MILLIMAN ISSUE I / 2010

MARKET MONITOR

CENTRAL & EASTERN EUROPE LIFE & PENSIONS

WELCOME

Welcome to Milliman's CEE market monitor, which provides information and analysis on the latest developments in the developing life insurance markets in Central & Eastern Europe. Focusing on Poland, Romania, Russia and Ukraine we aim to provide market-level information, drawing from local sources and our experience observing company, product, and distribution developments in these markets.

We hope you enjoy reading the monitor and look forward to receiving your feedback.

CONTENTS

QIS5 – An opportunity for getting on top of Solvency II

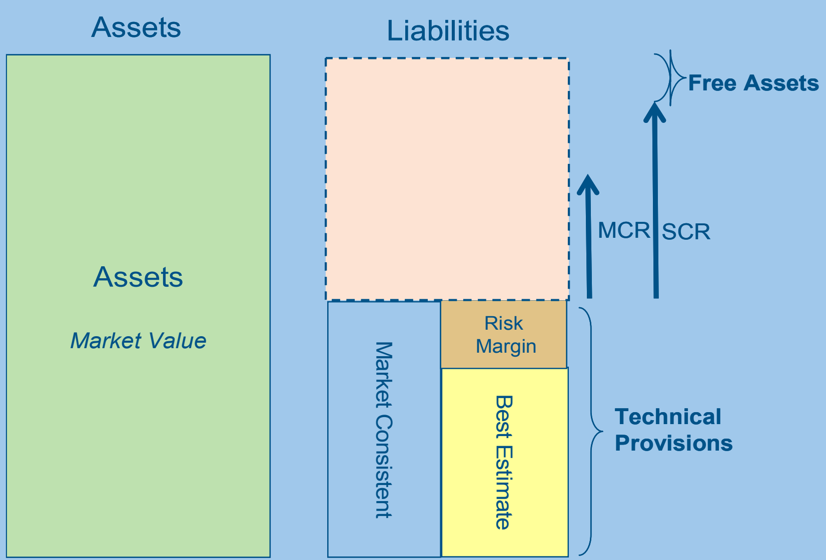
The Solvency II project is now well advanced and the fifth Quantitative Impact Study (QIS5) will take place over the summer this year.

But QIS5 is not just a form-filling exercise: it represents a real opportunity for companies to ready themselves for Solvency II and better understand the likely capital, calculation and technological requirements, as well as the strategic implications. It is a topic that all those involved in Solvency II within an insurer, from the CRO and Chief Actuary to the CFO and the CEO, should be taking a close interest in.

Compared to previous impact studies, QIS5 will be especially interesting:

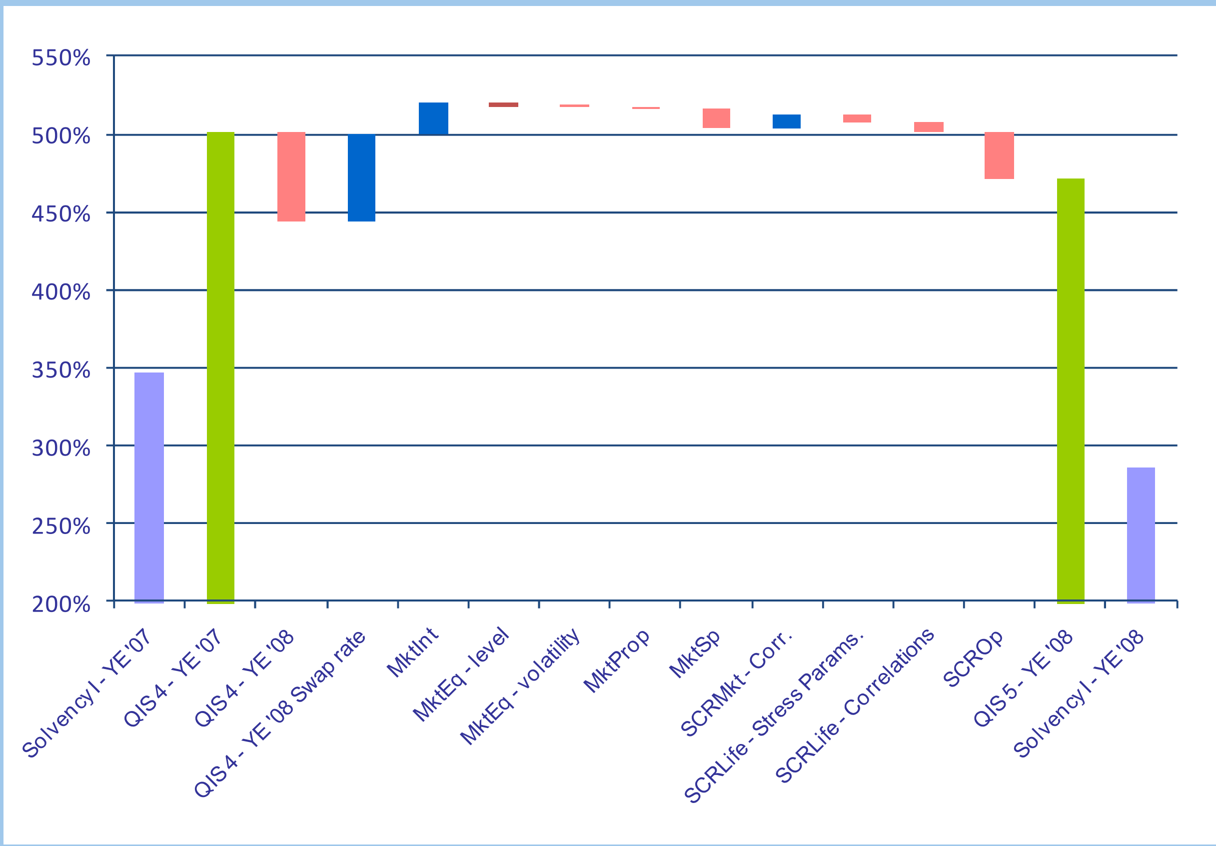
1. A much higher level of participation is expected from companies.
2. The Solvency II deadline is now much closer and QIS5 probably represents the last opportunity to gauge the impact of the standard formula.
3. Due to an overall tightening in the draft technical specification the solvency ratios likely to emerge from companies' QIS5 standard formula calculations could be weaker than the ratios observed in QIS4.

