

# ANNUAL REPORT 2019

# TABLE OF CONTENTS

---

Welcome address from the President .....	4
1. General information about NULI .....	6
1.1. Status and main functions of NULI .....	6
1.2. Corporate structure of NULI .....	6
1.3. NULI membership .....	8
2. Highlights of legal regulation of compulsory insurance in 2019 .....	9
2.1. Amendments to legal regulation of compulsory general and employers' liability insurance of an owner of a hazardous object for damages in case of an accident involving a hazardous object .....	9
2.2. Amendments to legal regulation of compulsory liability insurance of a carrier for damages to life, health, and property of passengers .....	9
3. Compulsory liability insurance in figures .....	10
3.1. Implementation of Federal Law No. 225-FZ .....	10
3.2. Implementation of Federal Law No. 67-FZ .....	16
4. Reinsurance pools .....	19
4.1. Reinsurance pool for compulsory general and employers' liability insurance of an owner of a hazardous object for damages in case of an accident involving a hazardous object .....	19
4.2. Reinsurance pool for compulsory liability insurance of a carrier for damages to life, health, and property of passengers .....	21
5. Automated Information System of NULI .....	22
6. Legal work in 2019 .....	24
7. Controlling activity regarding NULI members .....	25

## BRIEF GLOSSARY

<b>NULI, the Union</b>	the National Union of Liability Insurers
<b>Federal Law No. 225-FZ</b>	the Federal Law No. 225-FZ of 27.07.2010 «On compulsory general and employers' liability insurance of an owner of a hazardous object for damages in case of an accident involving a hazardous object»
<b>Federal Law No. 67-FZ</b>	the Federal Law No. 67-FZ of 14.06.2012 «On compulsory liability insurance of a carrier for damages to life, health, and property of passengers, and the order of indemnity for such damages caused during the transportation of passengers by underground trains»
<b>AIS of NULI, the System</b>	the Automated Information System of the National Union of Liability Insurers
<b>Lifting mechanisms</b>	elevators, lifting platforms for people with disabilities, escalators (excluding subway escalators), passenger sidewalks (moving walkways) not listed in the State Register of hazardous objects
<b>SRO</b>	Self-Regulatory Organisation
<b>RNRC</b>	the Russian National Reinsurance Company

# WELCOME ADDRESS FROM THE PRESIDENT

---

## Dear Colleagues!

The year 2019 was a year of stability for the liability insurance market. We were satisfied with the scope of the compulsory liability insurance of carriers and compulsory liability insurance of owners of hazardous objects coverage. We can confidently state that Federal Laws No. 67-FZ and No. 225-FZ are properly implemented and acted on by both the insurers and the insurance organizations/market participants.

The introduction of new technologies and the creation of new services for the AIS of NULI in 2019 have led to the implementation of a large-scale task: the Insurance Records Bureau for compulsory general and employers' liability insurance of an owner of a hazardous object for damages in case of an accident involving a hazardous object has been developed and launched. The Bureau maintains complete information about liability insurance contracts for owners of hazardous objects, providing the market participants with objective data on policyholders. This has minimized the possible risks in the conclusion of insurance contracts.

In 2019, we observed a slight increase in losses. I believe that this trend is positive, confirming an increase in citizens' awareness of their rights to receive insurance payments and an increase in the use of these rights. We want and expect a more dynamic process in this area, fulfilling one of the most important tasks of the Union: ensuring the protection of a victim's right to receive insurance payments and enhancing the financial and insurance literacy of citizens of our country. As part of this activity, throughout

the past year, NULI continued systematic work aimed at informing the victims of public transportation accidents and accidents involving hazardous objects about their right to apply for insurance payments and to receive compensation payments.

During 2019, the Union continued its traditional active co-operation with the Bank of Russia, as well as with the Federal Environmental, Industrial and Nuclear Supervision Service of Russia, the Federal Authority for Transport Oversight of the Ministry of Transport of the Russian Federation, and other executive bodies. The participation of NULI representatives in the working group on the implementation of the «regulatory guillotine» mechanism should be particularly noted. The involvement of Union experts in the development of this project excludes possible negative consequences for the insurance market as a reaction to the administrative reform. For policyholders, the implementation of this initiative will result in a significant reduction in the bureaucratic burden.

Summing up the results of 2019, I want to thank the executive body of the Union and the insurance organisations that are members of NULI, for their professionalism and effective teamwork. I am convinced that the coordinated work of all market participants will lead us to new successes and achievements.

**Igor Yurgens**  
**President**  
**National Union of Liability**  
**Insurers**





# 1. GENERAL INFORMATION ABOUT NULI

## 1.1. Status and main functions of NULI

### **NULI status:**

According to its Charter, NULI is a non-profit organisation; the only Russian professional association of insurers that carry out compulsory general and employers' liability insurance of an owner of a hazardous object for damages in case of an accident involving a hazardous object and/or compulsory liability insurance of a carrier for damages to life, health, and property of passengers. It acts to ensure cooperation, as well as the formation, control and execution of standards and rules of professional activity in the implementation of compulsory insurance.

### **Main functions:**

- The Union ensures co-operation of the Union members in the realisation of business activities related to:
  - compulsory general and employers' liability insurance of an owner of a hazardous object for damages in case of an accident involving a hazardous object;
  - compulsory liability insurance of a carrier for damages to life, health, and property of passengers;

- reinsurance of risks under the contracts of compulsory general and employers' liability insurance of an owner of a hazardous object for damages in case of an accident involving a hazardous object;
- reinsurance of risks under the contracts of compulsory liability insurance of a carrier for damages to life, health, and property of passengers.
- The Union aims to develop national insurance in the Russian Federation, as well as to promote:
  - the system of compulsory general and employers' liability insurance and reinsurance of an owner of a hazardous object for damages in case of an accident involving a hazardous object;
  - the system of compulsory liability insurance and reinsurance of a carrier for damages to life, health, and property of passengers;
  - other classes of compulsory insurance as provided by the legislation of the Russian Federation.

## 1.2. Corporate structure of NULI

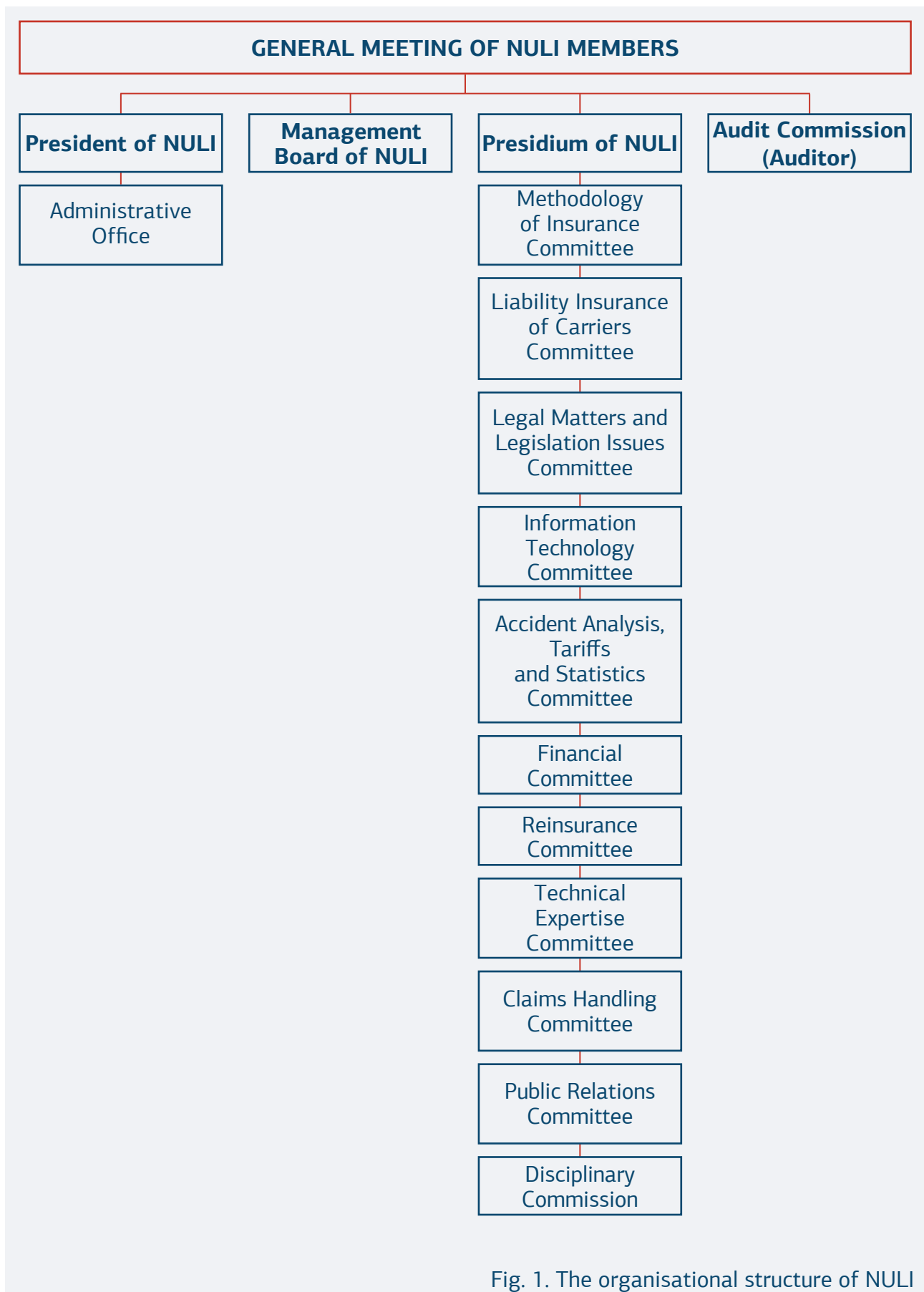
### **The corporate governance system of the Union consists of:**

- the General Meeting of NULI members – the supreme governing body of the Union;
- the Presidium of NULI – the permanent governing body of the Union co-ordinating the general management and supervision of the Union;
- the President of NULI – the sole executive body of the Union co-ordinating the general management of the Union;

- the Management Board of NULI – the collegial body of the Union co-ordinating the current activities of the Union.

