



RUSSIAN NATIONAL
REINSURANCE COMPANY

Reinsurance in Russia | January – March 2017

MOSCOW 2017

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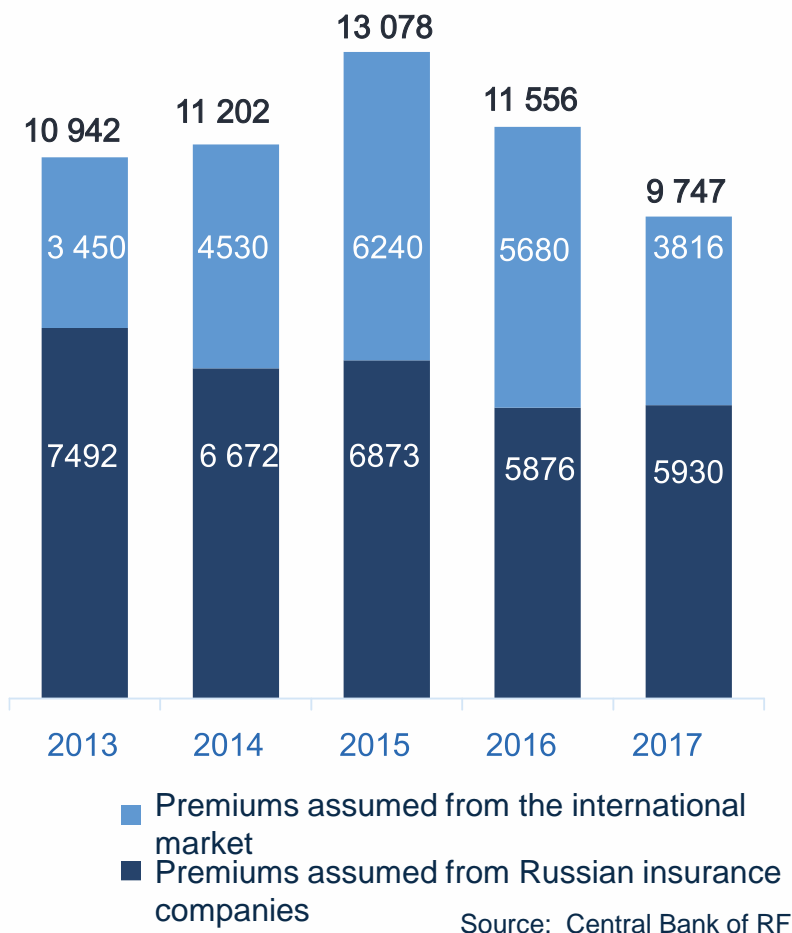
Outward reinsurance

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Paid claims

Inward reinsurance market trends

Inward reinsurance market trends
1Q2016 (million RUB)



The amount of assumed premiums continue to reduce. In Q1 2016, their amount reduced by 11.6%, in 2017 - by 15.7%. The trend of outrunning drop in premiums assumed from the international market, which was almost 33%, still holds.

Such drop in premiums on the domestic market is due to:

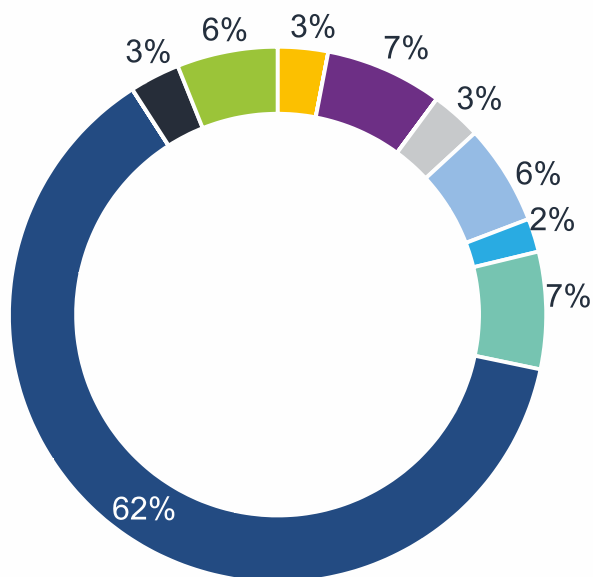
- withdrawal of several companies from the market - UNITY RE, TRANSIB RE, JASO, TRANSNEFT (voluntarily), SELECTA (license suspension)
- weakening of several Russian companies, namely ROSGOSSTRAKH, CAPITAL INSURANCE, VTB INSURANCE, SCOR PO.

Such decrease in premiums was compensated by fees collected by RNRC and as a result the volume of the domestic business remained unchanged.

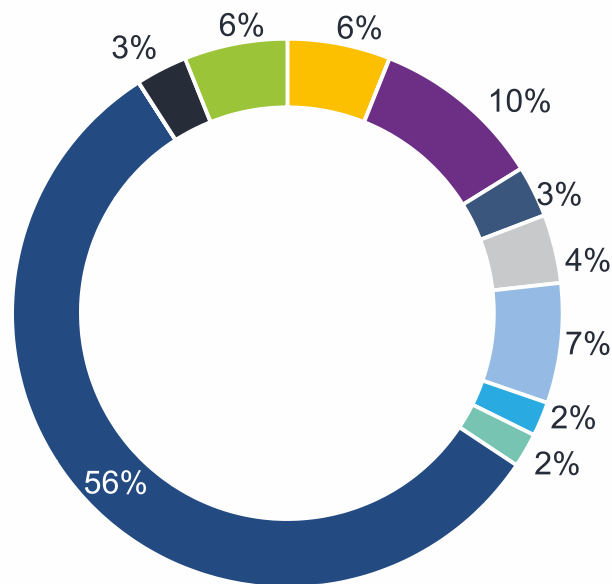
International business performance of almost all major companies (except SOGAZ) decreased, which is understandable as their contracts were denominated in foreign currencies, and ruble figures depend on exchange rates. The average exchange rate of the currency basket changed almost by 30% from 1Q 2016 to 1Q 2017, which could not but affected the premiums. This factor has a significantly less influence on the domestic market though being significant for international players (SCOR PO, CHUBB, AIG).