Economic Balance sheet under Solvency II



Milliman has recently carried out research into the likely" QIS5 standard formula and has prepared comparative studies for key countries that measure the impact of QIS5 with respect to QIS4. This work suggests that solvency ratios have decreased at country level in most European markets. In some markets however this is linked more to the fall in financial markets than the overall strengthening of the stresses applied to calculate the SCR. The effect on individual companies will therefore be especially interesting, with some exhibiting rather better solvency positions while others show the opposite. Understanding the position of your own company will be critical to planning the rest of your Solvency II project over the next 2 to 3 years.

Key anticipated changes from QIS4 to QIS5 for the Polish life market & estimated impact on solvency ratio as at 31/12/08



***Source**: Milliman research*

The in-depth knowledge of the standard formula calculations that Milliman has deployed in this study is also available to those companies that would like to receive support in their preparation of QIS5 returns.

In particular, the support of Milliman can enable companies to extract much more value from the QIS5 exercise and accelerate their preparation for Solvency II. Milliman consultants are available to help both in working alongside and advising companies' own modeling teams, as well as setting up new cash flow models that will serve for Solvency II. We can offer a range of services from leading the whole process to supporting or reviewing it, and are happy to tailor our services to clients' own needs and situation.

We are also leaders in the design, implementation and use of the specialist software tools (such as MG -ALFA, Prophet and others for life, and ReservePro and Reserve Variability Model for non-life) that may be needed to solve the issues of Solvency II and meet the requirements of QIS5. For example, we can:

- Help companies in using and extending an existing model (e.g. on Prophet or even spreadsheets) of their liabilities to develop a realistic balance sheet and calculate the stresses required for the SCR estimate.
- Help companies estimate the best estimate value of their non-life liabilities and the distribution of results which they may have around the best estimate.

We suggest delivering the results of the QIS5 exercise in the form of a workshop for the company's management. This will illustrate the messages of the results, the key drivers impacting the company's financial strength and the key issues which the company may wish to tackle.

Lastly, we note that Milliman provides a wide range of other services related to Solvency II including for example:

- Gap analyses that compare a company's current position to the Solvency II requirements and its vision for where it wishes to be following implementation. These cover all areas of the business from the quantitative requirements (Pillar 1), to systems of governance and risk management (Pillar 2), to the new regulatory reporting requirements (Pillar 3).
- Implementation support on Pillar 1, for both liability value and SCR calculations using both standard and internal models.

Implementation support on Pillars 2 and 3, drawing on our extensive knowledge of Enterprise Risk Management and our cutting-edge tools.

Why Milliman?

We have been involved in advising our clients on Solvency II issues since its conception. Our experienced actuarial and strategy consultants have been actively involved in industry, professional, and other bodies that have been analysing Solvency II and commenting on the various consultation papers that have been developed.

We have also undertaken a range of work for clients on Solvency II including gap analysis, assessing the implications of Solvency II particularly through the QIS initiatives and providing wider advice and training to clients.

We would be happy to discuss how we can help you make the most of QIS5 and optimise this opportunity for gearing up for Solvency II. For further information or to discuss please contact: marcin.krzykowski@milliman.com or adrian.allott@milliman.com.

01 POLAND

MARKET

The total net financial result for the insurance market in Poland in 2009 based on unaudited data submitted to the regulator was estimated at PLN 6.6 bn (€1.6 bn), an increase of PLN 0.8 bn (€0.2 bn) over the previous year. Excluding the financial results of PZU, the net profit was estimated to be PLN 2.7 bn (€0.66 bn), down by PLN 0.77 bn (€0.2 bn) on 2008.

