

BLACK SEA AND BALTIC

GENERAL INSURANCE COMPANY LIMITED

SIÈGE SPECIAL
POUR LA FRANCE
4, RUE D'ARGENSON
75008 PARIS

FONDEE EN 1925

CAPITAL SOCIAL 3.100.000 LIVRES STERLING
ENTREPRISE PRIVEE REGIE PAR LE CODE DES ASSURANCES
R.C. PARIS B 572 034 282 - S.I.R.E.T. 572 034 282 00040

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PAGE N°..... OF.....

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*Session 21
(pour public.)*

THESIS OF EXPOSE BY DIRECTOR OF BLACK SEA

AND BALTIC GENERAL INSURANCE CO., Paris

V.P.GLEBOV

Ladies and Gentlemen,

I wish to thank you very much for inviting me to speak at Seminar, Eastern Europe - A look to the future - Risk management subject.

I joined Black Sea and Baltic General Insurance Company /Paris France/ two years ago and I am proud to have been invited to speak at this International Conference in Monte Carlo.

1. Introduction

Political and economic change across eastern Europe I think has created the conditions for an increasingly new sophisticated insurance markets.

Insurance legislation is being developed and implemented in some of them and, where there has been no specific legislation, draft laws are currently under discussions.

The process of restructuring in the USSR is complicated and the best ways to achieve a more efficient economy, as well as appropriate economic politics, are widely discussed in the parliament, economic commissions. Different programmes are being analyzed.

The monopoly of foreign trade, banking and insurance operations (being in the hands of central structures), was ended in the USSR.

Changes in the soviet economy are so dramatic, that many people cannot understand which is not surprising after half a century of a central planned economy.

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- 2 -

The lack of need for insurance in many spheres of economic and social activity of the USSR has meant an equal lack of insurance demand in past. Having lived with centralized economic system we are having understandable difficulties in changing over a market economy. There are not a lot of specialists who understand such things as taxation, trade, accounting, competition, finance and insurance. The transformation of the economics with the new emphasis on self-accountability (profit aspect, not dependance of enterprises from central budget funds) will increase the recognition of the role of the insurance.

Economic reform has given individual companies more independence and more control over their own destiny. So their insurance requirements have increased and became more complex.

On the other hand, shortage of skilled insurance staffs likely to prove a possible significant constraint on the development of the insurance operations in the very near future.

II. Black Sea and Baltic General Insurance Company Ltd., London 65,
Denchurch Street.
Paris Branch, 4, Rue D'Argenson, Paris.

Black Sea and Baltic General Insurance Company Limited was originally inaugurated in March 1925 as an unquoted public company registered in the United Kingdom increased and now stands at £6000,000. Paris Branch started functioning as from 1.01.1957 (See enclosure N.1).

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Paris, le

- 3 -

From its inception Black Sea and Baltic specialised in the insurance of Marine Cargo Risks and through this still remains the important section of its activity, such specialisation has been widened to provide a full insurance service to the Western World for risks relating to trade and commerce with the USSR and Eastern Europe .

The developing interest in international trade during the post war years has given rise to the establishment, in the countries of the West, of a number of trading and servicing organisations of East European countries. These cover banking, shipping, tourism and many other interests. As a result, there has arisen the need to provide insurance services not only for the various commercial organisations supplying raw materials and industrial goods to the UK, France and other Western countries, but also for the industrial firms of the West that are increasing their deliveries of complex equipment, know-how, turnkey projects etc. to the USSR and other East European countries.

Being a subsidiary of the Soviet insurance company Ingosstrakh Ltd. and enjoying close connections with other insurance companies of East Europe, Black Sea and Baltic has a full working knowledge of insurance problems affecting these countries combined with the comprehensive servicing facilities.

It will be appreciated that such services based upon local survey, risk management, claims handling and knowledge of local legal practice are not readily available to outside insurers and for this reason the company occupies a somewhat unique position in the market.

From the point of view of risk management analysis of any client (whether it is commercial representation, foreign-joint venture, industrial enterprise), regardless of the particular country or region where it is located, the insurance company faces roughly the same or at least comparable underwriting risk.

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- 4 -

That's why specific factors may be taken into consideration while evaluating insurable object:

- a) legal situations (i.e. legislation containing specific legal provisions and or insurance laws);
- b) political situation in the respective country or region;
- c) climate, weather conditions and natural hazards;
- d) economic situation, inflation, convertibility of the currency, etc.;
- e) work environment, local labour morale;

One of these factors have a substantial influence and may strongly aggravate the risk if it will be disregarded partly or completely by any underwriter.

From our experience at Black Sea and Baltic in France we are successful with our clients if we identify the risk, evaluate it properly and effect constant control and we are more unsuccessful with the clients who regard insurance costs as non-productive expenses in addition to their general management expenditures and who are trying to economise on insurance payments and finally receive non-sufficient coverage.

