

Published by Interfax Group



August 29 – September 4, 2014

Issue 35 (564)

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 Russia & CIS Insurance Weekly

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INSURANCE MARKET: NEWS AND COMMENTARY

Financing for innovative health services to be increased in 2015 – health minister

State financing for high-technology health services is to be increased to 85 billion rubles in 2015, Health Minister Veronika Skvortsova told reporters in St. Petersburg.

"We are planning to increase financing for this choice of health services. This year's funding amounts to 50 billion rubles. The 85 billion rubles intended for the next year has been negotiated with the Finance Ministry. It's much, indeed. A larger number of patients will make use of such services now," she said.

There are 1,466 high-technology methods of treatment practiced in Russia today and 456 of them are on the list covered by mandatory health insurance programs, the health minister said.

Innovative health services are becoming increasingly accessible all across Russia, except individual unique methods concentrated in the federal center. The share of innovative medical services has significantly increased, she said.

Motorists will be able to receive CASCO indemnity payments without calling traffic police

Motorists will be able to receive indemnity payments in CASCO and voluntary third party liability insurance, according to draft instructions of the Central Bank posted on the common portal of information disclosure.

If the circumstances of a road accident are documented according to the European protocol, the CASCO and voluntary third party liability insurance insurer will have no right to require from the insurant other documents or information confirming the fact and circumstances of the accident, except those made at the accident scene. Neither will the insurer be allowed to bind the insurant to collect documents that the insurer can collect independently. In documenting a road accident without calling the traffic police the maximum size of indemnity payment cannot be less than the limit of the European protocol but cannot exceed the insured sum under a voluntary insurance agreement.

The instructions are expected to come into force on September 1 and apply to voluntary insurance agreements signed after this date.

The European protocol system (simplified documenting of a road accident without calling a traffic inspector) applies in mandatory third party liability motor insurance in minor accidents when there are no injuries or loss of life, no more than two vehicles are involved and drivers agree about the circumstances of the accident and responsible party.

In line with the amendments to the law on MTPL if the policies of both sides are acquired after August 2, 2014, the maximum payout is 50,000 rubles. However, the ceiling in Moscow, St. Petersburg and Moscow and Leningrad regions will be 400,000 rubles as of October 1. Within five

working days of the accident the insurer should be supplied with information about the circumstances of the accident, including photos or video footage of the vehicles and damages at the scene of the accident, and also data recorded by global navigation systems.

MTPL insurers may be invited to compete within 124 ruble tariff corridor

The tariff corridor in MTPL may prove 10 times smaller than expected and amount to 5%, a source on the MTPL market familiar with the course of discussion of the new tariff policy at the Central Bank told Interfax.

“If this option is adopted, the lower end of the tariff corridor in MTPL will go up 25% i.e. by 495 rubles from 1,980 for cars. Besides, the insurer will have 5% of the MTPL policy at its disposal in the framework of the corridor,” he said.

“Strangely enough many years of debate on liberalizing the tariff in MTPL will lead to such a cautious and formal decision,” the interlocutor said commenting on the prospects of modernizing the tariff policy in such a scenario. “The option of adjusting tariff ratios for loss-making regions is not discussed by the regulator at all,” he said.

He said the process of discussing the model of changing tariffs in MTPL is entering the decisive stage. The regulator has not made final decisions: a series of meetings of Central Bank officials with insurers is expected in the nearest future. The Russian Association of Motor Insurance (RAMI) has produced additional calculations concerning MTPL tariffs. “The question of the very introduction of the tariff corridor in MTPL remains open,” the source said.

In an earlier interview with Interfax RAMI President Pavel Bunin spoke of a 50% width of the corridor as justified and based on calculations. “The main thing is to set a balanced lower end to prevent dumping on the part of unscrupulous market players. In this case the upper end does not play any special role. It is absent in many European countries, for instance. But we all realize that so far it is impossible on the Russian market,” he said.

The new limits of liability of insurers on property risks in the amount of 400,000 rubles will come into force on October 1. “The adjustment of the basic size of the tariff may be accompanied by the renunciation of fixed tariffs for the benefit of introducing a tariff corridor in MTPL,” Ingosstrakh Vice President Ilya Solomatina said to Interfax.

If the new price guidelines in MTPL are defined in the next two weeks, it will take MTPL insurers two-three more weeks to adjust their corporate systems, Solomatina said.

RESO-Garantia Deputy General Director Igor Ivanov admitted that insurers counted on a broader tariff corridor than 5%.

In the opinion, of MAKS CEO Nadezhda Martyanova, “the introduction of a tariff corridor in conditions of an increasingly unstable market is premature.”

“As a person of practice I can say that there will be no corridors at the first stage, i.e. all companies will be setting prices at the lower end of the corridor. So far I don’t see the customer prepared to choose a wealthier company and overpaying for the service,” she said.

In her opinion, “the thing that always happens will happen – competition has been forcing companies to opt for the minimal premium to attract customers. If a company will be unwilling to sell policies in a region it will try to apply the prohibitive rate.” However, the 5% corridor will reduce such opportunities to naught.

Insurers are disappointed by the limited price reform in MTPL, Interfax-CEA top analyst Anzhela Dolgopolova believes.

“The Central Bank will have to substantiate the economic logic of decisions in MTPL in conditions of an acute social debate and political pressure. Market players realize that but the owners of insurance companies are unprepared to compensate losses in MTPL with revenues from other operations over a long period of time. This subject is also frequently raised at meetings at the Central Bank and so far the dialogue has not been completed,” she said commenting on the negotiating process on the future price policy in MTPL.

FAS has not received complaints from insurers about severing of representation deals with VSK – official

MTPL insurers have not complained to the Federal Antimonopoly Service (FAS) about VSK insurance company about its termination of 69 agreements of representation in the territories on the MTPL market, FAS deputy head Andrei Kashevarov said to Interfax commenting on reports of such complaints.

He did not rule out the possibility that FAS may launch an administrative case, if it sees that the share of VSK in the segment of representation services is recognized as dominating. FAS is conducting a relevant study now and its results will be summed up in 1.5 months.

