

MILLIMAN

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 initially 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.

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01 POLAND

MARKET

According to a market survey, during 2008 Poles invested some PLN 2.1 - 2.2 bn in **unit-linked** type policies. This compares to investments of some PLN 6.8 bn in 2007. The downward trend in sales of unit-linked products is due mainly to the general fall in investment returns available in the market. Insurance companies have also been keen to launch products with guarantees and which offer tax advantages, and only the returns on traditional i.e. non-linked policies are tax-free. Regular premium unit-linked products continue to prove popular and sales increased by 11% in 2008 to PLN 1.3 bn.

In terms of **distribution channels**, financial advisors are playing an increasingly important role in Polish financial markets, especially in life insurance. During 2008, Poles purchased 21% of their life insurance products from financial advisors. However the most important channels continue to be insurance agents (38%) and

banks (31%).

"Analyze Online" reported that total **savings** held by Poles at the end of December 2008 were estimated to be PLN 671.3 bn, some PLN 400 m (+0.16%) more than at the end of the third quarter. However on a year-on-year basis the value is down 1.4% (by PLN 9 bn), the first time since the 1990s that the nominal value of savings has fallen. The insurance assets held in unit-linked products have been also affected by the downward trend. The fall in sales in the last quarter of the year has been estimated at 12.8% (equivalent to 27% p.a.). The application of surrender charges in unit-linked products has stopped further lapses, even though investment returns were similarly affected by the fall in the value of the assets as in typical investment funds. Policyholders have typically changed their fund allocation to a more stable mix with a lower risk profile rather than aggressive funds, if such a change was indeed possible.

According to data from StructuredRetailProducts.com it

appears that during the first three weeks alone of February 2009, Poles invested PLN 271 m in **23 index-linked products**. This figure is 10% more than in the entire month of February 2008. Experts at broker firm Wealth Solutions estimate that during the full year in 2009, Poles will invest some 50% more in index-linked products than in 2008, which would imply sales of some PLN 7.5 bn.

COMPANIES

Journal "Polityka" has published a ranking covering the 50 largest financial institutions in Poland. Insurer **PZU SA** is in first place in the ranking, with the following insurers also found in the ranking: **Amplico Life** (ranked 15th), **CU Zycie** (20th) and **Warta** (25th). The second and third largest financial institutions are the leading banks **Pekao SA** and **PKO BP** respectively.

Hewitt Associates have conducted the fourth edition of a survey into the best employer in Poland. The list of the best companies to work for includes two insurers: **Pramerica** (3rd place) and **Ergo Hestia** (5th) in the category of large companies. The total number of companies that took part in the research was 126.

The companies in the **Commercial Union Poland** group are changing their name to **Aviva** from 1 June 2009. They will use the name Aviva Commercial Union in their marketing activity to underline the group's stability and continuity. The changeover to the Aviva brand in Poland was announced publicly a year ago and the concept and schedule for the change has since been developed. The Financial Supervisory Office (KNF) has approved the name change.

Commercial Union in Poland is part of the Aviva group - the fifth largest financial and insurance group in the world and the leader in the UK with a tradition of over 300 years of activity. On 1 June, the Aviva brand will also be introduced in the UK, replacing Norwich Union. In Ireland the group has been operating as Hibernian Aviva for several months now.

The company is starting an advertising campaign which will emphasise that the company known in Poland for 17 years as Commercial Union is now called Aviva Commercial Union. It will also aim to show in an attractive way what benefits customers receive from its insurance and investment products. "We hope that the campaign will draw

attention and refresh our image," says Dominika Kraško-Białek, marketing vice-president.

As part of its "back to basics" strategy aimed at building a stronger organisation, **ING** has announced its intention to reduce its geographic and business scope by building on positions in markets with the strongest franchises. Following a strategic review ING has identified some 10 to 15 businesses which will be divested based on criteria such as market leadership, capital intensity, return on capital, funding needs, earnings contribution and the overall coherence in the Group.

The divestments are expected to raise total proceeds of EUR 6 to 8 billion while EUR 4 billion in capital would be freed up. Any divestments will be pursued over time and as market conditions permit.

ING's operations in Central Europe remain key building blocks in the strategy. Retail banking in the region will aim to further strengthen activities in Poland, Romania and Turkey. The greenfield retail operation in the Ukraine however will be unwound.