Inward reinsurance market structure

Structure of inward reinsurance market in 1Q 016



Structure of inward reinsurance market in 1Q 2017



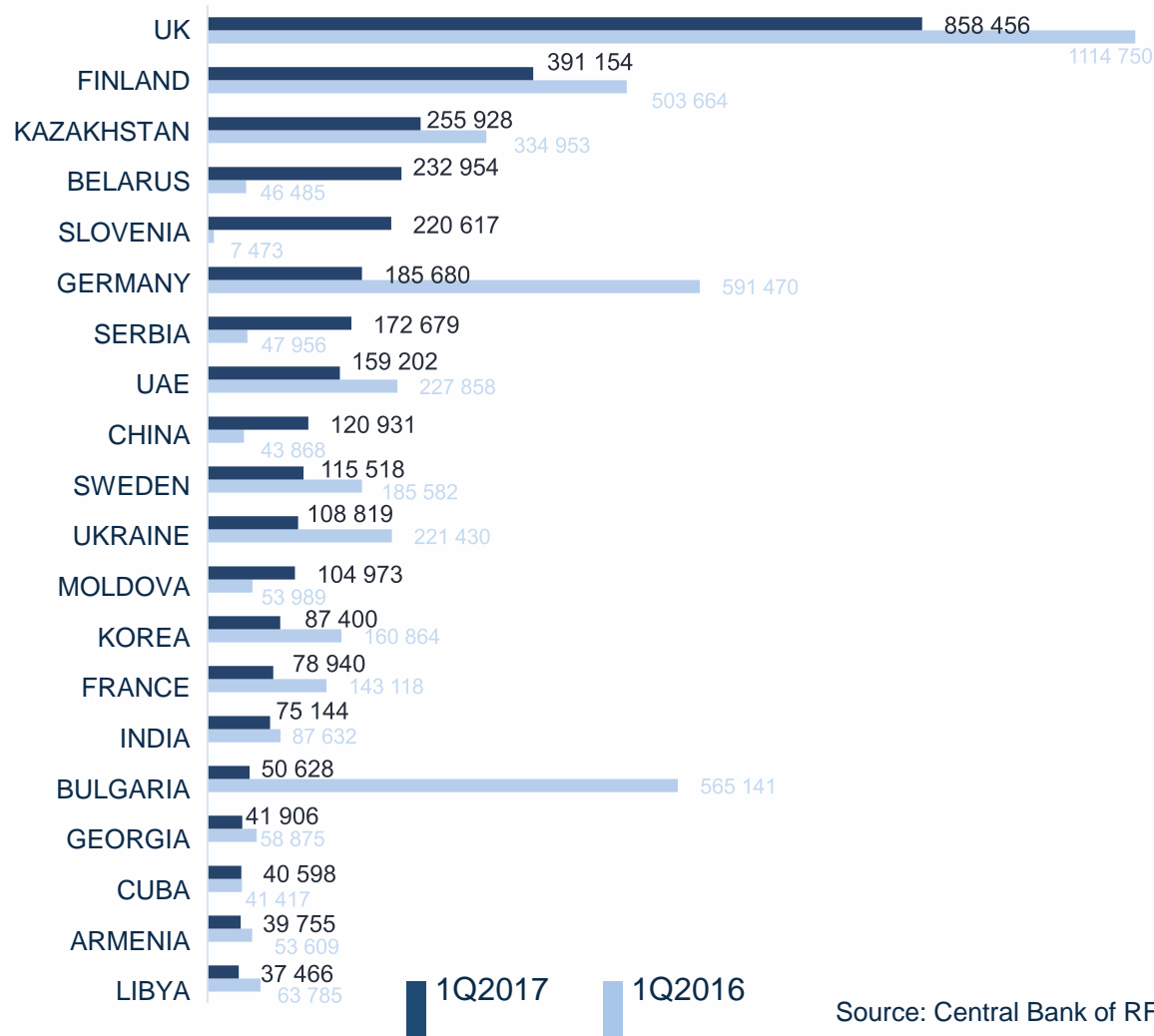
- Financial
- Agriculture
- Liability, including hazardous industrial facilities
- Compulsory insurance of hazardous industrial facilities
- Compulsory carrier liability insurance
- Voluntary health insurance and accident insurance
- Marine
- Motor hull insurance
- Corporate property
- Individual property
- Railways
- Cargo
- Aviation hull insurance

Source: Central Bank of RF

The structure of premiums changed primarily due to the growth of the share of liability and reduction of the share of corporate property insurance. To a large extent, the growth of liability insurance premiums is associated with the growth of compulsory insurance premiums, which is due to changes in accounting procedures. Earlier, premiums were posted based on actual documents, now companies have to post outstanding premiums as well, which several companies did. This is proved by no significant increase in direct business premiums in these types of insurance.

