

## Report on the rating research

Customer:	Private Joint Stock Company «Insurance company «Dneprinmed»
Registration date:	18.11.1994
USREOU code:	21870998
Head office location (city, mail index, street):	Simferopolskaya str. 21, Dniepropetrovsk, Ukraine, 49005
The name of the auditor company which approved the statements of the last financial year:	Private audit firm «Audit-profi»
Key account bank:	PJSC «Fido Bank» (before SEB Bank), USREOU code, 14351016
Top executive, position:	General director Belynskaya Natalya
Number of regular personnel at the time of questionnaire filling:	185 persons
Telephone/fax:	+38 056 370-18-96
Web-site:	<b>www.dneprinmed.com.ua</b>
Rating type:	Financial stability of the insurer (general insurance) / credit rating
Rating revision period:	Quarterly
Date of rating assignment:	10.01.2013
Rating by RA 'Standard Rating' (Ukraine) according to the Ukrainian national scale (outlook):	<b>uaA+ (stable)</b> The insurer with rating uaA+ is characterized by a high financial stability compared to other Ukrainian insurers. The level of stability is susceptible to adverse commercial, financial and economic conditions
Rating according to the international scale of RA 'Standard Rating' (outlook):	<b>A++ (Stable)</b>
The correlation of Ukrainian scale ratings and the international scale ratings reflecting the rating in the countries of Agency operations is set by GPRC "Standard-Rating" Rating Committee.	
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All the ratings by the Agency are not recommendations for purchase of securities, use of services or taking any economic decisions. The ratings irrespectively of the scale have to be perceived solely as opinions of Agency analysts on rating object and subject.	

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## 1. List of licenses and permits in possession of the Company

### Voluntary insurance licenses

1. AB № 584870 — Voluntary health insurance in case of illness.
2. AB № 584876 — Voluntary Accident Insurance.
3. AB № 584873 — Voluntary Medical Insurance (Continuous health insurance).
4. AB № 584872 — Voluntary Property Insurance (except for railway, surface, air, water (including maritime inland and other types of water transport) transportation, cargos and baggage (fright baggage)).
5. AB № 584868 — Voluntary Insurance against fire and natural disaster risks.
6. AB № 584874 — Voluntary Insurance of public vehicles (except for railway).
7. AB № 584867 — Voluntary Insurance of Cargo and Baggage (fright baggage).
8. AB № 584880 — Voluntary Insurance of Financial Risks.
9. AB № 584871 — Voluntary Credit Insurance (including liability of borrowers for not-paying the credit).
10. AB № 584878 — Voluntary Third-Party Liability Insurance (except for the civil liability of surface transport owners, of air transport owners, of water transport owners (including the liability of carriers)).

### Compulsory insurance licenses

1. AB № 584879 — Compulsory Personal Insurance of Departmental (except for state-funded enterprises) and Village Firefighters as well as Volunteer Fire Brigade Members.
2. AB № 584877 — Compulsory Personal Traffic Accident Insurance.
3. AB № 584881 — Compulsory Civil Liability Insurance of Economic Entities against the loss caused by fire, accidents at high-risk locations including the ones associated with fire and explosion risk and the ones where the economic activity can cause environmental and sanitary-and-epidemiologic emergencies.
4. AB № 584875 — Compulsory Liability Insurance against emergencies during hazardous cargo transportation.
5. AB № 584869 — Compulsory Civil Liability Motor Insurance.
6. AE № 190445 — Compulsory insurance of the mortgage from the risks of sudden destruction, sudden injury or damage.
7. AE № 190446 — Compulsory insurance of civil liability of Ukrainian citizens who own or has other legal gun ownership, for the harm that may be caused to a third person or his property because of possession, storage or use of weapons.
8. AE № 190444 — Compulsory medical insurance.

### **(A) Company history and general description of the Insurer**

Since 1994 the insurance company «Dneprinmed» performs the insurance activity and is one of the largest companies in Ukraine at the present day.

According to the 2011, the insurance company «Dneprinmed» takes the leading positions among the insurance companies of Ukraine and enters the TOP-20 of the largest operators of the insurance market of Ukraine by the compulsory civil liability motor insurance, property insurance and personal insurance.