“A fee is charged for representation services which means that there is a market of representation services. We will calculate what share of the market VSK occupied and whether there was domination. The unjustified refusal to sign agreements may be regarded as a breach of Article 10 of the federal law on the protection of competition. However, before making any decisions we should see whether there are signs of such a breach,” he said.

At the beginning of August 69 MTPL insurers were notified by VSK about the termination of agreements of representation under which VSK for many years acted as an agent in settling damages for other insurers not having broad networks encompassing the entire Russian Federation. The notification was sent to VSK partners 30 days in advance.

AlfaStrakhovanie that along with VSK settled MTPL losses for other companies in the provinces after talks with the Central Bank volunteered to replace VSK. One more company, RSTK, also expressed readiness to act as a substitute. It intends to offer similar services in the Russian provinces at more comfortable financial terms.

The latest session of the presidium of the Russian Association of Motor Insurance (RAMI) decided to increase financial guarantees for partner companies from 20,000 to 250,000 rubles for every regional branch. Besides, RAMI may allow an agent company to only collect payout documents without making financial settlements in MTPL.

RAMI presidium approves plan of setting up bureau of insurance histories and transition to electronic policies

The presidium of the Russian Association of Motor Insurance (RAMI) on August 28 approved a plan of setting up the Bureau of Insurance Histories and transition to electronic policies, RAMI President Pavel Bunin told the press.

He said that RAMI is obliged to form one more database in addition to AIS OSAGO – the bureau of insurance histories of drivers in CASCO and voluntary third party liability insurance.

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In addition, the possibility of signing MTPL agreements in the Internet should appear on the Russian insurance market as of July 1, 2015.

Bunin stressed that the bulk of amendments to the law on MTPL come into force as of September 1. "All amendments coming into force on September 1 are meant to advance the system of MTPL and remove bottlenecks identified in the course of 11 years of work in this type of insurance," he said.

The key changes concern the time and procedure of damage settlement in MTPL.

The law amending the federal law On Mandatory Civil Liability Insurance of Owners of Transport Vehicles and individual legislative acts of the Russian Federation was posted on the official web portal of legal information.

The amendments are aimed at enhancing the protection of the rights of inflicted parties to the compensation of damage caused to their lives, health or property.

The set of amendments was compiled over a period of two years and is based on the proposals of the Cabinet. Representatives of the insurance community believe that the adoption of the amendments should help reduce the manifestations of crisis in the sector.

In compliance with the bill new ceilings in payouts for property damage in the amount of 400,000 rubles will come into force as of October 1, 2014, and for damage to life and health in the amount of 500,000 rubles as of April 1, 2015.

The law also reforms the pattern of calculating and setting tariffs through introducing a tariff corridor. The boundaries of the tariffs and adjustment ratios shall be set by the Russian Central Bank.

As of October 1, 2014 the permitted wear of components that will be taken into account in defining the size of indemnities for the repairs of a motor vehicle will be reduced from 80% to 50%.

The amendments specify the norms of documenting road accidents without the involvement of the police. The maximum size of insurance compensation for such cases is doubled from 25,000 to 50,000 rubles. In the cities of Moscow and St. Petersburg, in Moscow region and Leningrad region the ceiling is even higher at 400,000 rubles.

Within five working days of the accident the insurer shall be supplied with information about the circumstances of causing damage to a motor vehicle. Documents may include photos or video of the damaged motor vehicle as well as data recorded with the help of a satellite positioning system.

The size of penalty payable by the insurer to the insured for violating the deadline for making indemnity payments is increased to 1% of the payout for every day of delay. The violation of the deadline for providing a motivated refusal to make compensation payments shall entail a penalty in the amount of 0.05% of the indemnity for every day of delay.

The law introduces the possibility of signing an MTPL insurance agreement in the form of an electronic document.

The law also introduces a mandatory period for the out-of-court settlement of disputes related to MTPL agreements. Within five calendar days, except holidays, of receiving a claim the insurer shall handle the claim of an insured and satisfy it or produce a motivated refusal.

The bill implies the possibility of placing available cash of the professional association of insurers with banks the assets of which amount to 50 billion rubles or where private bank deposits or bank accounts constitute 10 billion rubles or more.

The new law also introduces liability for unjustified refusal to enter a public insurance contract or for imposing additional services in relation to signing a mandatory insurance agreement. The fine for officials will amount to 50,000 rubles.

All small insurers will soon sign agreements on representation in regions – RAMI

All small insurance companies with which VSK severed representation agreements in the territories on the MTPL market will soon sign partner agreements on damage settlement in the regions, RAMI President Pavel Bunin said at an August 28 meeting with the press.

“The insurance companies with which VSK terminated agreements got together and exchanged representative office on a deposit-free basis. Besides, they signed an agreement with one more insurance company on representation in the remaining regions. We are waiting for all due documents during the next couple of days so that the law on MTPL would not be broken,” Bunin said.

Earlier reports said that at the beginning of August 69 MTPL insurers were notified by VSK about the termination of agreements of representation under which VSK for many years acted as an agent in settling damages for other insurers not having broad networks encompassing the entire Russian Federation. The notification was sent to VSK partners 30 days in advance.

The latest session of the presidium of the Russian Association of Motor Insurance (RAMI) decided to increase financial guarantees for partner companies from 20,000 to 250,000 rubles for every regional branch. Besides, RAMI may allow an agent company to only collect payout documents without making financial settlements in MTPL.

Neva’s bankruptcy caused financial damage to Atlas travel operator – union

The suspension of the operations of St. Petersburg-based Atlas travel agency is related to the bankruptcy of Neva travel operator, a posting on the website of the Russian Travel Industry Union (RST) says.

On August 22 Atlas announced the suspension of its operations. RST reports that it suffered serious financial losses from the bankruptcy of Neva travel operator that announced its default to customers on July 16.

The report says that lately Atlas operated mainly as an agency but it also had travel operator products, namely, Atlas acquired from Neva blocks of seats on flights to Greece, Montenegro and Tenerife.

“Following Neva’s bankruptcy the company was forced to repatriate tourists at its own expense which caused serious financial damage to the company. After the bankruptcy of Labirint tour operator and the withdrawal of several other companies sales on the travel market plummeted which only aggravated the position of Atlas,” the report says.

