rate of 0.15% the Company offers coverage against risks of war with the relevant reinsurance coverage in major European markets.

Over the past year the Company won a number of bids held by such large enterprises as: NAK "Naftogaz Ukrainy" (freight insurance), PC "Ukrtransgaz" (compulsory insurance), PC "Ukrgazdobycha" (compulsory insurance), PJSC "Chernomorneftegaz" (compulsory insurance), PE "Ukrainian Industrial Property Institute" (property insurance), PUC "Kyivpastrans" (property insurance, compulsory insurance). On the whole, during 2010 Company's bidding offers have been recognized as best more than 15 times.

The largest clients of PJSC Insurance Group U.B.I. are PC "Ukrtransgaz", NAK "Naftogaz of Ukraine", PC "Ukrgazdobycha", JSC "Kakhovka plant of electric welding equipment", LLC "Smilaenergopromtrans", PJSC "Chernomorneftegaz".

To date, PJSC Insurance Group U.B.I. takes the ideology of progressive development, focusing primarily on more complete coverage of target market segment – the enterprises of power industry of Ukraine. At the same time, certain progress is noted in working with the enterprises of other industries, namely:

- Winning the tender held by MUC "Kyivpastrans";
- Accreditation in a number of banks: "Ukrigasbank", "OTP Bank", "Deltabank" and "Terrabank";
- Entrance to the market of grain cargo insurance - Waterton Financial Management (Panama) and Westmark Products Ltd (UK);
- Reception of new licenses for insurance of civil liability of land transport owners.

Direct sales are main channel of PJSC Insurance Group U.B.I. sales, making over 80% in sales structure. The company has a network of representatives throughout Ukraine, who provide prompt customer service, including for the settlement of losses.

As a whole, the Agency estimates the share of the Company PJSC Insurance group U.B.I. in the Ukrainian insurance market as 0.2 % with probability of achievement of 1% for certain types of insurance.

3. Diversification of insurance activities

3.1. Activity-based diversification.

In 2009 financial risk insurance accounted for 73 % of insurance payments. This is due to the fact that 2009 was the year of reorganization of the Company, and there has been no active work performed to attract the customers. The only systemic project, implemented in cooperation with "Slavic petroleum product" on insurance of fuel sales with delayed payment, has become prevailing source of incoming insurance payments. This misbalance was eliminated already in 2010 by activation of work on target market segment with a wide range of insurance products. Therefore, dependence on one type of insurance by results of 2010 has disappeared.

In 2010, compulsory insurance remained the largest insurance type. Due to it approximately 40% of gross business was attracted that is quite an acceptable norm (Table 2). At the same time it should be borne in mind that PJSC Insurance Group U.B.I. belonged to the category of small companies, with gross premiums up to UAH 20 m. per year and when signing major contracts or winning major tenders the insurer could disrupt the balance achieved both in per client as well as per type business diversification.

Table 2

Structure of premiums collected by PJSC Insurance Group U.B.I., UAH th.

Insurance types	2010		2009		Change, UAH th.	Growth rate	Changes in the structure of premiums
	UAH th.	%	UAH th.	%			
Mandatory insurance, totally:	7559	40,35%	2,1	0,03%	7573,5	360642,86%	38,70%
Property insurance	5107,1	27,26%	861	14,05%	4417,1	513,02%	12,94%
Financial risk insurance	2492,6	13,31%	4518,4	73,72%	-2025,8	-44,83%	-60,98%
Insurance of land transport (except for railway transport)	2298,2	12,27%	402,3	6,56%	2038,3	506,66%	5,91%
Third party liability insurance	383	2,04%	246,1	4,02%	638,9	259,61%	0,51%
Accident insurance	750	4,00%	70	1,14%	680	971,43%	2,69%
Insurance of medical costs	59,4	0,32%	0	0,00%	59,4	-	0,30%
Insurance against fire and Acts of God risks	47,1	0,25%	0	0,00%	47,1	-	0,24%
Insurance of civil liability of land transport owners	29,8	0,16%	0	0,00%	29,8	-	0,15%
Other types of insurance	6,1	0,03%	29,1	0,47%	-29,1	-100,00%	-0,47%
In total:	18732,3	100,00%	6129	100,00%	13429,2	219,11%	0,00%

