

# Welcome to this lecture from the Insurance Institute of London



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## Establishment of RNRC

New player on the Russian insurance market:  
Role and Influence

Nikolay Galushin, RNRC  
London | January 10, 2017

# Russian Insurance Market

- During the period of the USSR (collapsed December 25, 1991) – two Insurance Companies – Gosstrkakh (1918) and Ingosstrakh (1947)

- Commercial market appeared after collapse of the USSR

- In the mid 90's – up to 3 600 insurance companies

- Today – less than 250

- Share in GDP – appr. 1.3%

- Premium income in 2015 – 1 000 bln RUB (17 bln. USD), excl. compulsory medical insurance

- Largest segment – Compulsory Motor TPL – about 20%

- Regulator – the Central Bank of Russia (since September, 2013)

# Reinsurance market

- The outward reinsurance premium – 120 bln RUB (2 bln USD) in 2015
- At them: 20 bln RUB - domestic market / 100 bln RUB - international market

(In 1995 – 235 mln USD, in 1996 – 400+ mln USD, 70+% placed on international markets)

- Historically – minor role of domestic pure reinsurance companies (due to lack of capital)
- Biggest domestic reinsurers – Sogaz, Ingosstrakh and other direct insurance companies
- It's not prohibited to apply simultaneously for direct and R/I licenses (separate companies should be set for Life and Compulsory medical insurance licenses)

# State Insurance Companies

During the USSR time both insurance companies were 100% state owned, both of them now – Rosgosstrakh (ex Gosstrakh) and Ingosstrakh – have 0% of state in the capital of the companies

Today there are two insurance companies which are under control of the state – Yugoriya (a company belongs to Khanty-Mansiysk Government), # 24 in 2015, and Sterkh (to the Government of Yakutia), # 113 in 2015.

There are some insurance companies in Tatarstan which indirectly are under control of Tatarstan Government

Notwithstanding the region of registration of an Insurer all insurance licenses are valid on the whole territory of Russia

