



Gada pārskats
Годовой отчет
Annual Report

2 0 0 3



Valdes priekšsēdētāja ziņojums Обращение председателя правления Report of Chairman of the Board

Pagājušajā gadā apdrošināšanas sabiedrība BTA sagaidīja savas pastāvēšanas 10 gadu jubileju. Desmit gadi uzņēmumam – tas ir daudz vai maz? Maz, ja salīdzinām ar Rietumu apdrošināšanas kompāniju vēsturi, daudzas no kurām pastāv pat kopš 18. gadsimta. Daudz, kad atceramies 90. gadu sākumu Latvijā, tā laika atmosfēru un grūtības. Diez vai būs pārspīlēti teikt, ka viens darbības gads Latvijā tajā periodā pielīdzināms trim vai pat pieciem gadiem stabilajos Rietumos.

Daudz, ja atceramies, ka desmit gadu laikā BTA no četrpadsmit cilvēku nepazīstama uzņēmuma kļuva par vienu vadošajām nacionālajām apdrošināšanas kompānijām, kurā strādā vairāk nekā 1000 darbinieku un kuras mītnes ir pilnīgi visos Latvijas rajonos, kopumā pārdodot vairāk kā pusmiljonu apdrošināšanas polišu gadā. Sasniegumu atslēga ir daudzu faktoru veiksmīga un apzināta mijiedarbība: komandas darbs, centralizēta struktūra un tas apstākļi, ka kompānijai ir vietēja izcelsme. Tas nozīmē operatīvāku lēmumu pieņemšanu un elastīgāku reaģēšanu uz apstākļu maiņu.

Pagājušajā gadā bija daudz vērtīgu notikumu. BTA ātri reaģēja uz OCTA ieviešanu lielajā kaimiņvalstī Krievijā – mēs pirmie sākām piedāvāt šīs poliises un atradām izdevīgāku piedāvājuma iespējas. Vairākos reģionos sarīkojām «BTA dienu» svētkus, piedaloties Latvijas novadu dzīvē, kas radīja tik lielu atsaucību, ka ieguvuši arī turpinājumu. Iesaistoties valstiska līmeņa uzdevumu risināšanā, veicām Latvijai neierastu soli, savā 10 gadu jubilejā apdrošinot pazīstamāko Latvijas simbolu – Brīvības pieminekli. Sagaidot Eiropas Savienību un prognozējamo cenu pieaugumu, laikus sākām izstrādāt tādu piedāvājuma risinājumu, kas būtu izdevīgāks klientam un no cilvēciskā viedokļa godīgāks – piemērs ir divas jauno OCTA polišu cenas.

Patiesībā lielākais pērnā gada sasniegums ir tas, ka grūti īpaši atzīmēt kādu atsevišķu sasniegumu – vispārējā uzņēmuma attīstība ir labākais rādītājs. BTA apliecina, ka kompānija ar tikai un vienīgi vietējo kapitālu var strādāt stratēģiski un efektīvi starptautiskā līmenī. Tas ir īpaši svarīgi jaunajos Eiropas Savienības apstākļos, kuriem BTA pagājušajā gadā nopietni un mērķtieciīgi gatavojās. Mēs izceļamies un lepojamies ar to, ka esam no Latvijas, un esam pārliecināti par savu konkurētspēju Eiropā. Nākotnē vēlētos, lai katrā Eiropas Savienības malā Latvijas iedzīvotāji, ieraugot BTA zīmi, atrazītu savu, Latvijas uzņēmumu.

Gints Dandzbergs
valdes priekšsēdētājs (prezidents)

В прошлом году страховое общество BTA отметило 10-летний юбилей своего существования. Десять лет для предприятия – много это или мало? Мало, если сравнивать с историей западных страховых компаний, многие из которых существуют уже с 18-го века. Много, если вспомнить начало 90-х годов в Латвии, атмосферу и сложности того времени. Вряд ли будет преувеличением сказать, что один год деятельности в Латвии в тот период можно приравнять к трём или даже пяти годам на стабильном Западе.

Много, если вспомним, что за десять лет BTA из неизвестного предприятия из четырёх человек стало одной из ведущих национальных страховых компаний, в которой работает более 1000 сотрудников, и офисы которой имеются абсолютно во всех районах Латвии, и которая в совокупности продаёт более полумиллиона страховых полисов в год. Ключ к достижениям лежит в успешном и осознанном взаимодействии многих факторов: командная работа, централизованная структура и то обстоятельство, что у компании местное происхождение. Это означает более оперативное принятие решений и более гибкое реагирование на изменение обстоятельств.