Source: Company data, Expert Rating RA calculations

Also, in understanding the statistics of per type diversification it should be considered that in 2010 the property insurance accounted for 28 % of premiums collected by PJSC Insurance group U.B.I. At that the payout ratio on this type of insurance did not exceed 5%, which is consistent with the results of short-term profitability analysis for this type of insurance in the global practice. Obviously, more weighted value of payout ratio on this type of insurance may appear in few years, during which catastrophes might occur like hurricanes, earthquakes, floods, etc., which would significantly impact the size of this value.

Main inflow of insurance payments is provided by classical insurance products: property insurance, land transport insurance, as well as mandatory insurance, such as insurance of liability of owners of highly dangerous facilities, liability insurance of carriers of dangerous goods, insurance of volunteer fire brigades and drivers. As part of these types of insurance, PJSC Insurance Group U.B.I. offers both standard coverage and individual extensions: insurance of interruption of production, cover of war risk in insurance of international freight, insurance of quality performance of obligations under the signed contracts and bid offers. Obviously, the innovative insurance products are not the primary source of incoming insurance payments, but they do indirectly strengthen cooperation with a number of companies.

Major clients of PJSC Insurance Group U.B.I. are located in Kiev due to the peculiarities of economic development and efficient territorial location (registration and management) of business in Ukraine. The Agency is monitoring since 2008 sectoral diversification of clients' business in insurance industry, since, as a rule, insurers themselves do not account for such diversification, and very often the entities underwritten in Kiev are geographically

located in different parts of Ukraine, or do actively move through the territory of Ukraine, when it goes about transport insurance.

PJSC Insurance Group U.B.I. has a network of representatives throughout Ukraine, ensuring prompt customer service, including the settlement of losses. Regional network expansion is not planned in the current year. Sales through agents and brokers are not a priority sales channel, and in the future will be more likely to perform the function of diversification. The maximum amount of sales through insurance intermediaries in the future may reach 35-40%. The products offered by the Company focus on the owners of large and medium-sized businesses, are often quite sophisticated and do require discussion at top level, that aids to preserve high percentage of direct sales in the company's portfolio.

3.2. Customer-based diversification

RA "Expert Rating" estimates customer based diversification as close to satisfactory:

- Number 1 top customer in 2010 provided for 30.34 % of premiums;
- 5 top customers in 2010 ensured 54.91 % of premiums;
- 10 top customers in 2010 provided 59.71 % of premiums.

PJSC Insurance Group U.B.I. does not provide any data on the years 2008-2009 due to that they would not be significant for the analysis. Let's remember that in 2009 new shareholders joined the Company, business structure and work direction began to change. Only the year 2010 can be considered as indicative for client diversification.

Five top clients of PJSC Insurance Group U.B.I. represent 54.91 % of premiums collected. This figure is due to both that the Company is in the stage of entering target market segment, as well to the structure of the latter. Significant activation of PJSC Insurance group U.B.I. in the market of corporate insurance has been noticed in 2009, in particular entrance to risk insurance market of oil and gas companies began in Q2 2010 from setting up collaboration with industry leaders that, in fact, resulted in certain imbalance of client diversification. In terms of the indicators of first eight months of 2011, as well as according to forecasts for the end of 2011, this imbalance is almost completely leveled by active work with medium enterprises in this segment.

At the end of the last financial year the five top clients of PJSC Insurance Group U.B.I. have been: PC "Ukrtransgaz", NAK "Naftogaz Ukrainy", PC "Ukrghazdobycha", "Slavic petroleum products" LLC, "Smilaenergopromtrans" LLC, OJSC "Kakhovka plant of electric welding equipment". PC "Ukrtransgaz" and PC "Ukrghazdobycha" are subsidiaries of NAK "Naftogaz of Ukraine". At the same time, it should be noted that these companies perform fully isolated economic activity and do not agree the choice of insurer with NAK "Naftogaz of Ukraine", carrying out the selection of partner company based on open competitive bidding.