# Attempts to establish State Reinsurer

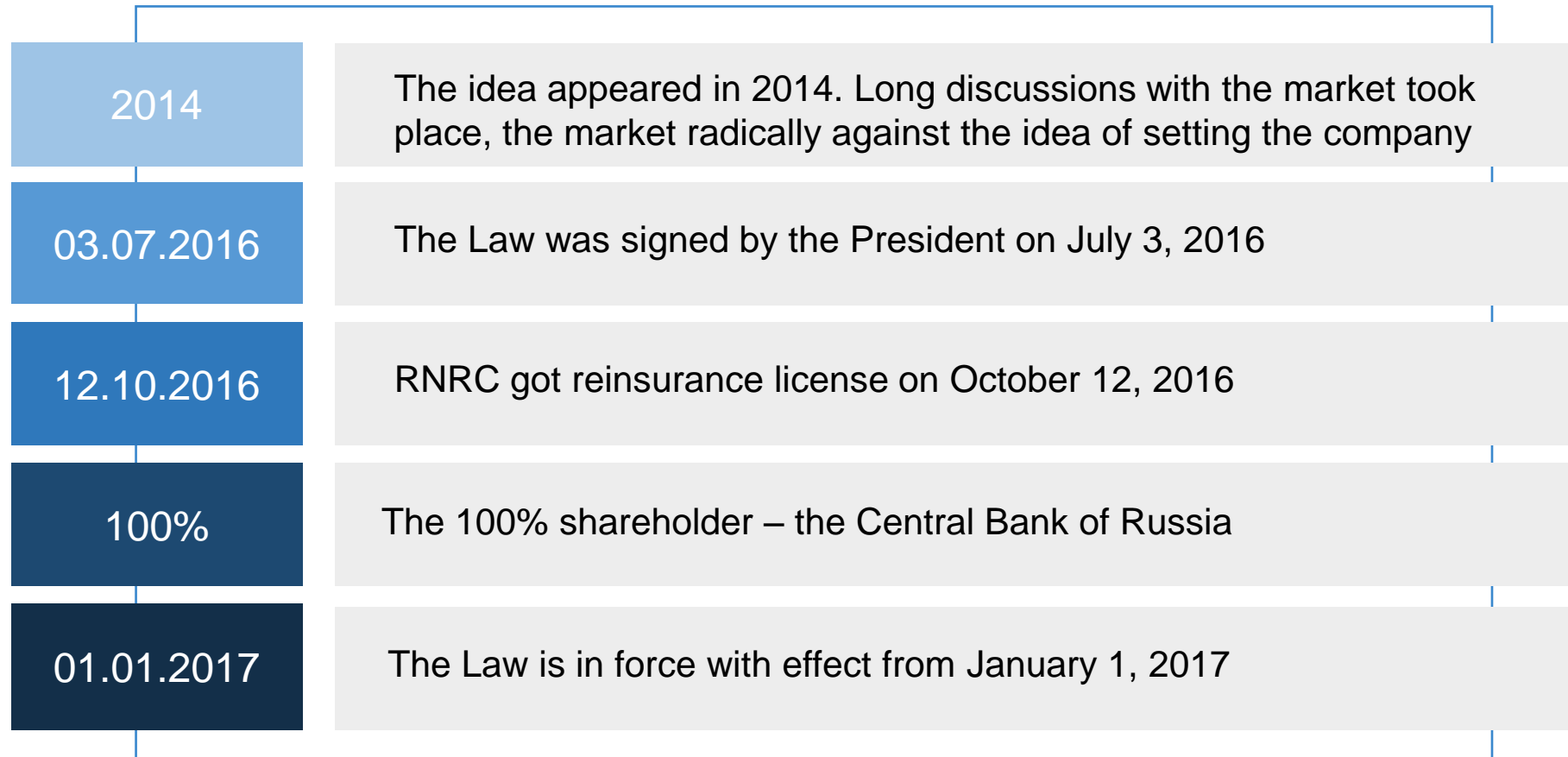
Attempts were made in early 90's

Separately by the State and by  
several commercial Insurers

The main idea – to minimize the outward reinsurance  
premiums placed outside Russia

All efforts failed – commercial appetites of insurance companies governed  
over the idea of launching national supporter

# Establishment of RNRC



# The Law on RNRC

The Law on RNRC is an endorsement to the Law regulating insurance activities in Russia (new chapters were added)

RNRC may diversify its activities within Russian and abroad (no restrictions in the Law)

## RNRC has three named areas of activities (not limited to):

- Sanctioned business (all businesses which are subject to restrictions of being placed into international placement) – RNRC must sign **10% share**
- **100% reinsurance** for catastrophic natural hazards covers for private household (this law is not yet adopted by State Duma)
- **10% share** in all outward reinsurance placed by Russian insurance companies - RNRC has the right to reject offered share / business



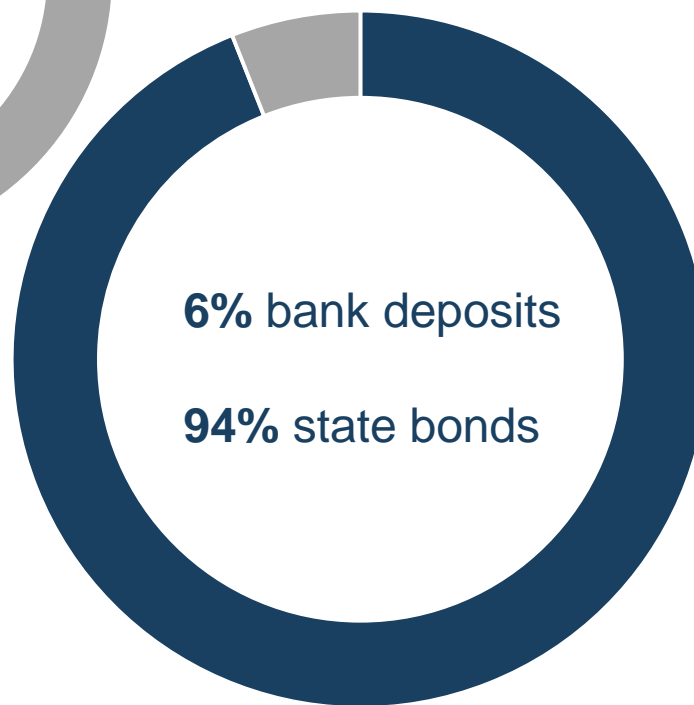
# The Capital of the RNRC



The paid-up capital (paid September 6, 2016)



The declared capital



The investment structure of the assets

Parental Guaranty are now being negotiated with the Central Bank of Russia

# The retention

- Calculation based on SII approach (not regulatory applied to Russian insurers yet)
- The size and the structure of the direct market, cumulation and top risks
- RNRC would sign business only on the net retention basis
- Cumulation evaluation approach (EQ) is accepted within the company (4 zones – South Crimea, Black Sea coast of Russian mainland, South Baikal Lake and Altay, Sakhalin)
- Cat cover would be purchased on international market
- The net retention level is 1 – 2,5 bln RUB (17 – 42 mln USD) per risk / contract on TIV or PML basis

# Financial model

## Key Assumptions

- The insurance portfolio is based on the current expectations – mainly corporate property insurance and limited volume of mass (retail) business.
- Claims incurred are based on average Loss ratio on the market by lines of business, excluding possible large losses. Operating expenses and Capital investments: Operating model does not include significant growth and processing of the retail business (the budget is planned on 100 employees).
- Implementation by January 1, 2018 of IT infrastructure and the target operating system with maximum electronic document management, risk control and the use of global best practices.

## Key Financial Indicators

mIn RUB	2017	2018	2019
GWP	7594	12021	15026
Net Profit	2770	5651	7 033
Total Assets	29 765	37 936	47 039
Total Equity	24 598	30 248	37 281
Combined Ratio	59,20%	57,60%	59,70%

- No further capital increase up to announced amount (71 bln RUB) unless required;
- No direct sanctions against RNRC;
- RNRC obtains an international rating and enters the international reinsurance market;
- Conservative Investment portfolio structure in accordance with the regulatory requirements.

# Development and Strategy



# Expectation of the Shareholder

To welcome investors (in the Law there is a limit of 10% per one investor, except the CB)

To demonstrate high output of the company to the market

To implement best practices of corporate govern, transparency, risk management and control, high ROE, profitability

To make IPO and to minimize the share of the CB (long-range targets)



THANK YOU FOR ATTENTION!

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