В прошлом году произошло много значительных событий. BTA быстро отреагировало на введение OCTA в большой соседней стране России – мы первыми начали предлагать эти полисы и нашли возможности для более выгодного предложения. Во многих регионах мы организовали праздник «дней BTA», с участием в жизни краёв Латвии, который нашёл такой большой отклик, что получил продолжение. Участвуя в решении задач государственного уровня, мы сделали необычный для Латвии шаг, на свой 10-летний юбилей застраховав самый известный символ Латвии – памятник Свободе. Накануне вступления в Европейский Союз и прогнозируемого повышения цен, мы вовремя начали разрабатывать такое предложение, которое было бы более выгодно клиенту и с человеческой точки зрения было бы более честным – примером является две новые цены полисов OCTA.

По правде говоря, самым большим достижением прошлого года является то, что трудно особо отметить какое-либо отдельное достижение – общее развитие предприятия является наилучшим показателем. BTA подтверждает то, что компания, имеющая только и исключительно местный капитал, может стратегически и эффективно работать на международном уровне. Это особенно важно в новых условиях Европейского Союза, к которым BTA в прошлом году серьёзно и целенаправленно готовилось. Мы появились в Латвии и гордимся тем, что мы из Латвии, мы убеждены в своей конкурентоспособности в Европе. В будущем хотелось бы, чтобы в любом уголке Европейского Союза жители Латвии, увидев знак BTA, узнавали своё, Латвийское предприятие.

Гинтс Дандзбергс
председатель правления (президент)

Last year the insurance company BTA celebrated its 10th anniversary. Is ten years a long or a short term for a company? It is short if we compare it with the history of Western insurance companies, many of which have been operating since 18th century. It is a lot, if we remember the beginning of the 90-ties in Latvia, the environment and difficulties of that time. It is not too strong a statement to say that one year of operation in Latvia at that time can be equaled to three or even five years of operation in the stable West.

It is a lot, if we remember that during ten years BTA insurance company has grown from an unknown firm with four employees into one of the leading national insurance companies with a staff of more than 1000 and with branches in all districts of Latvia, in total selling more than half a million insurance policies annually. The key to success is favorable and conscious interaction of many factors: team work, centralized structure and the local origin of the company. This means more operative decision-taking and more flexible response to the change of circumstances.

A lot of significant events happened last year. BTA quickly reacted to the introduction of motor owners TPL insurance in the big neighbor – Russia. We were the first to offer these policies and we found the most advantageous opportunities. We organized «BTA days» celebrations in several regions, thus participating in the life of Latvia's regions, which were so welcomed that succession is provided for.

By getting involved in solution of tasks on the public level, we made an untraditional step – on our 10th anniversary we insured the most famous symbol of Latvia – the Monument of Freedom. Expecting the accession to the European Union and the forecasted rise in prices, we started early development of such offer solutions that would be more favorable for the client and fairer from the human point of view – the example of this is the two prices of the new motor owners TPL insurance policies.

To tell the truth, the highest achievement of the last year is that it is difficult to single out one separate achievement – the general development of the company is the best indicator. The insurance company BTA shows that a company with only local capital, can strategically and effectively operate on the international level. This is especially important in the new European Union situation for which the insurance company BTA prepared seriously and purposefully over the last year. We are notable for and we are proud of being from Latvia, and we are convinced of our competitiveness in Europe. We wish that in the future, to whatever part of the European Union the people of Latvia went, upon seeing the BTA logo they would recognize, their – Latvian company.

Gints Dandzbergs
Chairman of the Board (president)

2003

AUDITOR'S REPORT

Holders and Management of
AAS «Baltijas Transporta Apdrošināšana»

Rödl & Partner SIA

Auditors. Tax consultants
Legal advice

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We have concluded the auditing of AAS «Baltijas Transporta Apdrošināšana» financial statements for the reporting period from 01.01.2003 to 31.12.2003. The balance sheet of 31 December 2003 appended to this report, profit and loss account, cash flow statement, capital and reserve changes statement and appendices are included in the report for the said period of time.

The company's management bears the responsibility for the financial statements mentioned. We bear responsibility for the opinion that we have issued on the basis of the auditing performed.