Atlas travel agency was founded in 1991 in St. Petersburg. Presently it has financial guarantees with Pomoshch insurance company for 49 million rubles. A civil liability agreement with Avesta insurance company for 45 million rubles comes into force on September 9.

Hundred customers of Atlas travel agency seek assistance from Pomoshch insurer

Some 100 customers of the St. Petersburg-based Atlas travel agency have contacted Pomoshch insurance company after the agency announced the suspension of its operations on August 22, the press service of the insurer reports.

“Taking into account the work done during the weekend the company has been contacted by already some 100 people,” the report says.

The press release stresses that the insurer has not yet received from the agency a register of travelers qualifying for indemnity payments, therefore it is impossible to evaluate the size of compensation.

The press release notes that the liability of Atlas is insured with Pomoshch for 49 million rubles until September 9, 2014.

On August 25 the Russian Travel Industry Union quoting Atlas CEO Dmitry Sokolov announced that about 1,000 people may be affected by the suspension of the travel operator’s operations.

“Tentatively we are speaking of 1,000 people, including those who bought travel packages as well as only tickets or only accommodation mainly for August-September. When the register is ready, it will become clear whether exiting funds will be sufficient for making indemnity payments for sold travel packages,” Sokolov said.

According to the union, lately Atlas operated mainly as a travel agency. The union stressed that insurance companies should not compensate money for agent sales.

Atlas founded in 1991 in St. Petersburg announced the suspension of its operations on August 22.

ATOR seeks Central Bank explanations related to compensation payments to Neva customers

The Association of Travel Operators of Russia (ATOR) has filed a request to the Central Bank to explain the announcement of Voskhozhdeniye insurance company that insured the civil liability of Neva travel operator suspending its operations about paying compensation not earlier than the date of the insured event stated in every application.

“The insurer is reluctant to start making payouts arguing that the insured event has not come yet for many of the tourists. The date of the beginning of a travel product is regarded as the date of the insured event. The decision could be regarded as justified but for the beginning of bankruptcy procedures regarding Neva company, i.e. travelers will be unable to use the tours they paid for anyway,” the ATOR letter says.

In these circumstances ATOR seeks explanations from the Central Bank.

“Many insurance companies have found themselves in similar circumstances but all of them always decided to make payouts as prescribed by law 30 days after the registration of the application, calculating the proportion every day, making adjustments for payouts and the remaining coverage. In this context we request you to give your evaluation of the decision and say whether the regulator of the insurance market had approved the said procedure of payouts from the insurance fund of the travel operator,” the ATOR letter says.

“The decision made by Voskhozhdeniye insurance company arouses surprise and bewilderment in both customers and members of the tourist community,” the letter says.

The association reminds the regulator that the insurance company guaranteed the financial liability of Neva travel operator of 454.2 million rubles. “Even though the license of Voskhozhdneiye has been recalled, this does not relieve the insurer of the obligation to make indemnity payments to travelers. According to the Voskhozhdeniye press release, the aggregate sum of damage amounts to 400 million rubles,” ATOR notes.

Thus travelers can count on 100% compensation of the cost of their travel packages.

Earlier reports said Voskhozhdeniye insurance company that was the insurer of Neva travel operator would be making payouts to tourists proportionately.

By now the sum of claims has approached the insured sum which means that in compliance with Article 17.5 of the federal law No. 132-FZ on the fundamentals of travel operations in the Russian Federation Voskhozhdeniye will have to apply the proportionality principle in paying insurance compensation, a company newsletter said.

It notes that the calculation of the proportion is not possible before the due dates of all insured cases.

The date when an obligation to a travel company customer was supposed to be fulfilled but was not is regarded as the date of the insured case, the insurer explains adding that Neva sold travel products some of which have starting dates in January 2015.

Thus pursuant to current legislation LLC Voskhozhdeniye cannot start making payouts before the proportion is calculated, the newsletter says.

Previously the Central Bank decided to recall the insurance license from Voskhozhdeniye LLC due to the failure of the insurer to remove breaches of insurance law in due time.

A Central Bank press release says that given the need to fulfill the company’s obligations arising from insurance (reinsurance) agreements the beneficiaries and other parties intending to receive compensation for insured cases should file their claims in the shortest time possible.

Voskhozhdeniye is not allowed to sign insurance (reinsurance) agreements or amend valid agreements.

After the license recall the company must decide to stop insurance operations, fulfill obligations stemming from insurance (reinsurance) agreements, make indemnity payments on insured cases, transfer liabilities under outstanding contracts or sever them.

Within a month of the decision on the license recall the insurer shall notify insureds about the recall, the early termination of insurance (reinsurance) agreements or the transfer of liabilities to another insurer.

In Q1 2014 the insurer collected 14.9 million rubles in premiums and paid out 1.2 million rubles in indemnities. In 2013 it posted premium collection of 50 million rubles and payouts of 7.4 million rubles. This year it boosted its charter capital to 500 million rubles as the company planned to enter a new market segment.

As at August 19 the insurer had received 5,506 claims for compensation from Neva customers.

REGULATOR NEWS

Central Bank publishes draft resolution on insurance tariffs in MTPL

The Central Bank has published a draft resolution on insurance tariffs in mandatory third party civil liability motor insurance (MTPL).

The draft is posted on the common portal of information disclosure.

The Central Bank intends to keep territorial and adjustment ratios unchanged, introduce minimal and maximum sizes of the basic tariff the size of which remains unnamed. The document also defines the procedure of application of tariffs by insurers in calculating the insurance premium.

Earlier reports said that after the introduction of new limits of compensation of property damage in MTPL Central Bank representatives set the increase in the lower end of the tariff at 30%. This guideline was adopted regardless of the amendments restricting the wear of components by 50% instead of 80% and the partial compensation of the loss of the commodity cost under court judgments.

Russian insurers post 8% increase in premium collection in H1 – Central Bank

Premium collection by Russian insurers during the first half of 2014 grew by 8.2% year-on-year to 506 billion rubles, Central Bank documents say.