Countries ceding premiums to Russia

Top 20 leading countries in terms of premiums ceded to Russian reinsurers (thousand RUB)



Source: Central Bank of RF

The volume of assumed business has reduced for almost all countries, which proves the hypothesis of significant impact of the rouble exchange rate.

In this regard, Germany "suffered" most. This is due to a dramatic reduction of business placed from this country with SOGAZ.

At the same time, SOGAZ managed to compensate the "dropped" volumes from Belarus, Serbia, China (which resulted in growth for these countries), UK.

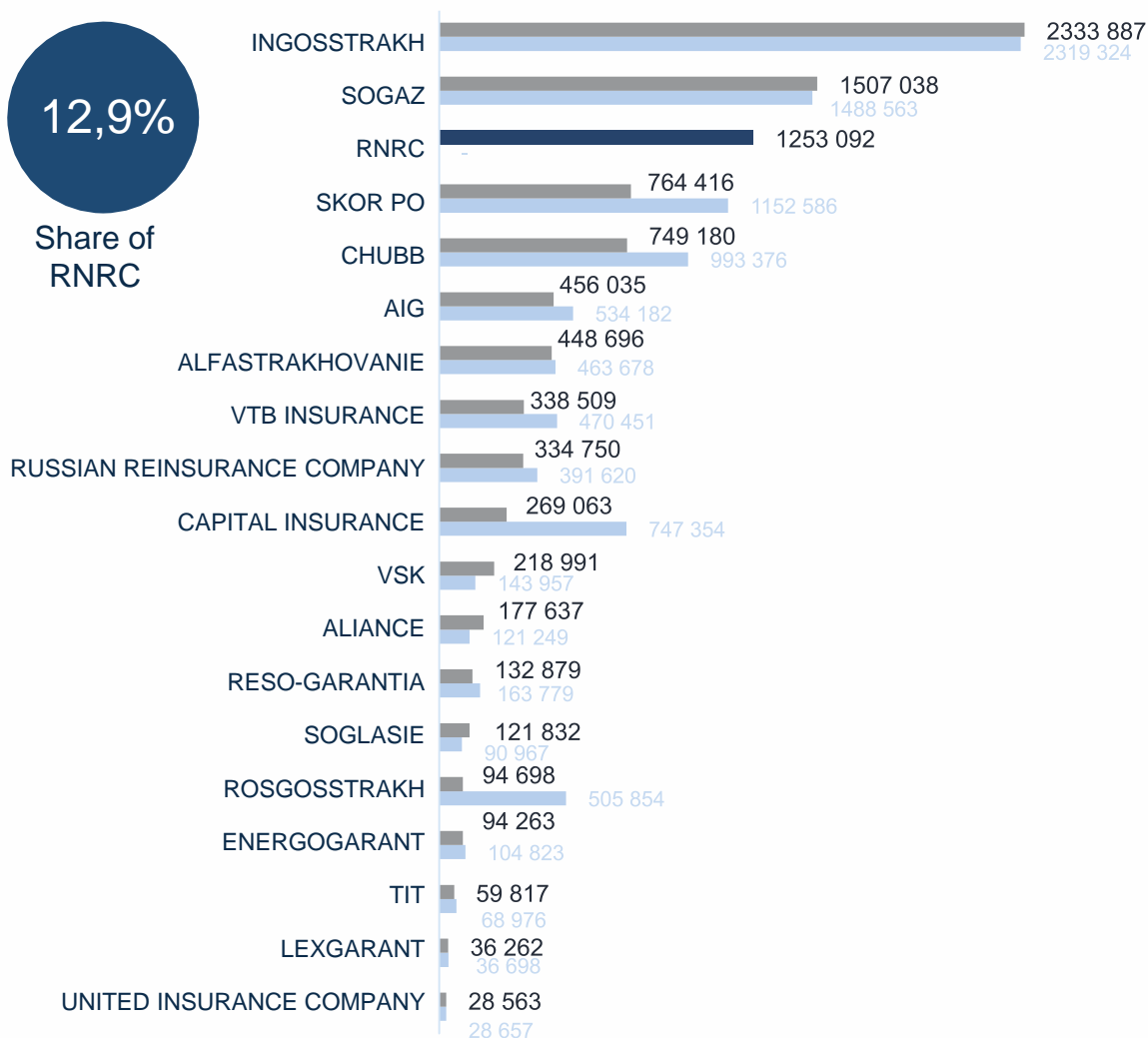
A dramatic decline for Bulgaria is associated with a decrease in business with CAPITAL INSURANCE.

Inward reinsurance market leaders

Leaders of the inward reinsurance market (thousand RUB)

12,9%

Share of RNRC



Market leaders have generally maintained their positions.

RNRC has not yet acquired the expected market share, but can rise above the current third position by the end of the year.

Several notable players mentioned above left the market.

Premiums written by subsidiaries of international companies decreased largely due to changes in the ruble exchange rate.

CAPITAL INSURANCE faced a significant decrease in business from Bulgaria (it can be assumed that this resulted from reinsurance of Lukoil projects in this country).

The performance of ROSGOSSTRAKH as a retrocessionaire of risks of CAPITAL INSURANCE might be related to the same reason.