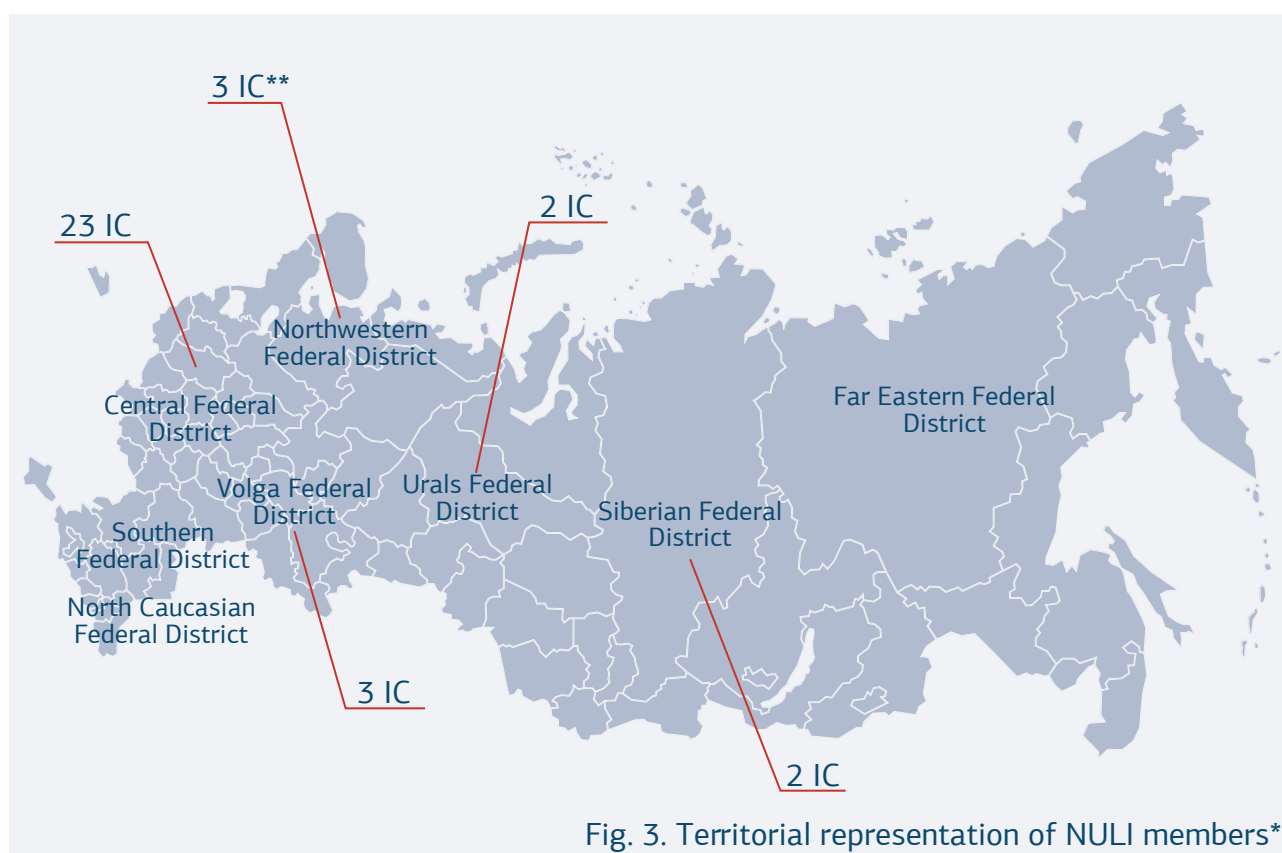
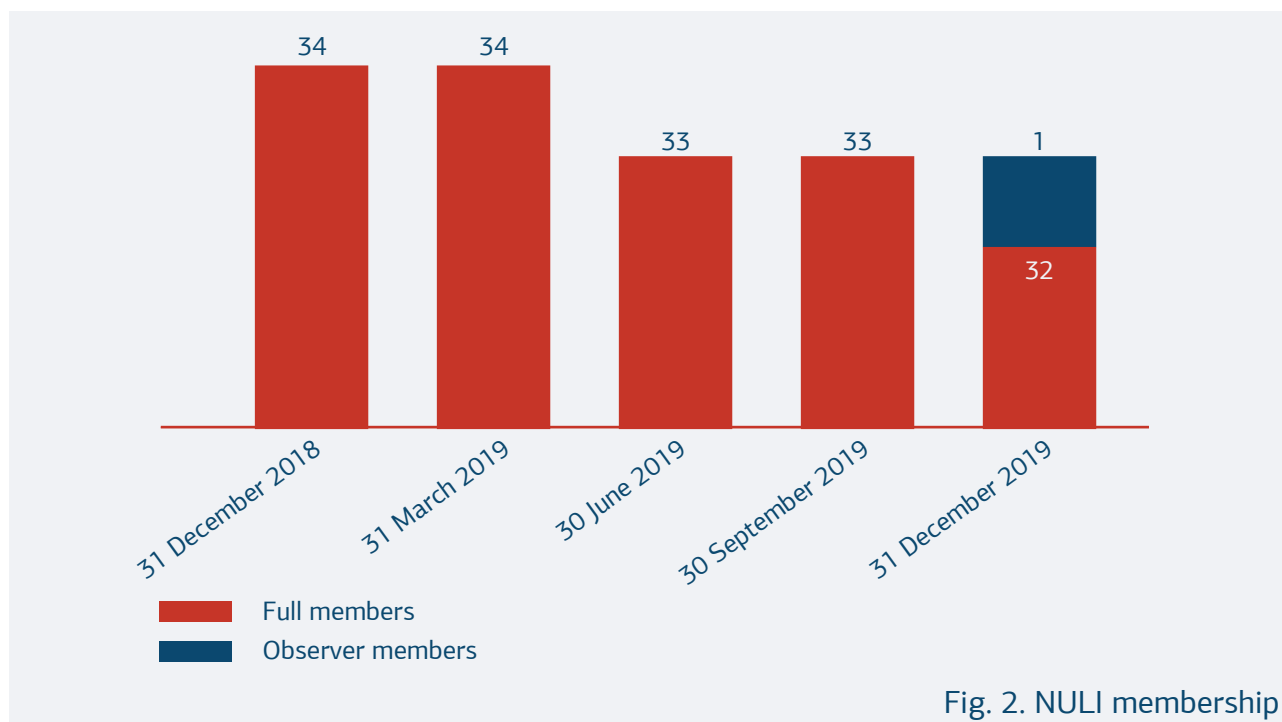
The President of the Union controls the administrative staff of the Union.

The Audit Commission (the Auditor) is the body controlling the financial and economic activity of the Union.



### 1.3. NULI membership

As of 31 December 2019, NULI consisted of 33 insurers.



\* Head offices of insurance companies – members of NULI per each Federal District of Russia as shown in the picture.

\*\* Insurance Company.



## 2. HIGHLIGHTS OF LEGAL REGULATION OF COMPULSORY INSURANCE IN 2019

### 2.1. Amendments to legal regulation of compulsory general and employers' liability insurance of an owner of a hazardous object for damages in case of an accident involving a hazardous object

In 2019, no changes were made to Federal Law No. 225-FZ.

The Bank of Russia Ordinance No. 5052-U of 9 January 2019, «On insurance tariffs or their marginal (minimum and maximum) values, structure of insurance tariffs, including maximum charges used to finance compensations, on the procedure for insurers to apply insurance tariffs to calculate an insurance premium under a contract for the compulsory third party liability insurance of the owner of a hazardous facility for inflicting damage as a result of an accident at such hazardous facility» came into force on 26 March 2019. The document contains two methods for determining the base rate of insurance tariffs for hazardous objects. One technique is used for hazardous objects that were registered between January 1st

and May 8th, 2018, while the second technique is for all other hazardous facilities. The difference in approaches for determining tariffs is associated with a different approach to the classification of hazardous objects, which arose in early 2018 due to the entry into force of the regulatory act of the Federal Environmental, Industrial and Nuclear Supervision Service of Russia, which changed the procedure for identifying all hazardous objects.

In 2019, NULI carried out work on introducing amendments to existing standards and rules of professional activity and methodological recommendations.

Six regulatory documents of the Union were revised in 2019.

### 2.2. Amendments to legal regulation of compulsory liability insurance of a carrier for damages to life, health, and property of passengers

In 2019, no changes were made to Federal Law No. 67-FZ and relevant by-laws.

At the same time, on 24 April 2019, the Presidium of NULI approved a new version of the Rules (standard) regarding compulsory liability insurance of a carrier for damages to life, health, and property of passengers, which were brought into line with the Basic standard for the protection of the rights and interests of individuals and legal entities – recipients of financial services provided by members of self-regulatory organizations,

unifying insurance organizations and the Basic standard for insurance companies to conduct operations in the financial market. In addition, the Rules were brought into compliance with changes to transport legislation.

In 2019, NULI carried out work on introducing amendments to existing standards and rules of professional activity and methodological recommendations.

Four regulatory documents of the Union were revised in 2019.

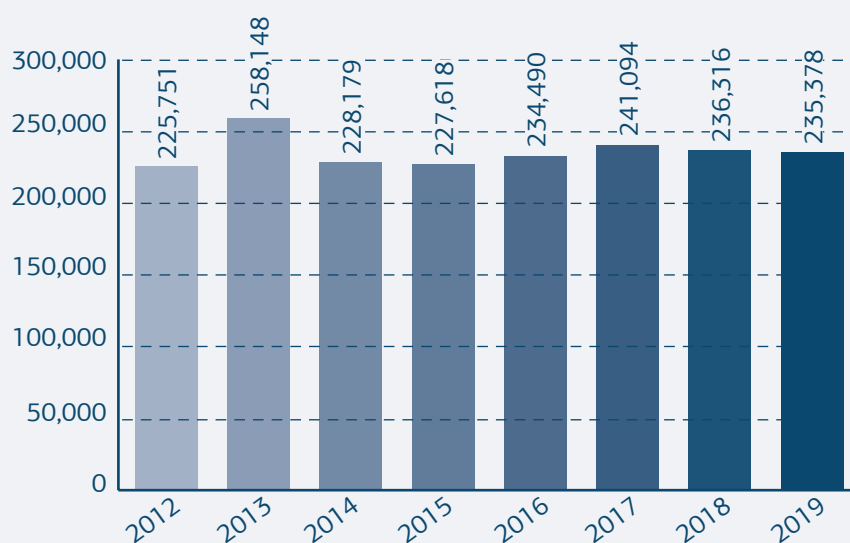
### 3. COMPULSORY LIABILITY INSURANCE IN FIGURES

#### 3.1. The implementation of Federal Law No. 225-FZ

##### The dynamics of concluded insurance contracts

The number of concluded insurance contracts and the insurance premiums written in 2019 are comparable to the relevant numbers in 2018.