According to the results of the 9 months of 2012 IC «Dneprinmed» demonstrated differently directed trends. In the 9 months of 2012 the insurer collected UAH 173,262 mln of gross premiums that is by 31,62% less than in the same period of 2011. At the same time, net premiums of IC «Dneprinmed» have grown by 8%, and earned premiums – by 15%, i.e. in 2012 the company provided the increase in business volume excluding reinsurance.

An increase in the ratio of shareholders' equity to liabilities up to 153,64% or by 40,68 p.p. in the period from 01/10/2011 to 01/10/2012 deserves a positive assessment. The company increased the liquidity from 8,09% to 58,06% in the same period. The Agency positively assesses the growth rate of liquidity, although the ratio of the interest bearing assets to liabilities still remains lower than the average and restrains the company's rating (see table 1).

Table 1

**Key performance indicators of PrJSC "IC "Dneprinmed", th. UAH, %**

#	Indicators	9 months of 2012 (01.10.2012)	9 months of 2011 (01.10.2011)	Change	Growth rate, %
1	Total gross premiums	173262,8	253396,7	-80133,9	-31,62%
2	Insurance indemnities and compensations	16870,9	11597,9	5273	45,47%
3	Insurance indemnities/ gross premiums ratio	9,74%	4,58%	5,16 p.p.	-
4	Shareholders' equity	304786,7	184577,5	120209,2	65,13%
5	Liabilities	198380,1	163404,7	34975,4	21,40%
6	Shareholders' equity/Liabilities ratio	153,64%	112,96%	40,68 p.p.	-
7	Net profit	133433,1	99356,4	34076,7	34,30%
8	ROE	43,78%	53,83%	-10,05 p.p.	-
9	ROA	26,52%	28,55%	-2,03 p.p.	-
10	Interest bearing assets/ Liabilities ratio	58,06%	8,09%	49,97 p.p.	-

Study of business activity of IC «Dneprinmed» enabled the agency to make a number of observations, which strengthen the market positions of the company:

1. Swiss Institute of Quality Standards (SIQS) (Zurich) has honored the Insurance company «Dneprinmed» with the International certificate of Quality «International Quality Standard», which confirms the compliance of insurance services provided by the company to European Standards. IC «Dneprinmed» is a member of the Motor (transport) insurance bureau of Ukraine.

2. Its own regional network, represented by the regional insurance departments in all the regions of Ukraine, enables IC «Dneprinmed» to provide its clients with the access of insurance services, as well as the efficiency in the settlement of insurance claims and in the performance of insurance payments in all the regions of Ukraine.

3. IC «Dneprinmed» annually confirms the compliance of financial statements with normative requirements on the organization of accounting and reporting in Ukraine through conducting audits by the independent Auditor.

4. Settlement of insurance event in IC «Dneprinmed» is carried out irrespectively of the place of conducting insurance contract. The Company provides the clients with technical, information, legal, medical assistance and provides the expertise assessment of insurance event. IC «Dneprinmed» cooperates with more than a thousand medical and pharmaceutical institutions of Ukraine.

Therefore, today IC «Dneprinmed» relates to the category of large, modern companies with the developed regional network, which is able to provide its insurants with the adequate level of insurance security.

### **(B) Business activity and competition**

According to the data of the Ukrainian insurance regulator IC «Dneprinmed» takes the leading positions among the insurance companies of Ukraine and enters the TOP-20 of the largest operators of the Ukrainian insurance market by:

- compulsory civil liability motor insurance;
- personal insurance;
- property insurance.

According to the results of the 9 months of 2012 IC «Dneprinmed» demonstrated differently directed trends. On the one hand, gross premiums of the insurer decreased by 31,62% down to UAH 173,262 mln in the 9 months of 2012. On the other hand, net premiums of IC «Dneprinmed» grew by 8,71% in the same period, and the coefficient of dependence on reinsurers fell from 37,13% down to 0,04% in the period from 01/10/2011 to 01/10/2012 (see table 2).