In order to reach our conclusions, we performed auditing as provided for by the legislative acts applicable in the Republic of Latvia and international auditing standards. The company's representatives provided us with all requested information and explanations. The audit included planned random inspection the auditors considered necessary for acquiring enough information and explanations that financial statements do not contain material errors, that the applied accounting policies are relevant and the information is correctly reflected in the financial statement. We consider that the auditing performed provides sufficient basis for our conclusions.

In our opinion, the financial statements provide true and accurate view of the company's assets, their sources and its financial situation as at 31 December 2003, results of the business activities in 2003 and cash flow during the period from 01.01.2003 to 31.12.2003. The financial statements have been prepared in accordance with the Republic of Latvia "Insurance Companies and Their Supervision Law", "Rules of Preparation of Annual Reports and Consolidated Annual Reports for Insurance Joint Stock Companies and Mutual Insurance Cooperative Associations" issued by Finance and Capital Market Commission and International Financial Reporting Standards.

Rīga, 31 March 2004
(seal)

«Rödl & Partner SIA»
Auditing Company,
License No 95

(seal) Iveta Rutkovska
certified public
accountant
certificate No 43
Managing Director

Nordea Bank Finland
P/c Latvian Branch,
Code: NDEALV2X
Account: 80051451 (LVL)
 80051532 (EUR)

Austria, United States of America, Belgium, the Czech Republic, South Korea, France, Honkong, Croatia, Estonia, India, Indonesia, Italy, Russian Federation, PR of China, Lithuania, Malaysia, Poland, Romania, Singapore, Republic of Slovakia, Slovenia, Spain, Finland, Thailand, Turkey, Hungary, Germany, Sweden

Reg. No. 000313996
VAT LV 40003139967

Financial Review

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| Assets (LVL) | 2003 | 2002 |
|---|-------------------|-------------------|
| Intangible investments and foundation expenses | 24 461 | 21 419 |
| Investments | 11 064 360 | 6 930 357 |
| 1. Land and buildings | 1 845 482 | 1 407 631 |
| 2. Associated companies | 396 240 | 473 756 |
| 2.1. investing in fixed capital | 396 240 | 473 756 |
| 3. Other investments | 8 822 638 | 5 048 970 |
| 3.1. shares and other variable-yield securities | 44 698 | 30 670 |
| 3.2. fixed-interest securities | 5 589 811 | 1 948 875 |
| 3.3. mortgage loans | 529 224 | 63 897 |
| 3.4. other loans | 801 203 | 390 716 |
| 3.5. deposits in banks | 1 790 354 | 2 560 477 |
| 3.6. other investments | 67 348 | 54 335 |
| Debtors | 3 214 740 | 2 515 012 |
| 1. Debtors in insurance transactions | 2 876 874 | 2 273 659 |
| 1.1. policy holders | 2 187 281 | 2 271 686 |
| 1.2. intermediaries | 689 593 | 1 973 |
| 2. Debtors in reinsurance transactions | 8 604 | 0 |
| 3. Other debtors | 329 262 | 241 353 |
| Other assets | 1 067 846 | 1 117 562 |
| 1. Material assets | 328 279 | 476 042 |
| 2. Cash in hand and in bank | 739 567 | 641 520 |
| Accumulated income and expenses | 1 287 462 | 420 207 |
| 1. Accumulated interest and rent | 78 230 | 55 282 |
| 2. Capitalized expenses of the client acquisition | 1 168 972 | 315 625 |
| 3. Other advance payments and capitalized payments | 40 260 | 49 300 |
| Total assets | 16 658 869 | 11 004 557 |