Number of insurance contracts



Written premiums in millions of rubles

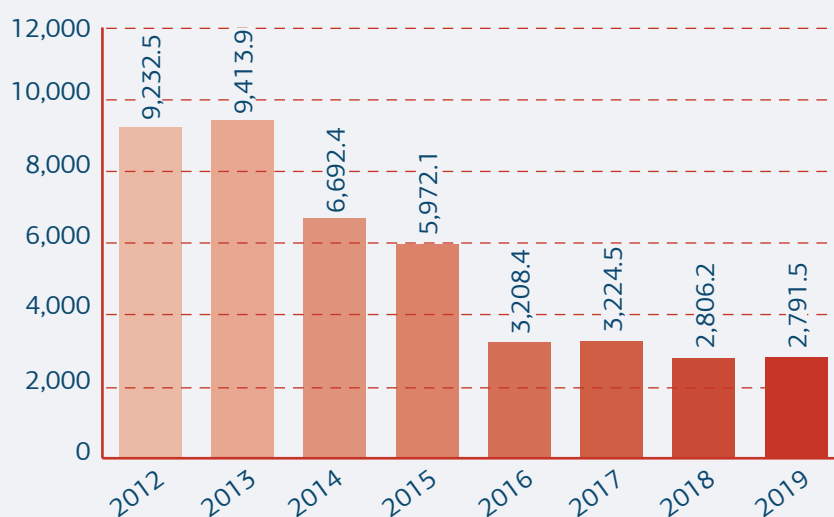


Fig. 4. The dynamics of concluded insurance contracts

Number of insurance contracts

Written premiums in millions of rubles

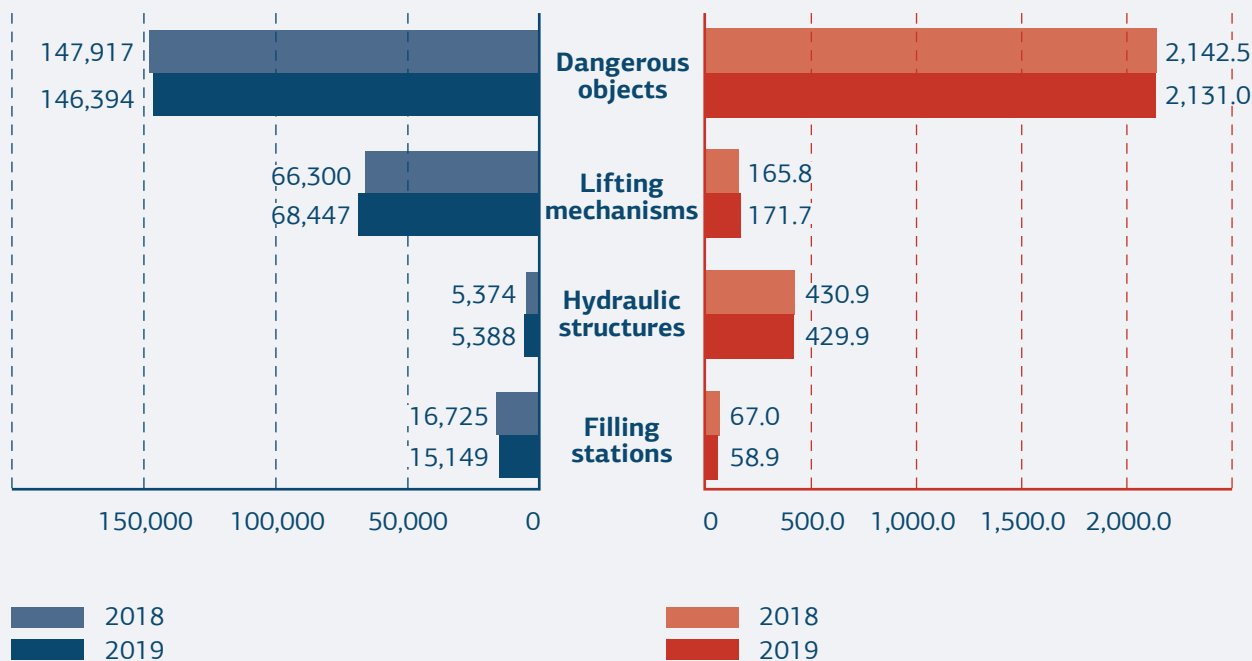


Fig. 5. The dynamics of key figures for different types of hazardous objects

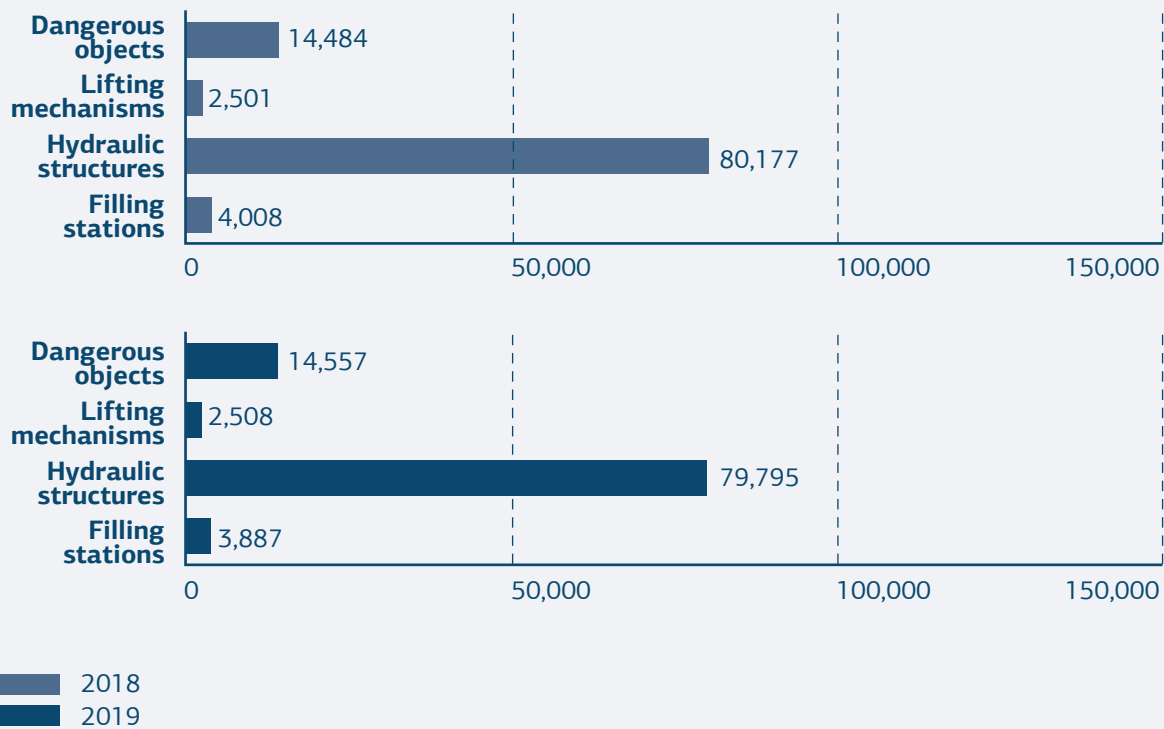
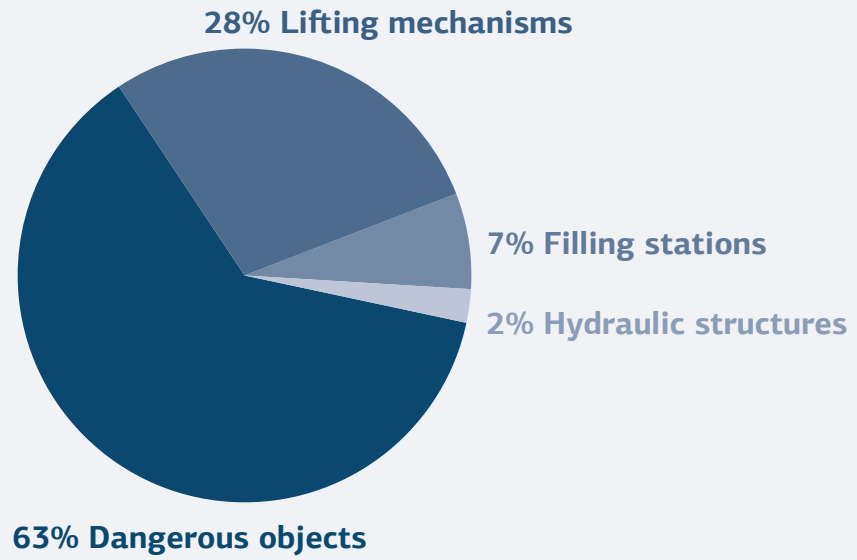


Fig. 6. Average insurance premiums for different types of hazardous objects in rubles

2018



2019

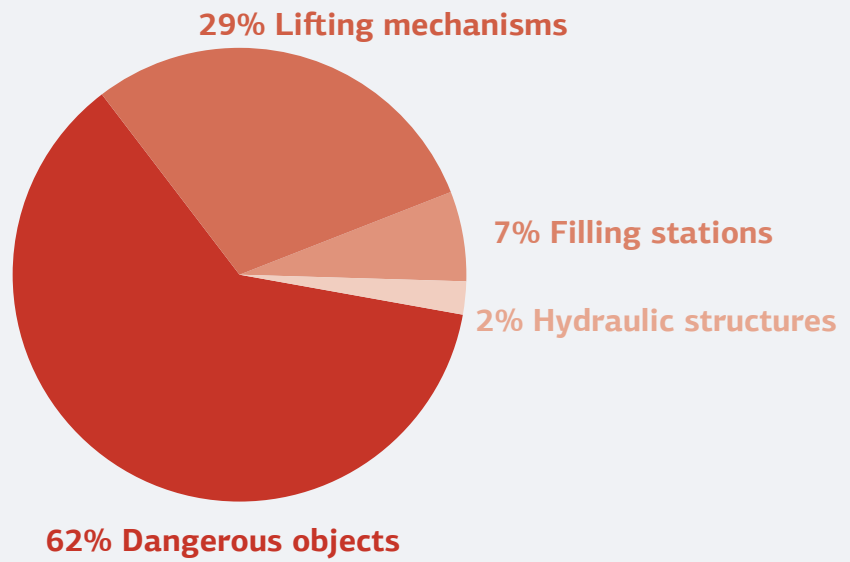
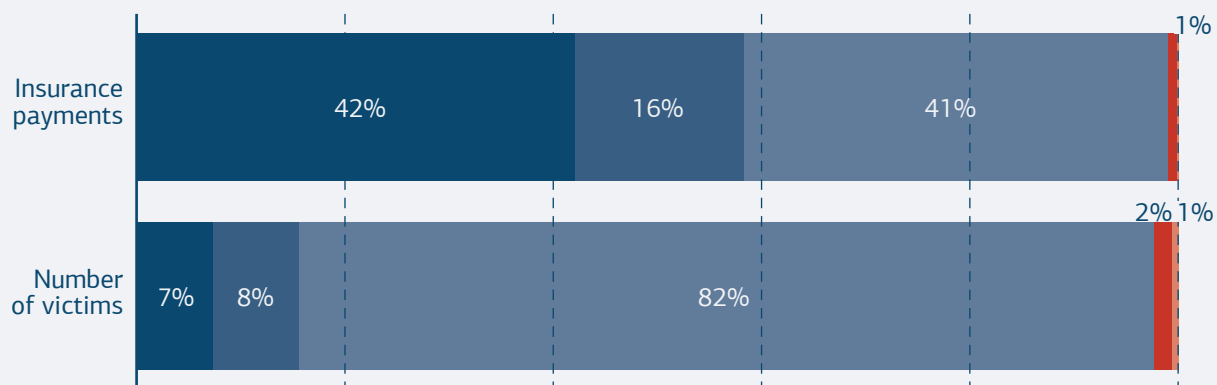


Fig. 7. Breakdown of hazardous objects by number of concluded insurance contracts in 2018-2019

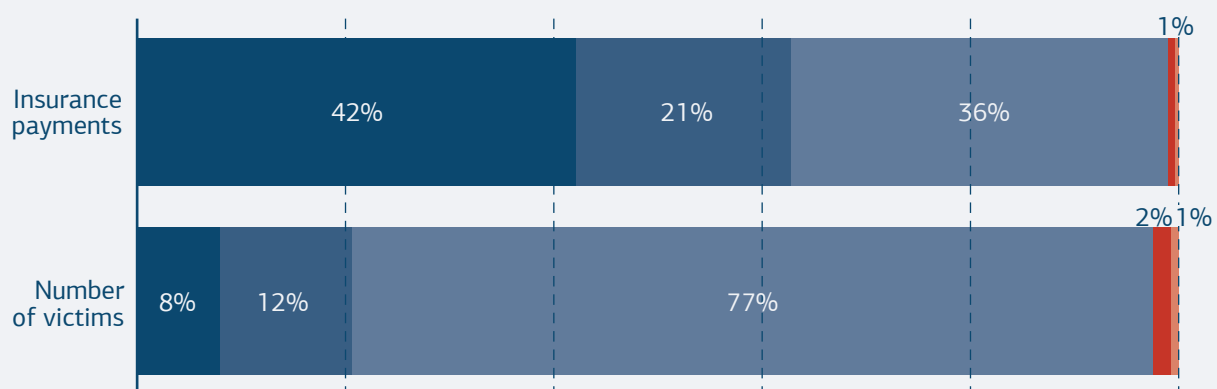


2018



Life
  Health
  Property
  Violation of life conditions
  Funeral expenses

2019



Life
  Health
  Property
  Violation of life conditions
  Funeral expenses

Fig. 8. Breakdown of insurance payments and number of victims by types of damages caused

The average insurance payment for damages caused to life is the same as in 2018 – less than two million rubles – because some insurance payments were calculated in proportion due to the shortage of the sum insured under

compulsory general and employers' liability insurance of an owner of a hazardous object for damages in case of an accident involving a hazardous object contract (Fig. 9).