Table 2

**Indicators of business activity of PrJSC "IC "DNEPRINMED", th. UAH, %**

#	Indicators	9 months of 2012 (01.10.2012)	9 months of 2011 (01.10.2011)	Change	Growth rate, %
1	Total gross premiums, including	173262,8	253396,7	-80133,9	-31,62%
2	from insurants-individuals	44719,3	35842,1	8877,2	24,77%
3	from reinsurers	2045,7	11122	-9076,3	-81,61%
4	Proportion of individuals in gross premiums	25,81%	14,14%	11,67 p.p.	-
5	Proportion of reinsurers in gross premiums	1,18%	4,39%	-3,21 p.p.	-
6	Insurance payments sent to reinsurers	64,2	94081,9	-94017,7	-99,93%
7	Coefficient of dependence on the reinsurers	0,04%	37,13%	-37,09 p.p.	-
8	Net premiums	173198,60	159314,80	13883,80	8,71%
9	Premium earned	173820,5	150624	23196,5	15,40%
10	Financial result from operating activity	151951,8	113970,6	37981,2	33,33%
11	ROS	87,70%	44,98%	42,72 p.p.	-
12	Acquisition costs	513,7	1690,7	-1177,0	-69,62%
13	Acquisition costs/Gross premiums ratio	0,30%	0,67%	-0,37 p.p.	-

The Agency positively estimates the decrease of the company's dependence on reinsurers against the background of the increase in net and earned premiums of the company. The agency also notes a high level of ROS and a low level of acquisition costs. Data on ROS and acquisition costs indirectly indicates that the insurer avoids dumping in the market and is able to generate profit in the competitive environment.

The main competitors of IC «Dneprinmed» include: AXA-insurance, Oranta, UNIQA, IC «Providna», UPIC, ASKA, Alfa-Insurance, Arsenal Insurance, IC «Brokbusiness». The Agency estimates the share of IC «Dneprinmed» in the Ukrainian market by volume of gross premiums at a level of approximately 3%.

### (C) Business diversification

By types of insurance IC «Dneprinmed» relates to the companies, which maintain a good level of diversification. According to the results of the 9 months of 2012 and 2011, IC «Dneprinmed» didn't have a clearly expressed dependence on transport risks and none of the largest types of insurance occupied more than one third of gross premiums in the portfolio of the insurer (see table 3).

Table 3

#### **TOP-10 of the largest types of insurance of PrJSC "IC "Dneprinmed", th. UAH, p.p., %**

#	Indicators	9 months of 2012 (01.10.2012)		9 months of 2011 (01.10.2011)		Change of structure, p.p.	Growth rate, %
		th. UAH	%	th. UAH	%		
1	Compulsory Civil Liability Insurance	46128,1	26,16%	28226,5	11,06%	15,10 p.p.	63,42%
2	Insurance of Financial Risks	37044,9	21,01%	57457,2	22,51%	-1,50 p.p.	-35,53%
3	Third-Party Liability Insurance	17843,9	10,12%	16424,3	6,43%	3,68 p.p.	8,64%
4	Insurance against fire and natural disaster risks	16029,3	9,09%	60738,7	23,79%	-14,70 p.p.	-73,61%
5	Property insurance	15812	8,97%	55613,5	21,78%	-12,82 p.p.	-71,57%
6	Medical insurance	13123,5	7,44%	17412,7	6,82%	0,62 p.p.	-24,63%
7	Credit insurance	8126,6	4,61%	1597,1	0,63%	3,98 p.p.	408,83%
8	Insurance of Cargo and Baggage	8116,4	4,60%	5957,3	2,33%	2,27 p.p.	36,24%
9	Accident insurance	5425,6	3,08%	2760,9	1,08%	2,00 p.p.	96,52%
10	Insurance of public vehicles	5041,1	2,86%	2848,1	1,12%	1,74 p.p.	77,00%
11	Other insurance types	3663,1	2,08%	6248,9	2,45%	-0,37 p.p.	-41,38%
12	Total:	176354,5	100,00%	255285,2	100,00%	-	-30,92%

Diversification analysis of the client base of the insurer revealed a very high level of diversification and almost the full absence of the company's dependence on the 3-10 largest clients or groups of clients. The agency also positively estimates a decrease in the proportion of the 10 largest clients of IC «Dneprinmed» by 19,5 p.p. according to the results of the 9 months of 2012 compared to the same period of 2011 (see table 4).