The "Dziennik Gazeta Prawna" newspaper compared profit per 1,000 PLN premium collected among insurance companies. In the life insurance sector the best result was achieved by Aviva Życie and PZU Życie. The third ranked insurer in terms of profitability was Amplico.

Insurers have started to pull out of the index-linked market. Ten of the largest life insurers have observed a 20% drop in premium written to PLN 26.3 bn (€6.3 bn) in 2009. The turnaround for the index linked products is caused by the drop in interest rates. Furthermore, insurers are instead planning to focus on long term savings products, with unit-linked likely to be the favoured product for many companies.

The Financial Supervisory Office (KNF) has announced a new maximum technical interest rate for new traditional business of 3.5% p.a. which was increased from the previous 3.4% p.a. The technical rate is calculated as weighted average of government bonds yields from past three years.

"Analizy Online" reports that during the 1st quarter of this year, 45 structured products reached the end of their insurance term. Only every other product (48%) made a profit. Out of all of the maturing investments, the highest returns were achieved by the Fortis L Fix Everest fund, with a return of 18.8% p.a. Slightly lower gains of 18% p.a. were achieved by those who invested in the certificates of KBC Poland Jumper 1 FIZ fund. Deutsche Bank PBC clients earned over 10% per year.

17 out of the 45 funds which expired in the first quarter were

based on the WIG20 index. Only 7 out of 17 made a profit even though all of them had expected to make a profit. The remaining funds were based on foreign exchange rates (usually EUR/ PLN).

COMPANIES

The Polish subsidiaries of Germany's **Signal Iduna** were recapitalized to the tune of PLN 33.9 m (€8.2 m). In 2009, the life subsidiary had a loss of PLN 5.1 m (€1.2 m) and the non-life subsidiary a loss of PLN 10.7 m (€2.6 m), with neither company achieving a profit since 2002. The total loss to date is estimated at PLN 142.5 m (€34.3 m).

According to the CEO, the companies will move out of the red in 2011. For the current year, Signal Iduna expects a loss of some PLN 8-10 m (€1.9 – 2.4 m) and the additional capital will cover solvency ratios. Written premium is estimated to grow this year by 50% and there are plans to develop IT systems, to launch a new distribution channel (medical centres) and to increase broker sales.

Generali Życie achieved a 53% increase in written premium to PLN 1.2 bn (€0.3 bn) in 2009. In the 4th quarter of last year, the premium written by the life subsidiary of Generali was estimated at PLN 522.0 m (€125.8 m). Regular premium life products saw a 24.6% increase in written premium to PLN 370.8 m (€89.3 m). The net financial profit for the life business in 2009 doubled to an estimated PLN 25.3 m (€6.1 m).

Aegon Życie has expanded its unit linked product offer by adding the "**Idea**" fund provider to its fund platform. Aegon's VIP clients now have a possibility to invest in the following new funds: Idea Premium, Idea Stabilnego Wzrostu and Idea Akcji. The remaining clients can invest in the following funds: Idea Premium and Idea Stabilnego Wzrostu. The new fund options do not include sales made through Bank Handlowy or Polbank.

Allianz aims to increase cross-selling between the banking and insurance members of its group. Currently, there are 17 bancassurance centres, employing 300 agents. In the future, its insurance agents will also offer banking products, and the bank employees will expand their offer to include insurance products.

In 2009, **MetLife** reported gross premium written of PLN 123.3 m (€29.7 m), down by 71% on 2008. The drop is caused by the fall in sales of single premium life products (-96%) which offset the 25% increase in regular premium sales. The structure of premium written has changed accordingly. 89.2% of premiums written were generated from regular premium products, compared to only 20.5% in 2008.

AXA Życie has expanded its list of bank partners and has started cooperation with **Eurobank** and **HSBC**. The decision to expand the network of bank partners was made in order to increase revenue from bancassurance. The company envisions expanded sales of a protection product covering loans and mortgages. In 2009, premium written from bancassurance was estimated at PLN 0.3 bn (€0.1 bn), compared to PLN 1.3 bn (€0.3 bn) in 2008. The fall was mainly due to AXA's withdrawal from sales of index-linked products.

PRODUCTS

129 new structured products were launched in the first quarter of 2010. Product third were based on the EUR/PLN exchange rate and a fifth on equity indices, mainly WIG20. 25 products were linked to commodities (such as farm products in case of "Smak Zysku" from **Warta Zycie)**. The remaining products were based on a variety of strategies, equities and funds. By comparison, during the first quarter of 2009, 133 structured products were launched. Investment deposits and insurance policies are the most popular type of structured products and the most active insurer based on products launched is **Europa Zycie**.

