

PRESS RELEASE  
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LUKOIL IS A WINNER OF “BEST PROJECT OF RISK MANAGEMENT IN COMPANIES AND FINANCIAL ORGANIZATIONS” COMPETITION

LUKOIL became one of the winners of the “Best project of risk management in companies and financial organizations” competition.

The Company’s project – “Organization of an effective insurance protection as an element of industrial risks management: practical experience of OAO LUKOIL” – was awarded the winner in the “Best project in the insurance protection development sphere” nomination.

The competition was held by “Expert RA” rating agency. The winners were selected based on the following criteria:

1. Scale of the applied technology (methodology) of the risk management procedures, scale of their impact of the Company’s business.
2. Innovation and originality of the applied technology (methodology) of the risk management procedures.
3. Complexity level of the applied technology (methodology) of the risk management procedures.
4. Demonstration of the results of the applied technology.

Insurance protection of the LUKOIL Group organizations is provided by OAO Kapital Strahovanie that obtained that function based on a bid results. OAO Kapital Strahovanie insures LUKOIL Group in cooperation with world wide brokers (Willis, March), major insurance and reinsurance companies (AIG, Swiss Re etc.), leading appraisal firms (American Appraisal etc.), and specialized expert organizations (Suregrove Ltd., ZAO Industrial risk, State review of projects at Russia’s Ministry of Emergency).

LUKOIL Management approved a corporate document in April, 2003 – “Strategy and policy principals in the area of provision of insurance protection of OAO LUKOIL and its subsidiaries”. Since 2003 the insurance protection activities have been formalized on annual basis as a special corporate document – Insurance protection program for the LUKOIL Group organizations in the next year.

In compliance with the approved procedures, the appraisal of the Company's assets for insurance purpose is performed by independent appraisal companies that are recognized in the global and national markets.

The quantitative appraisal of the risk is performed by ZAO Industrial risk within the framework of the industrial safety declaration. Over 150 declarations were developed in 2003-2005 that were successfully reviewed. The declarations were reviewed by State review of projects at Russia's Ministry of Emergency, leading review body in Russia.

The assets of the Company's subsidiaries were appraised for insurance purpose in 2004-2005. In particular, appraisal of the assets of the refineries and petrochemical plants was performed by American Appraisal (USA).

The major and most hazardous plants were surveyed on regular basis in 2003-2005. The surveys were performed by Suregrove Ltd. (UK), an independent survey organization, as well as by the engineering services of March and Willis, global international brokers, and AIG and Swiss RE, reinsurance companies.

The practice shows that one of the significant threats to the business of vertically integrated oil companies is a possible major emergency at refineries and petrochemical plants.

For this purpose, in 2005, the Kapital Insurance Group continued provision of a reliable insurance protection to the seven refineries and three petrochemical plants of LUKOIL located in Russia, Ukraine, Bulgaria and Romania. The reinsurance program is done through Willis, an international broker. The insurance protection is provided on "from all the risks" basis. The terms of the insurance coverage are unified for all the companies. The liability limit for each insured event is US \$ 400 mln which is the highest liability limit for Russia's oil industry companies. The Kapital Insurance Group set up a unique by its nature long-term program by allocating 60% of the risk for a period of 18 months and 40% of the risk – for 36 months. AIG, large international insurance company, was approached as the leader of the reinsurance program.