| Liabilities (LVL) | 2003 | 2002 |
|--|-------------------|-------------------|
| Capital and reserves | 2 528 157 | 2 281 046 |
| 1. Subscribed capital | 1 600 000 | 1 600 000 |
| 2. Share premium account | 219 004 | 219 004 |
| 3. Revaluation reserves | 196 294 | 8 918 |
| 4. Other reserves | 295 831 | 278 044 |
| 5. Retained profit or loss from previous years | | 7 |
| 6. Retained profit or loss from the current financial year | 217 028 | 175 073 |
| Dependant liabilities | 618 000 | 0 |
| Technical reserves | 8 513 161 | 6 560 039 |
| 1. Unearned premiums and unknown risks | 5 286 843 | 3 658 124 |
| 1.1. gross amount | 6 998 916 | 4 367 261 |
| 1.2. reinsurer's share | - 1 712 073 | - 709 137 |
| 2. Capitalized claims | 2 458 318 | 1 066 664 |
| 2.1. gross amount | 3 313 322 | 1 364 442 |
| 2.2. reinsurer's share | - 855 004 | -297 778 |
| 3. Equalization provision | 238 000 | 256 000 |
| 4. Other technical provisions | 530 000 | 1 579 251 |
| 4.1. gross amount | 530 000 | 1 632 251 |
| 4.2. reinsurer's share | 0 | - 53 000 |
| Provisions for liabilities and loss | 157 154 | 64 778 |
| 1. Provisions for taxes | 102 500 | 64 778 |
| 2. Other provisions | 54 654 | |
| Reinsurer's deposits | 0 | 0 |
| Creditors | 4 557 463 | 1 993 718 |
| 1. Direct insurance creditors | 281 841 | 321 798 |
| 1.1. policy holders | 10 933 | 321 798 |
| 1.2. intermediaries | 270 908 | |
| 2. Reinsurance creditors | 1 919 139 | 1 112 393 |
| 3. Bank loans | 1 221 062 | |
| 4. Accrued taxes and social securities | 44 135 | 64 635 |
| 5. Other creditors | 1 091 286 | 494 892 |
| Accumulated expenses and advance payments received | 284 934 | 104 976 |
| Total liabilities | 16 658 869 | 11 004 557 |

Currency exchange rate
(31.12.2003)

1 EUR = 0.6740 LVL
1 USD = 0.5410 LVL



| Technical account (LVL) | 2003 | 2002 |
|--|--------------------|--------------------|
| Earned premiums | 11 430 837 | 10 700 404 |
| 1. Gross premiums written | 19 054 804 | 15 599 516 |
| 2. Compulsory motor owners third party liability insurance obligatory payments | - 528 931 | - 513 284 |
| 3. Reinsurer's share | - 5 466 317 | - 3 056 019 |
| 4. Gross change in the provision for unearned premiums and uncalculated risks | - 2 631 655 | - 328 789 |
| 5. Change in the provision for unearned premiums, reinsurer's share (+/-) | 1 002 936 | - 998 020 |
| Allocated investment return transferred from the non-technical account | 699 850 | 181 784 |
| Other technical income, net | 101 563 | 63 664 |
| Claims incurred, net | - 6 428 454 | - 5 609 993 |
| 1. Claims paid | - 5 036 800 | - 5 272 428 |
| 1.1. Gross claims paid | - 6 488 362 | - 8 310 094 |
| 1.1.1. claims paid | - 6 493 346 | - 8 334 714 |
| 1.1.2. claims handling expenses | - 333 929 | - 267 113 |
| 1.1.3. regaining loss (-) | 338 913 | 291 733 |
| 1.2. Reinsurer's share | 1 451 563 | 3 037 666 |
| 2. Change in provisions for outstanding claims | - 1 391 654 | - 337 565 |
| 2.1. gross amount | - 1 948 880 | - 168 093 |
| 2.2. reinsurers' share | 557 226 | - 169 472 |
| Changes in other technical reserves, net (+/-) | 1 049 251 | - 494 631 |
| 1. Gross sum of changes | 1 102 251 | - 463 751 |
| 2. Reinsurer's share | - 53 000 | - 30 880 |
| Gratification and bonuses, net | - 16 020 | 0 |
| Net operating expenses | - 5 430 883 | - 4 679 289 |
| 1. Client acquisition costs | - 3 672 188 | - 2 749 326 |
| 2. Change in deferred acquisition costs | 661 828 | 224 133 |
| 3. Administrative expenses | - 3 489 151 | - 2 577 921 |
| 4. Reinsurance commissions and profit participation | 1 068 628 | 423 825 |
| Other technical charges, net | - 311 932 | - 129 178 |
| Change in equalization provision | 18 000 | 627 352 |
| Total amount | 1 112 212 | 660 113 |