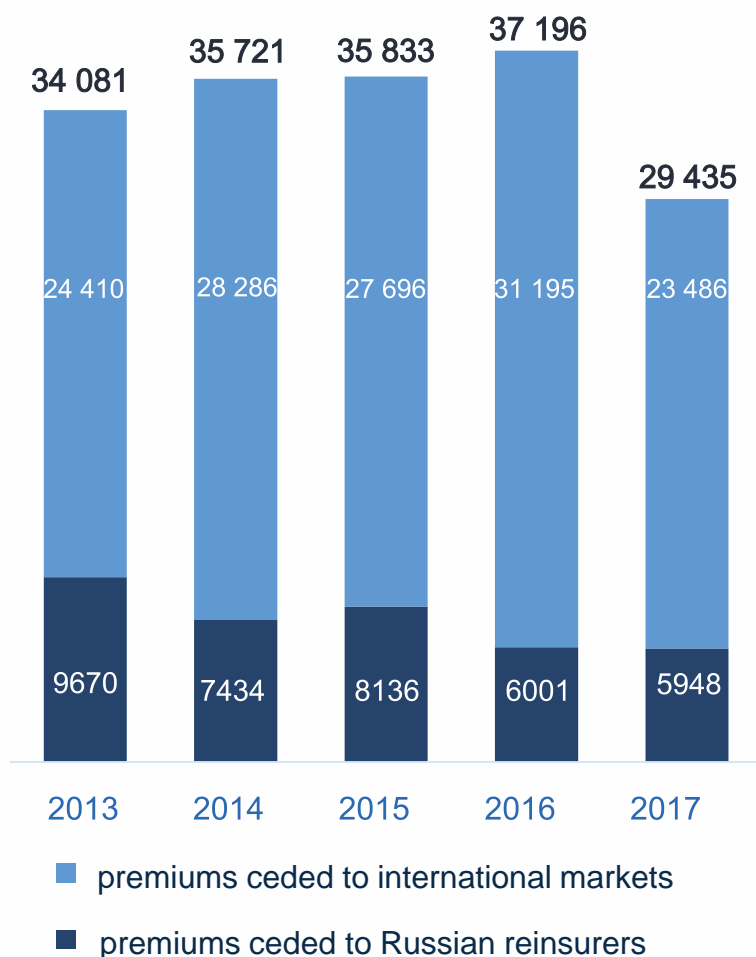


■ 1Q2017 ■ 1Q2016

Source: Central Bank of RF

Outward reinsurance market trends

Outward reinsurance market trends in 1Q 2017 (million RUB)



Source: Central Bank of RF

The amount of ceded premiums decreased by 20% mostly due to a 24.7% drop in premiums ceded to international markets.

There are two market trends:

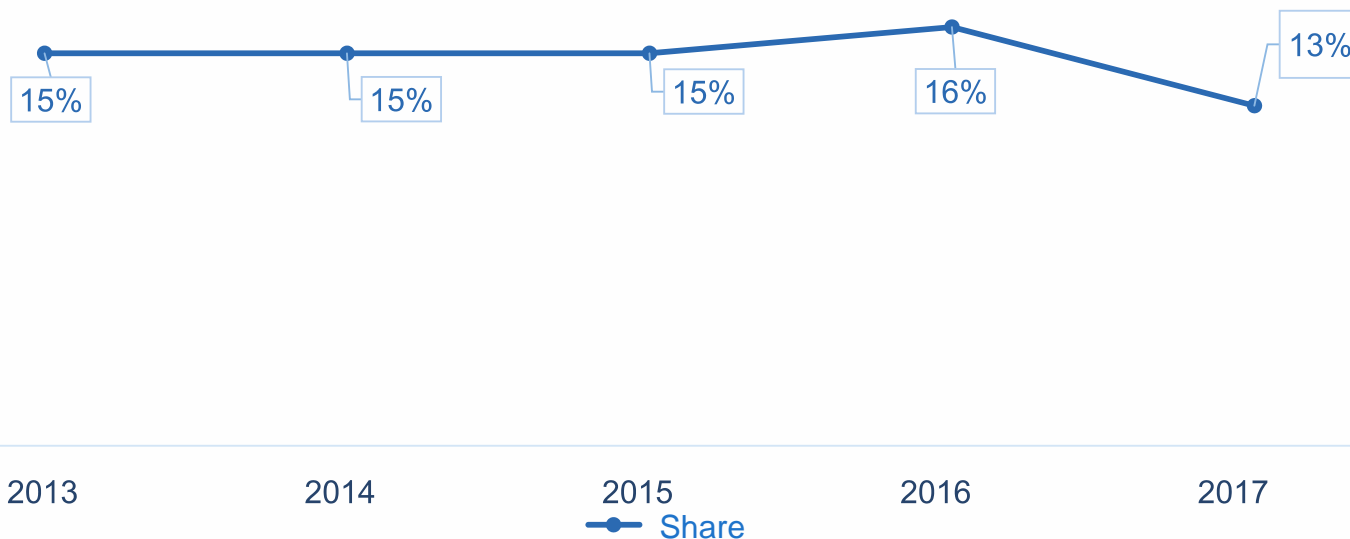
- Several major insurers increased the capacity of their treaties, which also led to a reduction in written premiums under facultative contracts (Ingosstrakh and SOGAZ);
- The trend toward increasing number of coinsurance contracts, which also contributed to an increase in the treaty capacity and a decrease in risks ceded under facultative contracts, which generally reduced the amount of ceded premiums.