By trying to service our clients' interests completely we propose with "Mondial Assistance", France Special Health Insurance Coverage Skema. As from 1st of January 1991 we were also appointed as "Commissaire d'Avaries" of the Insurance Company of the USSR (Ingosstrakh) in ports of France which will help strengthen our connections with Ingosstrakh and their clients.

Our office maintains close business connections with leading insurance companies of Donación de AGERS al Centro de Documentación de FUNDACIÓN MAPFRE and others.

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- 5 -

The need for Black Sea and Baltic's involvement in the insurances directly or indirectly connected with external economic activities of the commercial organisations of the Soviet Union is becoming more and more recognised by brokers placing such insurances. Clients too, seeking protection, appreciate the objective and advantages of risk servicing that our Company, through Ingosstrakh's representations in the various regions, can provide, whether they are sellers, shippers, buyers or contractors.

III. Perestroika penetrates USSR Insurance market.

As you know the relationship between the centre and the republics (now some of them proclaimed independent sovereign states) is at the very heart of the current debate about the future of the Soviet Union. The insurance industry is developing from a position where many common factors can be identified economic performance, local perception of risk, training and education.

An informal survey conducted by Ingosstrakh specialists this year showed that there were around insurance companies existence in the USSR. (2 ...)

It showed how much the soviet insurance system has changed in just two years. Only a couple of years ago the insurance business in our contry was intially run by Gosstrakh and Ingosstrakh.

A number of factors can explain the recent increase of insurance companies in the Soviet Union. Firstly economical reforms and *their* effects. Business people are beginning to see the importance of insurance which helps achive stability on the market and in life in general.

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- 6 -

There have been also changes to the law.

Back in 1988, a law permitting co-operatives to be set up was brought in and more important, last June, new legislation on shareholding companies was introduced.

Rossija, Asco, Centrorreserve, Dalrosso, Astro-Volga, Fidelity, Salamandra and Egida- are just some of the new insurance companies being established in many cities around the country, attracting customers by arrangements and unorthodox conditions. It is still open to question whether the appeared insurance structures will all do well in the future and whether they can compete effectively.

One thing is clear that command-administrative system of management disappearing but the path of reform is always thorny. It cannot be dismantled at once and there will be interim period.

In the last two years the lines of demarkation between Gosstrakh and Ingosstrakh have been down. Ingosstrakh, the officially-designated insurer for international risks, has undergone a radical share restructure. This is being implemented in order to increase share capital from roubles 100 mln. to rbls. 755 mln. to meet expected demand for coverage for international risks within the USSR.

Changing are also happening at Gosstrakh, which concentrates on life and personal lines insurance. The group is to decentralise in an effort to function more commercially and will be known as Soyuzgosstrakh.

The new company will be in a position to compete for business with other insurers, including hard currency risks. All Gosstrakh's outstanding liabilities will be carried over.

The insurance market in the USSR is a product of "Perestroika" and we hope it will realize most of potential which exists in our country.



Black Sea and Baltic

Depuis 1925

General Insurance Company, Ltd.

Capital Social : 6 000 000 Livres Sterling
Membre de A.B.I.

Siège Spécial pour la France

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Membre de la F.F.S.A.

Membre de la Chambre de Commerce FRANCO-SOVIÉTIQUE

C'est en 1957 que le siège spécial pour la France de Black Sea and Baltic General Insurance Cie Ltd a été créé, et dont les souscriptions à l'origine se limitaient à l'assurance Transport et Incendie.

Au fil des années les activités de notre société se sont diversifiées et désormais nous opérons dans la quasi-totalité des branches de l'Assurance.

De part les liens privilégiés entretenus avec la société d'assurance de l'URSS, Ingosstrakh, et avec les compagnies d'assurances des autres pays de l'Europe de l'Est, Black Sea and Baltic met un accent particulier sur l'assurance du commerce entre la FRANCE et l'URSS.

Cette étroite collaboration nous permet d'apporter des conseils et de faciliter les prises de contact avec Ingosstrakh à Moscou aux sociétés mixtes FRANCO-SOVIÉTIQUE et aux entreprises françaises qui ont maintenant la possibilité d'investir en URSS, ce qui désormais ouvre de nouvelles perspectives.

Notre compagnie représente, en ce qui concerne les assurances, les intérêts de consortium soviétique pour la coopération économique entre la FRANCE et l'URSS.

Emil N. 1

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**Black Sea and Baltic
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Siège Spécial pour la France

Assurances :

- Tous Risques Chantiers
 - Incendie
 - Responsabilité Civile
 - Vol
 - Bris de Machines
 - Perte d'Exploitation
 - Transport
 - Multirisque Habitation
 - Automobile
-

Depuis le 01.01.91, notre société est nommée Commissaire d'Avaries de la compagnie d'assurances de l'URSS, Ingosstrakh, dans les ports français.