Insurance business will focus on its long-term structural leadership positions in life and retirement

FEATURE: UNEMPLOYMENT INSURANCE

Milliman's Central and Eastern European practice is committed to helping its clients to find ways to mitigate and manage the effects of the financial crisis. While the crisis has many negative impacts on insurer performance, it also brings some opportunities. One of these is unemployment insurance, which is a product in high demand at the current time. In the life insurance context, these products can take a number of forms, including waiver of loan installment under credit life insurance and waiver of premium under traditional or unit-linked business.

In addition to our experience of product design and pricing of unemployment insurance, our consultants in the region are currently preparing a research report on unemployment insurance, which will address a number of different aspects, including benefit design, underwriting, claims control and pricing. We are also looking forward to assist our clients on specific product development projects that would benefit from the research conducted, and believe that in this way we can help them improve their financial results in a difficult market.

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services. The business will be managed regionally with an aggregated balance sheet. Key building blocks will include the CEE operations, concentrating on Poland, Romania and Turkey.

Financial journal Euromoney has conducted a survey of the best insurance company in the CEE region. The winner was **Allianz** for the best prices, innovation, claims settlement and product offer. Another winning company was **AIG Europe** whose Polish subsidiary was awarded best insurer in the best product category.

Rating agency Standard & Poor's has lowered the rating of insurer **Warta** to the level of BBBpi

(marginal). The change is the result of the large exposure of the insurer to the capital markets as well as the very low level of capital. S&P noted that since the end of 2007, the Warsaw stock exchange has dropped by over 50%, which has an effect on the level of capital as well as the solvency of Warta, unless the insurer decreased the share of its investments in equities. The agency also noted that the level of revenue is marginal but the insurer has a good level of reserves as well as assets.

PRODUCTS

Nordea Zycie has launched a new index-linked life product with a capital guarantee. "Nordea Gwarant" is based on the Dow

Jones Euro Stoxx 50 index, which contains the 50 largest subsidiaries of companies in the European Union e.g. Danone, Nokia, Carrefour, Volkswagen, Philips and Siemens. The returns in the product are protected against a market downturn. When the investment reaches one of the 14 guaranteed levels, the investment rate of return is fully secured. Nordea Gwarant has a three year investment term, with a 97% guarantee of the capital and additional bonuses. The minimum premium is PLN 5,000.

Wealth Solutions in cooperation with **Europa Zycie** has launched a new product "Wielka Stopa". It is a mixture of a structured product and an insurance deposit, which

provides a return after just three months, with the prospect of an additional return of between 30% and 36% over the following three years. The guaranteed annualised return, free of income tax is 8.505% p.a. in case of survival to the end of the initial insurance term of three months. This level of return is equivalent to a bank deposit offering a gross savings rate of 10.5% p.a. The minimum premium is PLN 5,000 and the subscription period runs until mid-May. There is a minimum guaranteed return of the premium paid, at the end of the initial three month and subsequent three year periods. There are no initial charges for products purchased online.

MultiBank in cooperation with **Generali Zycie** has extended its product offer by launching a new index-linked insurance product called "Strategia MultiZysk". The minimum premium is PLN 5,000. The insurance period can be either 6 or 12 months. The investment return is as follows:

- 6 month term: 4.1 %, (which is equivalent to 5.06% on a typical bank deposit),
- 12 month term: 5.06%, (which is equivalent to 6.25% on a typical bank deposit).

ING has extended its offer with a new product called "Pakiet

Rodziny Lwa", as well as additional insurance products for serious illness, sickness, hospital care or surgery.

Pakiet Rodziny Lwa is an insurance rider that can cover all family members. The policy offers disability cover or benefits in the event of death occurring as a result of an accident, hospitalisation or surgery. There is an additional benefit in the event of the death of a spouse. The insurance cover is available in several packages. The insurer guarantees automatic cover for all children, born after the commencement date of the policy and who are at least one year old. In addition, every year the sum insured is increased by 10%.

The insurer offers several other new features such as financial support in case of diagnosis of critical illness, covering 25 different illnesses. The benefits can be paid out several times. Another type of cover is a hospital cash benefit as well as cover for some 500 different surgical procedures.

