



**BTA Insurance Company SE**

**Public Quarterly Report**

**1<sup>st</sup> Quarter 2016**

The Report prepared in accordance with the Financial and Capital Market Commission Regulations No. 61 "Regulations on Preparation of Public Quarterly Reports of the Insurers" of 24 March 2006.

The Report includes summarised information on the Company's activities over **1<sup>st</sup> quarter of 2016**. This information is comparable with the previous reporting periods.

## Company information

**Name of the Company** "BTA Insurance Company" SE

**Legal status** European Company

**Number, place and date of registration** 40003159840, Riga, 1993

**Address** K. Valdemāra 63, Riga

**Members of the Board and their positions**  
 Janis Lucaus - Chairman of the Board (till 11.04.2016)  
 Dita Daukste - Board member  
 Oskars Hartmanis - Board member (till 11.04.2016)  
 Lauris Boss - Chairman of the Board (from 11.04.2016)  
 Kaspars Ummers - Board member (from 11.04.2016)

**Members of the Council and their positions**  
 Gints Dandzbergs - Chairman of the Council  
 Pauls Dandzbergs - Deputy Chairman of the Council  
 Marts Dandzbergs - Deputy Chairman of the Council  
 Andrejs Galanders - Member of the Council  
 Agris Dambeniēks - Member of the Council

**Reporting Period** 01.01.2016 – 31.03.2016

### Shareholders

Shareholder	Number of shares	% of the share capital
B5 Holding Limited	31 358	31.36%
HTT Holding Company Limited	28 604	28.60%
MDA Holding Limited	9 797	9.80%
TIA AS	9 578	9.58%
B6 Holding Limited	9 051	9.05%
Other legal entities	11 612	11.61%

**Face value of one share** 142.20 EUR

**Subscribed share capital** 14 220 000 EUR

**Paid-up share capital** 14 220 000 EUR

**Foreign branches** Germany, United Kingdom, France, Poland

## Income Statement

Item	For the Reporting Period	For the Respective Period of Previous Reporting Year
Earned premiums	11 026 453	102 660 166
Other technical income, net	182 359	(46 654 956)
Incurred claims, net	(6 687 332)	(17 258 029)
Changes in other technical reserves	-	-
Gratuities, net	-	-
Net operating expenses	(4 218 412)	(33 825 538)
Other technical expenses, net	(116 923)	(4 003 064)
Changes in equalization reserves	-	106 693
Investment management expenses/income and commission payments	(47 304)	(142 684)
Net interest income and dividend income	193 455	1 694 157
Net realized profit/loss from financial assets and financial liabilities, which are not recognized at fair value through profit and loss	-	-
Net profit/loss from financial assets and financial liabilities held for trading	-	-
Net profit/loss from the financial assets and financial liabilities classified at fair value through profit and loss	(7 822)	1 213 875
Revaluation result of foreign currencies	(103 840)	985 253
Profit/loss from derecognition of tangible assets, investments in buildings for ensuring own activities, investments in property and intangible assets	-	-
Depreciation	(181 403)	(964 749)
Impairment result	6 729	251 713
Increase/decrease in value of investment in property	-	-
Other income/(expenses) that are not recognized in other items, net	56 471	(314 216)
<b>Profit/loss for the reporting period before taxes</b>	<b>102 431</b>	<b>3 748 621</b>

## Indicators by Type of Insurance

Type of Insurance	Gross Premiums Written	Net Premiums Written	Gross Insurance Claims Paid	Net Insurance Claims Paid	Net operating expenses
Accident insurance	327 363	327 363	17 020	17 020	76 486
Health Insurance	-	-	-	-	34
Motor vehicle insurance (other than railway)	1 440 832	1 440 832	288 037	288 037	123 649
Railway transport insurance	-	-	-	-	-
Aircraft insurance	-	-	-	-	2
Vessel insurance	1 903	190	-	-	(49)
Cargo insurance	-	-	-	-	-
Property insurance against fire and natural disaster damages and against other risks	15 588 318	14 514 272	2 670 860	2 670 860	1 752 420
Civil liability insurance of motor vehicle owners	8 143 446	8 064 493	4 250 646	4 250 646	2 040 674
Civil liability insurance of aircraft owners	-	64 362	-	-	8 554
Civil liability insurance of vessel owners	1 378	137	-	-	(35)
General civil liability insurance	650 608	496 354	(3 556)	(15 929)	73 785
Loan insurance	-	-	-	-	46
Guarantee insurance	100 924	63 917	66 328	66 328	103 102
Insurance of various financial losses	252 821	235 251	-	-	24 912
Insurance of legal expenses	-	-	-	-	-
Assistance insurance	100 683	100 683	4 049	4 049	14 832
<b>Total</b>	<b>26 608 276</b>	<b>25 307 854</b>	<b>7 293 384</b>	<b>7 281 011</b>	<b>4 218 412</b>

