



ANNUAL REPORT **2017**

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NULI, the Union

The National Union of Liability Insurers;

Federal Law No. 225-FZ

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”;

Federal Law No. 67-FZ

The Federal Law No. 67-FZ of 14.06.2012
“On compulsory liability insurance of
a carrier for damages to life, health,
property of passengers and the order
of indemnity for such damages caused

during the transportation of passengers by
underground trains”;

AIS of NULI, the System

The Automated Information System of the
National Union of Liability Insurers;

Lifting mechanisms

Elevators, lifting platforms for people with
disabilities, escalators (excluding subway
escalators), passenger sidewalks (moving
walkways), that are not listed in the State
Register of hazardous objects;

SRO

Self-regulatory Organisation

Dear colleagues

Summing up the results of 2017, I would like to note that it became a year of innovations for the National Union of Liability Insurers. We implemented large-scale tasks that not only increased the efficiency of insurers' work, but also significantly improved the feasibility of internal work processes.

First of all, I would like to emphasize an event that could be truly called historical for the Union. The Bank of Russia approved the integration of insurance unions into the Self-regulatory Organisation, formed on the basis of the All-Russian Insurance Organisation. The pioneer role of this tremendous process is assigned to NULI. A working group was created to guide the systematic consolidation of NULI and SRO. Representatives from NULI, the All-Russian Insurance Organisation and the Bank of Russia took part in the development of a "road map", defining the autonomous capabilities of each merging union, the implementation of a full range of measures and legal procedures.

While continuing to implement the obliged social, financial and legal tasks, the Union realized a significant and extremely complex – both from a technical and methodological point of view – project. The project is a technology for concluding "compulsory general and employers' liability insurance of an owner of a hazardous object for damages in case of an accident involving a hazardous object" contracts without using the traditional typographic certificates of insurance. This was an important step toward the digitalization of insurance – the aim of the insurance community, responding to modern realities and requirements of rapidly developing information technologies.

Another important venture of the Union was the collaborative experience with the Russian National Reinsurance Company. I am confident that successful cooperation, launched in 2017, will be strengthened by new future joint projects and their effective realisation.

In 2017, the Union continued to implement activities relating to the emergence of new types of liability insurance. We expect that the consolidated work currently being carried out by the Union, the business community and government authorities, will bear fruit and layers of society, whose rights are not as securely protected as, for example, passengers in public transport and workers on hazardous facilities, will also be reliably insured and confident about the future.

I expect that our initiatives and achievements of 2017, and our common hard and successful work will lay a strong foundation for further strength and prosperity not only for the Union, but also for liability insurance and the insurance market as a whole. I thank all colleagues for the important and necessary work that was done to insure this.

Igor Yurgens



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, property of passengers and 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 OF NULI

To ensure cooperation 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, 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, property of passengers

To develop national insurance in the Russian Federation, as well as:

- 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, property of passengers;
- other classes of compulsory insurance as provided by the legislation of the Russian Federation.

1.2. Corporate structure of NULI

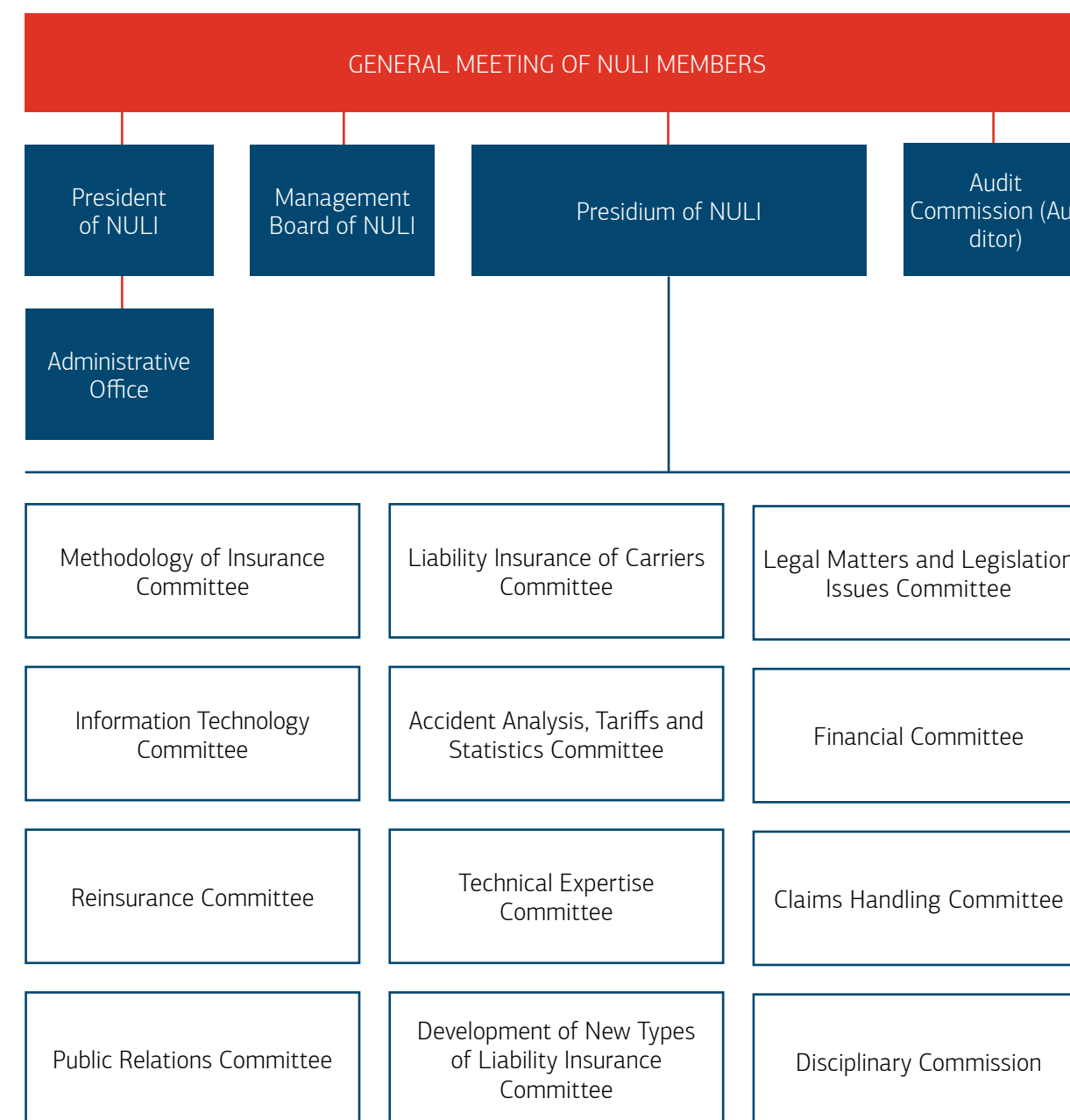
The corporate management system of the Union consists of:

- the General Meeting of NULI members – the supreme governing body of the Union;
- the Presidium of NULI – the permanent governing body of the Union coordinating the general direction and supervision of the Union;
- the President of NULI – the sole executive body of the Union coordinating the general management of the Union;
- the Management Board of NULI – the collegial body of the Union coordinating the current activities of the Union.

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

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

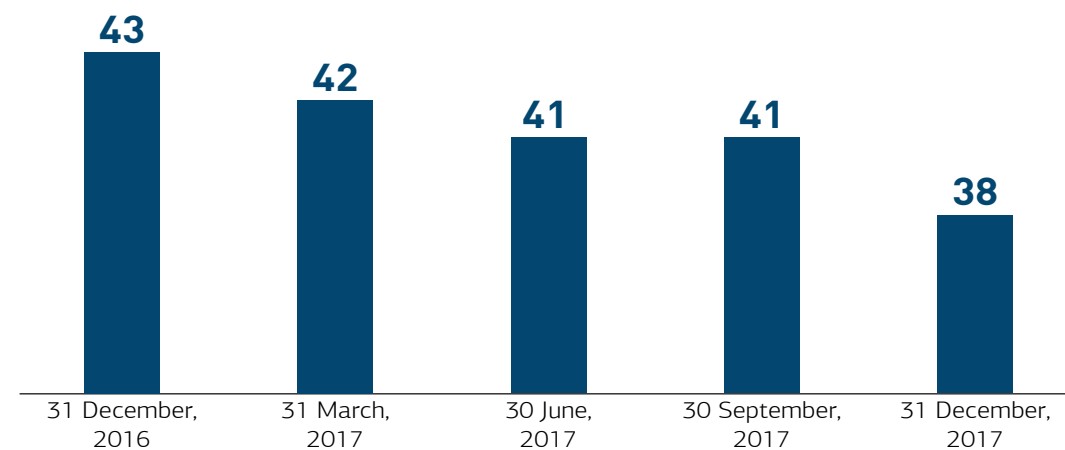
THE ORGANISATIONAL STRUCTURE OF NULI



Pic. 1. The organisational structure of NULI

1.3. NULI membership

As of 31 December, 2017, NULI consisted of 38 insurers.