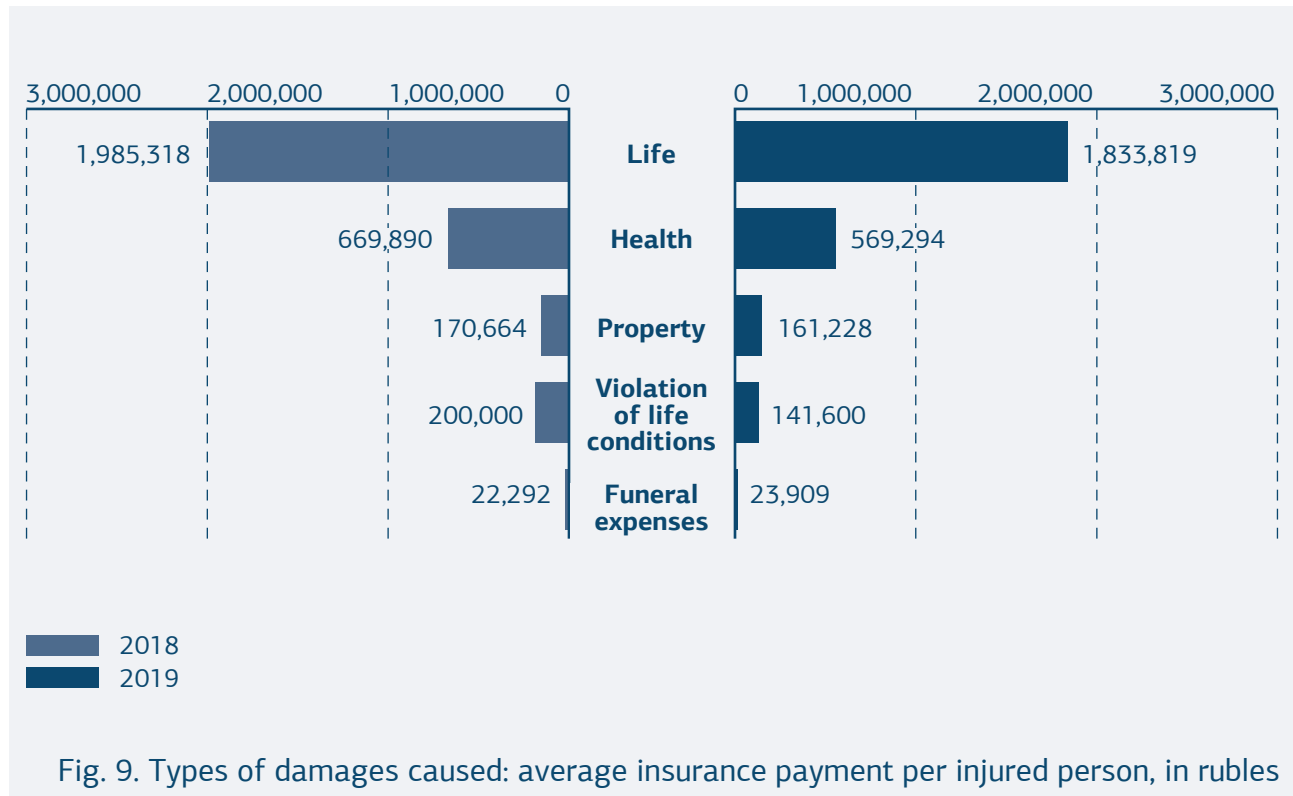


Fig. 9. Types of damages caused: average insurance payment per injured person, in rubles

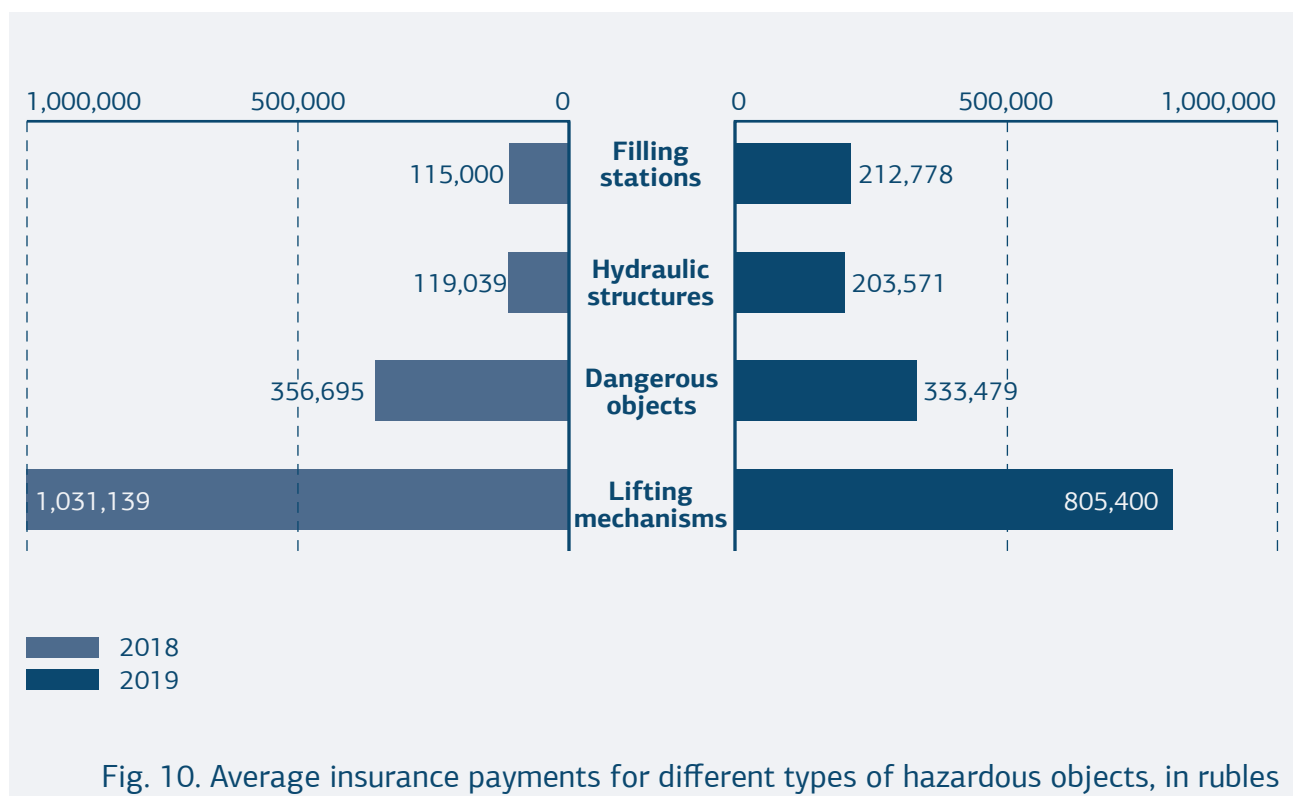


Fig. 10. Average insurance payments for different types of hazardous objects, in rubles

**Compensation Fund of the compulsory general and employers' liability insurance of an owner of a hazardous object for damages in case of an accident involving a hazardous object**

By the end of 2019, the volume of the Compensation Fund amounted to 1.635 million rubles\*.

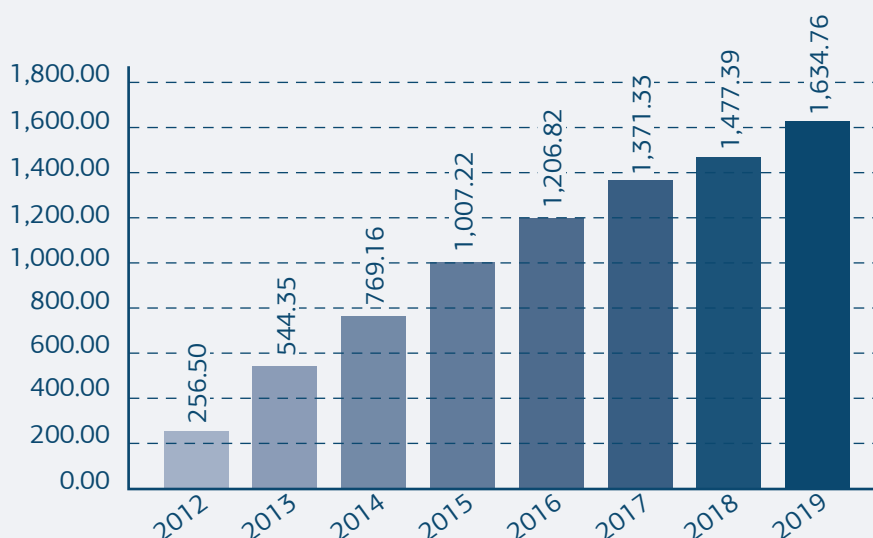


Fig. 11. Volume of the Compensation Fund, in millions of rubles

\* The volume of the Compensation Fund in 2019 is stated as the balance of the Compensation Fund budget as of 17 February 2020, with allocations for Fourth Quarter of 2019 to be paid in the First Quarter of 2020, in accordance with clause 2.2. of the Standards and Rules of professional activity «The order for financing compensation payments by members of the National Union of Liability Insurers, controlling the designated use of the Compensation Fund's assets, accounting allocation transactions for compensation payments».