Type of Insurance	Loss Indicator (Accepted Compensation Claims, Net/Earned Premiums, Net)	Expense Indicator ((Net Operating Expenses + Other Technical Expenses, Net - Other technical income, Net)/ Earned Premiums, Net)	Combined Indicator (Loss Indicator + Expense Indicator)
Accident insurance	34.3%	30.9%	65.2%
Health Insurance	-	-	-
Motor vehicle insurance (other than railway)	62.2%	29.6%	91.8%
Railway transport insurance	-	-	-
Aircraft insurance	-	(1.6%)	(1.6%)
Vessel insurance	9.5%	(76.8%)	(67.3%)
Cargo insurance	-	-	-
Property insurance against fire and natural disaster damages and against other risks	25.5%	45.8%	71.3%
Civil liability insurance of motor vehicle owners	72.6%	34.2%	106.8%
Civil liability insurance of aircraft owners	-	13.3%	13.3%
Civil liability insurance of vessel owners	-	(78.6%)	(78.6%)
General civil liability insurance	105.0%	50.6%	155.6%
Loan insurance	-	(1.7%)	(1.7%)
Guarantee insurance	3449.4%	397.3%	3846.7%
Insurance of various financial losses	16.8%	34.5%	51.3%
Insurance of legal expenses	-	-	-
Assistance insurance	17.7%	27.8%	45.5%
<b>Total</b>	<b>60.65%</b>	<b>39.31%</b>	<b>99.96%</b>

## Balance Sheet

Item	Reporting Period	Previous Reporting Year
Signed but not paid-up share capital	-	-
Tangible assets	414 293	457 309
Investments in land lots and buildings	6 737 925	6 795 393
Intangible assets	632 668	555 442
Investments in share capital of related companies	29 000 000	29 000 000
Investments in share capital of associated companies	1 244 764	1 244 764
Financial assets held for trading	-	-
Classified as financial assets at fair value through profit and loss	33 727 276	35 195 703
Financial assets available-for-sale	287 974	390 171
Held-to-maturity investments	2 474 702	1 176 887
Loans granted and debtor debts	28 282 726	14 371 099
Accrued income and deferred expenses	12 149 782	9 425 942
Tax assets	-	15 000
Reinsurance contracts	7 215 884	6 398 769
Cash on hand and claims on demand on credit institutions	23 641 083	19 775 753
<b>Total assets</b>	<b>145 809 077</b>	<b>124 802 232</b>
Capital and reserves	49 262 714	49 166 161
Insurance liabilities	81 928 730	67 490 366
Subordinated liabilities	1 700 000	1 700 000
Classified as financial liabilities at fair value through profit and loss	-	-
Financial liabilities at amortized cost	8 888 476	3 979 063
Provisions	949 796	936 214
Tax liabilities	1 718 562	32 350
Accrued expenses and deferred income	1 360 799	1 498 078
Total liabilities	96 546 363	75 636 071
<b>Total capital and reserves, and liabilities</b>	<b>145 809 077</b>	<b>124 802 232</b>

## **Risks and Risk Management**

The business of insurance represents the transfer of risk from the insurance policy holder to the insurer and management of this risk. The largest insurance risks are formed by the insurer accepting the insured risk, assessing it, choosing the reinsurance coverage and fulfilling obligations as regards concluded insurance contracts. The Insurer is also exposed to the investment risk, when the Company has to cover technical reserves with assets invested in various financial instruments, which includes the market risk, credit risk, liquidity risk, and operational risk.