Pic. 2. NULI membership*



Pic. 3. Territorial representation of NULI members

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

** Insurance Company

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

There were no amendments made to Federal Law No. 225-FZ in 2017. However, the Union amended acting standards and rules of professional activity and methodological recommendations throughout 2017. For instance, from 01 November, 2017, the insurers have the ability to conclude "compulsory general and employers' liability insurance of an owner of a hazardous object for damages in case of an accident involving a hazardous object" contracts with a uniquely-assigned number from the AIS of NULI (this technology established itself in the implementation of Federal Law No. 67-FZ). Nonetheless, it is possible to conclude such contracts using the typographic blanks printed by JSC "Goznak" till 01 August, 2018.

In 2017, seven acting standards and rules of professional activity and three methodological recommendations were amended.

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

On 29 July, 2017, Federal Law No. 227-FZ "On amendments to Federal Law "On compulsory liability insurance of a carrier for damages to life, health, property of passengers and the order of indemnity for such damages caused during the transportation of passengers by underground trains" was passed (came into force on 27 January, 2018). The following amendments provide for the modification of Federal Law No. 67-FZ based on the results of law enforcement practice.

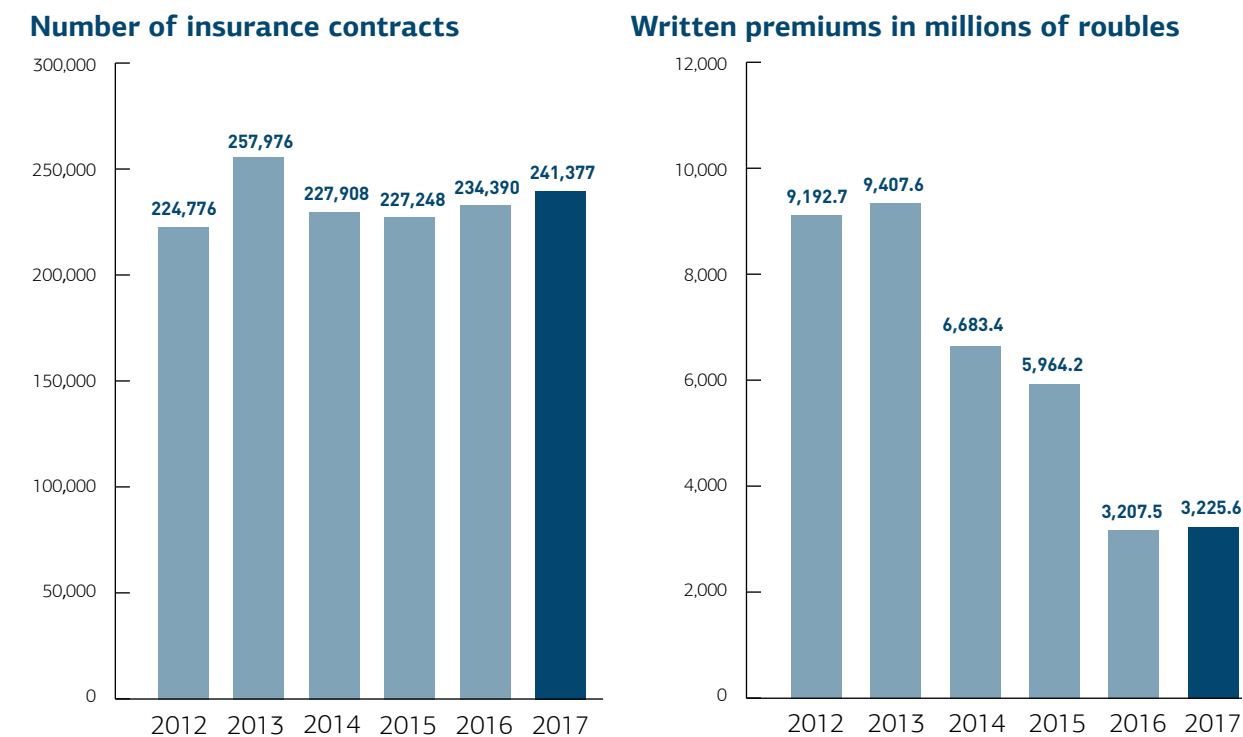
Presidium of NULI approved the amended version of the Rules (standard) for compulsory liability insurance of a carrier for damages to life, health, property of passengers with intent to bring in line with the redraft of Federal Law No. 67-FZ. The Bank of Russia did not disclose any contradictions with insurance legislation in the amended version of the Rules (standard) for compulsory liability insurance of a carrier for damages to life, health, property of passengers.

In 2017, five acting standards and rules of professional activity and one methodological recommendation were amended.

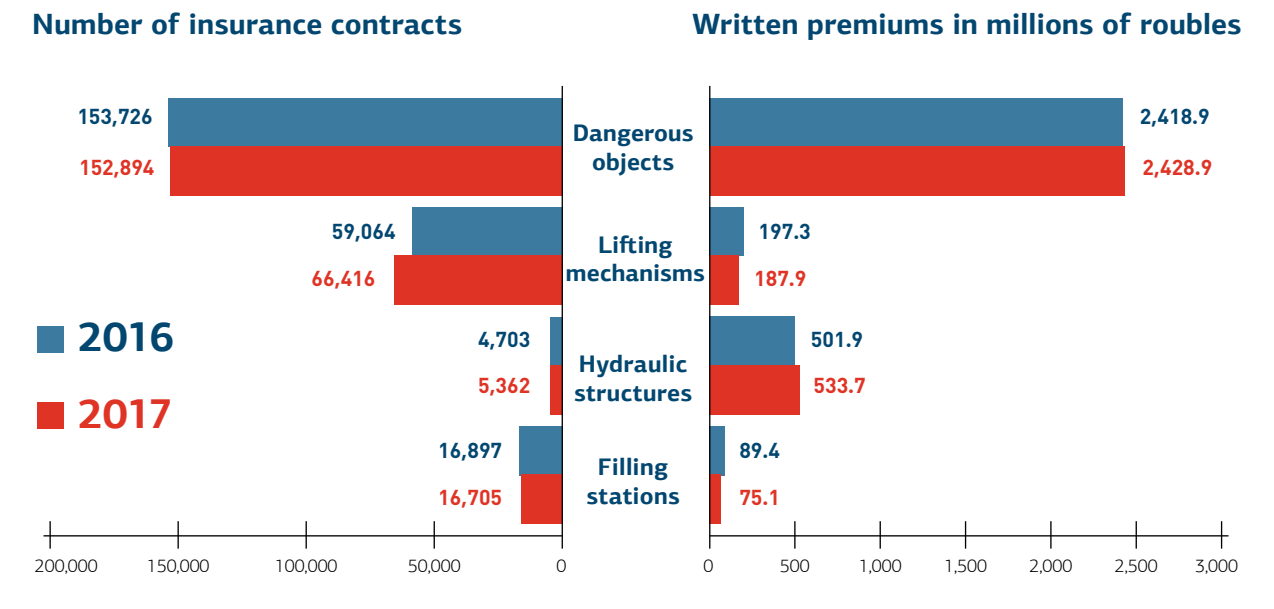
3.1. The implementation of Federal Law No. 225-FZ