RA "Expert Rating" assesses the level of per type diversification of the Company as good, that of per customer diversification – as close to satisfactory with a strongly marked specialization on oil and gas companies.

4. Quality of assets and of reinsurance cover

4.1. Quality of assets

In 2010 the earning assets of PJSC Insurance Group U.B.I. have risen to 15.54% and reached the level of UAH 30.678 m. As Agency analysis shows, 85.55% of the earning assets were represented by investments on such balance item as "Other financial investments", i.e. actually investments into stocks (Table 3).

Table 3

Structure of earning assets of PJSC Insurance Group U.B.I., UAH th.

Types of assets	2010		2009		Growth rate, %
	UAH th.	%	UAH th.	%	
Other financial investments Form 1 (p. 040 + 045)	26245	85,55%	25505	96,06%	2,90%
Cash and cash equivalents Form 1 (p. 230 + 240)	4433	14,45%	1046	3,94%	323,80%
Earning assets, in total:	30678	100,00%	26551	100,00%	15,54%

Source: Company data, Expert Rating RA calculations

A significant amount of earning assets portfolio in stock made the Agency to pay particular attention to this portfolio. It turned out that 98% of portfolio shares are of two issuers: a power-generating company and a commercial bank. Both issuers made part of stock indexes and have been actively traded on PFTS and JSC "Ukrainian exchange". According to RA "Expert Rating", the stock portfolio of PJSC Insurance Group U.B.I. is poorly diversified.

The analysis of bank deposits portfolio has shown that the company complied with the requirements of national legislation and placed deposits in banks with investment grade rating. However, at the beginning of 2011 45.25% of funds have been placed on deposits in one of small commercial banks. The Agency recognizes this level of insurer deposit portfolio diversification as satisfactory.

Decisions on assets operational management are taken by the management of PJSC Insurance group U.B.I. in accordance with the directives of shareholders based on the decisions of the Supervisory Board. The analysis of effectiveness of asset management is carried out on a monthly basis or every ten days, depending on the type of asset.

Persons responsible for management of one or other assets (Chief Accountant, Head of Bank Insurance Department), report on ROA to the management, based on which a decision on further assets placements is taken. According to the Agency, the asset management system of PJSC Insurance Group U.B.I. is effective, because currently it can provide higher returns than than the level of Company liabilities on raised funds. Also the asset management system stimulates the core business of the Company.

As main reasons for opening current accounts in a bank PJSC Insurance Group U.B.I. regards the reputation and financial performance of these banks, as well as availability of extensive branch network and favorable conditions of settlement and cash services to clients. When deciding on opening deposit accounts the bank's ability to provide an adequate level of pledged assets insurance while maintaining competitive conditions of deposit incomes adds to the above mentioned factors.

Main amount of deposits is placed on short-term deposits for 1-2 months. In the event of early termination, as a rule, a penalty is foreseen expressed in setting the interest for the last month in which early termination occurred, at the level of current account interest rate. About 10 percent of funds are placed on "saving" accounts, which have no foreseen sanctions for early withdrawal.

Based on H1 2011, 96% of deposit resources of the Company were placed in five large system banks, two of which are public. Over 50% of Company deposits have not been concentrated in any bank.

At the moment, PJSC Insurance Group U.B.I. does not use services of asset management companies, but conducts its investment activities on its own.

4.2. Quality of reinsurance cover.

The choice of reinsurers in PJSC Insurance Group U.B.I. is conditioned by the indicators of financial stability of these companies, by their experience in certain insurance and reinsurance markets in the context of specific types of insurance, as well as by the competitive ability of the offered reinsurance conditions. Offshore reinsurers are not considered. At the beginning of 2011, 100% of reinsurance cover was provided by unrated reinsurers than is a common Ukrainian practice when working with Ukrainian companies only. Reinsurance coverage has been diversified at minimally acceptable level.