The Management of the Company has identified the risks and developed the management of these risks. The risk management is carried out in accordance with decisions of the Company's Board.

The Management of the Company has divided all risks into the following major groups:

- Insurance risks
- Financial risks
- Operational risks

Each of these groups is divided into subgroups, which identify the risks that might affect any of the operating directions. Each risk has action plans elaborated for it to be implemented to minimise and avoid the possibility of the risk occurring.

### **1. Insurance Risks and Risk Management**

Insurance risk is the most significant risk faced by the Company in its daily activities.

#### **(a) Underwriting Strategy**

The Company's underwriting strategy seeks diversity to ensure a balanced risk portfolio and is based on a large portfolio of similar risks held over a number of years and that changes the total risk effect.

The underwriting strategy is included in the annual business plan, which describes the types of insurance, where the premiums are written, as well as branches and sectors in which the Company is prepared to undertake the risk. This strategy is adapted to individual risk underwriters using a detailed risk underwriting authority system that sets out the limits for individual risk underwriters by the type of insurance, business class and sector to develop a corresponding risk profile within the scope of the insurance portfolio.

Risk underwriting strategy is being analysed by stress testing and critical scenario analysis.

The calculation of insurance product tariffs and prices reflects current market situation and includes potential income necessary for the adjustment of future results in order to significantly hedge the financial risk.

The Management monitors the compliance with the underwriting authorities on a regular basis. The Management of the Company examines transactions that require particular approval.

## **(b) Features of Key Products**

Terms and conditions of the insurance contracts that have significant effect on the amount, term and predictability of the future cash flow amounts from insurance contracts are described below. The evaluation of basic products of the Company and the way the risks are being managed are also provided below.

### CASCO

#### *Product Description*

This type of insurance indemnifies for the losses incurred due to damage or loss of a vehicle. Several individual types of insurance coverage are offered that are related to the insured vehicle. The major losses occur upon theft or destruction of vehicles.

#### *Risk Management*

The most significant risks related to this product are underwriting risk, competition risk and claim experience risk.

CASCO insurance rates are determined by applying the bonus-malus system, according to which the insurance premium is reduced if there were no losses and increased if losses have been incurred. The sum insured rarely exceeds EUR 70 000. The insurance premiums are determined in accordance with the effective insurance methodology. Land motor vehicles are grouped into four risk groups and individual insurance premium rates are determined for each of them. Vehicle insurance usually includes a deductible.

### Civil Liability Insurance of Motor Vehicle Owners (MTPL)

#### *Product Description*

This is a compulsory type of insurance, the terms and conditions and indemnification of which are governed by the Regulations on Compulsory Civil Liability Insurance of Owners of Motor Vehicles. MTPL insurance covers injury and property damage claims in Latvia, as well as claims incurred abroad regarding vehicles insured in the Green Card system. MTPL indemnifies for losses caused to the property and pays indemnities to people in the event of injuries, mostly for medical treatment costs and temporary disability. However, long-term indemnities are also possible, such as pensions and permanent disability benefits, which could also be paid out over the long term as annuities.

Although experience shows that the claims are being submitted immediately and they can be settled instantly, the situation may change and the MTPL may be classified as long-tail insurance, where determination of the final payment of the claim requires more time.

#### *Risk Management*

The most significant risks related to this product are underwriting risk, competition risk and claim experience risk. The Company monitors changes in the overall economic and business environment in which it operates, and takes actions in accordance with the changes. MTPL insurance rates are determined by applying the bonus-malus system, according to which the insurance premium is reduced if there were no losses and increased if losses have been incurred.

### Property Insurance

#### *Product Description*

According to the terms and conditions of the policy the property insurance covers losses of the insured or the damage caused to the insured property, as well as losses



due to termination of business activities due to such damage. Property insurance covers property-related risks, such as fire, pipe leakage, explosion, burglary and robbery, as well as storm risk. In addition, civil liability insurance can be purchased for property insurance.

Business interruption insurance covers foregone income and fixed costs, if the loss is caused by the risk covered in accordance with the property insurance policy. When selling these insurance policies, the reliability of customers and transparency of financial statements play a major role.