Table 4

#### **Data of the structure of gross premiums of PrJSC "IC "Dneprinmed" from the largest insurants, th. UAH, p.p., %**

#	Indicators	9 months of 2012 (01.10.2012)		9 months of 2011 (01.10.2011)		Change of structure, p.p.	Growth rate, %
		th. UAH	%	th. UAH	%		
1	From the largest insurant	5549	3,20%	24546	9,69%	-6,48 p.p.	-77,39%
2	From the three largest insurants	14002	8,08%	49559	19,56%	-11,48 p.p.	-71,75%
3	From the five largest insurants	19968	11,52%	65836	25,98%	-14,46 p.p.	-69,67%
4	From the ten largest insurants	30230	17,45%	93636	36,95%	-19,50 p.p.	-67,72%
5	Total gross premiums:	173262,8	100,00%	253396,7	100,00%	-	-31,62%

Therefore, business of Private JSC IC «Dneprinmed» didn't have a clearly expressed specialization, none of the largest types of insurance didn't occupy more than one third of the company's business, and the 10 largest clients of the insurer accounted for only 17,45% of premiums. In the agency's opinion, IC «Dneprinmed» should be related to the companies, whose business is well diversified.

**(D) Assets quality**

Asset management of IC «Dneprinmed» is performed on the basis of the collegial principles. As of 01/10/2012 the interest bearing assets occupied 25,51% of income assets of the company, 99,95% of the interest bearing assets were represented by cash on current and deposit accounts of the company (see table 5).

Table 5

**Structure of income assets of PrJSC "IC "Dneprinmed", th. UAH, p.p., %**

#	Indicators	9 months of 2012 (01.10.2012)		9 months of 2011 (01.10.2011)		Change of structure, p.p.	Growth rate, %
		th. UAH	%	th. UAH	%		
1	Cash at current accounts	32097,5	7,11%	3001,1	3,94%	3,17 p.p.	969,52%
2	Bank deposits	83027,0	18,39%	25110,4	32,96%	-14,57 p.p.	230,65%
3	Real estate	7895,1	1,75%	8182,4	10,74%	-8,99 p.p.	-3,51%
4	Stocks	328215,4	72,69%	22854,6	30,00%	42,69 p.p.	1336,10%
5	Bonds	52,6	0,01%	52,6	0,07%	-0,06 p.p.	0,00%
6	Rights of requirements to reinsurers	185,2	0,04%	16962,9	22,27%	-22,23 p.p.	-98,91%
7	Cash on hand	25,7	0,01%	18	0,02%	-0,02 p.p.	42,78%
8	Total income assets:	451498,5	100,00%	76182	100,00%	-	492,66%
9	Total interest bearing assets	115177,1	25,51%	28164,1	36,97%	-11,46 p.p.	308,95%

In the period from 01/10/2011 to 01/10/2012 the structure of income assets of the insurer considerably changed. The proportion of stocks grew from 30% up to 72,69%, however income assets grew in 5,9 times. These changes in the assets structure of the insurer were dictated by the changes in the structure of the company's business. At the same time, the agency reminds that the level of the insurer's liquidity, defined as the ratio of liquid assets to liabilities, grew from 8,09% up to 58,06% in the period from 01/10/2011 to 01/10/2012.

As a whole, the agency recognizes the assets quality of IC «Dneprinmed» as acceptable and emphasizes a positive dynamics of the liquidity growth, which indicates that a current quality of the insurer's assets corresponds to its liabilities.

**(E) Quality of reinsurance**

The leading domestic and international reinsurance companies are chosen as partners of reinsurance. Decision to transfer risks to the reinsurers is made in IC «Dneprinmed» according to the collegial principle. At the same time, the agency draws attention that according to the results of the 9 months of 2012 the role of reinsurers in the company's business was significantly decreased, and volumes of reinsurance don't affect the business structure of the company anymore like it was a year earlier (see table 6).

Table 6

**Structure of reinsurance of PrJSC "IC "Dneprinmed", th. UAH, p.p., %**

#	Reinsurers	9 months of 2012 (01.10.2012)		9 months of 2011 (01.10.2011)		Change of structure, p.p.	Growth rate, %
		th. UAH	%	th. UAH	%		
1	Insurer 1	50	75,76%	13	0,02%	75,74 p.p.	284,62%
2	Insurer 2	14	21,21%	0	0,00%	21,21 p.p.	-
3	Insurer 3	1	1,52%	18	0,02%	1,49 p.p.	-94,44%
4	Other reinsurers	1	1,52%	83363	99,96%	-98,45 p.p.	-99,99%
5	Total insurance payments, sent to the reinsurers	66	100,00%	83394	100,00%	-	-99,92%

In the agency's opinion, the quality of reinsurance of IC «Dneprinmed» remains acceptable, but it doesn't significantly affect the business of the company.