Thus, RA "Expert Rating" assesses the asset quality of PJSC Insurance group U.B.I. as close to high, the quality of reinsurance coverage can not be identified due to objective reasons, but the company disclosed to the Agency the entire portfolio of reinsurers. Considering information on the limited level of earning assets portfolio diversification it should be understood that PJSC Insurance Group U.B.I. is a small company, moreover the Company maintains too large redundant level of capitalization.

5. Capital adequacy and risk adequacy

5.1. Support by shareholders

PJSC Insurance Group U.B.I. is under the control of non-resident companies

- FIRE WELL GROUP S.A. – 20%;
- Homerton Investments Limited – 65%.

In the Insurer's Board of Directors there are no persons who would represent the interests of minority shareholders. Nor are there insiders or their family members among the shareholders of the Company.

At the beginning of H1 2011, the shareholders of PJSC Insurance group U.B.I. had financial capacity to increase the authorized capital of the Company when required. During Q1 2011 only the Company received additional \$ 0.5 m of financial resources, aimed on business development and strengthening of positions in the market of bank insurance.

For the past 12 months, a positive influence on the profitability of the Company had the introduction of budgeting system, as well as attraction of additional financial resources from shareholders. Slow exit of the Ukrainian economy from the crisis, lack of stability in pricing for key power resources in the country can be named as negative factors objectively influencing profitability indicators.

In the next 12 months PJSC Insurance Group U.B.I. expects for ROE growth due to the increased volume of financial instruments used by the Company in the banking sector, as well to implementation of marketing strategy aimed at intensification of work with target market.

5.2. Adequacy of risks.

Since 2005, the payout ratio has never exceeded 12%. In the last 2 years Company's payout ratio did not exceed 2.1% (Table 4). However, in the future the payout ratio of PJSC Insurance Group U.B.I. will grow, because in 2010 year the Company already has significantly activated the acceptance of risks.

Table 4

Payout ratio of U.B.I., PJSC Insurance Group in 2005-2010 (%)

Indicator	2010	2009	2008	2007	2006	2005
Payout ratio, %	2,08	0,07	0	0	11,39	0

Source: Company data, Expert Rating RA calculations

In 2010 the largest payouts have been made on land transport insurance (CASCO):

- The highest payout – UAH 65 th. The Insured - State Enterprise "Ukrainian Coal", insurance object – Toyota Avensis, insured event – RTA at the intersection.
- The second high payout – UAH 45 th. The Insured - individual person, insurance object – the car Mercedes-Benz ML 350, insured event – RTA at intersection of (nonobservance of distance).
- The third high payment – UAH 29 th. The Insured – individual person, object – the car Honda Accord, insured event – RTA (nonobservance of distance).

6. Other factors considered at rating estimation

As result of the analysis, RA "Expert Rating" has found that the top managers of PJSC Insurance group U.B.I. have sufficient experience obtained on senior positions previously held in other financial companies, do meet all regulatory requirements for continuing professional development, and have no criminal records. At the time of publication of this Rating Report the Company has neither unresolved litigation nor pending claims. The last tax audit took place in October 2010. The company has no claims or prescriptions by neither the State Commission for Regulation of Financial Services Markets of Ukraine nor other regulatory authorities.

7. Conclusions

In the period from 1 to 6 of October RA "Expert Rating" conducted the rating research of financial stability of PJSC Insurance Group U.B.I. According to the results of the research, PJSC Insurance Group U.B.I. (USREOU code 31113488), has been assigned by the Rating Committee of the Agency the rating of stability of the insurer according to the national scale at the level **uaA** (high level of stability).

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

1. PJSC Insurance Group U.B.I. is a small size fast growing insurance company with annual volume of gross premiums up to UAH 20m. The Agency assessed the Insurer share in the Ukrainian insurance market as 0.2 %. The agency admits that at the end of 2011 the share of PJSC Insurance group U.B.I. in certain types of insurance may vary at the level of 1%.

2. The level of per insurance type diversification of PJSC Insurance Group U.B.I. was rated as good, the level of customer diversification – as close to satisfactory. The Agency believes that the small scale of business and partial focus on the corporate segment can at any time both negatively and positively impact the per type and the per customer diversification of insurer's portfolio. All this, together with well-structured insurance portfolio of the Company (motor insurance types take up to 15%) allows not only to fully comply with the undertaken obligations for timely payment of insurance compensation to customers, but also shows potential for further development of Insurer business.