THE DYNAMICS OF CONCLUDED INSURANCE CONTRACTS

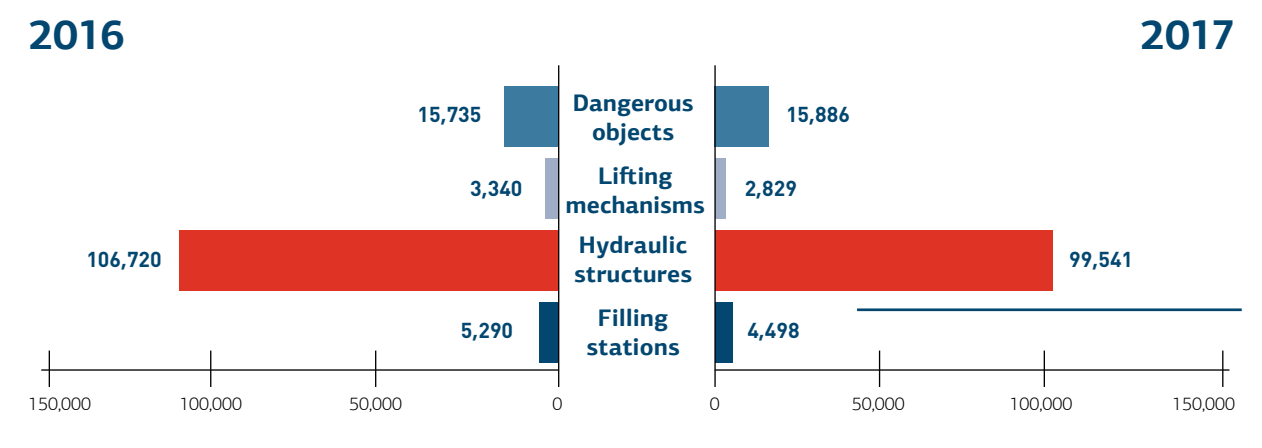
The number of concluded insurance contracts in 2017 is comparable to the number in 2016.



Pic. 4. The dynamics of concluded insurance contracts



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

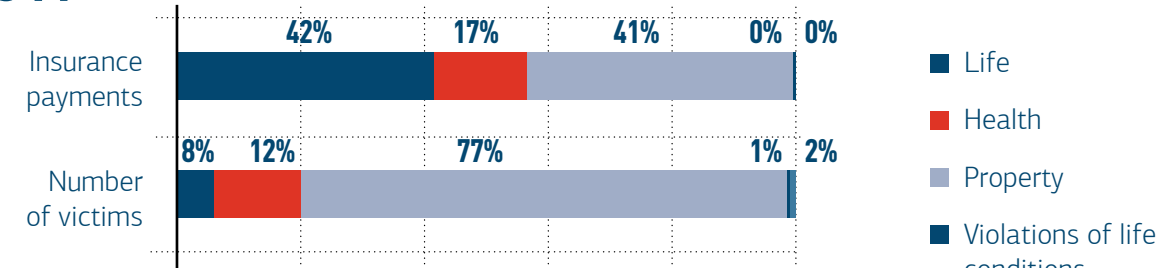


Pic. 6. Average insurance premiums for different types of hazardous objects in roubles

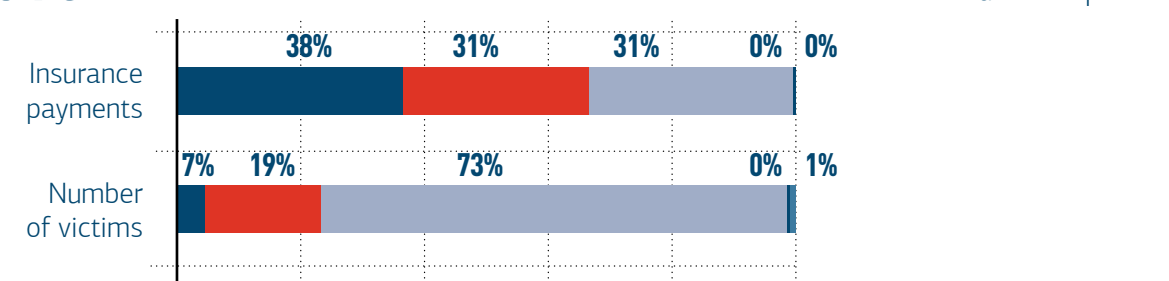
THE DYNAMICS OF INSURANCE PAYMENTS

In 2017, the total amount of insurance payments increased by more than 7% compared to 2016.

2017



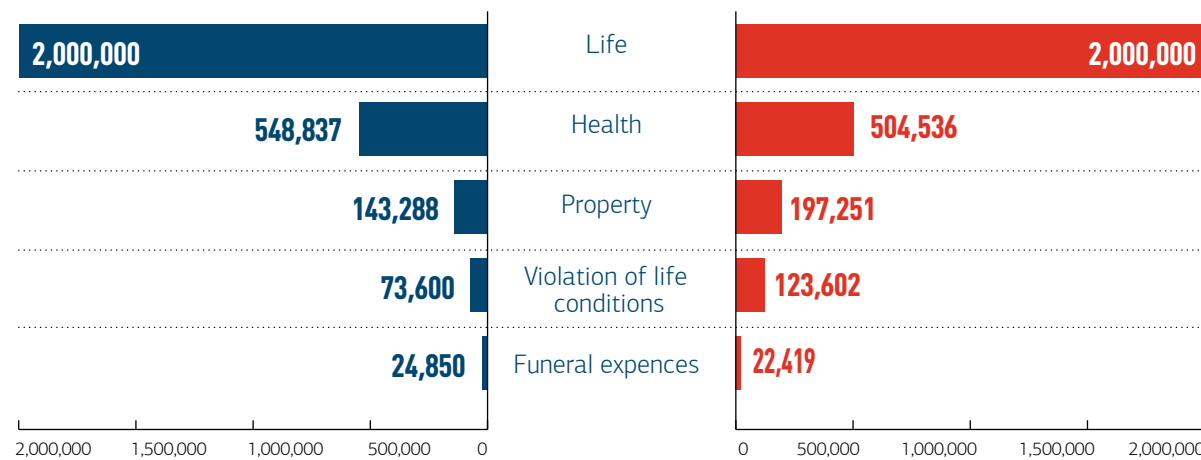
2016



Pic. 7. Distribution of insurance payments by types of damages caused

The average insurance payment for damages caused to life is the same as in 2016, at two million roubles.

2016



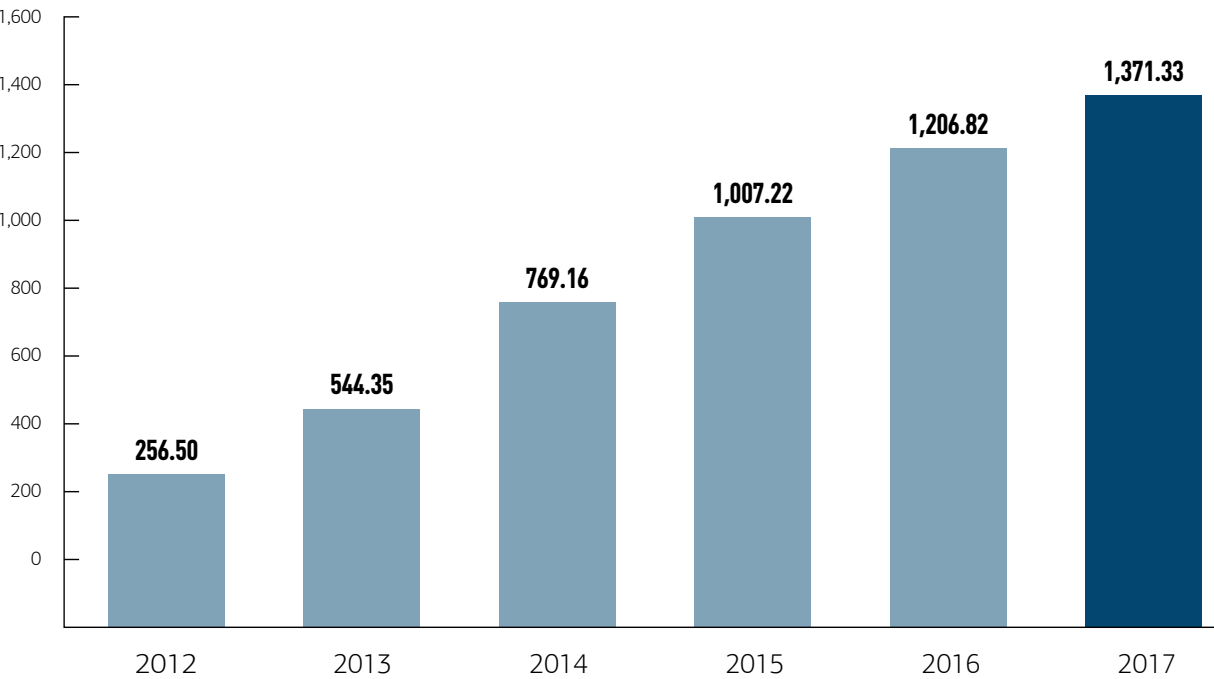
Pic. 8. Types of damages caused: average insurance payment per injured person in roubles

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 2017, the volume of the compensation fund amounted to 1.371,3 million roubles*.