**(F) Adequacy of reserves**

*Reserves.* Study of policy of forming reserves, which operates in IC «Dneprinmed», showed that the formation of reserves is carried out through the method 1/365. As of 01/10/2012, 53,64% of reserves were represented by reserves of unearned premiums.

Reserves of losses, which occurred, but not reported accounted for 23,57%, and reserve of fluctuations of losses – 22,53% (see table 7).

Table 7

**Structure of reserves of PrJSC "IC "Dneprinmed", th. UAH, p.p., %**

#	Indicators	9 months of 2012 (01.10.2012)		9 months of 2011 (01.10.2011)		Change of structure, p.p.	Growth rate, %
		th. UAH	%	th. UAH	%		
1	Reserves of unearned premiums	48696,1	53,64%	39398,4	51,72%	1,93 p.p.	23,60%
2	Reserve of reported but not paid losses	236	0,26%	533,5	0,70%	-0,44 p.p.	-55,76%
3	Reserve of losses, which occurred but not reported	21395,4	23,57%	15799,3	20,74%	2,83 p.p.	35,42%
4	Reserve of fluctuations of losses	20450,8	22,53%	20450,8	26,84%	-4,32 p.p.	0,00%
5	Total technical reserves:	90778,3	100,0%	76182	100,0%	-	19,16%

In the agency's opinion, the company in 2012 formed reserves in accordance with the Ukrainian legislation in full.

*Indemnities.* The indemnities policy of IC «Dneprinmed» is characterized by the following:

- settlement of the insured event is performed independently of the place of the insurance contract conclusion;
- developed infrastructure of claims settlement and promptness of conducting payments;
- the company provides the clients with services of technical, informative, legal, medical assistance and provides an expert assessment of the insured event.

Indemnities of IC «Dneprinmed» have grown by 45,47% in the 9 months of 2012 compared to the same period of 2011, the level of indemnities – by 5,16 p.p. up to 9,74% (see table 8).

Table 8

**Indemnities and the ratio of the interest bearing assets to indemnities of PrJSC "IC "Dneprinmed", th. UAH, p.p., %**

#	Indicators	9 months of 2012 (01.10.2012)	9 months of 2011 (01.10.2011)	Change	Growth rate, %
1	Insurance indemnities and compensations	16870,9	11597,9	5273	45,47%
2	Total gross premiums	173262,8	253396,7	-80133,9	-31,62%
3	Insurance indemnities/ gross premiums ratio	9,74%	4,58%	5,16 p.p.	-
4	Total interest bearing assets	115177,1	28164,1	87013	308,95%
5	Interest bearing assets/indemnities ratio	682,70%	242,84%	439,86 p.p.	-

The Agency performed the analysis of large indemnities of IC «Dneprinmed» during the last 12 months. The TOP-5 large indemnities fluctuated in the range from UAH 70,5 th. to UAH 347 th. in the last 12 months, all the large indemnities were performed on hull insurance. As of 01/10/2012 the ratio of indemnities to gross premiums amounted to 9,74%, the level of covering indemnities by interest bearing assets – 682,7%.

Therefore, in the agency's opinion, the insurer forms reserves in sufficient volume and according to the undertaken liabilities. The company performs indemnities and has a significant reserve of the interest bearing assets for covering indemnities in future.

### **(G) Capital adequacy and solvency margin**

The last time the increase in the authorized fund was performed in 2006. That time IC «Dneprinmed» increased its equity by UAH 24 mln. As of 01/10/2011 the shareholders' equity of IC «Dneprinmed» amounted to UAH 304,786 mln. In the period from 01/10/2011 to 01/10/2012 the shareholders' equity of IC «Dneprinmed» grew by 65,13%. Since 2006 the shareholders' equity of IC «Dneprinmed» grew due to retained earnings. As of 01/10/2012 the proportion of the article «retained earnings» accounted for 82,4% (see table 9).