Citi Handlowy and **MetLife Życie** have started subscription of an index-linked product "Invest with American Potential". The product guarantees 100% of the invested capital at the end of the insurance period, as well as offering higher returns than on bank deposits. The profit is calculated as a bonus which depends on the performance of Standard and Poor's 500 index at the end of the 3 year insurance period. The product is structured as an endowment life insurance, with a tax free bonus and death benefit. The minimum premium is PLN 5,000 (€1,205).

ING Życie has launched a new 5 year protection plan "NG Smart+" for policyholders aged 51-70 years. The product guarantees financial support in case of death, permanent disability, hospitalization or surgery, as a result of an accident. ING Smart+ offers also assistance in case of accident or unexpected sickness. The sum assured increases each year by 10%. The premium is a fixed amount, which does not change throughout the insurance period.

A new structured product "Dama Pik" is offered by the investment boutique owned by **Europa Zycie**. The product is based on the strategy "Aquantum Pegasus", an index containing 24 commodities from the following sectors: electrical, metal and agricultural commodities and livestock. Two investment options are available: Option A includes 100% capital protection and at the end of investment period the client receives the invested capital with a bonus, estimated as 55-75% of the increase in the index; Option B includes 92% capital protection, with the return estimated at 100-120% of the increase in the index. The minimum premium is PLN 1,000 (€241).

Polbank has launched a new insurance and investment product, written by **Aegon Życie**. The invested cash is divided into 2 equal parts. The first takes the form of endowment insurance. The net interest return on this part is 5.3% p.a. (tax free), which is equivalent to 6.6% p.a. in a bank deposit. The second part is allocated to unit-linked funds offered by Aegon. The client can choose among 25 funds with different risk levels. The available currencies of investment are: PLN, USD, EUR and CHF.

ING Bank Śląski is offering new structured products – Insurance and Investment Plan "Siła Złotego" and "Euro Stoxx50 wzrost". The first product is an investment and insurance single premium product for individual investors. Its profitability depends on the performance of the zloty's exchange rate against the Euro. The second product is a single premium insurance plan for Personal Banking clients. The return on this product is based on the performance of the Dow Jones Euro Stoxx50 index. The minimum premium is PLN 10,000 (€2,410).

Aegon Życie has expanded its product offer to launch a new term plan "Aegon Bezpieczni Bliscy i ja". It includes a return of premium guarantee - the policyholder can receive the return of premium paid if no benefits were paid during the insurance period. The policy term can be 15, 20, 25, 30, 35 or 40 years with a maximum age at entry of 71.

PENSIONS

The number of new voluntary personal pension IKE accounts continues to decrease each year. According to KNF data only 42,300 accounts were opened in 2009, compared to 55,000 and 121,000 in 2008 and 2007 respectively. According to experts, the reasons for the decreasing trend are a lack of financial awareness among Poles and the economic crisis.

The government has started work on a finance consolidation bill. The changes in OFE (Mandatory Pension) regulations, which should ensure higher pensions, would involve introduction of internal benchmarking to measure the effectiveness of OFEs, changes in principles for managing OFEs, a ban on advertising for fund transfers, lowering the fees charged by PTEs (Administrators), introducing sub-funds for people who are less than 10 years from retirement age and increasing the possibility for your people to invest in equities. The final decision on acceptance of the changes will be made by the Premier.

02 ROMANIA

MARKET

Gross written premiums reported by Romanian insurers for 2009 were RON 8.8 bn (€ 2.06 bn), comparable to the level in 2008. Life insurance premiums fell by 13% to RON 1.6bn, however, compared to 2008, according to the Insurance Supervisory Commission (CSA).

"The growth of written premiums in the life insurance segment was largely influenced by written premium related to unit-linked business that registered a nominal growth of 42.3% compared to the first three months of 2009. This proves that, though macroeconomic conditions did not follow the trends expected at the beginning of this year, Romanians started being aware of the importance of these long-term protection and savings-investment products", noted the President of the CSA, Angela Toncescu.

Currently the CSA is working on a norm to introduce accounting regulations according to IFRS standards for consolidated financial statements, which will be applicable to insurance and reinsurance companies commencing with the 2010 financial year.

With an increase in premiums of almost 13% in Euro terms, life insurance is the pleasant surprise of the first quarter of 2010. Life insurers wrote premiums totaling EUR 107m, EUR 12m more than the value recorded in the same period of last year. Premium volumes for credit and guarantee insurance increase by almost 21% in the first 3 months of 2010 recovered partly for the lows of Q1 2009.

COMPANIES

The **Vienna Insurance Group** companies achieved overall premiums of EUR 606.7m in 2009, up 14.8% on a local currency basis. The Group is the market leader in Romania, the number one in non-life insurance and ranked second in life insurance, composed of: BCR Asigurari de Viata, BCR Asigurari and Asirom VIG (with both their life and non-life businesses), and Omniasig VIG (non-life). In the life insurance rankings, only BCR Asigurari de Viata managed to grow its business, rising to second place with a 38.5% increase in GWP and increasing its market share by 6.7% to 15.5%, thanks to the implementation of a successful retail bancassurance arrangement with BCR and related sales of unit-linked and structured products.