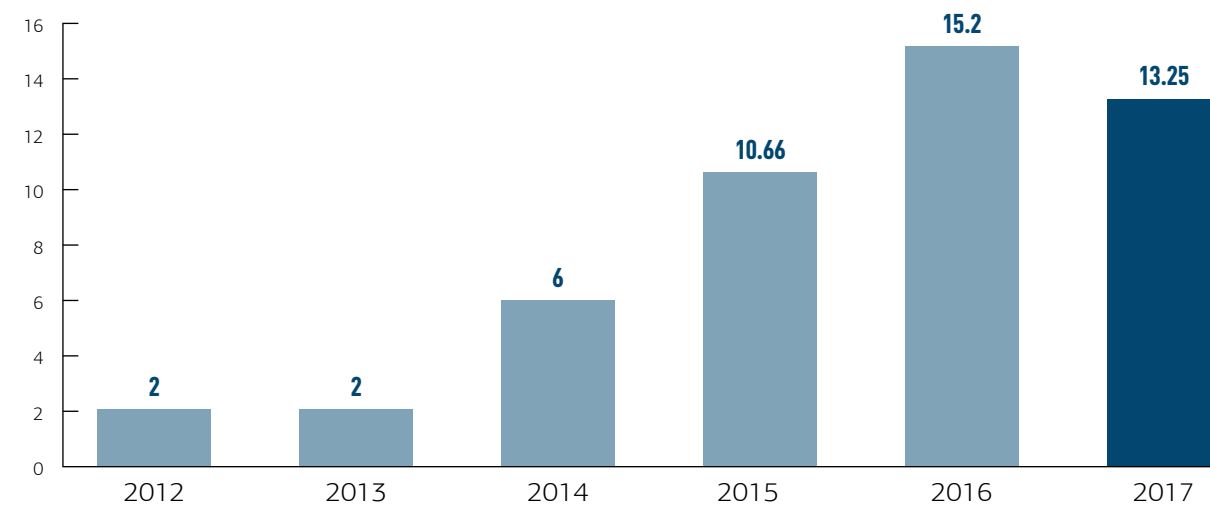
In 2017, NULI received 36 claims, including 16 claims for the accident, which occurred on 18 March, 2016, involving the filling station in Kizlyar, Republic of Dagestan.

The total amount of compensation payments in 2017 came to 13.26 million roubles.



Pic. 9. Volume of the compensation fund in millions of roubles

* The volume of the compensation fund in 2017 is stated as the balance of the compensation fund budget as of 15 February, 2018, with allocations for fourth quarter of 2017 to be paid in the first quarter of 2018, 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"

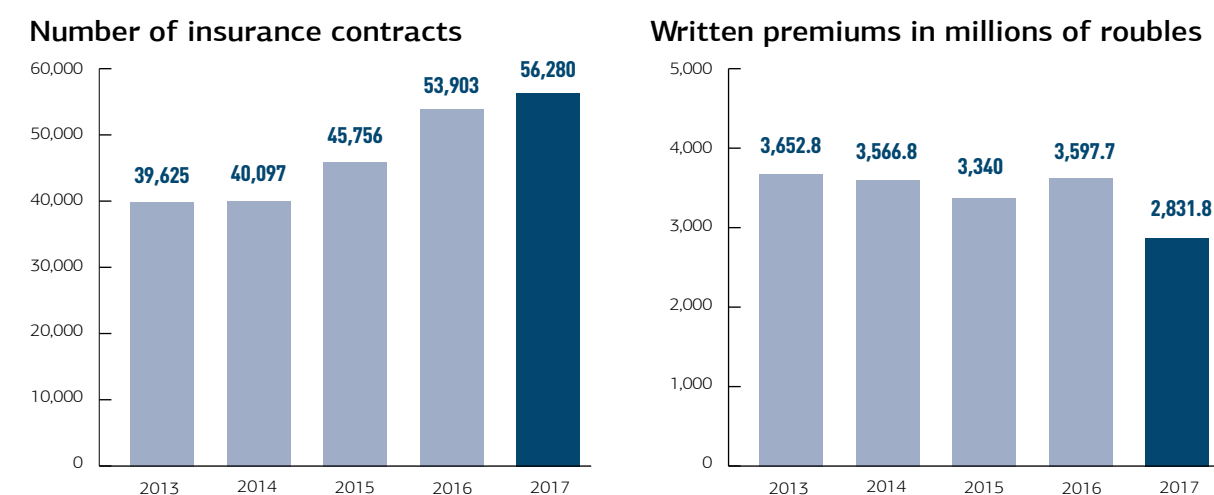


Pic. 10. The dynamics of compensation payments throughout 2012-2017 in millions of roubles

3.2. The implementation of Federal Law No. 67-FZ

THE DYNAMICS OF CONCLUDED INSURANCE CONTRACTS

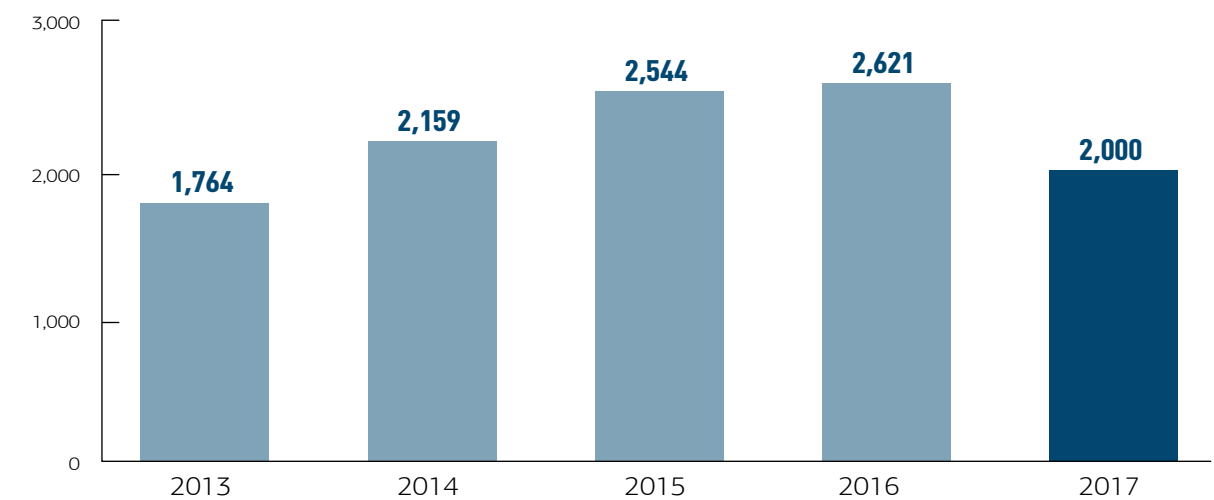
In 2017, the number of concluded compulsory liability insurance of a carrier contracts continues to grow. However, the written premium decreased by 21%.