The most frequent risks as regards private property are pipe leakage and fire. The greatest losses are most frequently caused by fire.

In general, property insurance claims are submitted immediately and they can be settled without any delay. Property insurance is classified as short-tail rather instead of long-tail, where determination of the final payment of the claim requires more time.

### *Risk Management*

The most significant risks related to this product are underwriting risk, competition risk and claim experience risk.

In order to calculate the premium, the type of property is estimated. Major part amount of property with a similar risk portfolio is anticipated in housing insurance. However, the situation may be different in commercial property insurance. Most of the commercial property insurance offers include both location and type of business, as well as overall security measures taken. The premium calculation based on the risk of these policies is going to be a prejudiced, therefore, risky procedure.

Property insurance is exposed to the risk that an insured person would submit fictitious or invalid claims or will indicate a larger amount of loss. This can be mainly explained by the effect of the economic situation on the profitability of the property insurance portfolio. The insurance risk management is mainly carried out by applying price determination mechanisms, independent property assessment in accordance with the international standards, product development, risk selection and reinsurance. The Company monitors changes in the overall economic and business environment in which it operates, and takes actions in accordance with the changes.

### **(c) Insurance Risk Concentration**

In the insurance procedure, the risk concentration occurs if an event or a succession of events can significantly affect the amount of the Company's liabilities. Risk concentration may occur in regard to one insurance contract or several related contracts that may result in significant insurance liabilities.

Risk concentration may occur as a result of different coincidences and regularities. Most often, risk concentration is observed in the types in which individuals are insured, i.e., assistance or accident insurance, when a group of people suffers in an accident and all these people are insured by the Company. In property insurance, risk concentration might occur if one small, densely populated area experiences any exposures (e.g. fire) that may easily spread from one object to another and which cannot be prevented.

The Management also realizes that risk concentration is possible in one company, or an overall economic sector, for which several risks are insured. When insuring such risks, a mandatory precondition is to assess the financial situation and capacity of the customer, as well as to determine the amount of financial obligations that can arise, are already undertaken by the Company and that can be afforded in the future.

Economic development trends and risks that might affect a respective sector are studied when assessing the financial risks.

To minimize the losses that could arise in the event of risk concentration, the Company uses reinsurance – reinsuring both proportionally, and non-proportionally. When administrating reinsurance the Company's share in the risk is determined both for one object, and one event, in which losses may be caused simultaneously for several objects. Such risks are reinsured in almost all types of insurance. The reinsurance policy applied by the Company is approved by the Board of the Company.

The Company applies two most significant methods in the management of these risks. First, the risk is being underwritten by applying the corresponding underwriting policy. Risk underwriters are allowed to underwrite risks only when the expected profit is proportional to the amount of assumed risk. Secondly, reinsurance is used in risk management. The Company acquires the reinsurance coverage in various types of liability and property insurance. The Company assesses costs and benefits related to the reinsurance programme on a regular basis.

The Company determines the total risks it is ready to assume in regard to risk concentration. The Company monitors these risks both when underwriting risks, and monthly by verifying reports representing the main risk concentration the Company is exposed to. The Company uses several simulation instruments in order to monitor the risks and assess the efficiency of reinsurance programmes and net risks the Company is exposed to.

Concentration risk is tested and evaluated in various scenario tests. These tests help to identify the level of concentration risk the company can afford to be exposed to.

#### **(d) Catastrophes**

The Company's Management is aware of the probability of catastrophe risks. Under the Company's business geographical conditions, these risks are mostly related to meteorological phenomenon: storms, floods, natural disasters (hail, snow, icing, etc.). Large fires and earthquakes are unlikely, but the possibility exists. The most characteristic catastrophes are floods and storms. Reinsurance is used in order to minimise the impact of catastrophe risk on the Company. Reinsurance is both proportional, and non-proportional. Facultative insurance is additionally acquired for large risks. The Company has developed a methodology to determine its risk share. It depends on many factors and historical statistical information in each group of products. According to the Management, the measures taken to minimize the impact of catastrophe risk on the Company are sufficient. Catastrophe risk is also tested and evaluated in scenario tests.