AXA Group confirmed the acquisition of the Romanian insurance company **Omniasig Life** in January 2010. Through this operation, AXA enters the Romanian life insurance market in line with its objectives to accelerate the development of its activities in Central and Eastern Europe. With a low rate of penetration (0.4%) compared to the rest of the EU, the company believes the Romanian market offers AXA significant growth potential.

Rangam Bir has taken over as CEO of the Romanian insurance market leader **Allianz-Tiriac**, replacing Cristian Constantinescu, who has led the company since inception and who will remain a member of the insurer's supervisory board. Allianz reported total gross written premiums of EUR 3.6 bn in CEE in 2009, down from EUR 4.2 bn in 2008. Adjusted for the devaluation of CEE currencies, this implied a local-currency decrease of 2%, with the operating profit falling 12% to EUR 306 m.

ROMANIA – Leading Life Companies Q1 2010

Life insurance company	Gross Written Premiums (EUR m.)		Market share (%)
	Q1 2010	Q1 2009	
ING Life Insurance	32.9	30.3	30.8
BCR Life Insurance	19.7	8.2	18.4
ALICO	16.1	14.0	15.0
ASIROM	6.8	6.6	6.4
AVIVA	6.1	5.6	5.7
GENERALI	5.1	5.6	4.8
ALLIANZ-TIRIAC	4.8	6.0	4.5
GRAWE	4.6	5.0	4.3
GROUPAMA	3.9	4.6	3.6
EUREKO	2.1	2.4	2.0

***Note**: results are unaudited and figures for ALICO, ASIROM, AVIVA and GRAWE are estimates.*

***Source**: XPRIMM* **1 EUR = 4.3 RON**

With the appointment as CEO of Mihai Popescu (former Chief Marketing Officer at Alico Romania) in May 2010, replacing Shah Rouf, **AVIVA Asigurari de Viata** has its first entirely Romanian management team since the entrance of the company to the Romanian life insurance market in 2000.

UNIQA Asigurari de Viata received authorization from the Insurance Supervisory Commission (ISC) in April 2010 to operate in the Romanian insurance market. By entering the life insurance segment, UNIQA has completed the range of products it offers on the Romanian market, adding to its existing non-life insurance operation.

ERGO Asigurari de Viata obtained its license to offer life insurance in Romania in March 2010. They also signed a distribution contract with UniCredit-Tiriac Bank, UniCreditTtiriac Consumer Financing (non-financial institution) and Pioneer Investments in May 2010. The company is offering both credit life and unit-linked products through this partnership.

Generali Asigurari ended its first quarter with a total volume of gross written premiums of RON 114.5 m. The company is in the process of transferring the life insurance portfolio from **Ardaf Asigurari** and also announced its intention to absorb its travel insurance subsidiary, **RAI Asigurari.**

Towards the end of 2009, the CSA approved the transfer of the life insurance portfolio from **Asiban Asigurari** to **Groupama Asigurari** and from **OTP Garancia** to the same group in May 2010.

Life insurer **KD Life**, placed under special administration by the CSA in March, has reached an agreement with **Eureko** to transfer its 5,500 policy portfolio. The company will be closed after the transfer. The insurer was placed under special administration when shareholders failed to approve a plan to redress inadequate solvency.

Milliman Conducts first-ever survey of Life Insurance New Business in Romania

In May and June, Milliman conducted a survey of life insurance new business written in 2009. Life insurance companies operating in the market were asked to provide new business figures in the form of single premiums written, new annual premiums and policy counts. Companies were asked to categorize their sales by product group, distribution channel and currency, and to distinguish between group and individual business.

Submissions were received from companies representing about 55% of the market (measured by 2009 premium income). Companies which did not make submissions typically cited work pressures as the main reason for non-participation, although in one or two cases there were also confidentiality concerns.

We estimate that total sales in 2009 (on an Annual Premium Equivalent [APE[2]] basis) were around RON 272m, by assuming that the discontinuance rate for non-participating companies was equal to that for participating companies. The discontinuance rate[3] for participating companies was determined as 26.6%, while new business APE for this group stood at RON 172m.

Sales in 2009 appear to have been dominated by three classes of business – unit-linked, credit life and participating conventional products. Pure risk products – term, accident, health & supplementaries only made up 6.3% of the total – showing the market's continuing preference for products which show a financial return (or which are 'compulsory', like credit life).

Unit-linked business was mainly sold through the bancassurance channel (60%), with agency sales accounting for 31% and the remainder (9%) being issued through brokers or MLM networks. This product group was mainly (88%) denominated in Romanian lei, with Euro-denominated business accounting for 12%. Single premiums represented 11% of the new business on an APE basis.