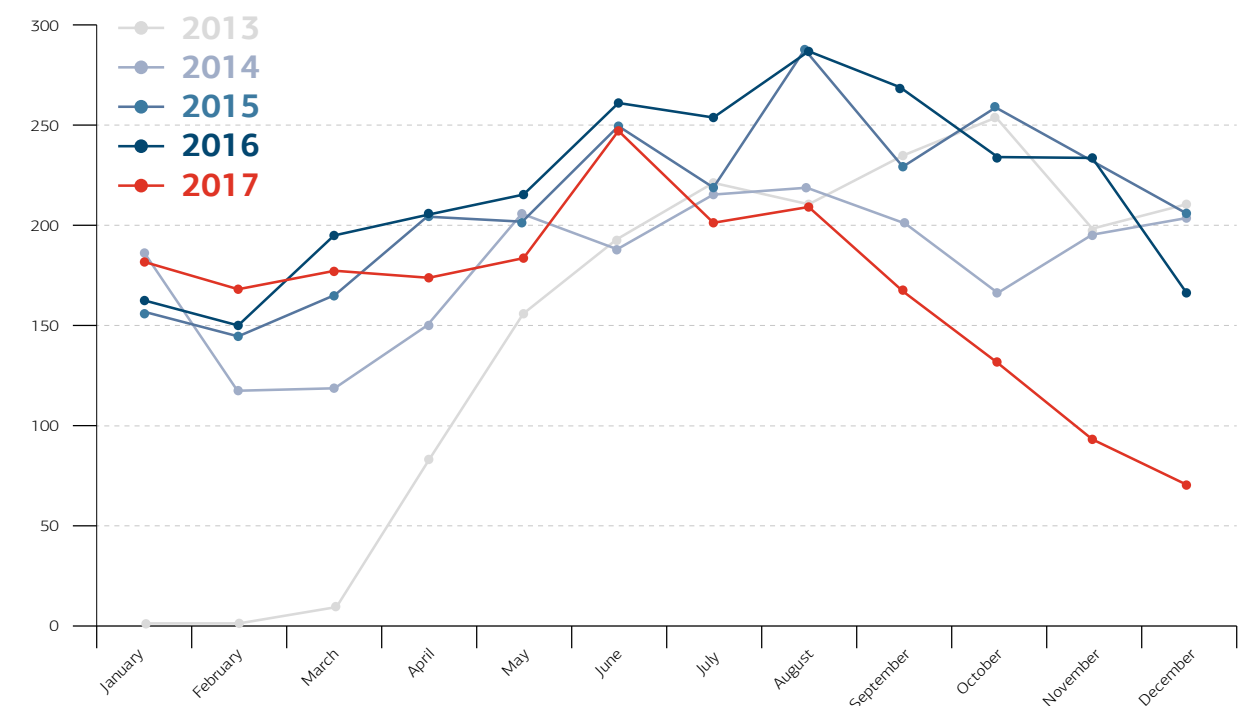
Pic. 11. The dynamics of concluded insurance contracts

THE DYNAMICS OF INSURANCE PAYMENTS

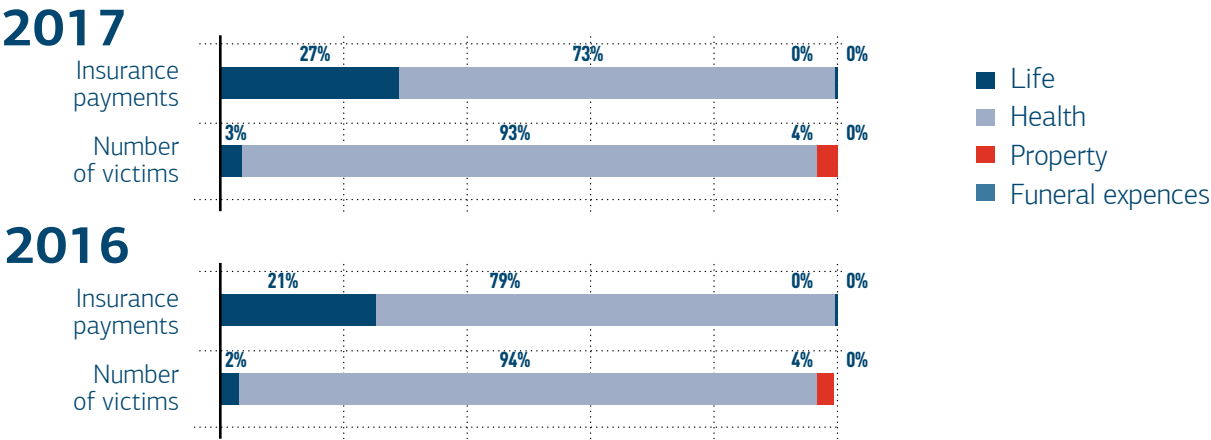
In 2017, the total amount of insurance payments increased by more than 45% compared to 2016.



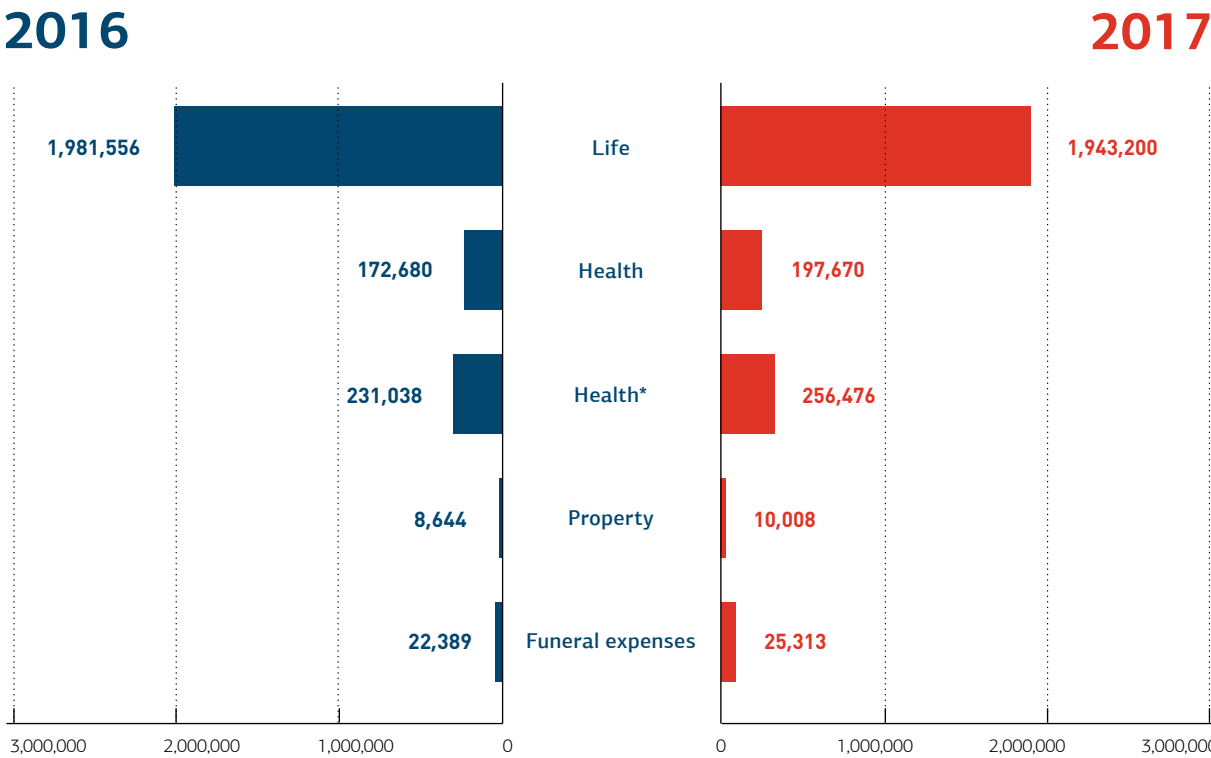
Pic. 12. The dynamics of passenger transportation accidents throughout 2013-2017