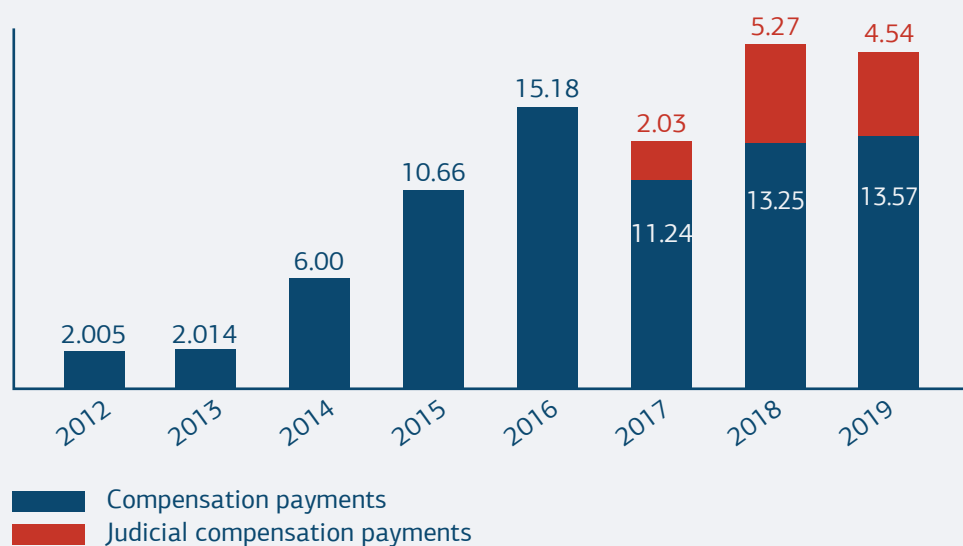


Fig. 12. The dynamics of compensation payments, in millions of rubles

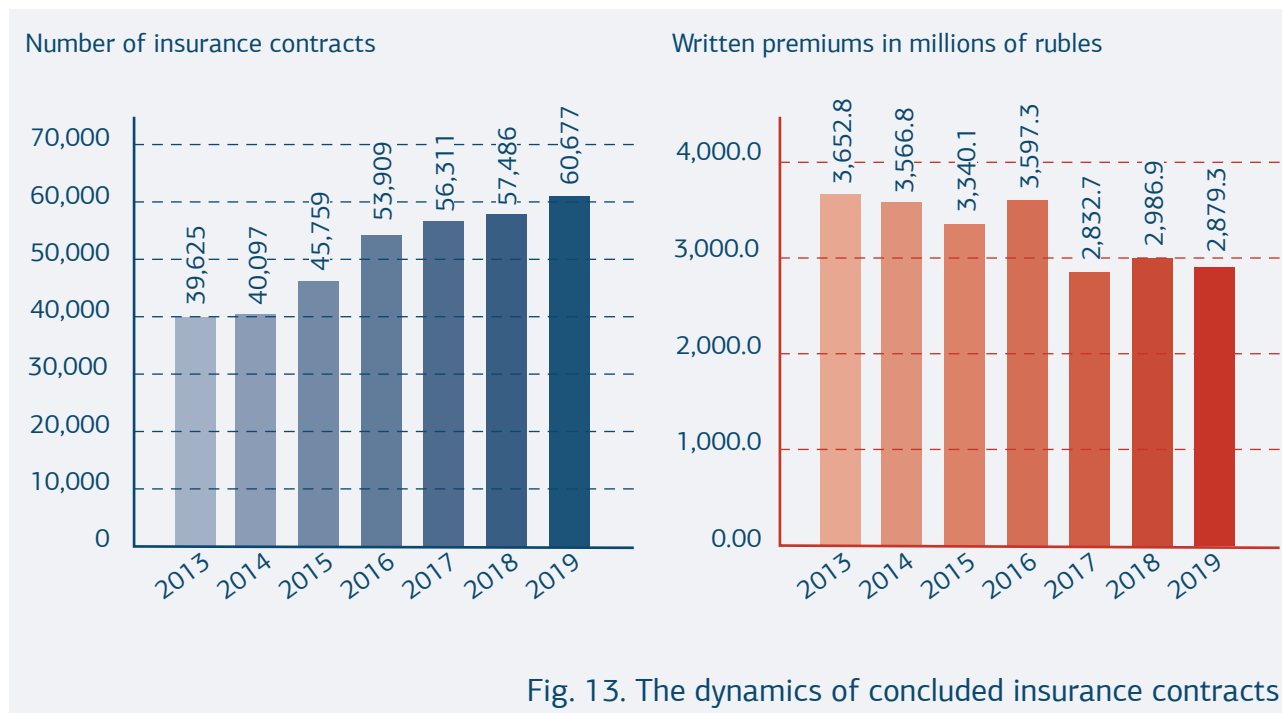
The Union carried out 25 compensation payments in 2019 totalling 18.1 million rubles.

### 3.2. Implementation of Federal Law No. 67-FZ

#### The dynamics of concluded insurance contracts

In 2019, the number of concluded contracts for compulsory liability insurance of a carrier continues to grow. The total number increased by 6% compared to 2018. However, the

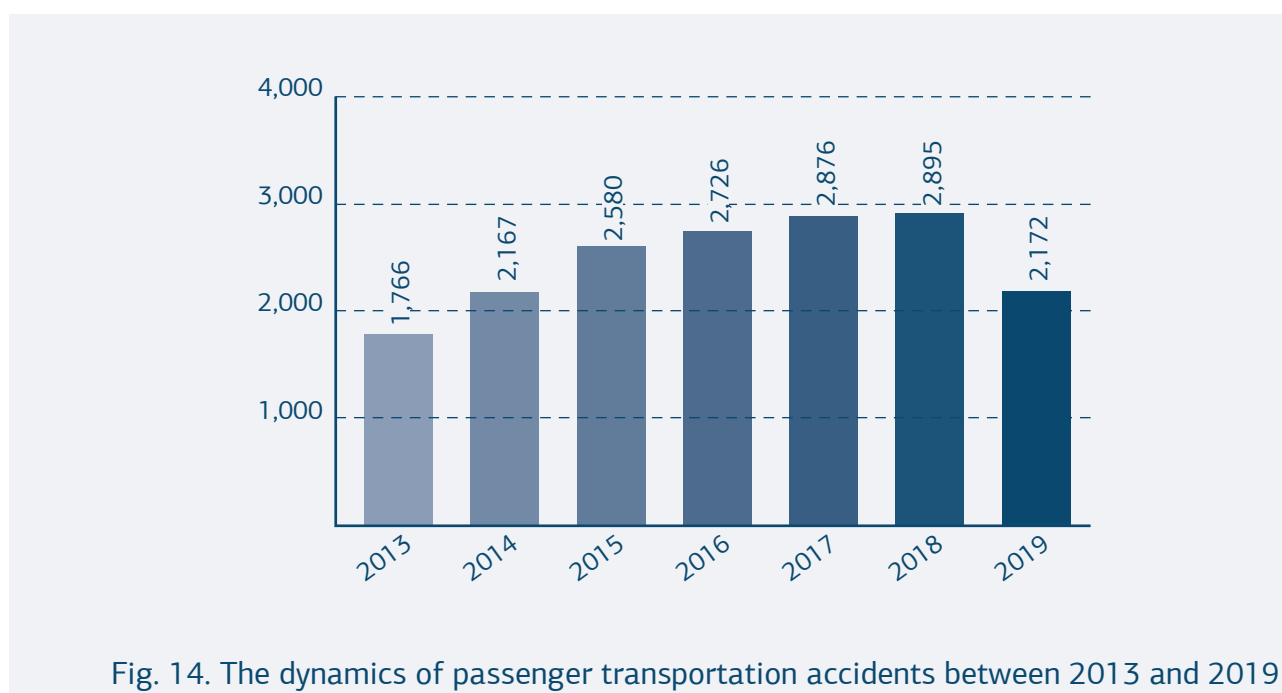
amount of written premiums decreased by 4%. First of all, this is due to the fact that in 2018 a two-year contract was concluded with one of the largest insurers.



#### The dynamics of insurance payments

In 2019, a slight drop was registered in the total amount of insurance payments under

compulsory liability insurance of a carrier, with a decrease by 10% as compared to 2018.





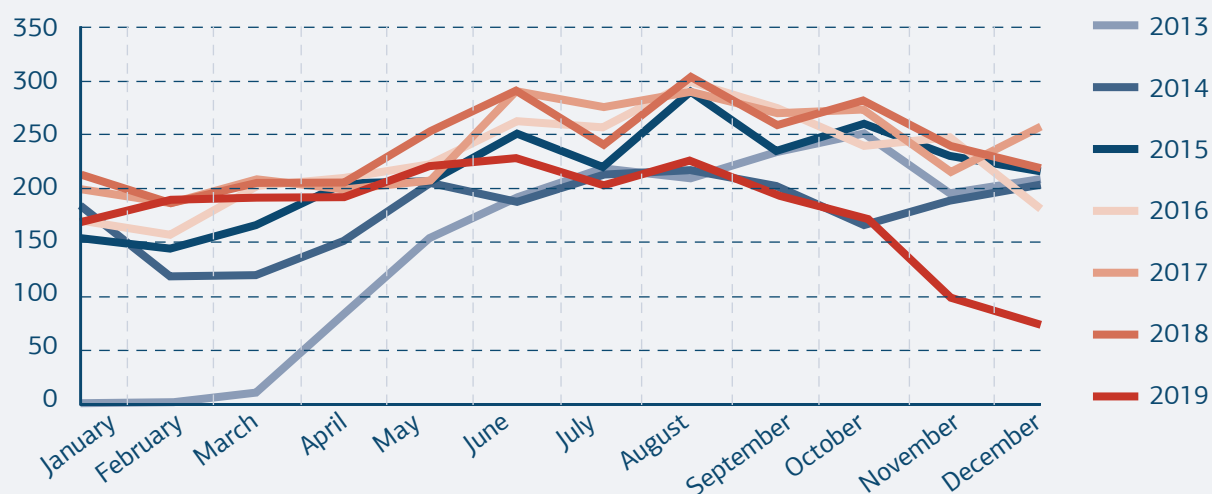
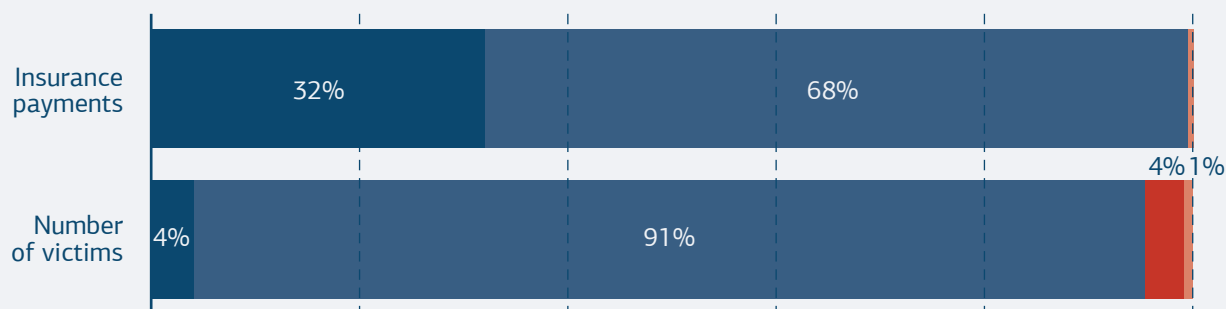