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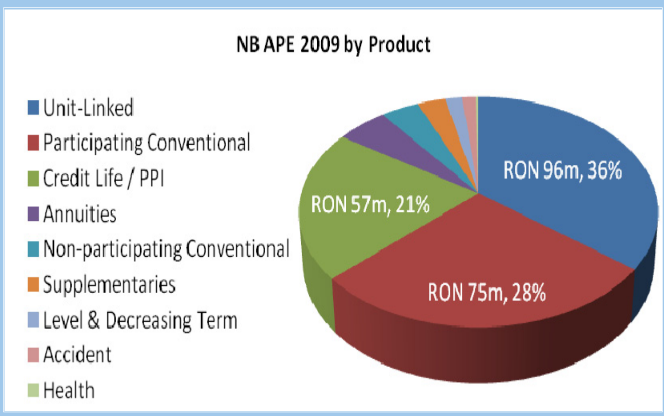
Sales of the participating conventional class (e.g. excess-interest endowments) were made predominantly (90%) through the agency channel. Survey participants appear to have written this business exclusively as individual regular premium policies denominated in Romanian Lei.

Not surprisingly, credit life business was sold exclusively through the bancassurance channel. The split between group and individual policies was 53% to 47% while the split between policies in Lei and those in Euros was 93% to 7% respectively. On an APE basis, only 3% of the new business recorded related to single premium policies.

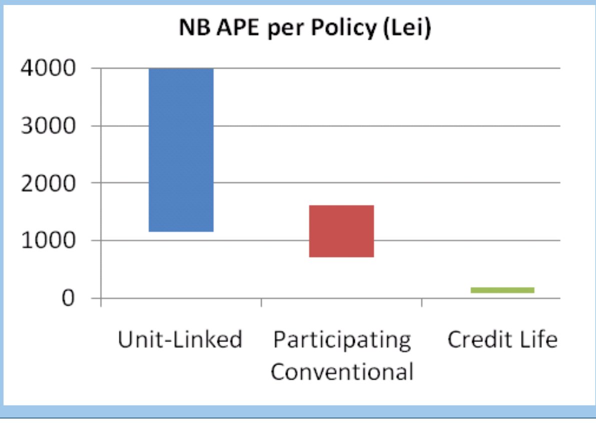


FOOTNOTES:

[1] "New Annual Premium" is the annual premium expected to be written over a full policy year for policies sold during 2009, assuming no discontinuances.

[2] Annual Premium Equivalent is defined as New Annual Premium plus 10% of Single Premiums Received.

[3] The Discontinuance Rate was determined as the solution of an approximate equation reconciling 2008 gross written premium to 2009 gross written premium, taking into account new business volumes declared.



The ranges of average APE per policy are shown in the chart to the right, for the three main product classes. The low premium levels for credit life would seem to indicate a bias towards consumer credit insurances as opposed to personal and mortgage loans.

Milliman's Bucharest office intends to repeat this study on an annual basis. This will enable us to not only look at sales performance in each calendar year, but also to observe trends developing from one year to the next.

PRODUCTS

ASTRA Asigurari

June 2010: **Garant Individual** – a life insurance product offering protection for the entire family in case of the insured's death due to any cause (policy term - up to 59 years; insured's age:16-75 years). The product also provides additional covers and flexible options during the contract (modification of policy duration and sum insured, of insurance premium and payment method).

BCR Asigurari de Viata

Sept 2009 - March 2010: BCR Asigurări de Viaţă together with ERSTE Bank and BCR launch single premium index-linked **BCR GARANT** life insurance (*limited edition*). Besides offering the death cover benefit, the product also guarantees 100% return for the invested capital plus a guaranteed minimum return for Euro investment (between 30-50%), which may be increased by additional incomes resulting from index-linked investments.

ING Asigurari de Viata has launched new unit-linked products in the first half of 2010:

May: **ING Selectis** (*limited edition*) – a single premium unit-linked life insurance product aimed at protecting the net invested capital by allocating it to government bonds. It is a 5-year contract, providing a death cover benefit and also the possibility of anticipated maturity upon reaching the annual maximum return.

June: **GenT** (structured unit-linked product that provides solutions for main consumers' financial needs: **GenT for Investment, GenT for Pension, GenT for Children**). The product provides a new method of calculating the protection and investment components by splitting them since the beginning of the contract (unlike the traditional method of changing insurance premiums into units, out of which protection costs are deducted), thus providing transparence regarding the mechanism of covering insured risks. It also offers increased minimum protection level of insured sums and extension of additional protection covers.

PENSIONS

As a crisis measure the Romanian Finance Ministry effected a redirection of most Pillar II contributions back to the Pillar I state system from 1 June 2010 announcing that the Pillar II contribution will fall from 2.5% to 0.5%. This measure met with strong condemnation from market participants and was also criticized by the Minister of Labor, the National Bank, the World Bank, IMF and the European Commission, due to its impact on the pension outcomes of today's generation of workers. At the time of writing it appears that this decision will be reversed.