Investment adviser **New World Alternative Investment** has launched another subscription of the index-linked product Lokator Plus in cooperation with insurer **Europa Zycie** which has

developed the product. Lokator Plus has a one year term and the minimum premium is PLN 5,000. Four types of packages were prepared based on the guarantee and bonus level:

- option I: bonus 16.60 - 18.22%, capital guarantee 95%
- option II: bonus 12.96 - 14.58%, capital guarantee 97%
- option III: bonus 7.29 - 8.91%, capital guarantee 100%
- option IV: bonus 4.86 - 6.48% applied to 75% of the premium and 8.10% as a guaranteed return applied to 25% of the premium, capital guarantee 100%.

The insured will receive a bonus if the three indexes WIG20, S&P500 and DJ Euro Stoxx 50 yield an investment return which falls in the following income levels between 3 June 2009 and 27 May 2010:

- 1) between 67% and 73% and
- 2) between 127% and 133%.

The same companies have collaborated to launch another index-linked product called "Farmer". The product offers the opportunity to benefit from a return from the increase of prices of farm products. The term of the insurance product is three years and the minimum premium is PLN 100,000.

CONFERENCES

Milliman consultants will be speaking at a number of forthcoming events covering CEE markets. It may be possible to obtain a discount when attending these events by mentioning that you are a Milliman client.

DATE	ORGANISER	LOCATION	EVENT
25 - 29 May	Media XPRIMM	Sinaia (Romania)	FIAR - International Insurance - Reinsurance Forum
2 - 4 June	Adam Smith Conferences	Kiev	2nd Annual Ukrainian Insurance Forum
4 - 5 June	Uniglobal Research	Prague	Strategic Thinking: The Future of Unit-Linked Products in Europe, Variable Annuities & Guarantees

ING Bank Slaski has offered its personal banking clients an insurance single premium investment plan called "Stawiam na surowce". The return depends on the investment performance of the S&P GCCIP index, which includes oil, farming products, industry metals and precious metals. The minimum premium is PLN 5,000.

PENSIONS

The Financial Supervisory Office (KNF) reported that in 2008 there were some 854,000 tax-advantaged individual pension accounts (IKE), 6.7% lower than the previous year. Two thirds of the companies among the 80% of companies controlling the IKE market have reported a downward trend in sales during the first quarter of this year. The following insurers confirm the trend: **PZU Zycie** (but no details on the fall in

the number of accounts), **ING Zycie** (fall of 1,200 since the beginning of 2009), **Generali Zycie** (fall of 387), **CU Zycie** (fall of 137). According to Piotr Papaj from ING, the trend is a result of the current economic situation and the limited tax advantages.

02 ROMANIA

MARKET

The ranking of top 10 life insurance companies in 2008 based on preliminary data published by the Insurance Supervisory Commission (ISC) in February 2009 shows **ING Life Insurance** in first place, retaining the leading position it has held for many years, with a 33.6% market share based on premium income.

AIG Life, which easily retains its 2nd position, maintained its market

share at around last year's 15%. **BCR Life Insurance** recorded the most significant development in the top ten, climbing three positions up to 3rd place. The company's premium revenue grew by more than 75% compared to 2007, adding 3.5 percentage points to its market share.

The life insurance market totaled RON 1.8 bn (EUR 488.3 m.) in gross written premiums in 2008, representing 20.5% of the industry's total. The growth in this sector was 24.11% compared to 2007 and surpassed the growth in non-life insurance (21.96%). Total claims paid in life insurance reached RON 204 m., up 8.64% over 2007.

Romania - Leading Life Companies 2008

	Company	Gross Written Premium (EUR m)	Market Share
1	ING Life	164.1	33.6%
2	AIG Life	77.7	15.9%
3	BCR Life	43.5	8.9%
4	ASIBAN	29.4	6.0%
5	Aviva	29.3	6.0%
6	Allianz-Tiriac	28.7	5.9%
7	ASIROM	24.8	5.1%
8	Grawe Romania	23.4	4.8%
9	Generali	23.2	4.8%
10	Omniasig Life	13.8	2.8%
	Total Top 10	457.9	93.8%
	Total Market	488.4	100%

Source: ISC

Reinsurance premiums ceded by Romanian insurers continued to decline in 2008, from 24% of gross written premiums in 2007 to 20% in 2008. General insurance registered a reduction from 29% in 2007 to 23.6%, while for the life segment, the percentage increased from 2.47% to 5.46%. Total premiums ceded to reinsurance in 2008 exceeded RON 1.77 bn, while gross written premiums were RON 8.85 bn according to preliminary results.