During the same period indemnity payments increased 10.7% to 215 billion rubles. The payout ratio amounted to 42.5% compared to 41.6% a year ago.

Voluntary types of insurance generated 81.6% of the premiums and mandatory – 18.4%. Premium collection in voluntary insurance grew 10.1% and in mandatory insurance - 0.4%. Indemnity payments in voluntary types of insurance amounted to 165.6 billion rubles growing 10.2% year-on-year while payouts in mandatory types of insurance grew 12.5% to 49.35 billion rubles.

The share of life insurance in total premium collection amounted to 9.4%. In this type of insurance premium collection jumped 30.4% to 47.44 billion rubles while indemnity payments grew 7.3% to 5.804 billion rubles.

The share of premiums in personal insurance (except life insurance) amounted to almost 26% increasing 10.3% during the year. Payouts went up 7.1% reaching 52.28 billion rubles.

The share of property insurance in premium collection was 40.6% and the growth in premium collection amounted to 5.7%. Payouts went up 9.4% to 103.3 billion rubles.

The share of premiums in civil liability insurance was 3.4%, the increase in collection – 22.6% and in indemnity payments by 28% to 4.8 billion rubles.

MTPL insurance generated 13.3% of the premiums. Premium collection in this type of insurance grew 7% to 67.37 billion rubles. Indemnity payments increased by 10.6% to 40.47 billion rubles.

SOGAZ leaves Rosgosstrakh behind in premium collection in H1 – regulator

According to updated Central Bank files, premium collection by Russian insurance companies in H1 totaled 507 billion rubles growing 8.4% year-on-year.

Out of that amount 48.9% were collected under agreements with individuals and 51.1% under agreements with corporate entities.

The top ten companies in all types of insurance, except mandatory medical insurance, collected 59.1% of the total amount compared to 57.9% a year ago.

SOGAZ became the leader in premium collection in H1 with 60.9 billion rubles posting growth of 17.1% year-on-year which is much greater than the average market. The leader also increased its market share from 11.1% in H1 2013 to 12% during the period under review.

Rosgosstrakh came second with premium collection of almost 59 billion rubles, speed of growth of 10.2% and market share of 11.6%.

The third place went to Ingosstrakh with 34.9 billion rubles in premiums, minimal growth of 1% and market share of 6.9%.

A year ago Rosgosstrakh topped the list of Russian insurance companies while SOGAZ held second place and Ingosstrakh was third.

The indemnity payments of Russian insurers during H1 amounted to 216 billion rubles growing 11.2% year-on-year. The payout ratio was 42.6%.

The Central Bank documents say that as at June 30, 2014 there were 425 insurers on the single state register of parties to the insurance business, 412 of them insurance organizations and 13 - mutual insurance societies.

The statistics includes accounts submitted by 409 insurers. Seven companies did not conduct any insurance transactions while nine failed to submit statistical reports in the form of electronic documents.

Top ten companies in insurance premium collection in H1 2014

	Company	Premiums, '000 RUR	Share, %	Indemnities, '000 RUR	Share, %	Payout ratio, %
	Total for Russia	507,227,638	100.0	216,059,238	100.0	42.6
1	SOGAZ	60,928,487	12.0	17,451,423	8.1	28.6
2	Rosgosstrakh	58,983,724	11.6	23,762,219	11.0	40.3
3	Ingosstrakh	34,939,582	6.9	21,718,302	10.1	62.2
4	RESO-Garantia	30,709,727	6.1	18,163,777	8.4	59.1
5	AlfaStrakhovanie	24,881,836	4.9	10,976,797	5.1	44.1
6	VTB Insurance	21,634,133	4.3	6,637,658	3.1	30.7
7	VSK	19,251,215	3.8	9,954,915	4.6	51.7
8	Soglassye	17,277,002	3.4	13,621,932	6.3	78.8
9	Allianz	16,988,985	3.3	10,390,581	4.8	61.2
10	Sberbank Insurance	14,093,038	2.8	165,341	0.1	1.2
	Total of top ten	299,687,729	59.1	132,842,945	61.5	44.3

Top ten companies in property insurance collected 66.3% of premiums in H1

The top ten companies in property insurance in Russia collected 66.3% of premiums in H1, according to statistics kept by the Central Bank. A year ago their share was 68.6%.

Overall premium collection in property insurance in H1 stood at 205.6 billion rubles which is 5.6% more than during the same period of 2013. Meanwhile, payouts increased 9.4% to 103.3 billion rubles. The payout level in this type of insurance amounted to 50.2%.

The share of premiums under agreements with private individuals was 47.6% (97.8 billion rubles) and under agreements with corporate entities – 52.4% (107.8 billion rubles).

The leader company in premium collection in H1 2014 was SOGAZ. A year ago the first place belonged to Rosgosstrakh with SOGAZ coming second.

Thus, in the first six months of 2014 SOGAZ premium collection amounted to 26.9 billion rubles growing 9.7% year-on-year which is more than the market average. The leader also increased its share of the market from 12.6% in H1 2013 to 13.1% during the period under review.

Rosgosstrakh came second. Its premium collection in H1 2014 dropped by 8.9% to almost 25 billion rubles. It had market share of 12.1%.

The same as last year Ingosstrakh held the third place with premium collection of 22.8 billion rubles, growth of speed of 6.8% and market share of 11.1%.

Top ten companies in property insurance premium collection in H1 2014

	Company	Premiums, '000 RUR	Share, %	Indemnities, '000 RUR	Share, %	Payout ratio, %
	Total for Russia	205,554,812	100.0	103,264,885	100.0	50.2
1	SOGAZ	26,868,818	13.1	4,446,184	4.3	16.5
2	Rosgosstrakh	24,916,150	12.1	10,647,700	10.3	42.7
3	Ingosstrakh	22,845,311	11.1	14,669,494	14.2	64.2
4	RESO-Garantia	14,514,826	7.1	10,430,642	10.1	71.9
5	AlfaStrakhovanie	12,329,521	6.0	5,652,906	5.5	45.8
6	Soglassye	10,226,990	5.0	9,610,592	9.3	94.0
7	VSK	9,273,529	4.5	5,708,716	5.5	61.6
8	Allianz	5,727,710	2.8	4,753,313	4.6	83.0
9	Renaissance Insurance Group	5,599,600	2.7	4,493,045	4.4	80.2
10	MSK insurance group	4,030,480	2.0	3,213,812	3.1	79.7
	Total for top ten	136,332,935	66.3	73,626,404	71.3	54.0

Top ten companies in CASCO collected 72.7% of premiums in H1

The top ten companies in CASCO insurance collected 72.7% of the premiums in H1 2014, according to documents of the Central Bank. A year ago the figure stood at 75%.