The lion's share of risks ceded to international markets falls on foreign exchange contracts, given that foreign exchange rates decreased by 30% from 1Q 2016 to 1Q 2017. In addition, the amount of premiums is expected to be reduced by CAPITAL INSURANCE due to postponement of several major contracts.

In 2017, the approach to accounting of written premiums, including ceded reinsurance, changed, which should have increased the amount of ceded premiums, which is however hard to evaluate. E.g. premiums ceded under hazardous facilities insurance and compulsory carrier liability insurance increased by 460 million RUB against insignificant changes in direct business.

Ceded reinsurance ratio trends

The ratio of premiums under ceded reinsurance to premiums under direct and assumed reinsurance excluding life insurance and compulsory motor TPL insurance in Q1 2013 - 2017.



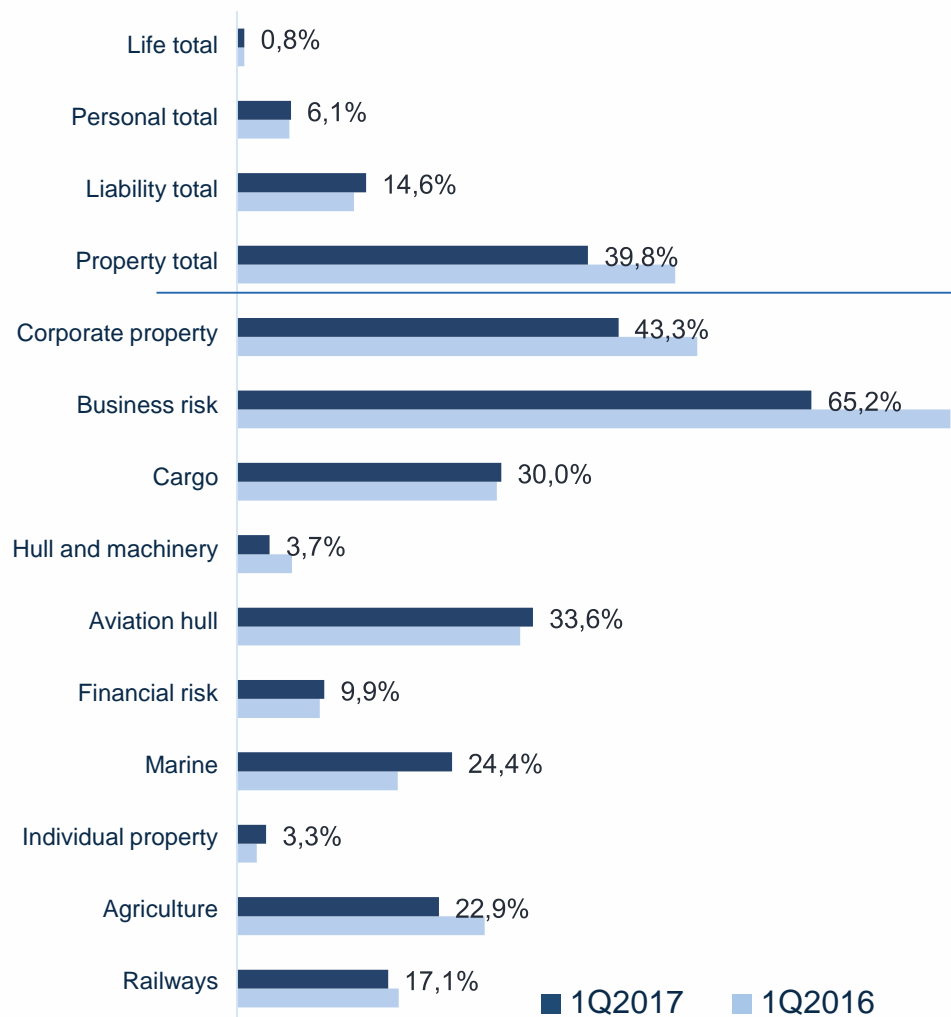
Source: Central Bank of RF

Ceded premiums not only showed a decline in absolute terms, but also structural changes - the ratio of premiums under ceded reinsurance to the total premiums under direct and assumed reinsurance significantly decreased (excluding life and compulsory motor TPL business, as such risks either may not be ceded or are insignificant).

Based on the figures for previous years, exchange rate changes did not significantly affect the ratio, so there are other contributing factors and not only exchange rate dynamics.

Risks with smaller shares

Ratio of ceded premiums to direct and assumed reinsurance premiums



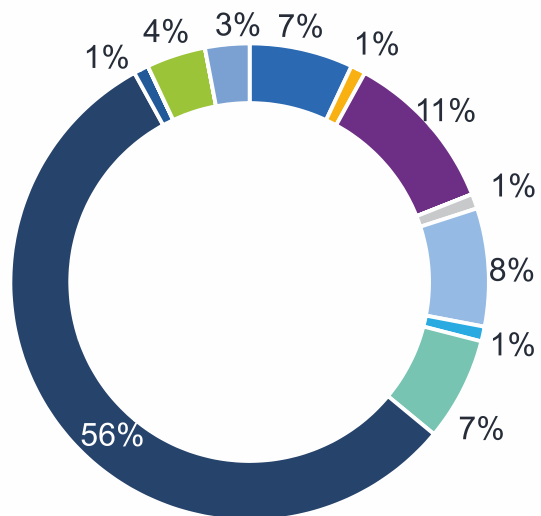
Significant changes were observed in property business. Some increase in the share of liability business is associated with an increase in the share of compulsory types and third party liability insurance. This was enough to compensate for the fall in insurance of liability for non-performance of obligations, which is entirely related to a twofold reduction in ceded premiums of RESPECT in the developer liability insurance segment.