Fig. 15. Monthly cumulative dynamics of passenger transportation accidents

2018



2019

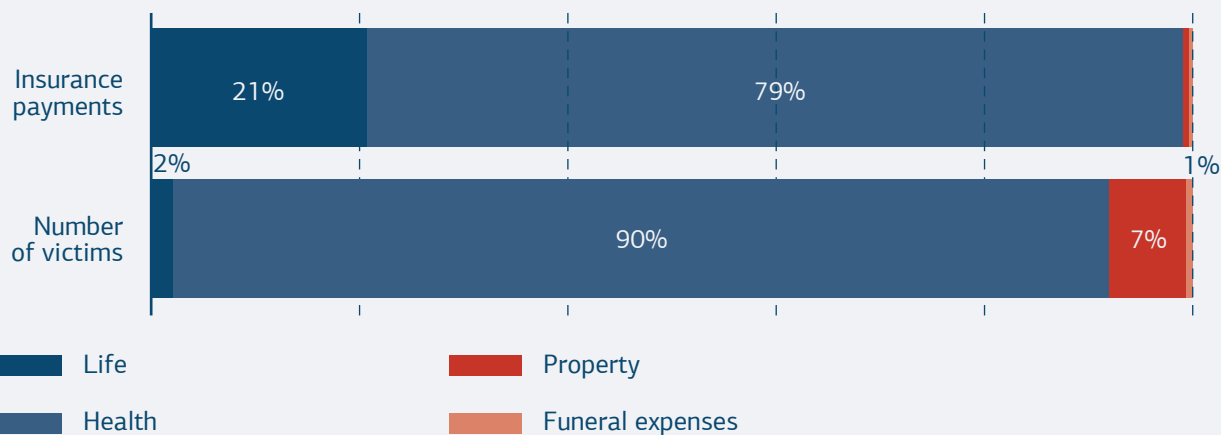


Fig. 16. Breakdown of insurance payments and number of victims by types of damages caused

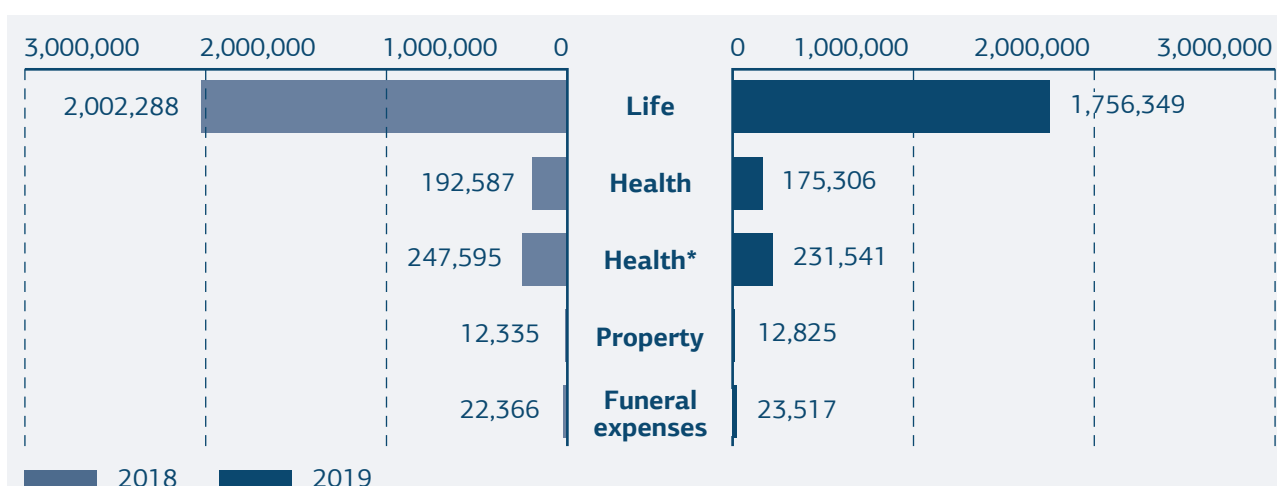


Fig. 17. Types of damages caused: average insurance payment per injured person, in rubles

\* Average insurance payment per injured person for damages caused to health, excluding insurance payments for concussions, dilacerations, and other minor injuries of soft tissues.

### Compensation Fund of the compulsory liability insurance of a carrier for damages to life, health, and property of passengers

By the end of 2019, the Compensation Fund totalled 742 million rubles\*.

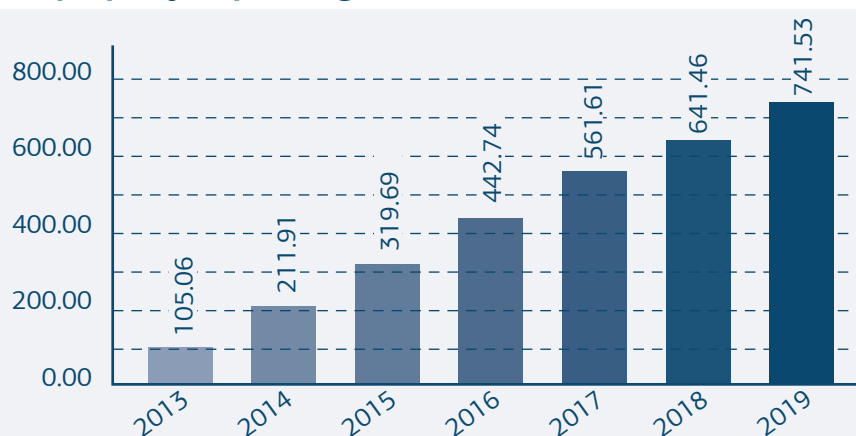


Fig. 18. Volume of the Compensation Fund, in millions of rubles

\* The volume of the Compensation Fund in 2019 is stated as the balance of the Compensation Fund budget as of 17 February 2020, with allocations for Fourth Quarter of 2019 to be paid in the First Quarter of 2020, in accordance with clause 2.2 of the Standards and Rules of professional activity «The order for distribution of liability among members of NULI for NULI's obligations in carrying out compensation payments, accounting transactions with allocations of the compensation fund, as well as controlling the designated use of the Compensation Fund's assets».

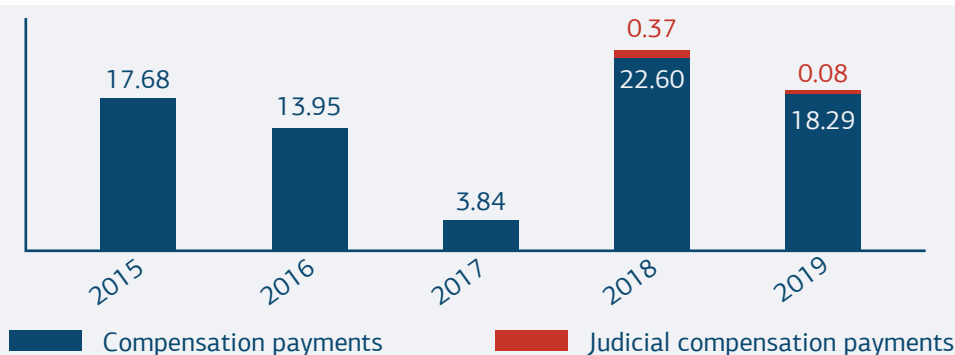


Fig. 19. The dynamics of compensation payments, in millions of rubles

Compensation totalling 18.4 million rubles for 52 events was paid out in 2019.

## 4. REINSURANCE POOLS

### 4.1. Reinsurance pool for compulsory general and employers' liability insurance of an owner of a hazardous object for damages in case of an accident involving a hazardous object

According to Federal Law No.225-FZ, members of the professional association of insurers form a reinsurance pool to reinsure risks of the general and employers' liability of an owner of a hazardous object for damages in case of an accident involving a hazardous object.

34 insurance companies were in the reinsurance pool at the beginning of 2019. By the end of the year, their number lowered to 32.

By late 2019, the capacity of the pool amounted to 6,480 million rubles.

In 2019 there were four regular settlements sessions based on the Fourth Quarter of 2018 and three Quarters of 2019. 966.5 million rubles were involved in mutual settlements based on the Fourth Quarter of 2018 and three Quarters of 2019, 30.6 million of which were transferred to retrocession.