Table 9

**Structure of equity of PrJSC "IC "Dneprinmed", th. UAH, p.p., %**

#	Indicators	9 months of 2012 (01.10.2012)		9 months of 2011 (01.10.2011)		Change of structure, p.p.	Growth rate, %
		th. UAH	%	th. UAH	%		
1	Authorized capital	37631,5	12,35%	37631,5	20,39%	-8,04 p.p.	0,00%
2	Reserved capital	16000	5,25%	10000	5,42%	-0,17 p.p.	60,00%
3	Retained profit	251155,2	82,40%	136946	74,19%	8,21 p.p.	83,40%
4	Total equity:	304786,7	100,00%	184577,5	100,00%	-	65,13%

In the agency's opinion, at the present moment the company doesn't require additional capitalization. As of 01/10/2012 the ratio of the shareholders' equity to liabilities of IC «Dneprinmed» amounted to 153% that indicated an excessive capitalization of the insurer.

**(H) Support by shareholders**

At the moment of assigning the rating an individual-citizen of Ukraine concentrated 80,80% of shares of IC «Dneprinmed» that provided this shareholder with the control over the insurer.

**(I) Other factors influencing the rating**

As a result of examining circumstances of the interaction of Private JSC «IC «Dneprinmed» with the state authorities, it was revealed the following:

1. July 25, 2012 the State Tax Inspectorate in Zhovtnevy district of Dnepropetrovsk made an act of results of documental planned check of PrJSC «IC «Dneprinmed» concerning issues of complying requirements with tax, currency and other legislation in the period from 01.01.11 to 31.12.11 № 1977/223/21870998, on the basis of which the tax notice-decision № 0001682200 from 10.08.2012 was issued. October 19, 2012 the issued tax notice-decision was recognized invalid according to the Resolution of the Dnepropetrovsk Regional Administrative Court.

2. In the period from 17.09.2012 to 16.10.2012 Private JSC «IC «Dneprinmed» was checked by the National Commission for Regulation of Financial Services Markets. According to the results of the check of NCRFSM (as of the date of assigning the rating) there was no act of violations.

3. The State Financial Monitoring Service of Ukraine didn't address the company with the queries during the last 12 months.

The study of biographical data of TOP management showed the presence of significant experience of work in the Ukrainian insurance market in leadership positions:

General Director **Belynskaya Natalya** has two higher educations: medical education, specialization – pediatrics and higher economic education (National Mining University). In plus, Ms. Natalya is a candidate of medical sciences.

General work experience of Ms. Natalya in insurance amounts to 17 years. During its activity in insurance Ms. Natalya repeatedly became the winner of authoritative ratings aimed at the study of the work efficiency of TOP-management.

Insurance Director **Anufrieva Nina** graduated from the Khabarovsk Polytechnic Institute, specialization «industrial and civil construction». Work experience in insurance amounts to 17 years.



As a whole, as of 01/10/2012 the 187 persons are employed in the company, 185 persons of which are regular employers of the company and 2 are insurance agents out of staff (see table 10).

Table 10

**Personnel structure of the insurer PrJSC "IC " Dneprinmed "**

#	Indicators	9 months of 2012 (01.10.2012)		9 months of 2011 (01.10.2011)		Change of structure, p.p.	Growth rate, %
		Pers.	%	Pers.	%		
1	Quantity of regular employees with experience of less 3 years	155	83,78%	102	77,27%	6,51%	51,96%
2	Quantity of regular employees with experience of more 3 years	31	16,76%	30	22,73%	-5,97%	3,33%
3	Total quantity of regular employees	185	100%	132	100,00%	0,00%	40,15%
4	Quantity of insurance agents out of the staff	2	1,08%	0	0,00%	1,08%	-

Therefore, the relations of the insurer with the state authorities assume no risk for the company, the insurer possesses sufficient quantity of staff, and the management has more than sufficient work experience in insurance.

## 2. Summary of rating components

Summarizing the components of the rating assessment of IC «Dneprinmed», RA «Standard-Rating» (Ukraine) decided to assign the credit rating (financial stability rating) to Private JSC «IC «Dneprinmed» at the level **uaA+** according to the national scale. The insurer with rating **uaA+** is characterized by a high financial stability compared to other Ukrainian insurers. The level of stability is susceptible to adverse commercial, financial and economic conditions. Making decision of assigning the rating, the agency was guided by the results of the analysis of the company's activity in the 9 months of 2012 and made the following conclusions:

1. IC «Dneprinmed» has a considerable work experience in the Ukrainian market. The company successfully survived the crisis of 2008-2009 and managed to increase its business in the difficult period for the financial market of Ukraine, demonstrating at the same time the profitable activity.