The drop in the share of ceded business risks is connected with the leader of this segment - SOGAZ, which managed to increase its direct premiums against unchanged reinsurance premiums.

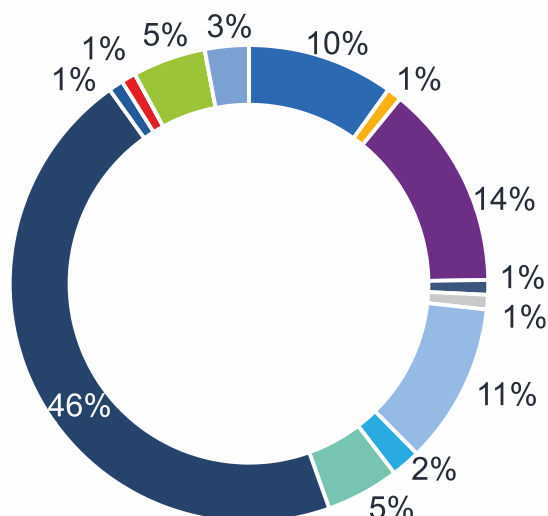
The corporate property business was heavily influenced by the already mentioned transfer of CAPITAL INSURANCE premiums, as well as almost a twofold decrease in ceded premiums from ALFASTRAHOVANIE and VTB INSURANCE.

Outward reinsurance market structure

Outward reinsurance market structure 1Q 2016



Outward reinsurance market structure 1Q 2017



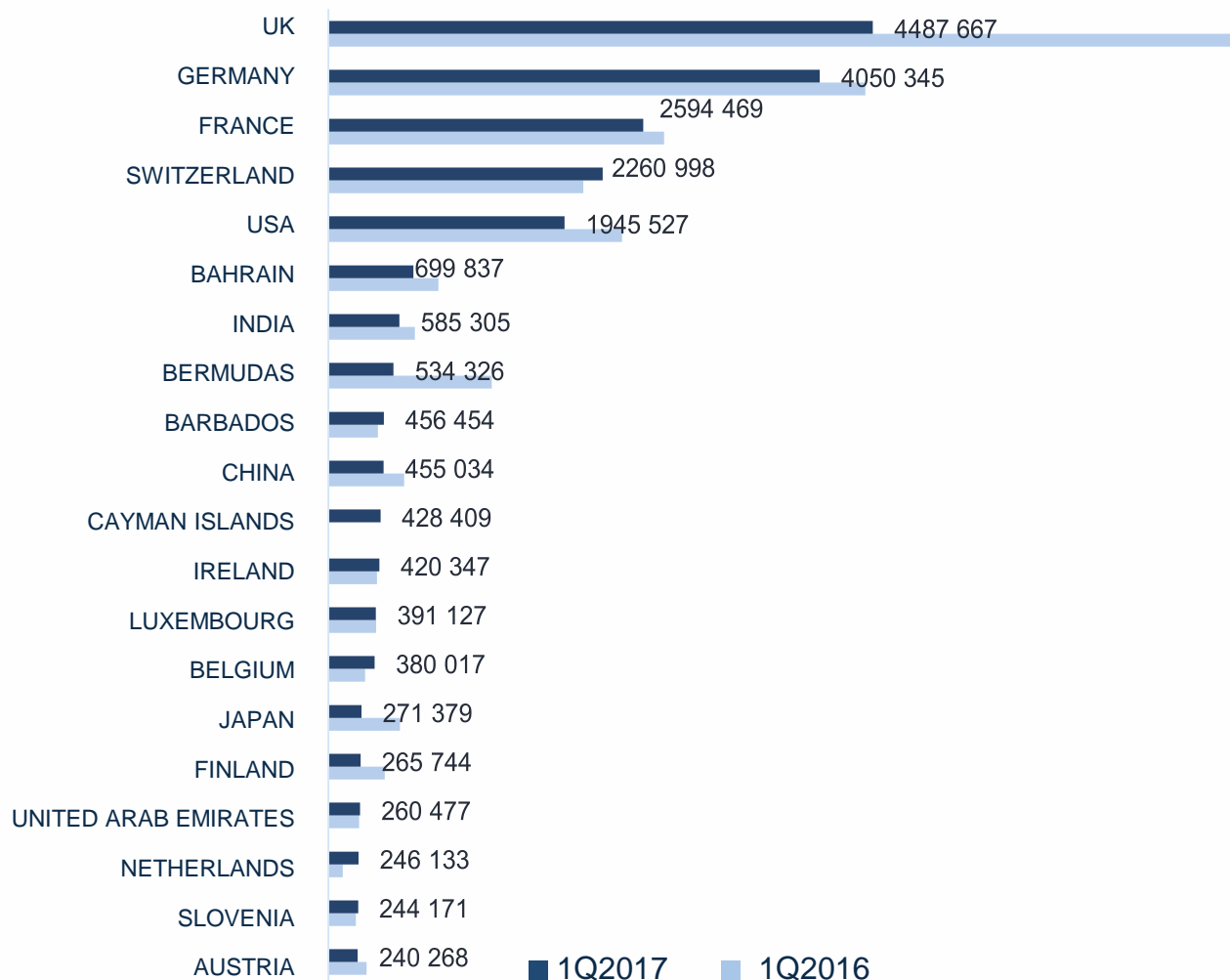
- Financial and business risks
- Compulsory insurance of hazardous industrial facilities
- Marine
- Individual property
- Cargo
- Agriculture
- Compulsory carrier liability insurance
- Motor hull insurance
- Life
- Annuity
- Liability, including hazardous facilities
- Accident insurance and voluntary health insurance
- Corporate property
- Railways
- Aviation hull insurance

Source: Central Bank of RF

The structure of ceded premiums has slightly shifted from corporate property to liability insurance. The share of personal insurance has also increased without any significant changes in absolute terms.