LEGISLATION

While Pension Law 411/2004 provided for contributions to mandatory **private pension funds** to increase to 2.5% of gross employment income in 2009, according to the state budget for 2009 (voted earlier this year) the rate will in fact remain unchanged at 2% (as in 2008). The vice president of the private pensions regulator CSSPP, stated in a press conference that this percentage will certainly increase in 2010 to 2.5% and that it is intended for the 0.5% which was not granted this year to be applied in the first year of resumed economic growth. In this way the schedule to reach the 6% maximum rate (in steps of 0.5% each year) will be reinstated.

CSSPP issued Norm 10/2009 in April this year (which will be in force starting from 25 May 2009), introducing the following main aspects:

- the calculation method of facultative pension funds yields by both the fund administrator and its deposit institution
- at the end of each quarter the administrator will calculate and publish the pension fund yield for the latest 24 months

CSSPP will calculate and publish monthly the weighted average yield of all pension funds and the minimum yield for each category of risk; the minimum yield will be determined as the minimum of the weighted average for each risk category less 4 percentage points and 50% of the weighted average for each risk category. If at the end of a quarter, a fund has a yield below the minimum yield of the respective risk category, a warning will be given to the fund's administrator and if the situation continues for more than four consecutive quarters, the administrator's authorization will be revoked and CSSPP will apply the special administration procedure.

COMPANIES

BRD Life Insurance has been authorized to start operations in Romania. The insurer, which was set up last year by **BRD-Groupe Société Générale** and the French group **Sogecap**, received ISC authorization in April 2009 to

operate in the local market. BRD thus enters the life insurance market with its own company after selling in 2008 its 25% participation in Asiban (now Groupama) for EUR 87.5 m. BRD Life Insurance is the 45th Romanian insurance company.

Three other companies are currently going through the authorization process - **Credit Europe Life**, **UNIQA Life** and **ERGO Life** (with the latter having completed the first phase - ISC's approval to set up the local company).

In February this year, BRD received authorization from CSSPP for its own facultative pension funds administrator and the prospectus for its facultative pension fund BRD MEDIO (a 'medium risk' fund) was approved.

Eureko (formerly Interamerican) announced in February that starting from 1 May 2009, the company will cease operations in general insurance in Romania and focus on the segments which performed well in the past and are considered key to its future development: pensions, health and life insurance.

In 2008 the company registered RON 80.4 m gross written premiums, of which RON 37.6 m

related to life and RON 10.3 m to health insurance. A reduction of some 10% of total premiums is expected for 2009, given that the general insurance portfolio will be sold.

French insurance group **MACIF** intends to expand in Romania, as well as in other Central and Eastern European countries. The group is interested in acquiring an existing company, with an established distribution structure, according to company officials. Market sources indicate local company **Delta Addendum** as potential target.

Two Pillar II pension fund mergers have been approved by the Pensions Supervision Commission in February 2009:

- **Omniforte** fund (previously administered by Omniasig Pensions) was absorbed by the BCR Pension Fund.

- **Bancpost** pension fund was absorbed by Interamerican (now Eureko) pension fund.

The merger process consists of two authorization stages: pre-authorization and a final decision, with the latter completed only after a 90 day period during which the participants in the fund being absorbed have the opportunity to consider the terms offered by the new fund.

According to the Association of Private Pensions Administrators (APAPR) the increase in unemployment and bankruptcies has led to an increase in the number of non-contributory accounts in the mandatory private pensions system to 27% of the total accounts. In May 2008 non-contributory accounts represented 23% of the total.

Generali Insurance concluded 2008 with a 40% increase in life insurance business, with total gross written premiums of RON 85.4 m. The company's total gross written premium volume in 2008 was RON 417.5 m (+9% over 2007) with 80% of this amount generated by the non-life segment.

In the life insurance segment, unit-linked insurance increased by 201% to RON 15.4 m. Individual insurance continues to be predominant in the portfolio, accounting for 86% of written premiums, the remainder represented by group insurance.

The profit in 2008 declined by almost 75% to RON 0.9 m (EUR 0.25 m), due mainly to an increase of technical reserves. The shareholders approved a RON 9.45 m share capital increase (EUR 2.2 m), in order to meet regulatory requirements for the solvency margin in life insurance.

The Generali group will cover almost 84% of this amount, while the remaining amount (16% - some EUR 0.35 m) will be covered by its other shareholder - Astra Insurance. The company's capital will reach RON 129.45 m (over EUR 30.8 m).