3. The Agency positively estimates the quality of PJSC Insurance Group U.B.I. assets and emphasizes that the insurer complies with basic regulatory requirements for asset allocation. The company maintains low level of stock portfolio diversification, but has a well-diversified and profitable deposit portfolio. After improvement of assets diversification the Agency may raise insurer financial stability rating.

4. Foreign shareholders control 85% of stock capital of the Company and, in the opinion of the Agency, can provide high level of external support to PJSC Insurance Group U.B.I. The Agency emphasizes on that the shareholders in Q1 2011 had already allocated \$ 0.5 mln for business development of the insurer. The Agency identifies the level of external support of the insurer by shareholders as stably high one.

See full substantiation of rating in the rating report. The report is available for review on Web-site of RA "Expert Rating"

Table 5

Calculation of factors making part of estimation

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	0,001908	12	0,05	0,6
2	Investment ratio of insurance process	Underwriting (sales) expenses P1: 300+310	Gross premiums collected by the company P1: 010	0,094203	1	0,02	0,02
3	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	8,176895	1	0,02	0,02
4	Receivables ratio	Accounts receivable F1: 050+160+170+180+190+200+210+060	Gross premiums P1: 010	0,013064	1	0,01	0,01
5	Share of net premiums by type of insurance	Premiums on largest type of insurance	premiums collected by the company P1: 010	0,278075	6	0,18	1,08
6	Share of the 5 largest customers	premiums received from the five largest customers	premiums collected by the company P1: 010-020	0,5491	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	Shareholders equity – Non tangible assets	0,356116	6	0,075	0,45

		having investment grade	F1: 280-010-430-480-620-630				
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	0,20326	1	0,15	0,15
11	Portfolio loss ratio	Indemnities P1: 240	Gross premiums P1: 010	0,057469	3	0,025	0,075
12	ROE	Net income F2: 220 (225)	Shareholder equity F1: 380	0,019214	3	0,05	0,15
13	ROI	Income on investment F2: 110+120+130-140-150-160	Average amount of resources per period, available for investment (F1: 040(H)+045(H)+220(H)+040(K)+045(K)+220 (K)) / 2	0,010087	3	0,025	0,075
14	Adequacy of reserves	Indemnities P1: 240	Reserves F1: 415-416	0,139156	1	0,02	0,02
15	Coverage of net indemnities by capital	Net indemnities P1: 240*	Shareholders equity – Non tangible assets F1: 280-010-430-480-620-630	0,011681	1	0,14	0,14
16	Liquidity	Highly liquid assets F1: 230+240	Liabilities F1: 430+480+620+630	0,672584	6	0,04	0,24
-	-	-	-	-	-	-	4,77

Appendix A

Use limitations of the rating report

The present report is an intellectual property of Expert Rating RA Ltd. All intellectual property rights owned by Expert Rating RA Ltd are protected in conformity with the legislation of Ukraine. No part of this report may be sold, reproduced or distributed by third parties without previous written approval of Expert Rating RA Ltd. All information contained in the present report, had been obtained by Expert Rating RA Ltd from sources which Expert Rating RA Ltd considers as reliable. Due to the possibility of human or technical error, and other factors, Expert Rating RA Ltd does not warrant the absolute reliability of the provided information. The rating of stability of the insurance company, and any part of the information contained in the report, should be regarded exclusively as an opinion on degree of resistibility of the financial institution to adverse factors, not as recommendation about purchase or sale of securities or recommendation about use of insurer services. Expert Rating RA Ltd does not bear responsibility for any consequences of credit, investment or economic decisions of the third parties taken solely based on information on ratings, assigned by Expert Rating RA Ltd.

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 assess the probability of 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 factors. The estimation is made for insurers according to the scale of Expert Rating RA Ltd (see table A). Conversion to the national scale (s) 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	Explication 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 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.