| Non-technical account (LVL) | 2003 | 2002 |
|--|------------------|------------------|
| Technical account (+/-) | 1 112 212 | 660 113 |
| Investment income | 907 684 | 246 788 |
| 1. Income from other investments | 305 983 | 246 788 |
| 2. Profit from value adjustments of investments | 601 701 | |
| Investment charges | - 683 878 | - 187 660 |
| 1. Investment management charges, including interest | - 27 055 | - 51 522 |
| 2. Loss from investments in other associated companies and daughter companies, according to own capital method | - 265 866 | - 136 138 |
| 3. Loss from value adjustments of investments | - 390 957 | |
| Allocated investment return transferred to technical account (-) | - 699 850 | - 181 784 |
| Other income | 12 236 | 164 778 |
| Other charges, incl. value adjustments | - 277 494 | - 409 148 |
| Current year profit or loss before taxes | 370 910 | 293 087 |
| Income tax | - 126 352 | - 95 982 |
| Other taxes | - 27 529 | - 22 025 |
| Net profit or loss of the current year | 217 028 | 175 080 |

| Cash flow statement | 2003 | 2002 |
|--|------------------|----------------|
| Cash flow from insurance activities | | |
| 1. Gross premiums received | 15 754 503 | 12 062 115 |
| 2. Gross claims paid | 6 249 524 | 6 208 027 |
| 3. Premiums received in co-insurance | 57 508 | |
| 4. Payments made concerning co-insurance contracts | | |
| 5. Payments received from reinsurers | 69 311 | 1 977 786 |
| 6. Payments made to reinsurers | 1 379 938 | 1 503 684 |
| 7. Premiums for assumed reinsurance | 718 454 | 886 820 |
| 8. Payments made for assumed reinsurance | 425 050 | 2 224 546 |
| 9. Income tax | 108 632 | 100 371 |
| 10. Payments made to the Traffic Bureau and FCMC* | 568 185 | 595 617 |
| 11. Other expenses | 6 559 025 | 4 156 477 |
| 12. Other income | 903 839 | 854 123 |
| Total cash flow from insurance activities | 2 213 261 | 992 122 |

| | | |
|--|--------------------|------------------|
| Cash flow from investing activities | | |
| 1. Acquisition of investments | 42 840 933 | 50 122 823 |
| 1.1. Land and buildings | 21 641 | 41 304 |
| 1.2. Associated and daughter companies | 188 350 | 609 894 |
| 1.3. Shares and other variable-yield securities | | |
| 1.4. Fixed-interest securities | 6 282 069 | 1 590 175 |
| 1.5. Participation in investment funds | | |
| 1.6. Mortgage loans | 520 444 | 19 200 |
| 1.7. Other loans | 1 784 760 | 1 481 401 |
| 1.8. Deposits in banks | 34 042 188 | 46 361 137 |
| 1.9. Other investments | 1 481 | 19 712 |
| 2. Selling of investments | 38 292 657 | 49 538 099 |
| 2.1. Land and buildings | | |
| 2.2. Associated and daughter companies | | |
| 2.3. Shares and other variable-yield securities | | |
| 2.4. Fixed-interest securities | 2 574 428 | 861 727 |
| 2.5. Participation in investment funds | | |
| 2.6. Mortgage loans | 56 401 | 117 647 |
| 2.7. Other loans | 1 352 665 | 1 154 517 |
| 2.8. Deposits in banks | 34 308 295 | 47 384 864 |
| 2.9. Other investments | 868 | 19 344 |
| 3. Income of investments | 252 025 | 199 483 |
| 3.1. Land and buildings | | |
| 3.2. Associated and daughter companies | | |
| 3.3. Shares and other variable-yield securities | | |
| 3.4. Fixed-interest securities | 167 846 | 129 299 |
| 3.5. Participation in investment funds | | |
| 3.6. Mortgage loans | 4 521 | 117 647 |
| 3.7. Other loans | 13 254 | 16 214 |
| 3.8. Deposits in banks | 63 887 | 52 769 |
| 3.9. Other investments | 2 517 | 1 200 |
| 4. Other cash received | 3 455 | 232 |
| 5. Other cash paid | 22 086 | 4 172 |
| Total cash flow from investing activities | - 4 314 882 | - 389 182 |

| | | |
|--|------------------|------------------|
| Cash flow from financing activities | | |
| 1. Income from share emissary | | 489 173 |
| 2. Income from dependant liabilities attaining | 618 000 | |
| 3. Dependant liabilities pay-back | | |
| 4. Own share buy out | | |
| 5. Own share selling | | |
| 6. Dividend paid | 126 350 | 132 670 |
| 7. Other cash received | 12 429 683 | 2 541 |
| 8. Other cash paid | 11 207 622 | 19 937 |
| Total cash flow from financing activities | 1 713 711 | 339 107 |
| Cash and cash equivalents increase/decrease | - 387 910 | 942 047 |
| Currency exchange rate influence on cash and cash equivalents (+/-) | - 18 329 | - 154 130 |
| Cash and cash equivalents, beginning of year | 2 023 437 | 1 235 520 |
| Cash and cash equivalents, end of year | 1 617 198 | 2 023 437 |