According to the company's CEO - Marie Kovarova, in 2009 the focus will be on life insurance and on the non-motor, retail non-life and corporate non-life segments.

ING Life posted RON 620.6 m gross written premiums for 2008, a 24% increase compared to 2007. The company's gross profit increased from RON 33.2 m in 2007 to RON 38.2 m in 2008, with benefits paid of RON 199 m (+28%). 84,762 new policies were sold in 2008, of which 65% were traditional products.

AIG Life reported a gross profit of RON 62 m (EUR 16.8 m) and a RON 52.8 m net profit for financial year 2008, compared to RON 30.9 m gross and RON 26.1 m net profit in 2007. This is the highest profit for a life insurance company in the local market and according to the company's CEO the result is due to the high level of client retention during the year and its health insurance portfolio. Other factors that have contributed are the 45% increase in investment

income compared to the previous year and a more efficient cost management.

The company wrote RON 286 m (EUR 77.7 m) gross premiums (+30%) and paid RON 14.7 m in claims. The solvency margin at 31 January 2009 was five times higher than the minimum required and the company's liquidity was ten times the minimum required.

AIG Life expanded last year in the North-Eastern part of Romania, and in January to February 2009 it continued its expansion in the North-West, with plans to increase the number of agents by 20-25% compared to 2008 (when it had 750,000 agents). The company intends to use its profits to support its territorial expansion, develop the activity of **AIG (Pillar II) Pensions** and launch new products, especially in the health insurance segment.

Gross written premiums registered in Romania by **Vienna Insurance Group (VIG)** companies (OmniaSig, Asirom, BCR Insurance, BCR Life Insurance and OmniaSig Life) totaled EUR 167.83 m in the first quarter of 2009, down 16.4% year-on-year.

While general insurance premium income decreased by 20% to EUR 151.47 m compared to Q1 2008,

as a consequence of portfolio restructuring, the life insurance segment increased by 43.3% to EUR 16.35 m. This significant increase is partly due to the inclusion for the first time of results generated by BCR Life Insurance.

In local currency, the group had a 0.2% increase of premium income during the first three months, with a 66% increase for the life segment and a 4% decrease for general insurance.

The group's first quarter gross profit amounted to EUR 6.28 m, 2.3 times higher than Q1 2008. This figure ranks Romania in 3rd place among the countries where **VIG** has operations, after Austria and Czech Republic and on a par with Poland.

PRODUCTS

Astra has launched a new health insurance product - called "Astra Sante" in partnership with the German subsidiary of the French group **AXA** (the reinsurance division of **AXA Krankenversicherung AG**). The policy provides health insurance cover outside Romania based on 2 cover options: 'Premiere Class' and 'Deluxe' in a network of 1500-2000 hospitals and clinics in Germany and Austria. The product offers unlimited sums insured for

Romania - Pension Administrators

Company	Commissions (EUR m)	Loss (EUR m)	No. of participants (Dec. '08)	Commission per participant (EUR)
Allianz Tiriac	103.2	106.6	1,186,000	87
ING	41.4	43.3	1,542,000	27
Generali	25	25.1	438,000	57
Aviva	11.5	11.4	340,000	34
BT Aegon	7.7	9.5	145,000	53
AIG	6.8	7.9	289,000	24
Omniasig	2.7	3.5	71,000	38
KD	0.6	-0.4	8,300	72
OTP	0.5	0.4	23,000	22

Source: Ziarul Financiar

an average premium of EUR 180-200 per month for 'Premiere Class' (minimum EUR 120-150 per month), while the 'Deluxe' option may reach 1500-2000 EUR.

AIG Life has launched a new health insurance product "Telediagnostic" (second medical opinion). This covers the costs of a second medical opinion from hospitals and clinics within the WorldCare network (a partner of ALICO - the Romanian company's majority shareholder) on the occurrence of a serious illness on the list of 32 specified in the policy. Initially, the cover will be provided free of charge to all individual life insurance policyholders at policy anniversary. Health insurance represents approximately 1% of the company's business, with the

latest product "ExtraMED" launched at the end of 2008.

PENSIONS

All Pillar II pension administrators have concluded 2008 with significant losses (as shown in the table above).

Acquisition commissions account in all cases for more than 90% of the administrators' losses.