The number of participants contributing to the mandatory Pillar II pension system reached 4,707,550 people in April 2010, up 0.6% compared to March 2010 and up 3% over the first four months of 2010, and up 10% compared to April 2009.

The net asset value for April 2010 for the nine Pillar II pension funds was RON 3,144.5m (EUR 762m), up by 6% compared to March 2010, and by 32% over the first four months of the current year.

The number of participants in facultative (Pillar III) private pensions reached almost 196,000 at the end of April, 8,800 more than at the end of 2009. Net assets administered by all 13 facultative pension funds increased to RON 255.4m at the end of April.

During the almost three-year period since their launch (May 2007) to date, facultative private pension funds have registered an average annual return of 10.5%. In the mandatory pensions market, only 10-15% of the new participants choose their

ROMANIA — Pillar II participants by pension fund as at 30/04/2010		
Mandatory pension fund	**Number of participants**	**Market share (%)**
ING	1.558.589	33.1
AZT VIITORUL TAU (*ALLIANZ-TIRIAC*)	1.189.318	25.3
ARIPI (*GENERALI*)	442.493	9.4
PENSIA VIVA (*AVIVA*)	335.783	7.1
EUREKO	324.988	6.9
ALICO	298.278	6.3
BCR	291.767	6.2
VITAL (*AEGON*)	147.640	3.1
BRD	118.694	2.5
TOTAL	**4.707.550**	**100%**
Source: *Private Pensions System Supervisory Commission (CSSPP)*		

own pension fund, the others being distributed by random allocation.

03 RUSSIA

MARKET

Most Russian life insurers have declared the investment returns earned on mathematical reserves during 2009. This return is used to credit policyholders' accounts with regular bonuses.

As can be seen from the table below, the declared investment return differs quite significantly companies (from 5-12%). At the same time bank deposits offered returns of 12-14% during the same period. The majority of insurers invested in government bonds and bank deposits, with some also investing in corporate bonds.

COMPANIES

Rosgosstrach Life plans to enter the mandatory pension market which is now approaching RUR 1 trillion of net assets. For this purpose Rosgosstrach plans to purchase a non-state pension fund, which is a common strategy for Russian life insurers entering the market. Rosgostrach CEO, Alexander Bondarenko, stated that this is the company's main target for 2010. Rosgosstrach plans to benefit from its agency network to attract a share of the lucrative group of customers who have not yet decided on their mandatory pension provider and still keep their pension fund with the government administrator.

ERGO International has decided to integrate its life company's agency network with the ERGO Russ network. It has decided to utilize the 80 or so agencies around the country to market both non-life and life insurance. This will mean a halt to the separate development of the regional sales network of ERGO Life. The decision was made due to the slowdown in the Russian life insurance market in recent years and in an attempt to cut costs. This change follows on from ERGO's withdrawal from the Voluntary Health Insurance market.

RUSSIA - Leading Life Companies 2009				
Insurance company	**Premium Income 2009 (RUB'000)***			**2009 Total vs 2008**
	Life Insurance	**Personal Insurance (excl. life)**	**Total**	
Alico	2,662,359	902,898	3,565,257	-17.6%
Rosgosstrach Life	1,671,320	363,157	2,034,477	38.9%
Sogaz Life	1,120,787	160,898	1,281,685	-49.8%
Russian Standard Insurance	994,917	31,260	1,026,177	-65.2%
Alfastrachovanie Life	914,470	42,049	956,519	11.7%
Generali PPF Life Insurance	829,748	4,474,407	5,304,155	-10.3%
Geopolis	792,733	37,569	830,302	151.6%
Allianz ROSNO Life	643,422	78,565	721,987	29.4%
CiV Life	626,750	394,225	1,020,975	90.4%
Chuplan Life	517,272	746	518,018	16.3%
TOTAL	**15,721,008**	**101,761,271**	**117,482,279**	**-7.7%**
Source: *FSIS*				**EUR 1 = RUB 39**

RUSSIA - Investment return in 2009 for policies nominated in RUB		
Insurance company	Guaranteed Return	Declared Earned investment Return
Ingosstrach Life	3.5%	7%
MSK Life	3-5.5%	11%
Alfastrahovanie Life	3.5-4%	12.1%
Uralsib Life	5%	5%
Rosgosstrach Life	3.5%	10.2%
Renaissance Life	4%	10.1%
Allianz ROSNO Life	2-4.5%	9.7%
Alico	3%	8%
Generali PPF Life Insurance	3-4%	10%

04 UKRAINE

MARKET

The Commission for the Regulation of Financial Services Markets in Ukraine, Gosfinuslug, has decided to ease the requirements for general terms and conditions and statutory returns to be certified by qualified actuaries. The revised regulations now allow for certification only of annual returns submitted by life insurers. Previously qualified actuaries were required to sign off quarterly returns and tariffs for life and non-life insurance general terms and conditions. This change was made after expiry of the 5 year period since new qualification requirements were introduced by regulation in 2005. Only 10 actuaries met the qualification requirements under the new standards and following pressure from insurers, Gosfinuslug decided to ease its requirements.