* - Financial and Capital Market Commission

| Gross premiums (LVL) | 2003 | 2002 |
|---|-------------------|-------------------|
| Compulsory motor owners third party liability insurance | 6 004 026 | 5 306 231 |
| Motor CASCO insurance | 3 768 586 | 2 969 001 |
| Health insurance | 2 479 031 | 2 123 784 |
| Property insurance | 1 535 865 | 1 069 317 |
| Cargo insurance | 1 037 813 | 752 012 |
| Voluntary motor owners third party liability insurance | 535 620 | 684 366 |
| General liability insurance | 432 609 | 477 358 |
| Customs Bonds insurance | 361 291 | 386 719 |
| Aircraft owners general liability insurance | 598 127 | 362 208 |
| Travel and business trip insurance | 691 908 | 343 447 |
| Vessel (Hull) insurance | 367 813 | 341 891 |
| Financial risks insurance | 331 627 | 266 178 |
| Aircraft (Hull) insurance | 513 013 | 245 517 |
| Personal accidents insurance | 230 331 | 182 084 |
| Credit insurance | 86 785 | 68 516 |
| Shipowners general liability insurance | 60 687 | 20 391 |
| Railway transport insurance | 19 672 | 498 |
| In total | 19 054 804 | 15 599 518 |

The obligatory payments of 8,8% (till 01/05/2002 11,8%) of premiums written for compulsory motor owners third party liability insurance are not deducted in premium distribution according to types of insurance, and this causes difference of total result shown here and profit or loss technical account.

| Gross claims paid (LVL) | 2003 | 2002 |
|---|------------------|------------------|
| Cargo insurance | 147 886 | 2 222 930 |
| Motor CASCO insurance | 2 137 661 | 2 220 403 |
| Health insurance | 1 634 372 | 1 593 189 |
| Compulsory motor owners third party liability insurance | 1 733 982 | 1 568 457 |
| Property insurance | 284 990 | 349 128 |
| Vessel (Hull) insurance | 43 398 | 121 970 |
| Personal accidents insurance | 114 605 | 120 219 |
| Financial risks insurance | 24 421 | 35 882 |
| Travel and business trip insurance | 78 887 | 34 949 |
| General liability insurance | 9 221 | 19 742 |
| Customs Bonds insurance | 642 | 14 584 |
| Aircraft (Hull) insurance | 249 001 | 7 709 |
| Voluntary motor owners third party liability insurance | 17 913 | 931 |
| Aircraft owners general liability insurance | 103 | 0 |
| Credit insurance | 7 200 | 0 |
| Shipowners general liability insurance | 4 080 | 0 |
| In total | 6 488 362 | 8 310 093 |

| Earnings per share | 2003 | 2002 | 2001 | 2000 | 1999 | 1998 |
|---------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Profit for the period (LVL) | 217 028 | 175 080 | 231 175 | 363 929 | 226 326 | 199 437 |
| Number of shares at December 31 | 16 000 | 16 000 | 10 500 | 10 500 | 10 500 | 10 500 |
| Earnings per share (LVL) | 13.56 | 10.94 | 22.02 | 34.66 | 21.55 | 18.99 |

| Analytical indices | 2003 | 2002 | 2001 | 2000 | 1999 | 1998 |
|---------------------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Claims index (%) | 34.1 | 53.3 | 49.3 | 34.6 | 28.8 | 18.0 |
| Maintenance index (%) | 37.6 | 34.2 | 28.7 | 25.0 | 27.5 | 24.8 |
| Combined index (%) | 71.6 | 87.4 | 78.0 | 59.6 | 56.3 | 42.8 |

Claims index calculated as paid gross claims ratio to earned gross premiums.

Upkeep index administrative expenses and client acquisition costs sums ratio to gross premiums.