Updated reports say that in the first six months CASCO insurers collected 104.3 billion rubles in premiums which is 3% up year-on-year, 77.6% of that amount under agreements with private individuals and 22.4% under agreements with corporate entities. During the same period indemnity payments jumped 17.8% to 84.3 billion rubles.

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The payout ratio in this type of insurance amounted to 80.8%. As Interfax-CEA top analyst Anzhela Dolgopolova noted this level is very high, “as it indicates that many companies have been crossing the red line in profitability and the payout ratio of some market leaders even exceeds 100%.” She emphasized that a level of no more than 77% is acceptable as not threatening the financial stability of the company.

In H1 Ingosstrakh was the leader in premium collection in CASCO insurance with 13.7 billion rubles even though it reduced premium collection 15.7% year-on-year which also brought down its market share from 16.1% in H1 2013 to 13.1% during the period under review.

The second place went to Rosgosstrakh with premium collection of 12.6 billion rubles, an increase in collection of 17.3% and market share of 12.1%. A year ago the second place in the ranking belonged to RESO-Garantia while Rosgosstrakh was third.

In H1 2014 RESO-Garantia dropped to third place. Its premium collection contracted 7.4% year-on-year to 12.2 billion rubles. Its market share was 11.7%.

“During the period under review there were a number of companies in the top ten that either deliberately cut down on their CASCO business or suffered losses resulting from the macroeconomic situation. These are companies the payout level of which exceeds 77% such as Ingosstrakh, RESO-Garantia, Soglassye, VSK, Renaissance Insurance, Allianz and MSK. This means that 70% of the leaders during the period under review had loss-making businesses,” Dolgopolova pointed out.

Top ten companies in CASCO insurance premium collection in H1 2014

	Name	Premiums, '000 RUR	Change, %	Share, %	Indemnities, '000 RUR	Share, %	Payout ratio, %
	Total for Russia	104,327,246	3.0	100.0	84,255,936	100.0	80.8
1	Ingosstrakh	13,704,142	-15.7	13.1	12,462,163	14.8	90.9
2	Rosgosstrakh	12,603,045	17.3	12.1	7,714,584	9.2	61.2
3	RESO-Garantia	12,230,279	-7.4	11.7	9,562,612	11.3	78.2
4	Soglassye	8,511,406	-11.9	8.2	9,265,176	11.0	108.9
5	AlfaStrakhovanie	6,507,233	31.1	6.2	4,781,596	5.7	73.5
6	VSK	6,352,440	21.2	6.1	4,969,699	5.9	78.2
7	Renaissance Insurance	4,788,586	6.5	4.6	4,301,634	5.1	89.8
8	Allianz	3,944,163	-11.6	3.8	4,018,825	4.8	101.9
9	SOGAZ	3,638,681	19.4	3.5	1,905,046	2.3	52.4
10	MSK insurance group	3,605,753	10.3	3.5	3,002,357	3.6	83.3
	Total for top ten	75,885,728	0.7	72.7	49,521,529	58.8	65.3

Insurers in North Caucasus increased premium collection 9.3% in H1

Insurance companies operating in the North Caucasian Federal District in H1 posted a 9.3% increase in premium collection year-on-year to 5.48 billion rubles, the Central Bank website reports.

Their share in overall premium collection remained unchanged at 1.1%.

Indemnity payments during the period under review grew 8.5% to 2.43 billion rubles.

The share of companies in the district in overall indemnity payments remained unchanged also at 1.1%.

The North Caucasian Federal District comprises the republics of Dagestan, Ingushetia, North Ossetia, Kabardino-Balkaria, Karachayevo-Cherkessia and Chechnya and also Stavropol territory.

Insurers in Southern Federal District post 2.7% hike in premium collection in H1

Insurance companies operating in the Southern Federal District in H1 increased premium collection 2.7% year-on-year to 20.85 billion rubles, the Central Bank reports.

Their share in overall premium collection in Russia was 4.3% going down by 0.2 percentage points year-on-year.

Indemnity payments during the first six months of the year grew 14.2% year-on-year to 10.56 billion rubles.

The share of insurers from the Southern Federal District in aggregate payouts went up by 0.1 percentage points to 4.9%.

The Southern Federal District comprises Krasnodar territory, Rostov, Astrakhan and Volgograd regions, the republics of Kalmykia and Adygeya.

Central Bank registers report on results of MSK group share issue

The Central Bank has registered the report on the results of the issue of common registered shares of MSK Insurance Group placed through conversation of shares to shares of the same category with smaller par value.

Earlier reports said that MSK Insurance Group planned to reduce its charter capital from 16.1 billion rubles to 3.22 billion rubles through reducing the par value of shares from 10 to 2 rubles. The change was prompted by the discrepancy between net assets and capital.

The Insurance Group MSK was formed through the merger of three prominent insurance company - the Moscow Insurance Company, MSK-Standart (until 2008 Standart-Rezerv) and IG MSK (until 2009 the Industrial Insurance Company). The legal consolidation ended in February 2010. In April 2011 IG MSK was joined by IG Spasskiye Vorota. Bank VTB is the key shareholder of IG MSK.

In 2012 the group placed tenth in premium collection among Russian insurers.

The group has a network of 67 branches covering all parts of the Russian Federation.

The Bank of Moscow owns 99.9% in MSK Insurance Group.

RUSSIAN INSURANCE COMPANY NEWS

Allianz implementing second stage of curtailing insurance business in Russia

The Russian division of the international Allianz group has started implementing the second stage of radically reducing its business in Russia, a source on the insurance market has told Interfax.