Countries where premiums go to from Russia

Top 20 leading countries in terms of the amount of premiums ceded by Russian insurers (thousand RUB)



A wide-scale decrease in ceded premiums was due to changes in exchange rates.

The transfer of premiums of CAPITAL INSURANCE has most strongly hit the UK (about RUB 2 billion) and Kuwait (about RUB 880 million).

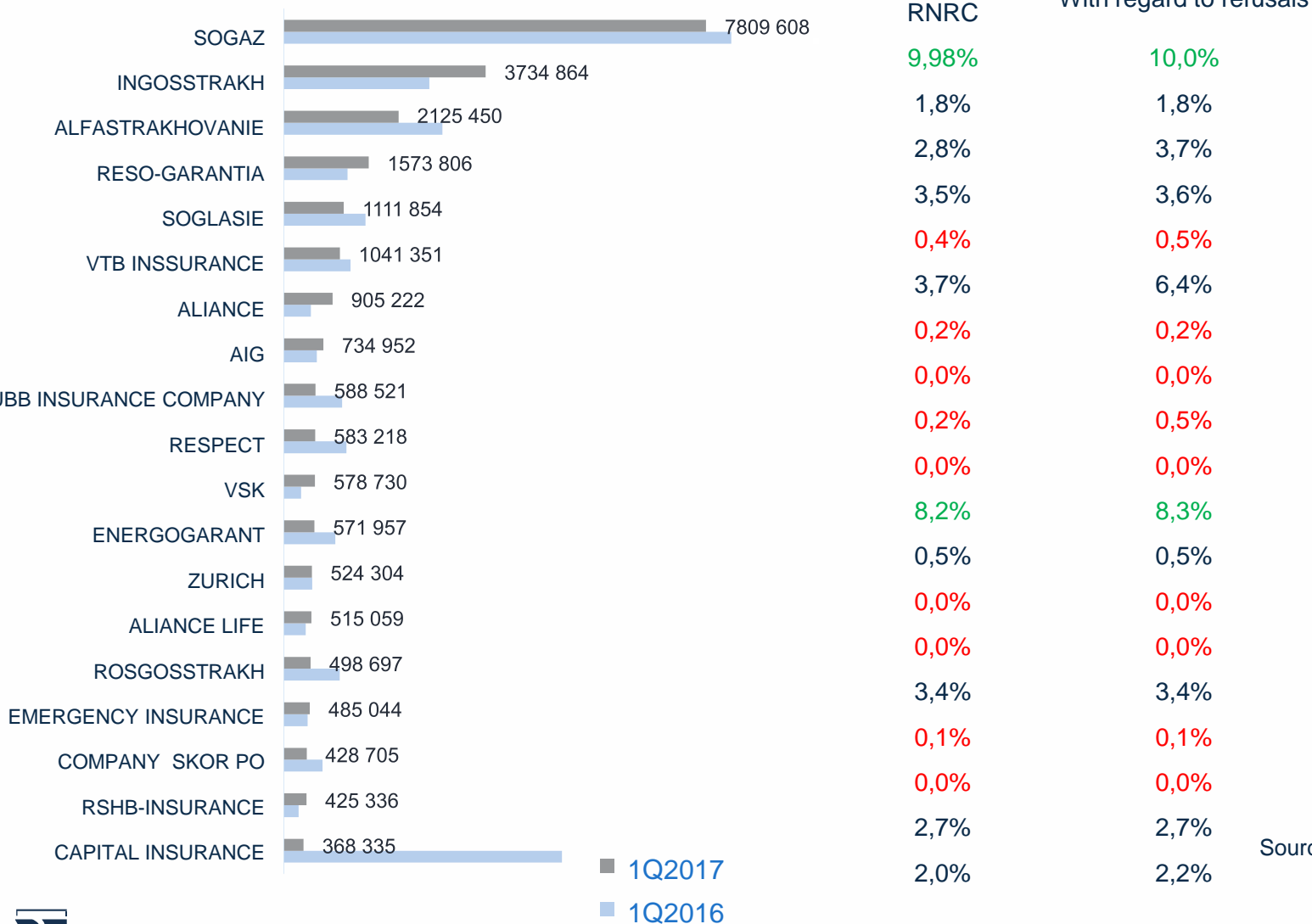
As a result, Kuwait dropped out of the Top 20.