Pic. 13. Monthly cumulative dynamics of passenger transportation accidents



Pic. 14. Distribution of insurance payments by types of damages caused

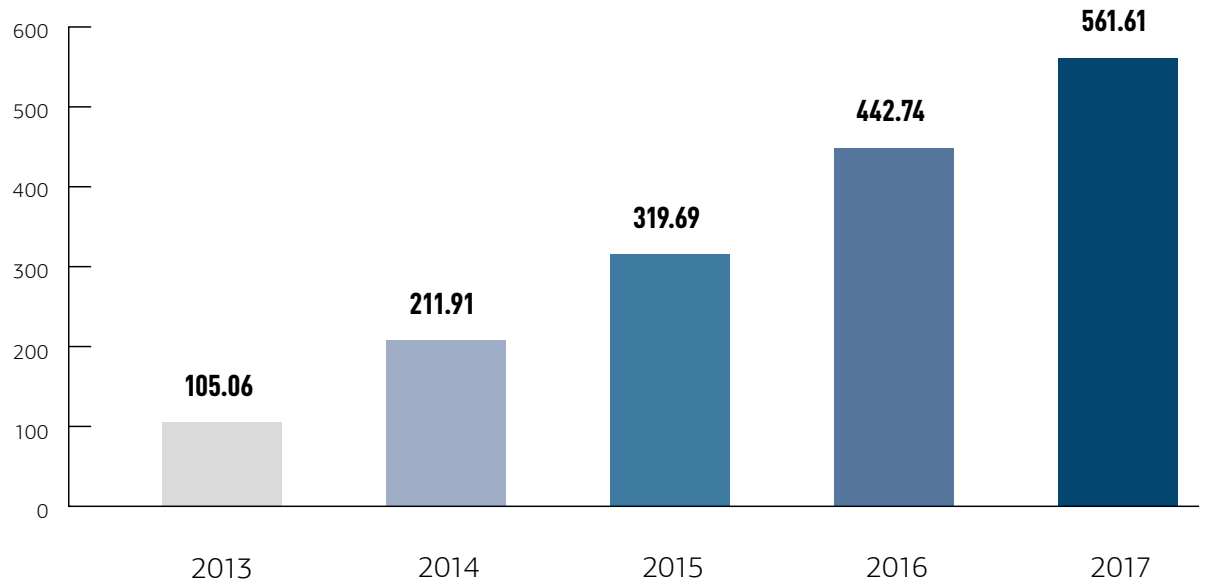


Pic. 15. Type of damage: average payment per victim in roubles

* 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, PROPERTY OF PASSENGERS**

By the end of 2017, the volume of the compensation fund amounted to 561.6 million roubles*.



Pic. 16. Volume of the compensation fund in millions of roubles

The Union carried out 16 compensation payments with the total amount of 3.85 million roubles, due to bankruptcy and the revocation of the license for compulsory insurance under Federal Law No. 67-FZ for a number of insurers.

* The volume of the compensation fund in 2017 is stated as the balance of the compensation fund budget as of 15 February, 2018, with allocations for fourth quarter of 2017 to be paid in the first quarter of 2018, 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".

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

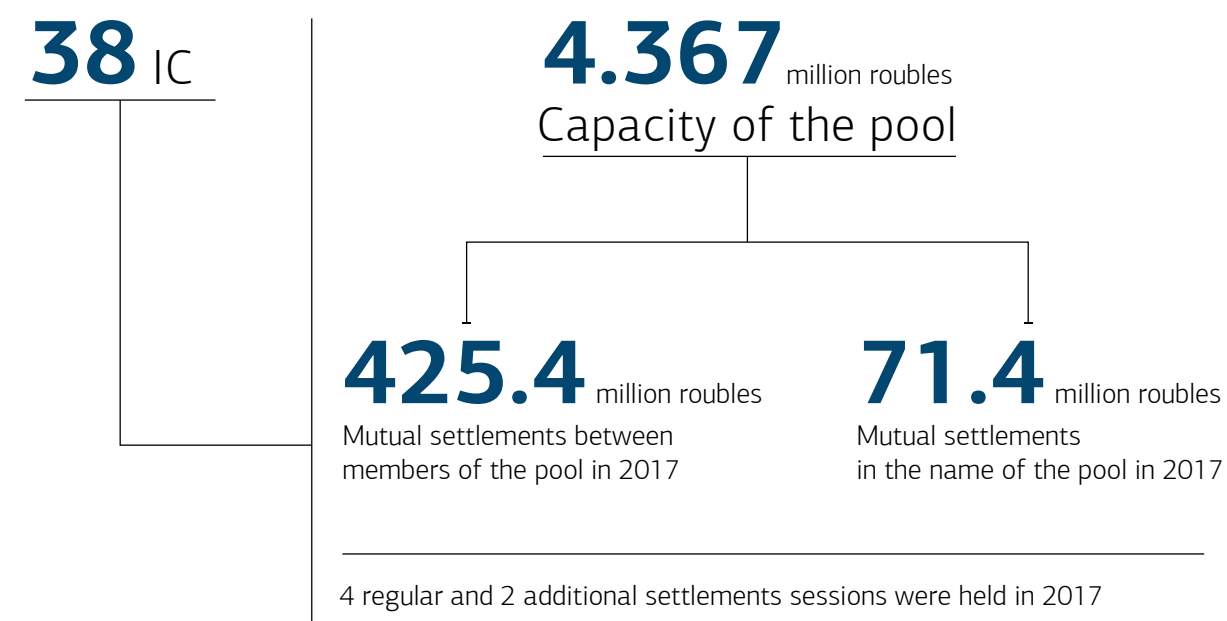
According to Federal Law No. 225-FZ, members of the professional association of insurers form a reinsurance pool to reinsure risks of the general and employers' liability of an owner of a hazardous object for damages in case of an accident involving a hazardous object.

On 30 November, 2011, the Agreement of the reinsurance pool was signed by 48 insurance companies, forming the reinsurance pool.

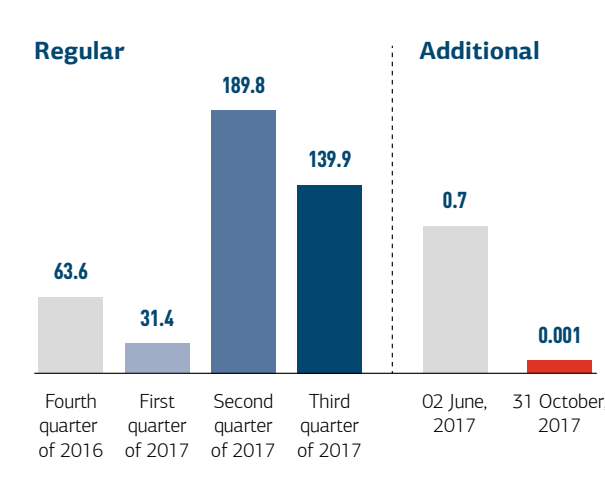
43 insurance companies were part of the reinsurance pool at the beginning of 2017; by the end of the year, the number lowered to 38.

The capacity of the pool at the end of 2017 amounted to 4.367 million roubles.

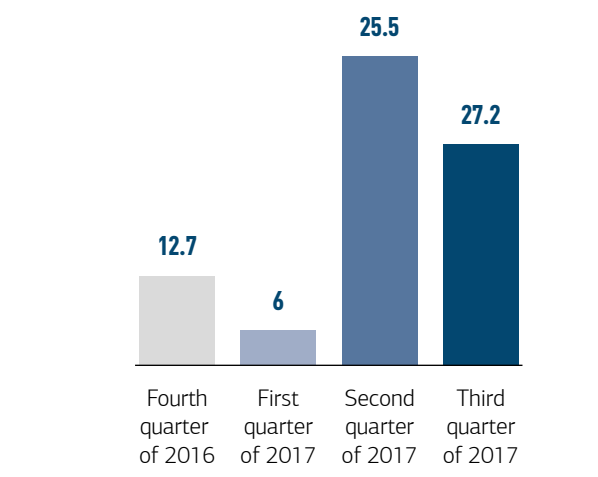
Four regular settlements sessions based on the fourth quarter of 2016 and three quarters of 2017, with two additional settlement sessions for transferring insurance and reinsurance portfolios were held in 2017. 425.4 million roubles were involved in mutual settlements based on the fourth quarter of 2016 and three quarters of 2017, 71.4 million of which were transferred to reinsurance/retrocession in the name of the pool.