#### **(e) Insurance Risk Management**

In order to minimise the insurance risk, the Company has developed different control and management mechanisms. In all types of insurance, terms and conditions binding on the Company and the customers are developed. When determining the total risk and the amount of the risk assumed by the Company, the set methodology developed for each type of insurance must be complied with. The Company has established a Risk Underwriting Division, the staff of which is responsible for the development of particular types of insurance, insurance terms and conditions, as well as risk assessment methods. In addition, there are limits set up to which certain employees are entitled to take decisions regarding risk underwriting. When determining these limits, the hierarchy of employees is taken into consideration, i.e., the higher the position, the higher the risk, which may be underwritten.

Although the afore-mentioned measures are taken and risks are managed, the Company's Management realizes that there is a risk that the insurance risk assessment may not be of high quality and incorrect decisions may be taken. In addition, there is a risk that insurance indemnities will be set in a way that does not correspond to the losses caused, or the insurance claim will take a long time to administer.

In order to minimize these risks, the Company has developed and uses a quality management system that describes all processes and procedures complied with by the Company during the course of insurance administration and claim adjustment. The quality management system prescribes when and under what circumstances certain procedures are to be complied with. Quality assessment may be carried out in any process. It can also be determined whether this process is carried out in compliance with the Company's interest and the planned procedures. The Quality Management Department is responsible for evaluating the process. This Department also regularly provides the Company's Management with information on management of the processes in the Company. Based on this evaluation, the Management may take respective decisions in order to minimize the risk related to the insurance processes.

## **(f) Assumptions and Sensitivity Analysis in Core Business**

### **Assumption Assessment Process**

The expected result of the assumption determination process is neutral estimates of the most likely or expected outcome. The Company's data is used in the assumptions and such data is obtained from annual detailed studies. The assumptions are verified to ensure that they are consistent with inflation rates of the market or other published information. There is more emphasis on current trends, and where in early years there is insufficient information to make a reliable best estimate of claims development, prudent assumptions are used.

The reserve amount of incurred but not reported claims can be influenced by inflation, the risk that significantly large claims will be reported with delay, seasonality of the reporting of claims and other risks.

The main assumption used in the estimation of technical reserves is that the insurance claims statistics are stable. The Management expects that the development of claims in the future will have the same pattern as in the past. Reserves are not discounted.

The nature of business makes it very difficult to predict with certainty the likely outcome of any particular claim and the ultimate cost of notified claims. Each notified claim is assessed separately with regard to the claim circumstances, information available from loss adjusters and the historical evidence of the size of similar claims. Insurance case estimates are reviewed regularly and are updated as and when new information arises. The size of reserves is based on the information currently available. However, the final amount of liabilities may vary due to events or catastrophes that have occurred after the estimations. The impact of many circumstances that affect the final costs of the losses is difficult to estimate. The complexity of technical reserve estimates depends on the type of insurance due to differences in insurance contracts, complexity of insurance claims, the amount of claims and the claim severity, the claim occurrence date and the reporting lag.

For most of the risks the costs of IBNR reserves are estimated using a range of statistical methods. The key methods, which are used and have remained unchanged from previous years, are as follows:

- *chain ladder* methods that use historical data to estimate the paid and incurred to date proportions of the ultimate claim costs;
- development factor methods to evaluate the number of insurable events at any given point of time;
- expected loss ratio methods that use the expected Company's loss ratios in a respective type of insurance.

The actual method or the set of methods used depends on the year the accident occurs, the type of insurance and historical development of claims.

Since these methods use the information on historical development of claims, it is assumed that the historical claims development model will repeat in the future. There are various reasons why this may not be the case, and they are taken into consideration when modifying the methods. Such reasons include:

- changes in processes affecting the development / registration of claims paid and incurred (e.g. changes in claim reserve formation procedures);
- economic, legal, political and social trends (facilitating other than expected levels of inflation);
- changes in the field of business;
- random fluctuations, including the impact of large losses.

Reserve adequacy is subjected to constant control in the company.

## **2. Financial Risks and Risk Management**

The Company is exposed to financial risks, as it makes transactions with financial instruments. Financial risks include the market risk, which, in turn, includes price, interest rate and currency risks, credit risk and liquidity risk. The description and summary of financial risks regarding the methods applied by the Company in the management of these risks are provided below. These risks are caused by daily business activities of the Company.