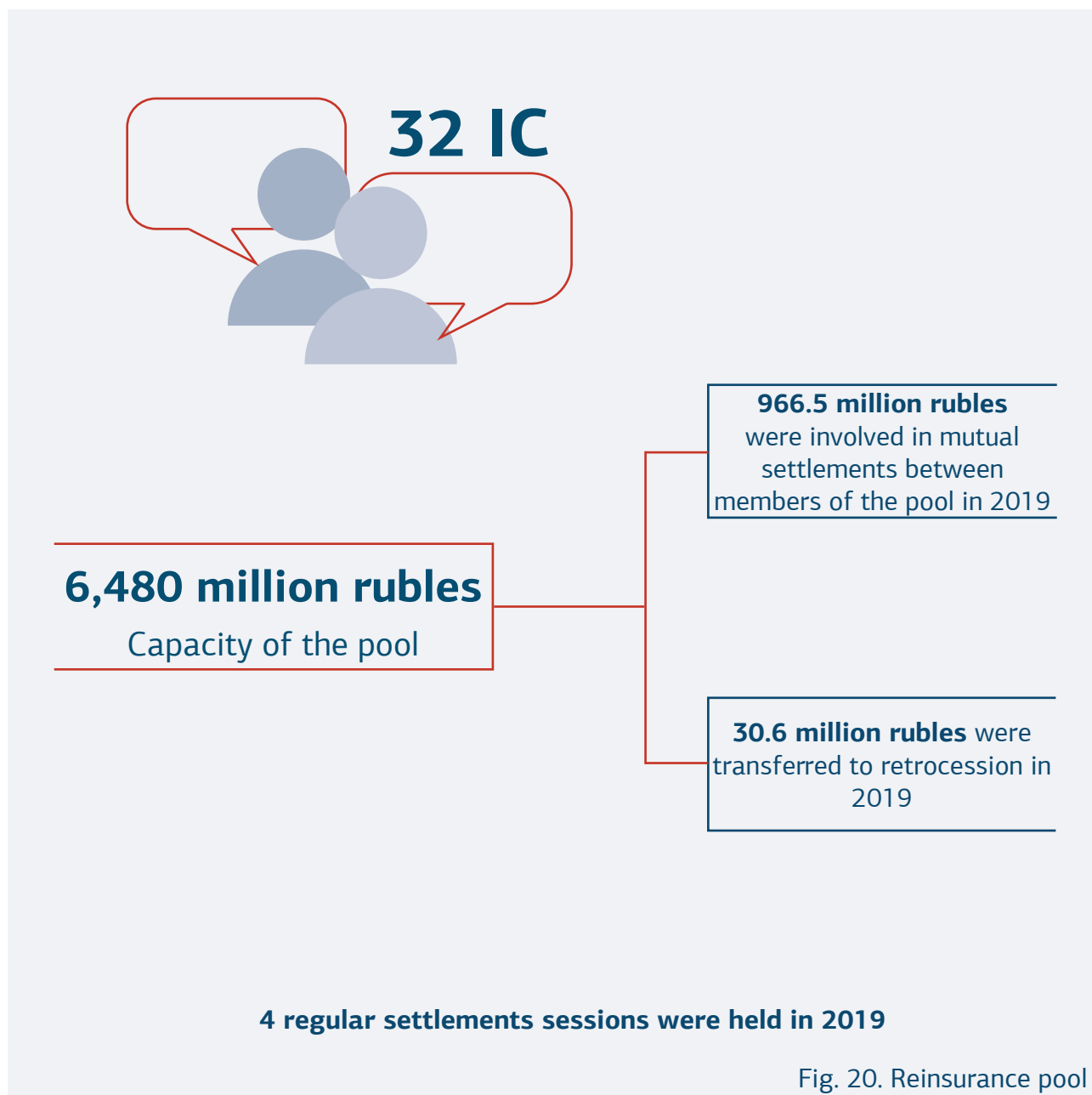


Fig. 20. Reinsurance pool

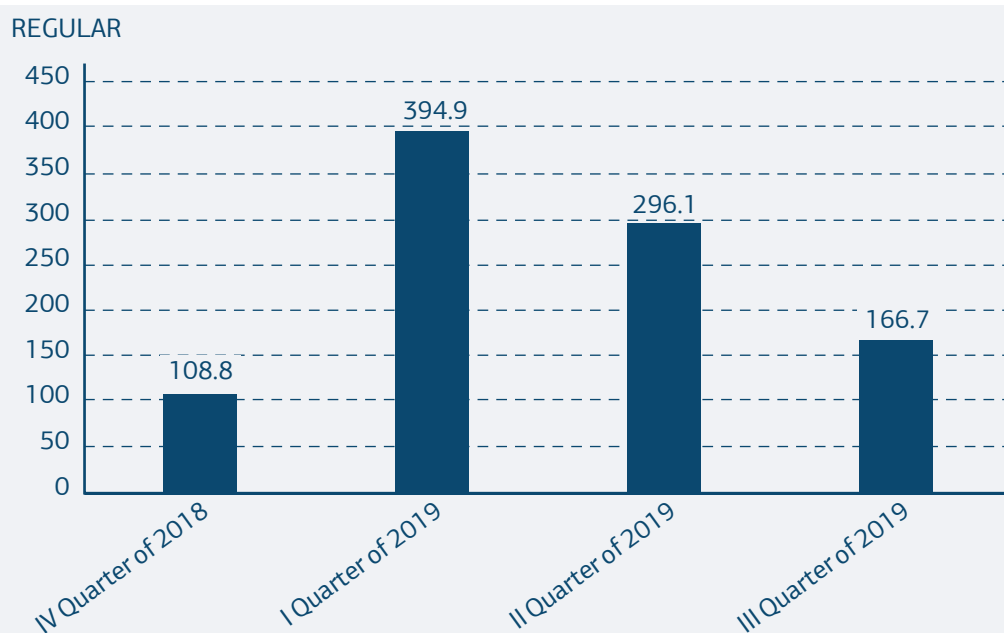


Fig. 21. Mutual settlements in the pool in 2019, in millions of rubles

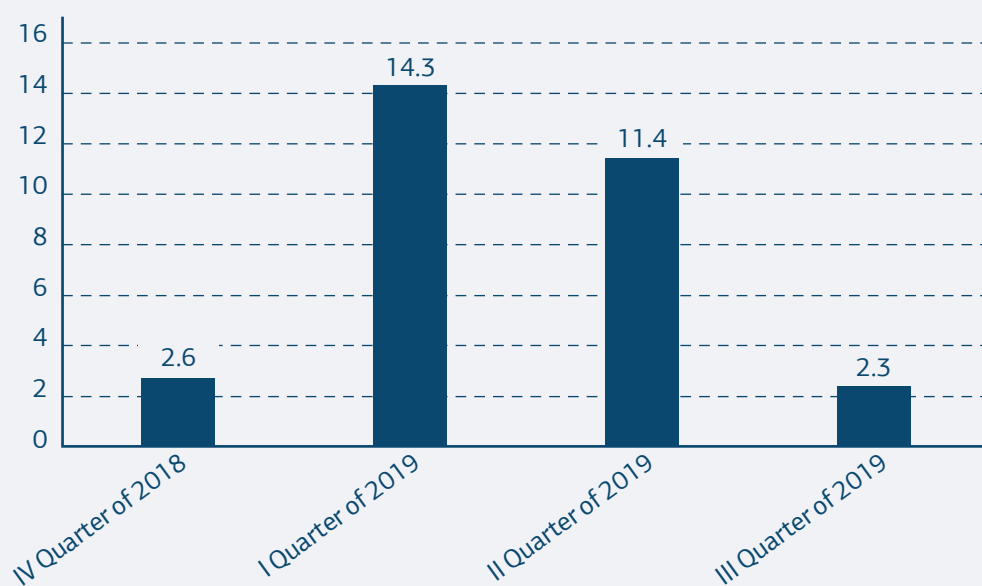


Fig. 22. Mutual settlements with the RNRC in 2019, in millions of rubles



## 4.2. Reinsurance pool for compulsory liability insurance of a carrier for damages to life, health, and property of passengers

According to Federal Law No. 67-FZ, which came into force on 1 January, 2013, members of the professional association of insurers form a reinsurance pool to reinsure risks of compulsory liability insurance of a carrier for damages to life, health, and property of passengers.

30 insurance companies were members of the reinsurance pool at the beginning

of 2019. By the end of 2019, the number decreased to 28 members.

In 2019 there were four regular settlements sessions based on the Fourth Quarter of 2018 and three Quarters of 2019. 1,562.1 million rubles were involved in mutual settlements based on the Fourth Quarter of 2018 and three Quarters of 2019.

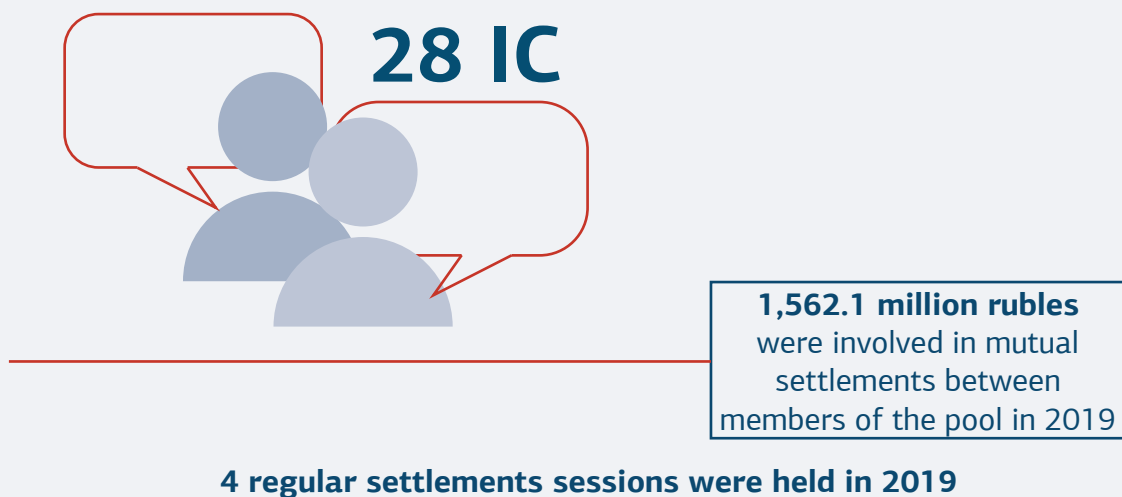


Fig. 23. Reinsurance pool

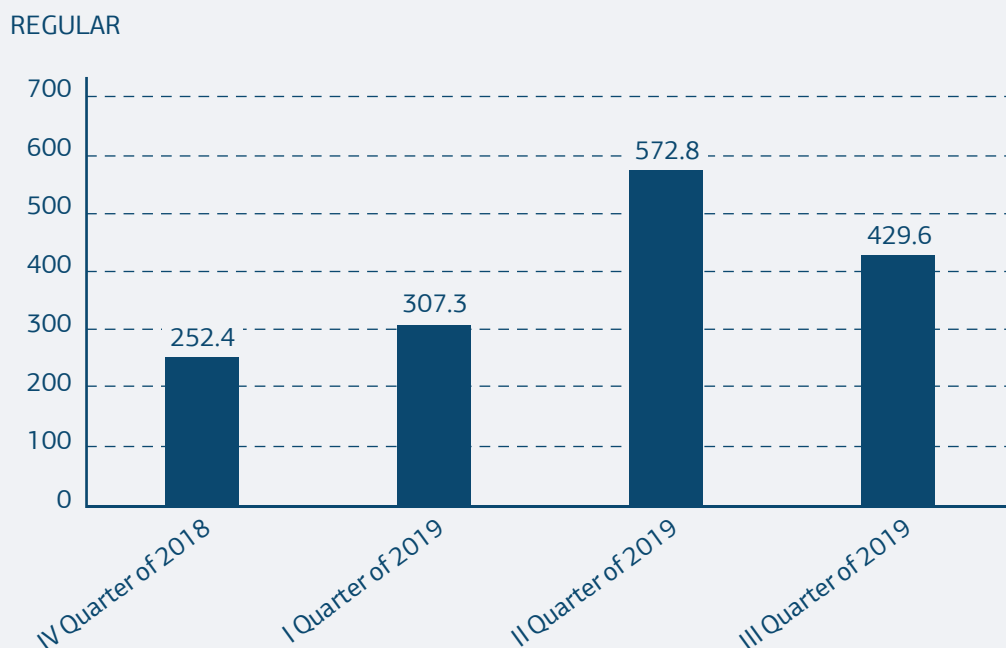


Fig. 24. Mutual settlements in the pool in 2019, in millions of rubles

## 5. AUTOMATED INFORMATION SYSTEM OF NULI

### **Amendments to legal framework**

The Bank of Russia Ordinance No. 5052-U of 9 January 2019, «On insurance tariffs or their marginal (minimum and maximum) values, structure of insurance tariffs, including maximum charges used to finance compensations, on the procedure for insurers to apply insurance tariffs to calculate an insurance premium under a contract for the compulsory third party liability insurance of the owner of a hazardous facility for inflicting damage as a result of an accident at such hazardous facility» came into force on 26 March 2019.

In accordance with this document, a new, supplementary methodology was established for determining insurance tariff rates for hazardous objects that were registered between January 1st and May 8th, 2018. The corresponding algorithm was implemented in the AIS of NULI, and the necessary changes were also made to the compulsory general and employers' liability insurance of an owner of a hazardous object for damages in case of an accident involving a hazardous object calculator on the NULI website.

### **Refinement of the authorisation mechanism for contracts on compulsory liability insurance of a carrier for damages to life, health, and property of passengers**

In 2019, it became necessary to determine the carriers belonging to small and medium-sized enterprises, as early as at the stage of authorizing the electronic contract number. To solve this problem, the AIS of NULI implemented a mechanism for obtaining the necessary information using an external service. The purpose of implementing such a mechanism was not only to strengthen control over policyholders, but also to prevent insurance organizations from undercharging insurance premiums and, therefore, to financially protect the other participants of the reinsurance pool.

### **Insurance Records Bureau of compulsory general and employers' liability insurance of an owner of a hazardous object for damages in case of an accident involving a hazardous object**

The «insurance history mechanism» is a system set up to inform members of the Union about the financial discipline of the insured, the portfolio of its contracts, and the availability of insurance payments.