Combined index calculated as sum of above-mentioned indices.

| Unearned premium reserves movement | Gross amount |
|------------------------------------|--------------|
| Balance at December 31, 1998 | 1 797 187 |
| Changes during report year | 1 003 562 |
| Balance at December 31, 1999 | 2 800 749 |
| Changes during report year | 1 073 232 |
| Balance at December 31, 2000 | 3 873 980 |
| Changes during report year | 164 492 |
| Balance at December 31, 2001 | 4 038 472 |
| Changes during report year | 328 789 |
| Balance at December 31, 2002 | 4 367 261 |
| Changes during report year | 2 631 655 |
| Balance at December 31, 2003 | 6 998 916 |

| Change in unearned premium reserves, year 2002 | Gross amount |
|---|------------------|
| Personal accidents insurance | 4 075 |
| Health insurance | 168 455 |
| Motor CASCO insurance | 885 620 |
| Railway transport insurance | 10 557 |
| Aircraft (Hull) insurance | 167 443 |
| Vessel (Hull) insurance | 38 932 |
| Cargo insurance | 214 981 |
| Property insurance | 256 052 |
| Voluntary motor owners third party liability insurance | 723 |
| Aircraft owners general liability insurance | 155 585 |
| Ship owners general liability insurance | 23 442 |
| General liability insurance | - 33 778 |
| Credit insurance | 11 421 |
| Compulsory motor owners third party liability insurance | 584 497 |
| Customs Bonds insurance | 25 034 |
| Financial risks insurance | 51 675 |
| Travel and business trip insurance | 66 941 |
| In total | 2 631 655 |

Unearned premium reserves are calculated separately for each kind of insurance, using policy accounting program where the term of validity and insurance premium of each contract are stated.

Unearned premium reserve is calculated from written gross premium:

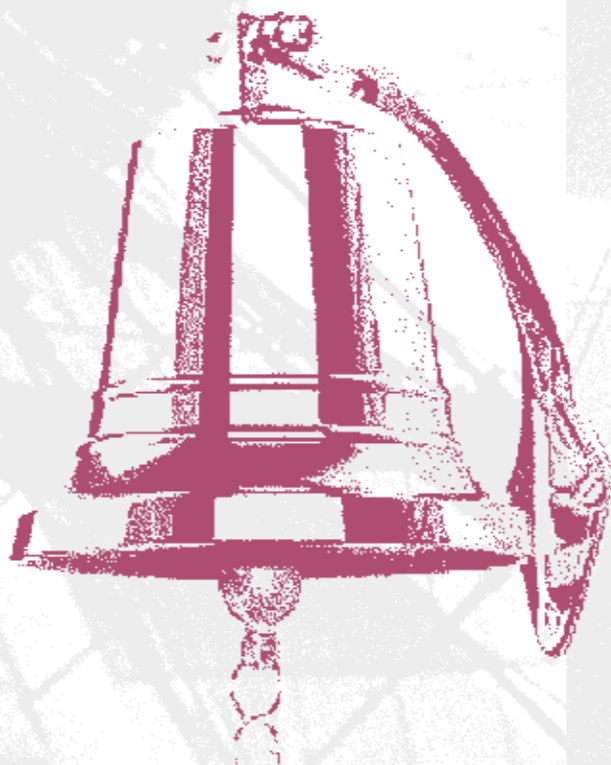
$$UPR = \frac{p \times t}{T}$$

where p - written gross premium,
 t - period of time when insurance contract will be still in force from the day of calculated technical reserve till the contract expiry date.
 T - term of insurance contract.

In formula as a unit of time measure is used day (1/365 method).

Company establishes also capitalized claims technical reserves in amount of LVL 3 313 322, equalization provision in amount of LVL 238 000 and other technical provisions in amount of LVL 530 000. The mentioned reserves are established separately for each type of insurance.

Technical reserves are completely covered by investments that are considered to be safe and liquid.



| Progress of deferred claims reserves | Gross amount |
|--------------------------------------|--------------|
| Balance at December 31, 1998 | 237 503 |
| Changes during report year | 10 336 |
| Balance at December 31, 1999 | 247 839 |
| Changes during report year | 668 794 |
| Balance at December 31, 2000 | 916 634 |
| Changes during report year | 279 715 |
| Balance at December 31, 2001 | 1 196 349 |
| Changes during report year | 168 093 |
| Balance at December 31, 2002 | 1 364 442 |
| Changes during report year | 1 948 880 |
| Balance at December 31, 2003 | 3 313 322 |