Allianz Tiriac Pensions (2nd ranking by number of participants) registered the highest loss - almost EUR 107 m (RON 392 m) according to the company's annual report, half of the pension industry's total loss (estimated at more than EUR 200 m).

Generali Pensions received authorization from CSSPP in

February to administer a new facultative pension fund - STABIL classified as 'medium risk'.

Aviva has been authorized in April to operate a new facultative pensions fund (Pillar III) - Aviva Max. This fund is classified according to Romanian pension law as 'high risk', i.e. low risk financial instruments (such as treasury bills and state guaranteed instruments) account for only 50-65% of the fund's total assets. The company already administers a facultative private pensions fund - Aviva Pensia Mea, which is classified as 'medium risk' and has 9100 customers, ranking 6th on the market (of 11 facultative pension funds) as well as a mandatory private pension fund (Pillar II) which has 347,000 registered participants.

Now the pensions market consists of 12 facultative pension funds and 10 approved administrators.

03 RUSSIA

MARKET

Due to the economic crisis in Russia and depreciation of the Rouble, some life insurance policyholders have started to have problems with paying their regular premiums. Lapse rates have increased in some cases to 25% according to **AIG Life** President, Alexander Zaretskiy.

In order to retain clients and avoid lapses companies have started to offer premium payment holidays, allowing policyholders to keep their policy in force. These allow policyholders to stop paying premiums and resume them again after a specific time e.g. AIG Life is offering up to three years for its premium holiday period. During this time however no insurance protection is provided. At the same time insurers are stressing other ways of easing the burden of premium payment such as reduction in sum assured, declining premium indexation and policy loans.

COMPANIES

ING has announced an agreement

has been reached to sell its Non-State Pension Fund (NPF) to UK insurance group **Aviva**. The transaction is in accordance with the ING Group's strategy, which aims to maintain long-term leadership positions in life insurance and pensions (see Poland section). ING's Central Europe Insurance unit will focus its attention in Russia on life insurance. In 2002 ING was among the first foreign investors to open a NPF with private management in the Russian

market. Today the company has a market share of 60 % in the foreign owned NPF segment.

The fund has 1.3 bn RUR in assets under management (some EUR 29 m). It is expected that the transaction will be finished in May 2009. ING says the transaction will not impact in any way its banking and leasing operations in Russia.

The Federal Antitrust Service (FAS) has approved the transfer of

Russia - Leading Life Companies

Figures from the regulator FSIS for the first quarter show life premium income up by 3% compared to the first quarter 2008.

	Company	Premium income
		'000 RUR
1	AIG Life	681,748
2	Rosgosstrach Life	408,612
3	Geopolis	380,000
4	Chulpan Life	267,310
5	Alfainurance Life	184,152
6	Czech Insurance company	175,475
7	Finstrach	156,779
8	Aviva	151,040
9	Russian Standard Insurance	138,364
10	Allianz Rosno Life	130,932
11	Reneissance Life	118,614
12	SIV Life	110,689
13	Discont	110,005
14	Sogas - Life	90,616
15	Russia	78,956
16	Sogekal Life Insurance	69,313
17	Kolymskaya	68,186
18	Ingosstrach Life	64,516
19	NSG Life Insurance	64,321
20	RESO Garantia	50,887
	...	
	Total	4,043,922

Allianz ROSNO Life from ROSNO to Allianz New Europe. Allianz New Europe Holding Gmhb has acquired 99.9% of shares of Allianz ROSNO Life, acquiring full control of the Russian subsidiary. There have been no changes to the management team with Hannes Chopra remaining as CEO of Allianz ROSNO Life and Head of Allianz Eurasia, and Maxim Chernin remaining as a General Director of Allianz ROSNO Life.

PRODUCTS

ING has launched a personal accident product, which covers all family members under one contract. The contract is annually renewable, with the insurance premium guaranteed for four years. In case of renewal, sum assured is increased by 10% annually, with the insurance premium unchanged. The product is sold as a stand alone cover or as a rider to existing savings products.

04 UKRAINE

MARKET

Figures for the first quarter have confirmed the downturn in life business with premium income down by 13% compared to the first quarter 2008.

