

NEWSPAPER INSURER PRESS ISSUE NO 15-16 (13 AUGUST - 10 SEPTEMBER 2008) WITH AN ACCENT PUT ON THE HIGHLIGHTS, HOT TOPICS AND COMMENTS

Dear readers, in the overview of issue no 15-16 of the newspaper *Insurer Press* we put an accent on the highlights and hot topics news and events. We make you acquainted with the analyses and thoughts expressed by the leading insurers and also keep you informed about all that happened within the period between the last two issues of the newspaper.

Happy new returns and best wishes to all who celebrate their birthday! Let's wish all lots of love, good health and happiness to our contributors, friends and well-wishers!

Under the regular heading **Between two issues** on page 2 a place is given to the news from the Financial Supervision Commission (FSC).

The same page also offers hot news and information from the last events in the field of insurance.

In the column **Cross Point** you can find the material of the Executive Editor of the newspaper **Slavimir Genchev**, dedicated to the hot topic of the changes in the field of Health Insurance. It is headed **„Health Insurance Reform: the social insurance payers shall be ready to become insurers“**.

The ideas for change of health insurance model are not only subject to development but also to remarkable twists. Ten years after the adoption of the Law on Health Insurance which laid the beginnings of the Health insurance funding model of the Health care services and presented an opening for development of both mandatory and voluntary health insurance, the model did nothing but to prove its incapability to work to the benefit of the Bulgarian citizens: the constant deficit of the National Health Insurance Fund (NHIF) has come to the front, joined by the corruption (lately replaced by the genteelism „non-regulated payment“), low quality medical service, plenty of paperwork for the family doctors, ER crisis, financial problems of the hospitals, unceasing labor conflicts, trained medical specialists escaping abroad □

On page 2 you can also find information from Social Insurance Supervision Davison of FSC - Supplementary Pension Insurance's results for the first half of 2008.

The assets of the voluntary and professional pension funds fall 8,96% and 2,76% on downturn, respectively. The analysts explain this fall in assets by the expected impact of the financial crisis which started in the end of the last year.

Towards 30th June, 2008 the number of the insured persons in the four types of pension funds, universal, professional, voluntary and those using voluntary professional indemnity insurance schemes is 3,544,185 persons. Compared to the results towards 30.06.2006, the total number of the insured persons increased by 244,734 people or by 7,42%.

On page 6, in the column **Analyses, Ani Dimitrova** is making detailed analysis of the voluntary pension insurance status and examines each type of funds - universal, professional and voluntary. Her conclusions are made clearer with visual aids (diagrams). The results from the first half of 2008 are showing a pattern that differs by those we use to see until now. Towards 30th June, 2008, the Net assets,

accumulated by the three types of funds - universal, professional and voluntary amount BGN 2,39 billion, FSC reports. Compared to the same period of the last (2007) year, the funds registered growth of 29.05%. However, compared to the indicators as from the beginning of this year, the Net assets of the pensions funds barely increased by some 3.09%. The increase is due mainly to the universal funds that marked decrease only in January this year.

We inform you that Gropupama International acquired the shares of DSK Bank and DSK Garancia Life Insurance Company (page 2) and that the Debit Cards of EI Bank (aka SI Bank in Bulgarian) are offered with bonus insurance (page 3).

On page 4, in the column **„Cover Story“** **„In the name of equality“**, **Yoanna Stephanova** is looking to find the answer of the question: *Are there favored companies on the Bulgarian Life Insurance Market?*

It is of great importance that the current legislation would provide for equality of all companies that work in a particular sphere. From there on each company must prove to the customers that it is the best. Is this the real situation?

In its issue No13/ 16 June, 2008, the newspaper **Insurer Press** published the letter of a **Svetla Nestorova** - Chair of Managing Board and CEO, Bulstrad Life, addressed to the Chairman of the Life Insurance Commission at the Association of Bulgarian Insurers (ABI) **Todor Kazandjiev**. By this letter Ms Nestorova referred to the a.m. ABI commission about one unconstitutional provision of the Insurance Code (IC). It is about the range of the newly created Security Fund. According to Art. 311b of IC, this fund shall guarantee the receivables in case of insolvency of an insurer who has a registered office in Bulgaria, as well as in case of third country insurer who has a registered branch in Bulgaria. Accordingly, only these types of insurers are making contributions to the Security Fund. From the range of the fund are excluded the insurers from other EU member-countries active in Bulgaria under the conditions of the Right of establishment or Freedom to provide services. The fact that these insurers are not making any contributions to the fund puts in unfavorable position the other, paying insurers because these contributions are making part of the insurance premium.

It sounds reasonable that the insurers, who are making contributions to the Security Fund would offer higher premiums to their clients and this put them in very unfavorable and non-competitive position compared to the insurers from the other EU member-countries, operating in the country.

By this letter Ms Nestorova suggests for ABI to submit this matter to FSC with request to

put forward in the Parliament to move new amendment of the Insurance Code that must have included in the range of the Security Fund all the participants on the Bulgarian Insurance Market.

On page 5 you can find the conversation with **Orlin Penev**, the Operations **Director** of the insurance company **Allianz Bulgaria Holding**, about the restructuring of the company that was made in the beginning of 2008 and the new approach for optimization of the processes and operations of the group **Allianz Bulgaria** as a whole targeting better financial results and reduction of expenditures. Mr Penev shares that the target of the new operating model is the achievement of better efficiency.