| Change in deferred claims reserve, year 2002 | Gross amount |
|---|------------------|
| Personal accidents insurance | 109 691 |
| Health insurance | 191 593 |
| Motor CASCO insurance | 187 873 |
| Railway transport insurance | 3 970 |
| Aircraft (Hull) insurance | 416 598 |
| Vessel (Hull) insurance | 17 386 |
| Cargo insurance | 43 129 |
| Property insurance | 88 741 |
| Voluntary motor owners third party liability insurance | 0 |
| Aircraft owners general liability insurance | 344 602 |
| Ship owners general liability insurance | 5 555 |
| General liability insurance | 31 480 |
| Credit insurance | 20 156 |
| Compulsory motor owners third party liability insurance | 471 389 |
| Customs Bonds insurance | 4 459 |
| Financial risks insurance | - 2 137 |
| Travel and business trip insurance | 14 398 |
| In total | 1 948 880 |

| Client acquisition expenses (LVL) | 2003 | 2002 |
|-------------------------------------|------------------|------------------|
| Commissions to other intermediaries | 2 986 662 | 1 963 314 |
| Agents' commissions | 349 743 | 59 013 |
| Social insurance compulsory costs | 335 783 | 726 999 |
| In total | 3 672 188 | 2 749 326 |

Client acquisition expenses (LVL)

| Administrative expenses (LVL) | 2003 | 2002 |
|---|------------------|------------------|
| Administration expenses | 1 547 946 | 983 293 |
| Wear and tear of fixed assets and non-material values | 273 412 | 305 595 |
| Post, phone, internet | 264 195 | 238 978 |
| Office facilities maintenance | 243 627 | 195 755 |
| Advertising and public relations | 225 609 | 215 722 |
| Rental paid | 192 126 | 139 193 |
| Transport maintenance | 183 803 | 136 529 |
| FCMC* / The Insureds' Benefits Protection Fund | 107 274 | 82 739 |
| Representation expenses | 87 158 | 79 952 |
| Business trips | 81 371 | 65 022 |
| Training courses | 8 580 | 6 330 |
| Other administrative costs | 274 050 | 128 813 |
| In total | 3 489 151 | 2 577 922 |

Administrative expenses (LVL)

| Other technical charges (LVL) | 2003 | 2002 |
|--|----------------|----------------|
| Charges for signing insurance policies | 207 032 | 129 178 |
| Reserves for regular liabilities and expenses | 55 841 | |
| Charges for distribution of other insurers' policies | 48 952 | |
| Overdraft interest paid | 107 | |
| In total | 311 932 | 129 178 |

Other technical charges (LVL)

* - Financial and Capital Market Commission

| Solvency calculation according to paid claims | |
|---|------------------|
| Current year paid claims - IA_K | 21 025 632 |
| The same regarding to reinsurance transactions - IA_P | |
| Reported but not paid claims - AR | 2 458 318 |
| Reported but not paid claims of the previous years - AR_3 | 916 634 |
| Claims paid by Insurer - IA_N | 5 036 799 |
| Total paid claims in the current year - IA_B | 6 488 362 |
| Interresult $IA=IA_N/IA_B$ | 0.776 |
| Interresult $I_Z=K*(IA_K+IA_P+AR-AR_3)$, kur $K=1/3$ | 7 522 439 |
| $E1 = 7.000.000$ EUR, in LVL according to exchange rate at 31.12.2003 | 4 718 000 |
| Interresult $D=E1*0.26+(I_Z-E1)*0.23$ | 1 871 701 |
| Interresult $MN_A=D*IA$ | 1 452 968 |
| Solvency ratio = Own funds/Solvency margin | 127% |

| Solvency calculation according to premiums received | |
|--|------------------|
| Current year received premiums - P | 19 054 804 |
| The same regarding to reinsurance transactions - P_p | |
| Repaid premiums for breaking insurance contracts - I_L | |
| Interresult $PR=P+P_p-I_L$ | 19 054 804 |
| $E = 10.000.000$ EUR, in LVL according to exchange rate at 31.12.2003 | 6 740 000 |
| Interresult $PR*B=E*0.18+(PR-E)*0.16$ | 3 183 569 |
| Claims paid by Insurer - IA_N | 5 036 799 |
| Total claims paid in the current year - IA_B | 6 488 362 |
| Interresult $IA=IA_N/IA_B$ | 0.776 |
| Interresult $MN_P=B*IA$ | 2 471 347 |
| Solvency ratio = Own funds/Solvency margin | 75% |
| * For calculating solvency margin the method worked out by FCMC is used | |
| Calculated solvency margin is greater value of MN_A or MN_P | 2 471 347 |

Solvency margin *, year 2003