Financial assets and financial liabilities of the Company, including investments, bank deposits, insurance receivables and reinsurance assets, are exposed to the following financial risks:

- Market risk: negative changes in the market situation may affect the insurer's assets and/or liabilities, investments may depreciate and return of assets may decrease; The Market risk includes interest rate risk, capital price risk and currency risk;
- Credit risk: failure to fulfil contractual obligations may cause financial losses to the Company;
- Liquidity risk: under certain adverse conditions, the insurer can be forced to sell assets at a lower price than the fair value thereof to fulfil the obligations.

### **(a) Market Risk**

Financial instruments and items are exposed to the market risk, which means that changes in the market situation in the future may decrease or increase the value of the financial instrument. The Company is exposed to a potential investment risk by incurring losses from financial assets, financial liabilities, reinsurance and insurance contractual obligations caused by changes in interest rates, exchange rates and prices of capital instruments.

In order to hedge the investment risk, investments are made in different financial instruments. Requirements of the Law on Insurance Companies and Supervision Thereof are complied with when selecting financial instruments.

When performing investment activity, employees of the Financial Department comply with the improved investment procedures, which regulate many issues related to the control and hedging of the investment risk.

The investment risk hedging is carried out in two ways – first, by diversifying the investment portfolio and second, by analysing the asset before the purchase thereof and regularly obtaining available information on it later.

### **(b) Currency Risk**

Currency risk: adverse changes in currency exchange rates may cause losses to the Company.

Some of the insurance liabilities are denominated in foreign currencies. The Company's policy is to hedge the currency risk regarding known and expected transactions in foreign currencies. The currency risk is minimised by making investments in respective currencies. Local currencies on the Company's operation markets in Europe in major cases are euro, which decreases the probability of the currency risk. The Company is not involved in any speculative transactions that could increase the currency risk.

### **(c) Price Risk**

The price risk means that changes in market prices may result in changes in the value of the financial instrument. Such changes may be caused by both the factors that only apply to a respective instrument and the factors that have effect all financial instruments on the market. The price risk occurs when the Company assumes a long or short position of the financial instruments.

### **(d) Interest Rate Risk**

Implementation of the interest rate risk hedging measures is performed in the Company by assessing the impact of the interest rate risk on the Company's financial indicators. The Company has no significant liabilities, for which interest is to be paid, and the significant part of interest bearing assets are with the fixed interest rate. The Company is not exposed to a significant interest rate risk or the effect of fluctuations in interest rates, which arise from different maturities of the Company's interest bearing assets and liabilities or interest term structure profile.

### **(e) Liquidity Risk**

In accordance with the approved investment policy, employees of the BTA Financial Department must ensure that at least 30% of the assets required to cover technical reserves are placed in high-liquidity investments.

The following assets are considered high-liquidity investments:

- 1) claims on the demand to credit institutions;
- 2) other claims to solvent credit institutions (term deposits, etc.), the remaining maturity of which does not exceed 30 days and deposits with another term, if the agreement provides for an early withdrawal of money (deducting the penalty for early withdrawal of the deposit, if such is provided for);
- 3) investments in securities with a constant, unrestricted market, i.e., they can be sold in a short time without considerable losses or they can be used as collateral to receive a loan.

## **(f) Credit Risk**

The Company is exposed to credit risk, which means that a transaction party will be unable to pay the amounts of the obligations in full and in due time. The Company structures the levels of the assumed credit risk by determining limits as regards the amount of the assumed risk to one issuer of securities, a debtor, a borrower or the groups of the above-mentioned. Such risks are monitored on a regular basis.

The Company has assessed the potential decrease in the value of collaterals for the granted loans, taking into consideration the current market situation, and has established provisions for the amount of loans that exceeds the value of collaterals.

Credit risks are managed through regular analysis of the ability of issuers, borrowers and potential borrowers to meet interest and principal amount obligations and by respectively changing loan limits.

If required, the current market value of collaterals is estimated by independent estimation companies or experts of the Company.

Credit risk occurs as regards direct insurance debtors and reinsurance debtors, and it is the risk that the business party will fail to fulfil its payment obligations.