The new process-oriented model of **Allianz** is named **Target Operating Model (TOM)**. This is the restructuring model of all **Allianz's** companies in the world. TOM is based on a simple philosophy - the financial services shall be subject to industrialization. This shall lead to client service's improvement and better service efficiency which is an important indicator both for the managers and the shareholders. Besides his position of Operations Director **Allianz Bulgaria Holding** **Orlin Penev** is also Chairman of the **Association of Bulgarian Insurers (ABI)**. In the interview, extended on pages 7 and 8 of the newspaper, he answers questions about the increasing role and activation of the work of the Association a main factor supporting the processes of implementation of new rules and standards in this branch, full coordination to reach the goals of the association, namely - tight positions and standing up for its members' rights. According to Mr., Penev *„The problem with MTPL insurance is at the mercy of the state“*.

Regarding the Health reform issue he considers as correct the equalization between the health security contributions system's and insurance activities.

Regarding the state of the insurance market, his opinion is that the prices are orderly increasing, the application of an individual risk profile is an important regulator, and also that the Motor Casco Insurance market will be assimilated by the MTPL insurance market, as in Europe.

The prognosis of Mr. Penev for the next year is for a big problem with the financial risks.

Regarding another important problem - the creation of Catastrophe pool, Mr. Penev expressed his view that the adoption of mandatory Catastrophe pool in the country is unthinkable.

During the conversation he makes clear that he sustains the opinion of Ms **Svetla Nestorova** □ CEO of **Bulstrad Life** about the range of the Security Fund,

regulated by the Insurance Code. In conclusion **Orlin Penev** outlined the program of **ABI** before the next General Meeting.

On page 8, in the column **Hot Issues**, **Galina Dimitrova**, Senior Assistant. University of National and World Economy, explains the basic requirements for insurance agents for work in other EU member-countries, ensued by the European Directive and the Code.

On pages 9 and 20 is carried the material of **Temenuga Nenova**, Member of the Board of



the **Guarantee Fund**. The accession of Bulgaria as a Member State of the European Union (EU) discovered new challenges for development and realization. The new aspects of the activity of the **Guarantee Fund** relative to the eurointegration, are as follows:

- liability for accidents on the territory European Union and the European Economic Area (EEA);
- reimbursement of sums, paid out by a compensation body in Member State;
- participation in prevention events, connected with Roads Traffic Safety;
- administration of fund for securing insurance receivables.

The amendments of the Insurance Code, adopted in the end of 2007 regulated administratively the obligations and liabilities of fund with view to the continuing adaptation in the EU

Being a guest of the newspaper **Insurer Press**, **Prof. Dr Ec. Sc. Michail Dinev**, Chairman of the Institute of Certified Public Accountants in Bulgaria (ICPA) answers the questions of **Petar Andassarov** (pages 11 and 12) about the range of activity of the institute, its structure, the criteria and requirements for the certified public accountants. This conversation answers some important questions about the audit activity.

Prof. Dinev shared that his belief that Institute will be of the first in the European Auditors family.

On pages 13 and 14 in the column *„Theme to be continued“*, we continue the publication of the theme **The Risk Management** □ **the guarantee for security and prosperity of the small companies** by reader **doctor Ivanka Boneva**, exclusively for **Insurance Press**.

Ms **Boneva** emphasize that the need of specialized insurance market for regulation and support of the risk management is getting more and more powerful.

On pages 15 and 23, in the column **„Challenges before the Insurance systems“** we keep publishing the materials from the Seventh National Conference

with **International Participation** **„Social Security and Insurance in Bulgaria under the conditions of eurointegration: challenges before the yet continuing adaptation“**

In this issue we make you acquainted with the lecture of **Dr. Silvia Panteleeva-Yordanova** New aspects of the State regulation and Supervision of the private insurance systems in Bulgaria.

Page 16 is dedicated to **Armeets** insurance and reinsurance company.

The second year of the full EU membership of Bulgaria is coming up to be a consecutive year of success for one of the small number of the wholly Bulgarian companies on the General Insurance Market. **Armeets** insurance and reinsurance company while the forecasted growth of the whole market is 20%.

On pages 17 and 21 is published the conversation with **Kiril Chervenkov** and

Sava Stoinov, members of the Board and Executive directors of **LUKOIL GARANT BULGARIA** AD Pension Assurance Company. The company reported the highest profitability amongst the universal funds. The company distributed more than 20% of interest between its universal, professional and voluntary funds for the year 2007.

On page 22 in the column **Document** we publish the letter of **Georgui Bakalov**, Chairman of Union of the Insured in Bulgaria (UIB), addressed to FSC and ABI. The Union sent a letter-proposal to FSC and ABI regarding the Trade practices concerning the price of MTPL Insurance.

On page 24 we continue the publication of the materials from the **Catastrophe insurance workshop in Borovets**. At the workshop the World Bank presented the new Earthquake model for Bulgaria and a variant for Regional pool. In this issue we publish the lecture of **Rashmin Gunasekera**, Catastrophe risk analyst at **Willis Re**. The theme is the relation between the risk exposure, vulnerability and the losses for the insurers.

In the column **In the world** (page 25) the newspaper carries some interesting news for American and Asian insurers.

In the same column, but on pages 27 and 29 you can read the material under the pretentious heading: **Insurance companies - the black boxes of the financial sector**.

On page 28, in the column **Look back, Look forth**, you can read the interview with **Zlatolina Mukova**, Deputy Chair of the Management Board and CEO of **Euroins** Insurance Group.

We are finishing our overview by the words of the Russian writer **Yuriy Poliakov**, Chief Editor of **„Literaturnaya Gazetta“** (in column **Insurance and Personality**): The new inventions are result of the crash of polar dissimilarities.

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