“Last week the sales divisions of Allianz were told about the termination of active sales of voluntary motor insurance in addition to MTPL policies. Salesmen are being laid off, including those who used to deal with corporate sales in motor insurance, which was not planned before. The first stage of streamlining affected only retail sales. Now the sales of motor insurance policies have been suspended at car dealerships. Several dozen motor insurance traders remain at the central office. The portfolio of Allianz’s agreements will be distributed among other players, part of the customers is moving with the managers to RESO-Garantia. Talks are under way with Soglassye on redirecting flows,” the source said.

According to Interfax-CEA, in H1 Allianz held the eighth place in premium collection in CASCO with a 3.3% market share. In MTPL premium collection Allianz held the seventh place with 2.4% of the market.

Allianz started cutting down its personnel over a month ago, the source said. “As a result instead of 60 branches actively operating in the territories 10 remain in the biggest cities. Several medium-tier managers are leaving the company every week. There has been significant streamlining of the agent network which numbered over 5,000 people in the best times. The marketing center has been reformed. The company is considering the renunciation of renting premises in Varshavskoye Shosse in Moscow where Allianz occupied two stories. The office is becoming too spacious,” he added.

“The future of the motor licenses of Allianz has not been decided yet. It will take almost a year for the company to settle its obligations under all effective car insurance agreements,” he said.

There is no final decision on the future business model of the insurer in Russia, consultations continue, the source said.

“It is clear that the separate unit for insuring the interests of global customers of Allianz will remain unchanged,” the source said.

“The company has a stable portfolio of voluntary medical insurance, a well-operating business in mandatory medical insurance, a small stable life insurance business and several other satisfactory business lines. As for the company managing assets in the group of Russian subsidiaries, it has not lived up to the expectations of its founders as 80% of the funds that it manages are the resources of the insurer,” the source said.

He assumed that the reason for the resolute steps stem from a situation in which the losses of the Russian subsidiary came as a surprise to the German parent company which had not been warned about them in advance. The saddest thing of all is that there is no understanding even today how to stop the growth of losses, he said.

“Allianz shareholders cannot understand what adventurers are and how an insurer may face unaccountable massive write-offs of big sums under court judgments. The snowballing losses were ascribed to managers who were recently replaced by others. Nevertheless the company’s losses continued to grow in 2014. And Allianz started radically getting rid of the ballast,” Interfax-CEA top analyst Anzhela Dolgopolova believes.

It is regrettable that the acquisition of the Russian ROSNO insurer by Allianz group was conducted under the slogan of transforming the Russian subsidiary into a general insurance company. Now we are witnessing the reverse process, the analyst said.

In her opinion, the German insurer can be regarded as the first victim of the crisis in motor insurance. Major Russian insurers generally understand the German company but don’t rush to follow its example; they are streamlining but not renouncing their agent networks.

“For the international insurer the Russian portfolio constitutes 1-2% of the overall business. For Ingosstrakh, a company with predominantly Russian capital, the domestic market is the foundation of its business. We have nowhere to go,” Ingosstrakh CEO Mikhail Volkov said answering a question from the press when Allianz only started curtailing its retail business in the provinces.

According to Interfax files, in H1 Allianz collected almost 17 billion rubles in premiums which is 11.1% more than in the same period of last year. Meanwhile, its indemnity payments jumped 36.7% to almost 10.4 billion rubles.

In H1 voluntary medical insurance dominated the Allianz portfolio (31.1%) growing compared to last year. Premium collection during the period under review increased 14.5% to 5.28 billion rubles.

CASCO is the second biggest business of Allianz in Russia – 23.2% in H1. However, last year its share was even bigger at 29.2%. In H1 2014 premium collection in CASCO dropped 11.6% to 3.9 billion rubles.

The third biggest type of insurance is accident insurance, Dolgopolova said. In a year its share almost doubled to 13.1%. Premium collection in H1 2014 soared 128% to 2.23 billion rubles.

MTPL is one more important line of business. In H1 2014 its share was 9.4%. Like with CASCO the company actively reduced this type of insurance (by 11.4%) to 1.59 billion rubles.

Among other types of business Dolgopolova named corporate and personal property insurance – 3.4% and 3.3% of overall premium collection respectively.

OJSC ROSNO Insurance Company, formed in 1991, changed its name to OJSC Allianz Insurance Company at the end of 2011. Since April 2012, the Allianz brand includes ROSNO companies and Progress-Garant. Shareholders in Allianz Insurance Company include Allianz New Europe Holding GMBH, a unit of Allianz SE in Central and Eastern Europe. Its charter capital amounts to 7.04 billion rubles. Its regional network accounts for 89 branches united in eight territorial directorates and 383 agencies in all Russian regions.

In Q1 2014 Allianz company ranked seventh in the size of premium collection among Russian insurance companies.

SOGAZ provides 1,000 staff members of Giprotymenneftegaz with medical insurance worth 1.47 bln rubles

The Tyumen branch of SOGAZ has signed an agreement of voluntary medical insurance with the Muravlenko Projecting and Research Institute of Oil and Gas Industry in Tyumen (Giprotymenneftegaz), a press release of the insurer says.

The total insurance sum is 1.47 billion rubles. The agreement was signed until October 2015.

“Over 1,000 staff members of the institute will be provided with voluntary medical insurance policies. The insurance program implies out-patient and hospital services, ambulance services, dental services and obstetric services.

Giprotymenneftegaz is a research institution engaging in comprehensive projecting of fields for oil and gas industry companies. Since 2010 it has been a member of GMS Holding.

SOGAZ Insurance Group comprises OJSC SOGAZ, Transneft insurance company, SOGAZ-Med insurance company, SOGAZ-Life life insurance company, SOT-TRANS, SOVAG (Germany), SOGAZ a.d.o. Novi Sad (Serbia), the SOGAZ international medical center and the SOGAZ-Medservis service medical company.

The company's regional network includes over 600 branches and sales offices throughout Russia.

In Q1 2014 SOGAZ placed first in the size of premium collection among Russian insurance companies.

SOGAZ group is controlled by Rossiya bank.