Source: Central Bank of RF

Leaders of the outward reinsurance market

Leaders on the outward reinsurance market (thousand RUB)



Source: Central Bank of RF



RNRC's share in premiums ceded by insurance companies

Share of RNRC > 10%

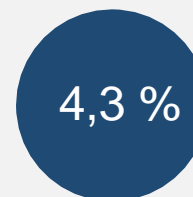
SMP	175.3
URALSIB LIFE	126
NSG	61.8
NADEZHDA	47.34
INTOUCH	37.3
NASKO	37.3
MEGARUSS-D	34.8
ROSGOSSTRAKH-LIFE	33.5
MEDEXPRESS	32.7
URALSIB INSURANCE	22.2
MOSKOVIA	21
PARITET	19
ASKO-CENTER	19
INGVAR	19.1
CAPITAL REINSURANCE	13.3
POLIS-GARANT	10.6
BOROVITSKOE INSURANCE COMPANY	10
EKIP	10

Share of RNRC 10-6%

SOGAZ	9.9
GUTA	9.9
NIK	9.3
LIBERTY	9.2
ARSENAL	9.2
YAKOR	8.8
UNITED INSURANCE COMPANY	8.7
PROMINSTRAKH	8.3
VSK	8.2
KPSK	8.1
SOGLASIE VITA	8.1
DALGASO	8
SBERBANK	7.5
TIT	7.5
D2 INSURANCE	7.4
ASTRO VOLGA	7.2
MSK STRAZH	7.2
ERGO	5.9

According to Federal Law 363, 10% of each ceded risk shall be offered to RNRC.

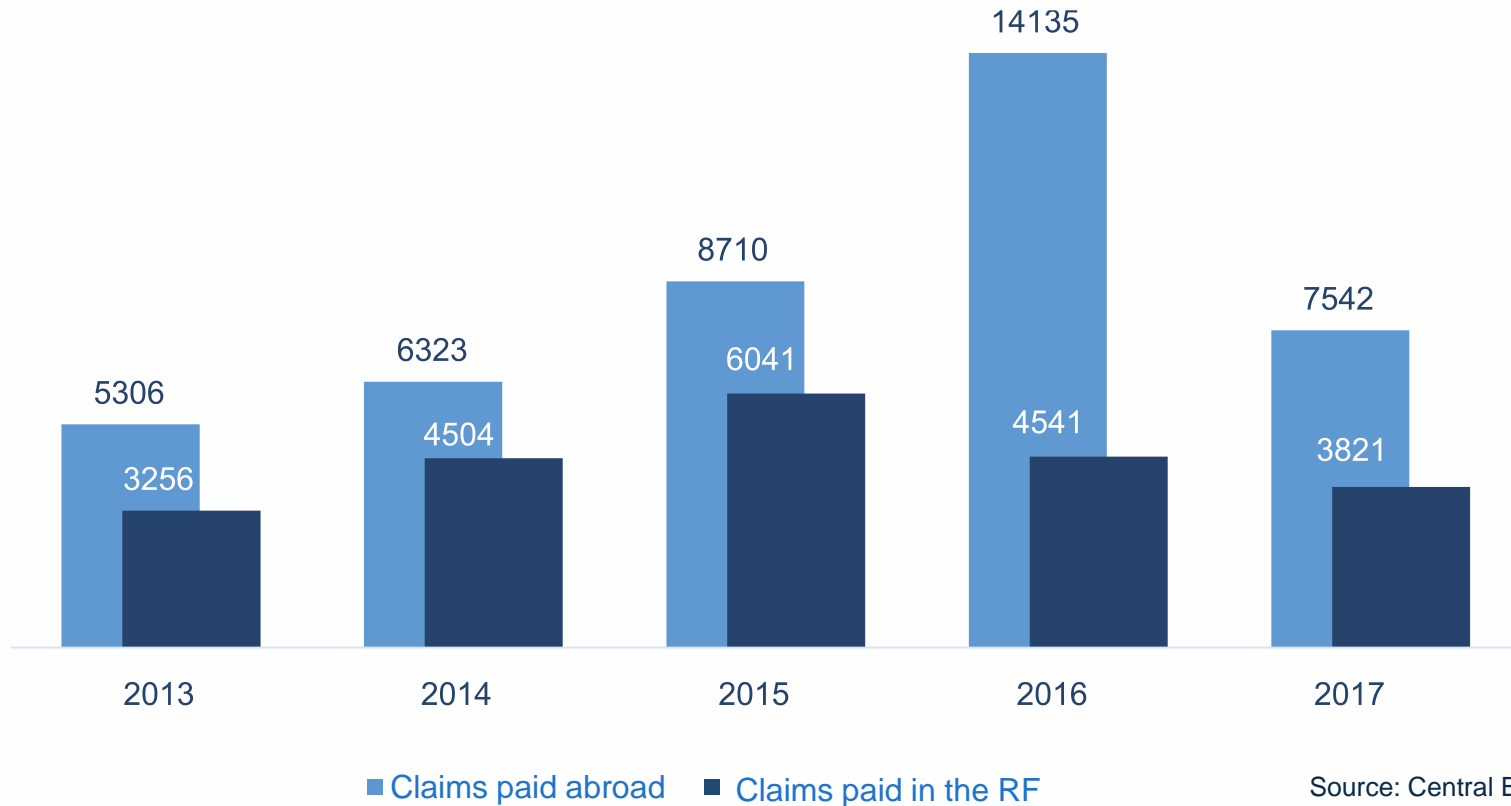
The share of RNRC on the outward reinsurance market with premiums of 1.2 billion RUB in 1Q, 2017 is



Source: Central Bank of RF

Changes in paid claims

Changes in claims paid by Russian insurers on the Russian and international markets (million RUB)



An unusually high value of the reinsurers' share in paid claims in 1Q, 2016 was due to the loss at a Russian refinery (loss of SOGAZ). Any detailed analysis of claims paid within such short period does not make much sense.



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