

Credit rating conclusion
(rating report)
№BUSIN-КРП-001-ПР

under the contract №16/09/15-КРП-01 dated September 15, 2016

Object of rating: “BUSIN” Ins. Co.

Type of rating	NSR long-term credit rating
Date of assignment	February 24, 2017
Rating action	assignment
Category of rating	investment
Grade of rating	uaAA+
Rating outlook	stable

Information on object of rating:

Full name	Private Joint-Stock Insurance Company “BUSIN”
Address	23, Ivana Klymenka St., Kyiv, Ukraine, 03110
Date of state registration	February 17, 1993
State registration certificate	A01 №374237
State registration code	19492371
Main activities	65.12 non-life insurance
Head (position)	Denis Oleksiyovych Ovchinnikov (Chairman of the Board)
tel. / fax	+38 (044) 245 62 17
website	busin.com.ua
e-mail	busin@busin.com.ua

Investment grade ratings	uaAAA	+	BUSIN
		-	
	uaAA	+	
		-	
	uaA	+	
Speculative rating grades		-	February 24, 2017
	uaBBB	+	
		-	
	uaBB	+	
		-	
	uaB	+	
		-	
	uaCCC	+	
		-	
	uaCC	+	
	-		
uaC	+		
	-		

On February 24, 2017, “Rurik” National Rating Agency assigned a **uaAA+** NSR long-term credit rating to Private Joint-Stock Insurance Company “BUSIN”, outlook “**stable**”.

The symbol “ua” indicates that the credit rating is assigned and updated under the National Scale of Rating. The National Scale of Rating allows to measure credit risk distribution in the economy of Ukraine excluding sovereign risk and is used on the domestic financial market of Ukraine.

According to the National Scale of Rating approved by the resolution of the Cabinet of Ministers of Ukraine №665 dated 26 April, 2007, a borrower or a separate debt instrument with a **uaAA** rating is characterized with a very strong ability to meet financial commitments compared to other Ukrainian borrowers and debt instruments.

The symbol “+” indicates an intermediate rating grade on main grades.

Outlook “**stable**” indicates that the rating is unlikely to be changed in the near future.

The credit rating can be changed, suspended or withdrawn in case new significant information appears, in case of lack of necessary information to update the rating or for other reasons, which the agency will consider sufficient for taking such actions.

The credit rating is not an absolute measure of credit risk, but an opinion of the rating agency concerning the ability of the object of rating to meet financial commitments compared to other objects.

The credit rating is assigned and updated based on the specially developed methods considering requirements of the legislation of Ukraine and international standards. By no means is the assigned credit rating a recommendation concerning any forms of crediting the object of rating, either selling or buying its securities.

“Rurik” NRA is not a guarantor and shall not be liable for any debts of the object of rating.

“Rurik” NRA does not conduct audit or other inspections of information and can, if necessary, rely on unaudited financial information provided by the customer.

The rating grade depends on the quality, homogeneity and fullness of information at the disposal of the agency.

In order to assign the credit rating, “Rurik” NRA used the internal information and financial statements for 2015 – 2016 inclusive provided by the Company as well as public information and its own databases.

Main financial and economic indices of “BUSIN” Ins. Co. are given in table 1.

Table 1. Main financial and economic indices of “BUSIN” Ins. Co.

No	Index	01.10.16		01.01.17		Rate of increase
I. Balance indices						
		thsd. hrn.	%	thsd. hrn.	%	%
1	Total assets	174 287	100.00%	263 309	100.00%	51.08%
2	Non-current assets	3 139	1.80%	2 788	1.06%	-11.16%
2.1	Fixed assets	2 302	1.32%	2 192	0.83%	-4.77%
2.2	Long-term financial investments	507	0.29%	353	0.13%	-30.46%
2.3	Long-term receivables	307	0.18%	223	0.08%	-27.56%
3	Current assets	171 148	98.20%	260 521	98.94%	52.22%
3.1	Current receivables	56 174	32.23%	110 270	41.88%	96.30%
3.2	Current financial investments	0	0.00%	0	0.00%	-
3.3	Cash and cash equivalents	91 816	52.68%	91 887	34.90%	0.08%
4	Equity	106 752	61.25%	112 386	42.68%	5.28%
4.1	Authorized capital	49 159	28.21%	49 159	18.67%	0.00%
4.2	Unappropriated balance	41 618	23.88%	47 086	17.88%	13.14%
5	Total insurance reserves	49 565	28.44%	89 469	33.98%	80.51%
6	Long-term liabilities	4 698	2.70%	4 698	1.78%	0.00%
7	Current liabilities	13 273	7.62%	56 757	21.56%	327.61%
II. Financial results						
		2015		2016		
8	Written premiums	184 894		170 054		-8.03%
9	Reinsurance ceded	111 742		98 510		-11.84%
10	Insurance payments and compensations	4 356		5 137		17.94%
11	Net profit (loss)	24 187		47 051		94.53%
III. Relative indices						
		01.10.16		01.01.17		
12	Quick ratio	292.37%		253.17%		-39.20%
13	Liabilities coverage ratio	510.92%		149.52%		-361.40%
14	Retention ratio	59.60%		42.07%		-17.53%
15	Reinsurers' shares in technical reserves	39.77%		60.64%		20.87%
16	Costs ratio	19.80%		25.04%		5.24%
17	Loss ratio	63.92%		139.43%		75.51%
18	Combined ratio	83.71%		164.47%		80.75%
19	Return on equity	42.25%		45.53%		3.27%
20	Return on assets	21.96%		21.49%		-0.47%

While assigning the credit rating the most considerable factors affecting the grade of the credit rating were generalized.

Positive factors:

- *Strong indices of efficiency. By the results of 2016, net profit of the Company amounted to UAH 47.05 M, ROA and ROE – 21.49 per cent and 45.53 per cent respectively.*
- *High solvency margin of the Insurer. As of January 1, 2017, the size of the actual solvency margin was 5.17 times the normative value.*
- *Strong liquidity indices of the Company. As of January 1, 2017, liquid assets covered 34.90 per cent of the Insurer's total assets and the quick ratio equaled 253.17 per cent.*
- *Sufficient level of the Company's financial stability. As of January 1, 2017, the equity covered the total assets and total insurance reserves by 42.68 per cent and 125.61 per cent respectively.*
- *Considerable experience on the insurance market of Ukraine and strong market positions. By the results of 2016, the Company was among the leaders by premiums written within compulsory civil aviation insurance.*
- *High level of financial transparency and information openness of the Company expressed with detailed and complex disclosure of information, necessary to assign the credit rating. This allowed decreasing the level of uncertainty in assessing the ability to meet financial commitments and analysis of the Company's activity.*

Negative Factors:

- *Low diversification of the insurance portfolio of the Company by lines of business connected with the peculiarities of the Company's activity on the market. By the results of 2016, premiums written by the three main lines equaled nearly 94 per cent of total premiums, which indicates that the Company's activity highly depends on the main lines of business.*
- *Like the other Ukrainian insurance companies, the Company's activity is sensitive to the influence of political, legislative, regional and macroeconomic sources of risk immanent to Ukraine.*

Therefore, having performed complex rating analysis of “BUSIN” Ins. Co.,
considering all sufficient factors affecting the rating grade,
guided by the principles of objectivity, independence and open-mindedness,
adhering to the rating norms established by the legislation of Ukraine,
**the authorized National rating agency “Rurik” assigned a uaAA+ NSR long-term credit rating
to Private Joint-Stock Insurance Company “BUSIN”, outlook «stable».**

Analyst



M. Tkachenko

Head of Rating committee



A. Sitalo

February 24, 2017