Uralsib insures chain of World Class fitness clubs for 5.8 bln rubles

Uralsib insurance group has signed a property and civil liability insurance agreement with World Class network, a press release of the insurer says.

The limit of liability of Uralsib under the agreement exceeds 5.8 billion rubles.

Uralsib insured the buildings, equipment and interior decorations of World Class fitness clubs. The insurance program includes a full list of risks such as damage or destruction of property as a result of fire, stroke of lightning, explosion, flooding, illegal actions of third parties. The civil liability of the company to visitors was insured separately.

Uralsib group was established in 1993 as the Industrial Insurance Company, later NIKoil-Strakhovaniye. It has 22 insurance licences. Its charter capital is 3.3 billion rubles. The company's regional network has more than four hundred sales locations, and company subdivisions operate in more than 250 cities in 72 of Russia's regions.

In 2010 Uralsib placed tenth in the size of premium collection among Russian insurance companies.

RESO-Garantia moving some offices from territorial capitals to small towns

The Board of Directors of RESO-Garantia at a session on August 25 resolved to move 22 of its branches, a press release of the insurer says.

A number of branches will be moved from capitals of the territories to smaller towns. These changes will affect branches in 18 constituent territories of Russia such as Mordovia, Dagestan, Bashkortostan, Mari El and also Orenburg, Nizhny Novgorod, Murmansk and Volgograd regions. For instance, the branch from Petropavlovsk-Kamchatsky will move to the town of Kozyrevsk, and from Saransk to the town of Ordatov.

Earlier RESO-Garantia vice CEO Igor Ivanov said to Interfax: “We started the practice of monitoring the operations of loss-making branches a long time ago. There is a special committee that analyzes the operations of such units on a monthly basis. Several divisions causing us losses in voluntary and mandatory motor insurance were closed down.”

Earlier reports said that Allianz insurance company decided to curtail retail sales in Russian provinces over bad losses in motor insurance. Rumors have been circulating on the Russian market that several other companies are ready to follow its example in their regional policies.

RESO Holding is the managing company of RESO Group. The group's assets include controlling stakes in RESO-Garantia general insurer, RESO-Garantia life insurer and Unity Re reinsurer. The group also includes office and housing developers in Moscow, St. Petersburg and Sochi as well as Ukraine, Belarus and Lithuania.

RESO-Garantia was founded in 1991 and is licensed to provide 80 kinds of insurance. It has a network of over 370 offices in 82 out of 89 constituent territories.

The Sarkisov brothers, Sergei and Nikolai, are the main owners of RESO-Garantia. Since 2008 the French insurer AXA has been a shareholder of RESO-Garantia after acquiring 37% in it for 810 million euro.

In H1 2014 the company ranked fourth in the size of premium collection among Russian insurance companies.

CIS AND BALTIC INSURANCE COMPANY NEWS

Providna pays out 97,000 hryvni under crop insurance agreement

Kyiv-based Providna insurance has paid out an insurance claims worth 97,495 hryvni under a barley harvest insurance policy in Poltava region.

According to the insurer's press release, 97 hectares of barley died due to unfavorable weather conditions.

"The share of crops insured with Providna fluctuates within 3-5% of the whole crop acres in Ukraine. It's a considerable part of the market. Unfortunately, a share of agricultural insurance in our country is noticeably lower than the same share in the majority of countries with developed economy (Canada, USA, Germany, Poland, etc). There are nearly 70-95% of crops insured in these countries," reads the press release.

Providna insurer has been working on the insurance market of Ukraine since 1995. The insurance company's main shareholder is Rosgosstrakh LLC.

Jupiter VIG sees 34% rise in premiums in Q1

Jupiter Vienna Insurance Group (VIG) Insurance Company, January through June, collected 34% more premiums year-on-year up to 20.055 million hryvni, a press release of the insurer says.

Compared to June 30, 2013, company's assets grew by 55% up to 159.9 million hryvni and insurance reserves grew by 71% 113.84 million hryvni.

Premiums under endowment policies amounted to 332,400 hryvni.

Jupiter Vienna Insurance Group PJSC (earlier Jupiter Insurance Company PJSC) was established in 1999. Its core business is life insurance.

In April 2008, at a general shareholders' meeting Jupiter Insurance Company PJSC was renamed into Jupiter Vienna Insurance Group Insurance Company PJSC.

Ukraine initiates obligatory insurance of common property of apartment blocks - bill

Ukraine plans to introduce obligatory insurance of civil responsibility for the manager of apartment blocks for damage caused to common property.

This and some other initiatives of the Regional Development, Construction, Housing and Utilities Economy Ministry of Ukraine are stipulated in cabinet's draft law No. 4363A of August 29, 2014 on the utility and housing services, which has been posted on the parliament's website.

According to the ministry, the realization of the bill will promote the de-monopolization, deregulation and development of the utility service markets, the arrival of new players and an increase in the quality of utility services and ensuring monitoring of their provision.

The bill says that powers to appoint managers of apartment blocks are delegated to the local authorities.

In addition, the document foresees the possibility of signing individual agreements with the owners of apartments and nonresidential premises as consumers of central hot and cold water supply, sewage and heat supply services.

The document also retains the requirement of collecting a fine for delay in payment for utility services and defines the conditions of imposing fines.

According to the bill, if the payment for utility services is settled not on time and/or not in full, a fine of 0.1% of the sum of the overdue payment for each day is imposed on consumers, but no more than 100% of the total debt.

The fines will be imposed from the first working day that arrives after the last day of the term for paying for utility services – the 20th day of the month that follows the month for which consumers pay. The fine will be imposed for each month separately.

As reported, the bill, according to which from January 1, 2011, a fine is imposed on consumers who do not pay for utility services on time was signed by the Ukrainian president on December 22, 2010.

Government initiates obligatory insurance of common property of apartment blocks, says bill

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Kazakhstan should introduce a mandatory health insurance system - Nazarbayev

Kazakh President Nursultan Nazarbayev proposes creating a health insurance fund.

"In 2017 we will need to reorganize the Committee of Public Medical Services into a Ministry of Health and Social Development and to create a mandatory health insurance fund," the president said when addressing the fourth session of the fifth parliament of Kazakhstan in Astana on Tuesday.