Ukraine - Leading Life Companies

	Company	Q1 2009		Q1 2008		Change (2009/2008)
		Premium income	Market share	Premium income	Market share	
		thousand UAH		thousand UAH		
1	Alico AIG Life	41,825	23.2%	65,397	32.5%	64.0%
2	Grawe Ukraine	40,873	22.7%	33,093	16.4%	123.5%
3	TAS	33,952	18.9%	21,406	10.6%	158.6%
4	Renaissance Life	12,572	7.0%	21,006	10.4%	59.8%
5	KD Life	8,074	4.5%	0	0.0%	NA
6	Blakitniy Polis	7,367	4.1%	7,744	3.8%	95.1%
7	PZU Ukraine Life Insurance	5,493	3.1%	3,983	2.0%	137.9%
8	Fortis Life Insurance	4,684	2.6%	8,401	4.2%	55.8%
9	ASKA Life	4,072	2.3%	6,829	3.4%	59.6%
10	PROSTO - Insurance. Life and Pension	2,482	1.4%	2,414	1.2%	102.8%
11	Illychivska	2,463	1.4%	NA	NA	NA
12	USG Life	2,360	1.3%	3,527	1.8%	66.9%
13	Delta Life	2,325	1.3%	18,198	9.0%	12.8%
14	Ingo Ukraine Life	1,962	1.1%	0	0.0%	NA
15	ECCO	1,939	1.1%	1,990	1.0%	97.4%
16	Universalna Life	1,907	1.1%	NA	NA	NA
17	Tekom Life	1,796	1.0%	1,628	0.8%	110.3%
	Jupiter Viena Insurance Group	1,725	1.0%	2,028	1.0%	85.1%
	Lemma Vite	1,418	0.8%	3,052	1.5%	46.5%
18	Strahovie Tradizii Life	650	0.4%	496	0.2%	131.2%
	Total market	179,938	100.0%	201,190	100.0%	89.4%

Source: League of Insurance Companies of Ukraine

REGULATIONS

In the light of current market conditions the State Commission for the Regulation of Financial Services (SCRFS) in Ukraine has decided to allow insurers to use receivables from troubled banks (those subject to sanctions from National Bank of Ukraine) to cover its insurance reserves. However, for these banks only 75% of the value of such receivables can be used. In addition, the maximum permitted share of bank deposits among assets backing technical reserves is supposed to be increased from 50% to 70%. The measures are included in the proposed changes to regulations on the allocation of life insurance reserves.

The SCRFS in Ukraine has changed its management. On 5 March the government cabinet appointed Viktor Suslov to the position of chairman of the Commission, replacing Valeriy Aleshin. Viktor Suslov was chairman of the Commission since its establishment in 2002 until 2006. Further changes subsequently occurred to the deputy chairman positions with Ekaterina Otchenash and Oleg Mozgovoy leaving the regulator. Sergey Koren, who was a member of the Commission and Head of the Insurance Supervisory Department in 2005-2007, was

appointed as first deputy.

COMPANIES

Generali PPF, shareholder of Czech Insurance Company Ukraine, has decided to change the name of the company to Generali Life Insurance. Vladislav Minar will continue as chairman of the life insurer. Another life insurer formerly owned by Generali PPF - Generali Garant Life Insurance - has changed its name back to **Garant Life** as Generali PPF has since sold its share in the company back to Taniel Vasadze, owner of Garant Group.

PRODUCTS

Renaissance Life has launched an endowment product, "Investor", which offers flexibility in terms of choice of investment strategies for the policyholder. The product is structured as an endowment with return of premium in case of the death of the policyholder. There are three notional investment strategies or "funds" the policyholder can choose from. These have different levels of guarantees in each fund ranging from 0.4% to 4% p.a., with different underlying investment strategies for each fund. This is an innovative way to replicate some of the features of investment contracts, which offer flexibility by

giving policyholders a choice over investment strategy.

05 BELARUS

REGULATIONS

The Belarus government has confirmed its decision to forbid foreign investors to participate in life insurance and compulsory insurance in Belarus. According to Presidential regulations, investors are not allowed to transact life insurance in Belarus, if they are subsidiaries of or financially dependant on foreign investors.

The decision is contrary to a government declaration in 2008 that it might potentially allow foreign insurers to enter the life insurance market. Previously the government stated that it was determined to attract foreign investors to the life insurance market. Currently there are 24 insurance companies in Belarus, of which only four are writing life insurance.

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 49 offices worldwide including in Amsterdam, Bermuda, Bucharest, 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
- Strategy and business planning for a start-up life insurer in Ukraine and licence application support in Romania
- 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 in various markets for life and non-life insurers considering entry on an establishment and cross-border basis
- 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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