2. Net premiums of IC «Dneprinmed» in the 9 months of 2012 have grown by 8,71% compared to the same period of 2011, earned premiums – by 15,4%. At the same time, the financial result from operating activities has grown by 33,33% in the same period, and net profit – by 34,3%.

3. IC «Dneprinmed» didn't have a strongly pronounced specialization: none of the largest types of insurance occupied more than one third of the company's business, and the 10 largest customers of the insurer accounted for only 17,45% of premiums according to the 9 months of 2012. In the agency's opinion, IC «Dneprinmed» should be related to the category of companies, whose business is well diversified.

4. The Agency recognizes the asset quality of IC «Dneprinmed» as acceptable and emphasizes a positive dynamics of the liquidity growth, which indicates that a current quality of the insurer's assets corresponds to its liabilities. The liquidity level of the insurer, defined as the ratio of liquid assets to liabilities, has increased from 8,09% up to 58,06% in the period from 01/10/2011 to 01/10/2012.

5. TOP-5 of the largest indemnities of IC «Dneprinmed» in the last 12 months fluctuated in the range from UAH 70,5 th. to UAH 347 th., all the large indemnities were performed for hull insurance. As of 01/10/2012 the ratio of indemnities to gross premiums has amounted to 9,74%, and the ratio of interest bearing assets to indemnities – 682,7%.

6. In the agency's opinion, IC «Dneprinmed» belongs to the category of the overcapitalized companies. As of 01/10/2012 the ratio of shareholders' equity to liabilities has been fixed at the level 153%.

Rating of IC «Dneprinmed» may be improved with the further growth of the company's liquidity and the growth of the insurer's business.

## Rating scale for estimation of insurer financial strength

National rating scale adapted by  
RA 'Standard Rating' (Ukraine) for the assessment of financial strength  
of insurance companies

Rating	Contents of insurer financial strength according to the national scale
uaAAA	The insurer with the rating uaAAA is characterized by an outstanding high financial strength in comparison with other Ukrainian insurers.
uaAA	The insurer with the rating uaAA is characterized by very high financial strength in comparison with other Ukrainian insurers.
uaA	The insurer with the rating uaA is characterized by high financial strength in comparison with other Ukrainian insurers. The stability level is sensitive to the influence of adverse commercial, financial and economic conditions.
uaBBB	The insurer with the rating uaBBB is characterized by sufficient financial strength in comparison with other Ukrainian insurers. The stability level depends upon influence of adverse commercial, financial and economic conditions.
uaBB	The insurer with the rating uaBB is characterized by credit solvency below the sufficient one in comparison with other Ukrainian insurers. There is high dependence of stability level upon influence of adverse commercial, financial and economic conditions.
uaB	The insurer with the rating uaB is characterized by low solvency level in comparison with other Ukrainian insurers. There is very high dependence of stability level upon influence of adverse commercial, financial and economic conditions.
uaCCC	The insurer with the rating uaCCC is characterized by very low financial stability in comparison with other Ukrainian insurers. There is potential probability of suspension of activity, or temporary interruption of business process with further default of commitments to insured.
uaCC	The insurer with the rating uaCC is characterized by high probability of suspension of activity with further default of commitments to insured.
uaC	The insurer is expecting the suspension of activity and default of commitments to insured.
uaD	The insurer terminated its activity and started liquidation procedure.

- or + are intermediate rating categories within the major categories.

The scale of rating the financial strength of the insurer has been adapted by RA 'Standard-rating' (Ukraine) based on the national scale approved by the resolution of the Cabinet of Ukraine no. 665 of April, 26th, 2007 'On approval of national rating scale'.

### Information for the insured:

*The rating of insurer financial strength does not indicate the speed and probability of timely payouts. The rating of insurer financial strength is the opinion of Agency analysts on the probability of suspension of business processes in the company with the subsequent default to meet the obligations to insured. For the insurance companies which do not have substantial debts to banks nor performed bonded loans, financial strength rating coincides with the credit rating.*