"The existing health care system will serve as basis for the new health insurance fund," the president said.

Azerbaijani insurers boost premium collection 10% in Jan-July

Premium collection by companies operating in Azerbaijan in January-July 2014 amounted to 251.7 million manat which is 9.93% more than during the same period of last year; Interfax was told at the Finance Ministry State Insurance Oversight Service.

During the period under review voluntary types of insurance generated 166.6 million manat in premiums (12.3% up year-on-year) with life insurance bringing in 42.55 million manat (96.2% up), other types of voluntary insurance – 124 million manat (21% down).

In mandatory types of insurance premium collection stood at 85.14 million manat (5.6% up).

In the first seven months of 2014 insurers made payouts in the amount of 77.96 million manat which is 13.2% up year-on-year.

Indemnity payments in voluntary types of insurance totaled 54.05 million manat (11.5% up), 3.061 million of that amount in life insurance (73.8% up).

In mandatory insurance payouts amounted to 23.92 million manat (17.1% up).

Azerbaijani insurers increase premium collection in mandatory insurance 6% in Jan-July

Insurance companies in Azerbaijan belonging to the Mandatory Insurance Bureau in January-July collected 48.65 million manat under the law on mandatory types of insurance which is 6.1% more than during the same period of last year, Interfax was told at the Finance Ministry State Insurance Oversight Service.

The law covers four types of insurance: MTPL, real estate insurance, passenger insurance and civil liability insurance of users of real estate.

In January-July 2014 premium collection in MTPL amounted to 37.84 million manat (0.3% down year-on-year), in private real estate insurance – 10.47 million manat (37.7% up).

In addition, 255,750 manat were collected in civil liability of users of real estate (14.2% up), and 85,420 manat in passenger insurance (26.3% up).

During the period under review Bureau member made payouts in these types of insurance totaling 17.63 million manat (17.7% up).

The Mandatory Insurance Bureau was established in the framework of enforcing the law on mandatory types of insurance. It unites 15 insurance companies 12 of which have the right to offer mandatory insurance services.

Azerbaijani life insurers boost premium collection 56% in Jan-July

Insurance companies in Azerbaijan offering life insurance services in January-July boosted premium collection 56.1% year-on-year to 63.5 million manat.

A report posted on the website of at the Finance Ministry State Insurance Oversight Service says that the three life insurers collected 25.2% of all premiums on the Azerbaijani insurance market.

Their payouts soared 94.4% to 4.799 million manat which amounted to 6.2% of total.

Azerbaijan has 28 licensed insurance companies.

Insurer	Premiums, '000 manat	Payouts, '000 manat
Ateshgah Heyat Sigorta	25,548	2,458
Pasha Heyat Sigorta	25,126	1,720
Qala Heyat	12,830	621

Azerbaijani insurers post 10% increase in premium collection in industrial accident insurance

Aggregate premium collection by insurance companies in Azerbaijan in mandatory insurance against industrial accidents and occupational diseases in January-July amounted to 20.96 million manat growing 10.4% year-on-year; Interfax was told at the Finance Ministry State Insurance Oversight Service.

Services in this type of insurance are offered by three companies Azerbaijan.

In January-July they paid out 1.738 million manat in indemnities (150% up), including 599,600 manat in July.

The law on mandatory insurance against industrial accidents and occupational diseases was adopted in July 2010. The adoption of statutory results for launching services in this type of insurance was completed in December 2010.

Georgian insurers post 19.2% drop in premium collection in H1

Georgian insurance companies in H1 2014 collected 248.1 million lari in premiums which is 19.2% less than during the same period of last year, a report of the State Insurance Oversight Service says.

The report says that the statistics doesn't include the indicators of PSP Medial Insurance, one of the 13 insurance companies operating in Georgia. NO reasons for the omission are stated.

During Q2 insurers collected 159.6 million lari which is 80.3% more than in Q1 but 18.8% less than a year ago.

Medical insurance generated the bulk of premiums – 57.4%. It was followed by ground vehicle insurance - 13.5%, property insurance – 10.2%, life insurance – 4.7%, civil liability insurance – 3.8. A total of 18 types of insurance were offered.

Aldagi BCI was the leader in premium collection with 77.7 million lari (31.3% of total). It was followed by GPI Holding with 71.8 million lari (28.9%) and IRAO with 24.1 million lari (9.7%).

Payouts contracted by 34.7% to 184.8 million lari.

According to the regulator, the aggregate assets of Georgian insurers during H1 shrank by 5.5% to 522 million lari, liabilities by 19.2% to 345 million lari while net worth grew 41.1% to 177 million lari.

The aggregate net profit of insurance companies in Georgia in H1 amounted to 10.3 million lari which is 58.3% more than during the same period of 2013.

STATISTICS AND ACCIDENT REPORTS

Siberian wildfire zone grows 1,100 hectares in past 24 hours

The Siberian Federal District saw 48 wildfires across 24,581.5 hectares on Tuesday morning, the district department of the Federal Forestry Agency (Rosleskhoz) said.

Most fires, 39 on 24,518.6 hectares, are raging in Tuva.

There are six fires on 37.5 hectares in Buryatia, one on 20 hectares in Khakassia and one on five hectares in the Irkutsk region.

Ten wildfires have been confined to 1,032.5 hectares in Buryatia, Khakassia, Tuva and the Irkutsk region.

The wildfire zone has thus grown 1,115 hectares over the past day, from 23,403.5 hectares on Monday morning.

Eight fires were extinguished on 470.5 hectares in Tuva, Buryatia, the Trans-Baikal and Krasnoyarsk territories in the past 24 hours.

The fires were fought by 549 foresters and smokejumpers, 45 fire engines and five aircraft.

Most fires were caused by negligence of local residents and thunders.

A fire alert was declared in one district of Tuva, two districts of the Trans-Baikal territory and the Republic of Buryatia and throughout the Republic of Altai and the Irkutsk region.

An emergency situation regime has been put into place throughout Tuva and Buryatia.

In all, the Siberian Federal District has seen 7,829 wildfires across 1,732,400 hectares this season.

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