Pic. 17. Reinsurance pool



Pic. 18. Mutual settlements in the pool in 2017 in millions of roubles



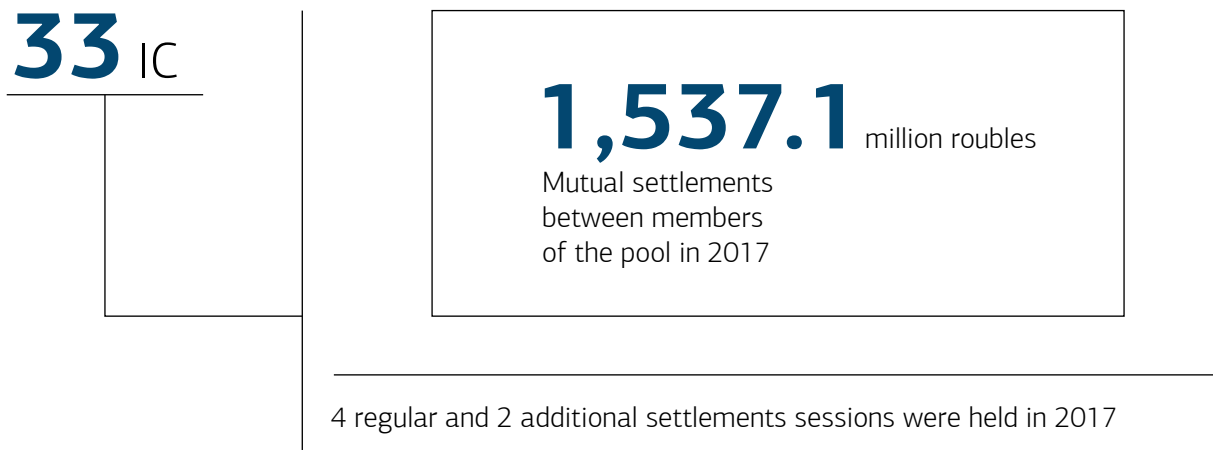
Pic. 19. Mutual settlements in the name of the pool in 2017 in millions of roubles

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

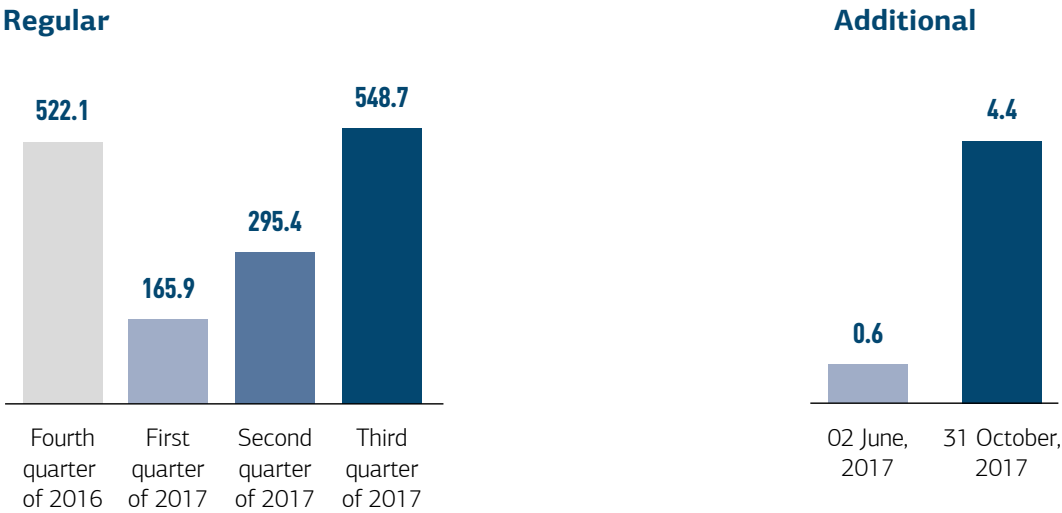
According to Federal Law No. 67-FZ, members of the professional association of insurers form a reinsurance pool to reinsure risks of compulsory liability insurance of a carrier for damages to life, health, property of passengers.

37 insurance companies were part of the reinsurance pool at the beginning of 2017; by the end of the year the number lowered to 33.

Four regular settlements sessions based on the fourth quarter of 2016 and three quarters of 2017, with two additional settlement sessions were held in 2017. 1,537.1 million roubles were involved in mutual settlements.



Pic. 20. Reinsurance pool



Pic. 21. Mutual settlements in the pool in 2017 in millions of roubles

The System was constantly modified throughout 2017; some changes are listed below:

- modifications due to amendments to legal framework;
- modifications due to the implementation of the new reinsurance model in 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” pool;
- modification of algorithms due to the transfer 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” risks to reinsurance/retrocession in the name of the pool to the Russian National Reinsurance Company;
- modifications due to the transfer of concluding “compulsory general and employers’ liability insurance of an owner of a hazardous object for damages in case of an accident involving a hazardous object” contracts technology without the use of typographic blanks printed by JSC “Goznak”.

The Union persistently worked on the implementation of the insurance portfolio transfer procedures in 2017.

Three parties are involved in the portfolio transfer procedure: the insurance organisation transferring the portfolio, the insurance organisation receiving the portfolio and the Union.

The following companies transferred their “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, property of passengers” direct insurance and reinsurance contracts:

- On 01 May, 2017, LLC “SKO Pravoporyadka” transferred their portfolio to JSC “SKO”;
- On 01 June, 2017, JSC “Insurance Company “REGIONGARANT” transferred their portfolio to JSC “SOGAZ”;
- On 01 November, 2017, JSC “Insurance Group “UralSib” transferred their portfolio to JSC “Insurance Company “PARI”.

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 subjected 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 of the Union’s members enforces 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.

In the event of violating the legislation requirements for compulsory insurance, measures of disciplinary liability 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 controlling over their execution” are imposed upon members of NULI.

328 audits of compliance with the legislation requirements for compulsory insurance were conducted in 2017:

I. Due to 135 appeals and complaints against members of the Union received from:

- members of the Union – 19,
- LLC Insurance Payment System – 113,
- federal executive authorities – 2,
- legal entities – 1.

II. 193 thematic audits were conducted:

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 – 7;
- in compliance with deadlines for submitting information on insurance contracts to the AIS of NULI – 58;
- in compliance with deadlines for submitting information on the date of the insurance contract issuance to the AIS of NULI – 5;

- correctness of the insurance contracts conclusion on more than a year terms – 19.

for compulsory liability insurance of a carrier for damages to life, health, property of passengers:

- in compliance with requirements, established to determine insured sums and calculate insurance premiums in compulsory insurance contracts – 4;
- issuance of the insurance contract till the insurance premium is paid and/or issuance of the insurance contract without an assigned AIS of NULI number – 22;
- in compliance with deadlines for submitting information on insurance contracts to the AIS of NULI – 26;
- submitting false information to the AIS of NULI – 7;
- revocation of the contract authorisation number after concluding the insurance contract with identical number – 21.
- on the completeness and timeliness of submitting information on members of the Union to the Register of NULI’s members – 24

74 written inquiries for information and documents were sent to the members of the Union:

- 24 – based on the results of received appeals and complaints;
- 50 – within thematic audits.

DISCIPLINARY VIOLATIONS

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 controlling over their execution”, 238 disciplinary violation proceedings were initiated, including:

- 103 – 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;
- 82 – for compulsory liability insurance of a carrier for damages to life, health, property of passengers;
- 53 – 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 compulsory liability insurance of a carrier for damages to life, health, property of passengers (combined).

object for damages in case of an accident involving a hazardous object and compulsory liability insurance of a carrier for damages to life, health, property of passengers (combined).

6 orders for discontinuance of disciplinary violation proceedings were imposed, including:

- 2 – 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;
- 2 – for compulsory liability insurance of a carrier for damages to life, health, property of passengers;
- 2 – 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 compulsory liability insurance of a carrier for damages to life, health, property of passengers (combined).

DISCIPLINARY MEASURES

The following disciplinary measures were imposed on the members of the Union in 2017:

Financial sanctions in the amount of 9,501,929.41 million roubles:

- 4,670,709.46 million roubles 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;
- 3,279,421.84 million roubles for compulsory liability insurance of a carrier for damages to life, health, property of passengers;

- 1,551,798.11 million roubles 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 compulsory liability insurance of a carrier for damages to life, health, property of passengers (combined).

62 notices, including:

- 26 – 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;

- 36 – for compulsory liability insurance of a carrier for damages to life, health, property of passengers.