Viktor Suslov has stepped down as the Head of Gosfinuslug. His position has been taken over by Vasiliy Volga. This will be Mr. Volga's first role in financial services markets as for the past 10 years he was mainly involved in political activities. Following departure of Mr. Suslov, his deputies also decided to leave Gosfinuslug. Sergey Koren, Galina Tretyakova and Olga Timoshchuk resigned shortly after his announced departure.

COMPANIES

Generali Garant continues to market policy loans to its existing customers. At a time when bank loans are hard to obtain, Generali is trying to improve its persistency by offering attractive policy loan conditions to existing policyholders, using the cash value as collateral. The insurer is offering this option for policies denominated in UAH, USD and EUR.

Fortis Life has declared its investment return earned on policyholder reserves. The rates are 15.1% in UAH and 6.2% in foreign currency. This is a slight increase over the 2008 investment return of 14.8% in UAH. Fortis invests mainly in government bonds and bank deposits. There are no plans to deviate from this investment strategy for 2010.

Polish insurer **PZU** has declared that it plans to invest additional resources into its Ukrainian subsidiaries – PZU Ukraine Insurance and PZU Ukraine Life Insurance. The goal of these investments should be expansion in the Ukrainian insurance market by actively increasing the agency network and generally improving their operating performance (including financial management, customer service and claims settlement).

PRODUCTS

Generali Garant has launched an endowment product with guaranteed partial payments during the policy term (anticipated endowment). The frequency of partial payments ranges from 3-5 years depending on the policy term. This product is available in UAH, USD and EUR currencies.

UKRAINE – Leading Life Companies 2009		
Life insurance company	Life Insurance Premium Income	
	UAH '000	2009 vs 2008
Alico AIG Life	175,008	-30.9%
Grawe Ukraine	153,419	-16.2%
TAS	120,689	-0.9%
Renaissance Life	48,023	-61.3%
KD Life	33,574	65.3%
PZU Ukraine Life	32,070	85.0%
Blakitniy Polis	29,055	-5.0%
Generali Garant Life Insurance	27,027	NA
UNIQA Life	26,248	101.1%
Fortis Life Insurance Ukraine	24,233	-16.4%
TOTAL	**827,347**	**-24.5%**

***Source**: League of Insurance Companies of Ukraine*

DATE	ORGANIZER	LOCATION	EVENT
September 2-4	*Hellenic Association of Insurance Companies*	Hydra (Greece)	12th Insurance and Reinsurance Conference
September 16–18	*European Actuarial Academy*	Budapest	Pricing of Products seminar
September 21–22	*Jacob Fleming Conferences*	Milan	2nd Annual Insurance Distribution Strategies Forum
September 28th	*Russian Polis Conferences*	Moscow	III Forum of Russian Insurance CFOs
October 11th	*Media XPrimm*	Bucharest	National Conference for Private Pensions
October 21–23	*European Actuarial Academy*	Prague	Market Consistent Valuation
November 9th	*Russian Polis Conferences*	Moscow	VI International Conference —"World Views for Life Insurance in Eastern Europe, CIS & Asia"
November 11th	*Hellenic Association of Insurance Companies*	Greece	"Private Insurance Day"
November 16th	*EFRP*	Frankfurt	5th European Pension Funds Congress
November 17th	*CEIOPS*	Frankfurt	6th CEIOPS Conference

About Milliman

Milliman is a leading international firm of consultants and actuaries, providing services to the Life, Health, General Insurance and Employee Benefits Sectors. Founded in 1947 in the United States, the firm has 52 offices worldwide including in Amsterdam, Bermuda, Bucharest, Dublin, Hong Kong, London, Madrid, México City, Milan, Munich, Paris, São Paulo, Seoul, Tokyo, Warsaw and Zurich.

Our offices in Europe specialise in insurance and provide actuarial and strategic support in a range of areas including strategy and business planning, mergers & acquisitions, product and distribution development, financial management and reporting, risk management and solvency.

Our Experience

Milliman's experienced consulting team has extensive experience of the insurance markets in Central & Eastern Europe. Examples of projects we have worked on include:

- Merger & Acquisition transactions involving life, non-life, pension fund and bancassurance companies in Poland, Hungary, Czech Republic, Romania, Slovenia, Ukraine and Russia
- Market entry, strategy and business planning for life and non-life insurers operating on an establishment and freedom of services basis in Poland, Romania and Ukraine
- Support for start-up insurers including licence application support
- Product development and pricing support for life and pensions business in Poland, Romania, Russia and Ukraine
- Health insurance product development in Poland
- Actuarial reserve reviews for non-life insurers in Russia and Slovenia
- Feasibility studies for life and non-life insurers in various markets
- Statutory reporting and appointed actuary work in Poland and Romania
- Distribution strategy and life sales force modeling in various markets

Contact Details

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