Based on the positive experience of implementing the Insurance Records Bureau of compulsory liability insurance of a carrier for damages to life, health, and property of passengers, insurers made a decision, in 2018, to create a similar service in the AIS of NULI for compulsory general and employers' liability insurance of an owner of a hazardous object for damages in case of an accident involving a hazardous object. This development has been completed, with the Union launching it in 2019.

### **Insurance verification**

On the official NULI website, you can always check online whether the compulsory liability insurance of a carrier for damages to life, health, and property of passenger's contract is authentic, whether the liability of a legal entity or individual entrepreneur is insured, or whether a particular vehicle is included in the compulsory liability insurance of a carrier contract. Visitors to the NULI website, including employees of the Federal Authority for Transport Oversight of the Ministry of Transport of the Russian Federation, used the insurance verification service about 930,000 times in 2019.

---

### **Integration of the AIS of NULI with the information systems of federal executive authorities**

In 2019, the Union continued co-operating with the Federal Authority for Transport Oversight of the Ministry of Transport of the Russian Federation on the task of controlling the carriers that did not fulfill their insurance obligation. The plan is to launch the integration of both of their systems into commercial operation in 2020. Inspectors will be able to verify the existence of the compulsory

liability insurance of a carrier contract directly from the internal information system within the Federal Authority for Transport Oversight of the Ministry of Transport of the Russian Federation.

Another area of such co-operation with the federal executive authorities in 2019 was the participation of the Union in a pilot project of the uniform federal system for monitoring and controlling passenger transportation. One of its goals is to identify violations of the carrier's liability insurance on a real-time basis.

## 6. LEGAL WORK IN 2019

In 2019, NULI took part in judicial proceedings on 39 legal cases totalling 81.7 million rubles:

Classes of insurance	Number of legal cases	Amount claimed, million rubles
compulsory general and employers' liability insurance of an owner of a hazardous object for damages in case of an accident involving a hazardous object	28	35.3
compulsory liability insurance of a carrier for damages to life, health, and property of passengers	11	46.4

NULI's claims were satisfied in 4 legal cases totalling 7.7 million rubles. In fact, NULI received 22 thousand rubles.

The total amount paid by the Union in relation to legal cases amounted to 2.7 million rubles.

## 7. CONTROLLING ACTIVITY REGARDING NULI MEMBERS

### Legal framework

In accordance with the Standards and Rules of professional activity «The order of conducting audits of members of the National Union of Liability Insurers», every full member of the Union is subject to off-site audits implemented on the basis of reports, information and documentation submitted to the Union in accordance with the standards and rules of professional activity or in compliance with the Union's request.

Controlling activity related to Union members ensures compliance with the legislation requirements for compulsory insurance under Federal Law No. 225-FZ, Federal Law No. 67-FZ and standards and rules of professional activity.

579 audits of compliance with the legislation requirements for compulsory insurance were conducted in 2019, including the following:

I. 24 appeals and complaints against members of the Union from:

- members of the Union – 17;
- LLC Insurance Payment System – 3;
- federal executive authorities – 2;
- other organisations – 2.

II. 555 thematic audits:

- for compulsory general and employers' liability insurance of an owner of a hazardous object for damages in case of an accident involving a hazardous object:
  - in compliance with requirements, established to determine insured sums and calculate insurance premiums in compulsory insurance contracts – 29;
  - in compliance with requirements of corporate information system – 270;
- for compulsory liability insurance of a carrier for damages to life, health, and property of passengers:
  - in compliance with requirements of corporate information system – 253;

- general (for compulsory general and employers' liability insurance of an owner of a hazardous object for damages in case of an accident involving a hazardous object and for compulsory liability insurance of a carrier for damages to life, health, and property of passengers):
  - incomplete and/or untimely submission of information regarding members of the Union to the Register of NULI's members – 3.

### Disciplinary infractions

In accordance with the Standards and Rules of professional activity «The order of enforcing and accounting for sanctions and other measures imposed upon members of NULI, their officials and employees, as well as monitoring the implementation», 91 proceedings on disciplinary infractions were initiated, including:

- 62 cases – on compulsory general and employers' liability insurance of an owner of a hazardous object for damages in case of an accident involving a hazardous object;
- 27 cases – on compulsory liability insurance of a carrier for damages to life, health, and property of passengers;
- 2 cases – on compulsory general and employers' liability insurance of an owner of a hazardous object for damages in case of an accident involving a hazardous object and compulsory liability insurance of a carrier for damages to life, health, and property of passengers (combined).

### Disciplinary action

89 disciplinary action orders were imposed, including:

- 60 – on compulsory general and employers' liability insurance of an owner of a hazardous object for damages in case of an accident involving a hazardous object;
- 27 – on compulsory liability insurance of a carrier for damages to life, health, and property of passengers;

- 2 – on compulsory general and employers' liability insurance of an owner of a hazardous object for damages in case of an accident involving a hazardous object and compulsory liability insurance of a carrier for damages to life, health, and property of passengers (combined).

9 orders of discontinuance of disciplinary infraction proceedings were imposed, including:

- 7 – on compulsory general and employers' liability insurance of an owner of a hazardous object for damages in case of an accident involving a hazardous object;
- 2 – on compulsory liability insurance of a carrier for damages to life, health, and property of passengers.

### **Disciplinary measures**

The following disciplinary measures were imposed on the Union members in 2019:

- financial sanctions totalling 5 million rubles:
  - 4.7 million rubles – on compulsory general and employers' liability insurance of an owner of a hazardous object for damages in case of an accident involving a hazardous object;

- 324,000 rubles – on compulsory liability insurance of a carrier for damages to life, health, and property of passengers;
- 60,000 rubles – on compulsory general and employers' liability insurance of an owner of a hazardous object for damages in case of an accident involving a hazardous object and compulsory liability insurance of a carrier for damages to life, health, and property of passengers (combined).

- 21 notices of warning, including:

- 12 – on compulsory general and employers' liability insurance of an owner of a hazardous object for damages in case of an accident involving a hazardous object;
- 9 – on compulsory liability insurance of a carrier for damages to life, health, and property of passengers.

Five sessions of the Union's Disciplinary Commission were held in 2019, during which 16 issues were addressed. Reviews of the work done by the Disciplinary Commission are available on the Union's website.



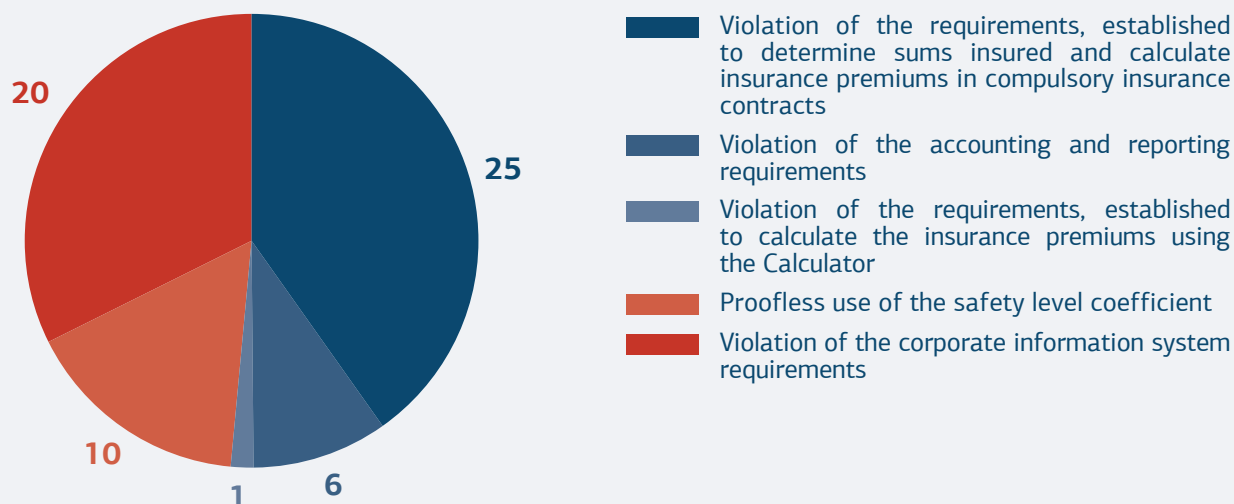


Fig. 25. Standard infractions in compulsory general and employers' liability insurance of an owner of a hazardous object for damages in case of an accident involving a hazardous object

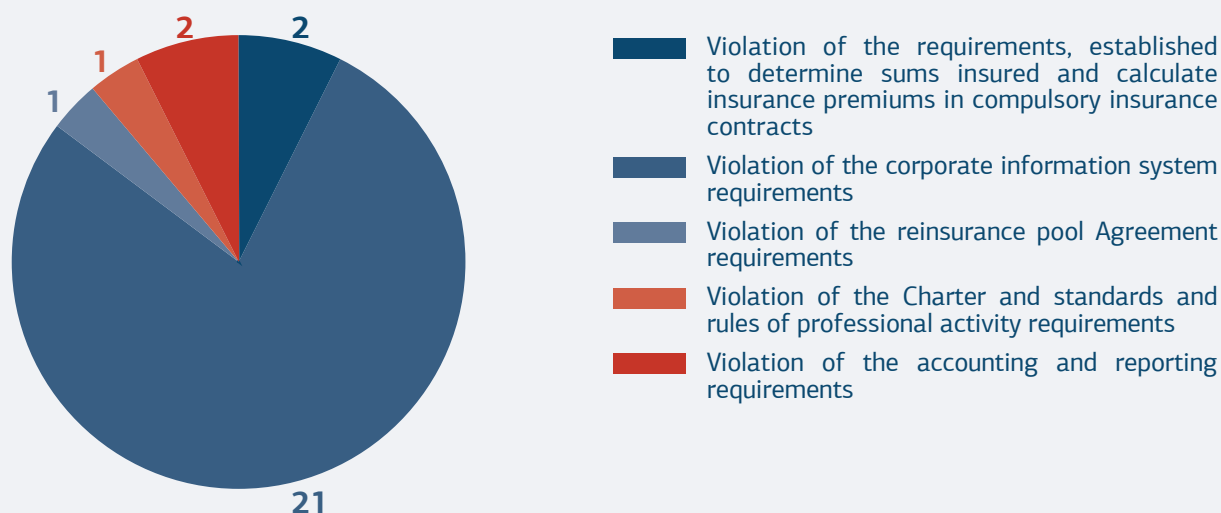
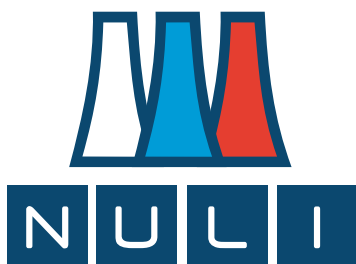


Fig. 26. Standard infractions in compulsory liability insurance of a carrier for damages to life, health, and property of passengers



## **NATIONAL UNION OF LIABILITY INSURERS**

Lyusinovskaya Street, 27, Building 3,  
Moscow, 115093, Russian Federation.  
Telephones: +7 (495) 585-08-93; +7 (495) 737-92-13.  
Fax: +7 (495) 737-92-10.

Web site: [www.nssso.ru](http://www.nssso.ru)  
E-mail: [question@nssso.ru](mailto:question@nssso.ru)

---