### *Insurance Receivable*

The Management monitors direct insurance receivables on a regular basis and cancels the policies if the insurance policy holder is notified in due manner, but the respective amount is not paid.

### *Reinsurance*

The Company reinsures part of the underwritten risks in order to control its loss risk and protect capital resources. The Company has acquired facultative and obligatory, pro-rata and Excess-of-Loss (XL) reinsurance in order to minimize net risks and avoid exceeding the actual solvency margin. The Company has also acquired reinsurance contracts in main types of insurance, which protect the Company from any common cumulative losses that may arise from several claims of the same event.

As of 2008 the Holding Company has made changes in its reinsurance policy making it even more conservative – now reinsurers are being attracted not only in the insurance of large risks, but an additional protection for the atypical accumulation of daily and comparatively insignificant risks is also being acquired. In particular types of insurance (CASCO, Railway, Cargo, Equipment) XL treaty is replaced with the Priority Aggregate XL Treaty.

The assigned reinsurance includes the credit risks and such recoverable reinsurance amounts are recognized by deducting the known insolvency cases and unrecoverable amounts. The Company monitors the financial standing of reinsurance on a regular basis and periodically verifies reinsurance contracts.

Reinsurance is performed with world-renowned reinsurance companies with excellent reputation.

When carrying out reinsurance, the Company complies with the condition that the rating of reinsurance companies may not be lower than the Standard & Poor's BBB – (or a similar assessment from another international rating agency). Almost all reinsurance is performed with reinsurance companies whose rating is not lower than the Standard & Poor's A –.

Reinsurance companies cover their liabilities within a period of 30 days. Reinsurance contracts also provide for the events when the reinsurance claim is to be paid immediately upon the insurance indemnity exceeding a certain amount.

### 3. Operational Risks and Risk Management

The Company has established that a customer should receive high quality insurance services. To attain this objective, the Company evaluates the key risks and selects measures most appropriate for limiting risks. Risk management efficiency is monitored by the Board of the Company. Quality and Operational Risks Department was established at the end of 2012, a mission of which is to introduce and maintain a continuous, systematic and timely responsive risk management system.

The Company keeps building a team of qualified, skilled and experienced employees by introducing competitive remuneration system and maintaining an incentive operational environment. The Company has established a training centre, which focuses on in-house training of its staff, as well as a knowledge base, accessible by the Company staff for their daily business purposes. Information systems (IS) are essential in operational efficiency. The Management of the Company is focused on keeping these systems functional and up to date. The Company analyses the risks of information systems to establish action plans to maintain constant operation of systems or resumption of it within a definite period of time.

The year 2012 has been a turning point towards automation of processes, a number of projects have been started and successfully running. Assessment of project risks and timely established proper response to them contribute to the successful progress of projects.

#### Key Cooperation Partners:

##### Reinsurers

Reinsurer	Reinsurer's Rating	Rating Agency	Place (Country) of Registration of the Insurer
SWISS RE EUROPE S.A.	AA-	Standard & Poor's	Luxemburg
R+V Versicherung AG	AA-	Standard & Poor's	Germany
SCOR Global P&C SE	AA-	Standard & Poor's	France
Nacional de Reaseguros S.A.	A-	Standard & Poor's	Spain
AXIS Re SE	A+	Standard & Poor's	Ireland

##### Insurance and Reinsurance Brokerage Companies

Brokerage Company	Service	Place (Country) of Registration
AON Benfield	Reinsurance mediation	Germany
GENERAL BROKER INTERNATIONAL SRL	Reinsurance mediation	Italy

## **Operational Strategy and Objectives**

The BTA operational strategy and objectives aim to make the Company the reliable insurer who satisfies the desires of its customers to receive high quality insurance products in any manner and at any place convenient for the customer.

In order for BTA to become more available to current and potential customers, we continue to expand our broker network. The main tool BTA uses to achieve its set objectives is an individual approach toward each customer – in each particular situation BTA employees offer the best insurance solution to each customer. The entire Company has adopted high customer service standards that are applicable to each and every employee.

## **Departments and Branches of the Company**

Customer service locations that offer BTA insurance services can be found there:

<http://www.bta.eu.com/#about-bta-europe>