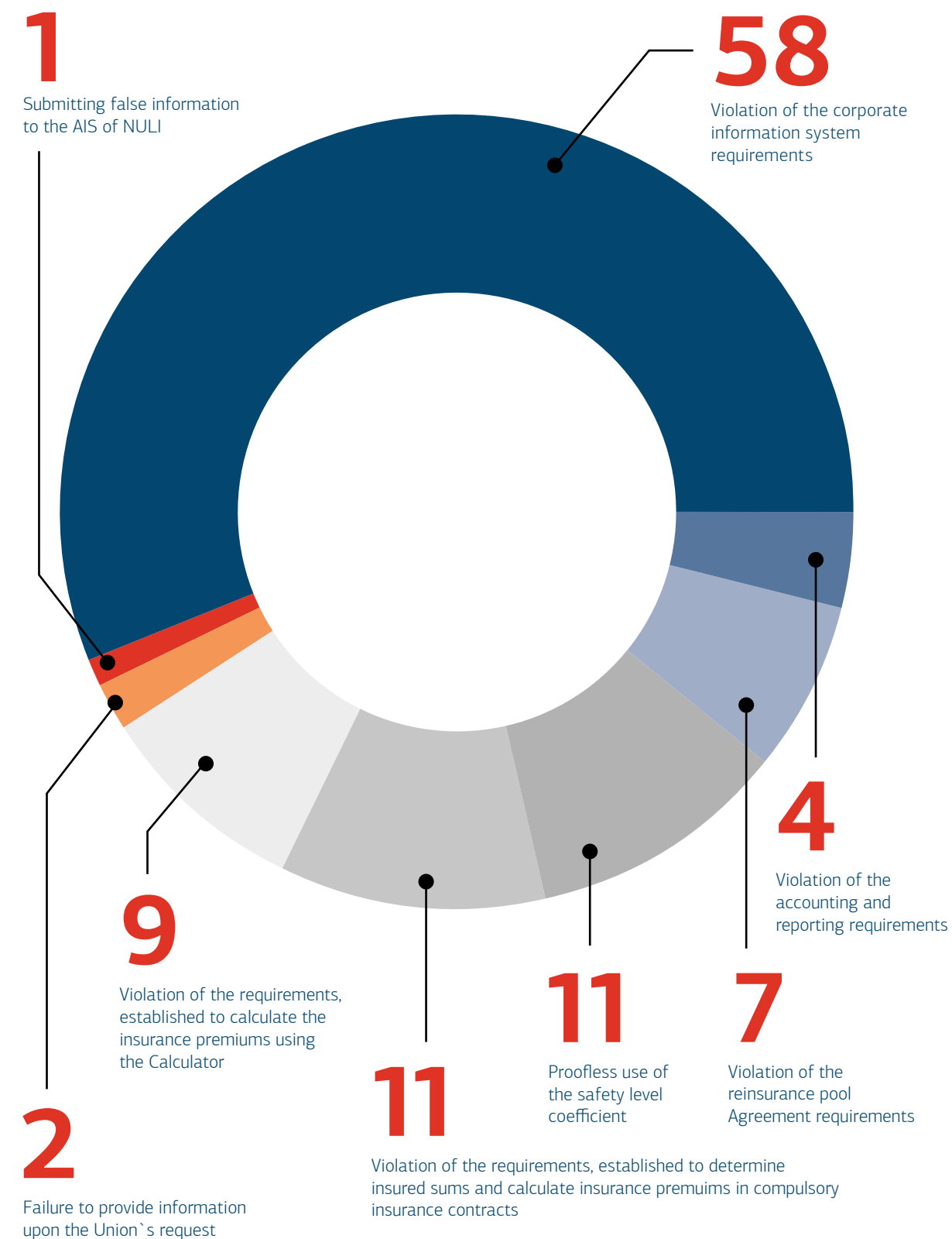
8 orders to rectify the violations, including:

- 1 – 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;
- 7 – for compulsory liability insurance of a carrier for damages to life, health, property of passengers.

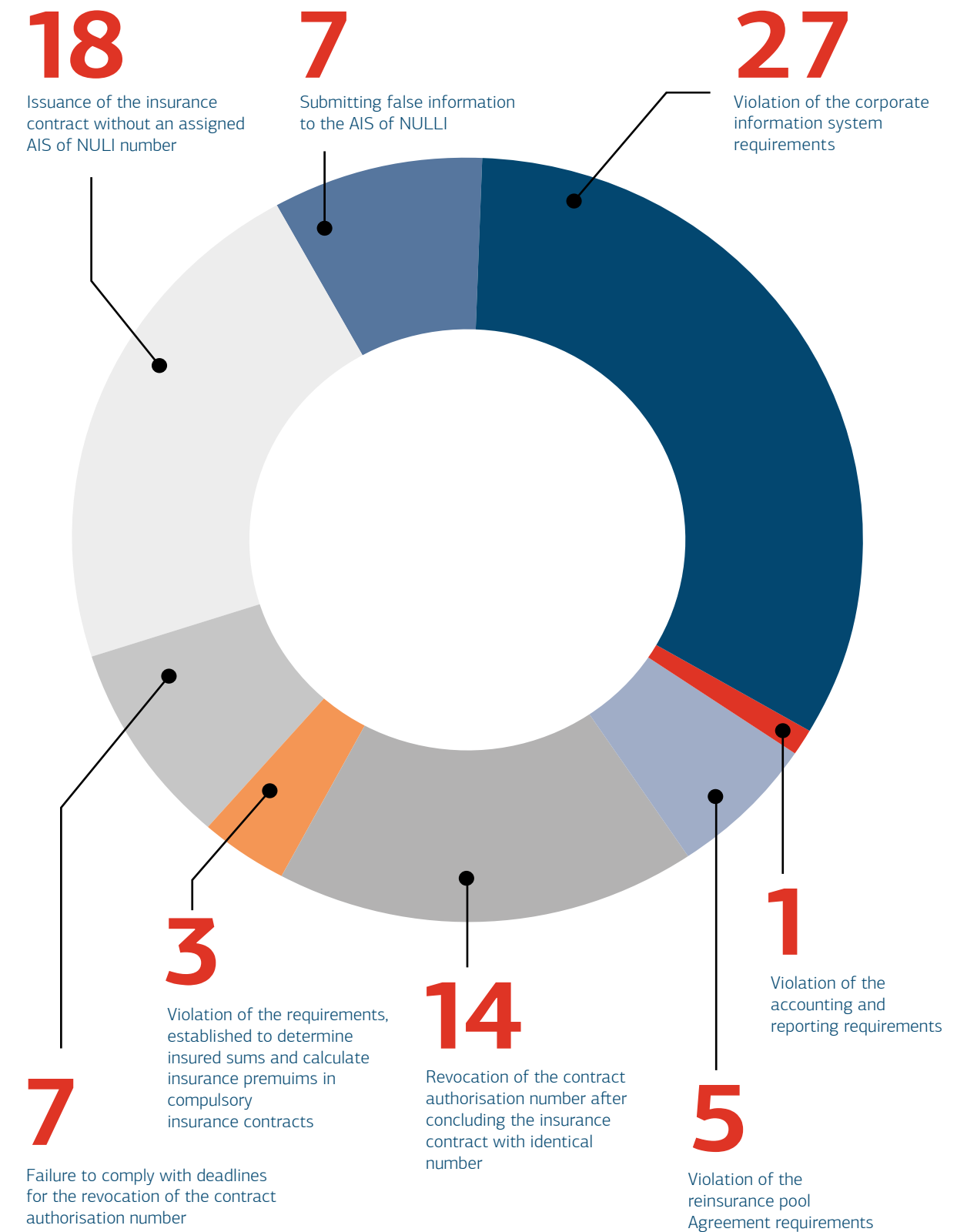
DISCIPLINARY LIABILITY

215 orders for disciplinary liability were imposed, including:

- 96 – 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;
- 69 – for compulsory liability insurance of a carrier for damages to life, health, property of passengers;
- 50 – for compulsory general and employers’ liability insurance of an owner of a hazardous



Pic. 22. Standard violations 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



Pic. 23. Standard violations in compulsory liability insurance of a carrier for damages to life, health, property of passengers



National Union of Liability Insurers

Lyusinovskaya street, 27, Building 3,
Moscow, 115093, Russian Federation
Tel.: +7 (495) 585-08-93; +7 (495) 737-92-13
Fax: +7 (495) 737-92-10
Web site: <http://www.nssso.ru>
E-mail: question@nssso.ru
e-mail: question@nssso.ru