

ISSUE NO20 OF THE NEWSPAPER INSURER PRESS

Dear readers, in the overview of issue no19 of the newspaper „Insurer press“ we put an accent on the highlights and hot topics news and events.

We start by our congratulations to **Mr. Slavimir Gentchev**, Editor in Chief in the newspaper on the high public recognition - he was awarded the National prize named after the big Bulgarian poet Slav Hristov Karaslavov, for the book of poetry „View of Color“. The jury was presided by Petev, chairman of the Bulgarian Writers' Union. The poet Slavimir Gentchev is winner of many other prizes (page 13;17).

Happy new returns and best wishes on the birthday of the Bulgarian Insurance doyen **Dimitar Popov**! His creed is „On and Ever On!“ . On page 16 and 19 you can find the conversation with him together with the congratulations and wishes he received by insurers who used to work with him.

Under the regular heading „**Between two issues**“ on page 2, a place is given to some news from the Financial Supervision Commission (FSC) giving the information that since 1st November the Markets in Financial Instruments Act (MFIA), came into force together with the Ordinance No. 38 on the requirements to the investment intermediaries. There we also read about the meeting of the working group for building of Unified system for insurance fraud counteraction and risk assessment, held on 30 October 2007, in the Hall of „Car Insurance“ office of Allianz Bulgaria Insurance and Reinsurance Company.

Insurance and voluntary health insurance markets statistics data towards the end of July 2007, published by FSC, are listed on the same page. FSC will publish the date not only quarterly but monthly. The general Insurance Gross Premium Income towards the end of July 2007 came to BGN 665 399 thousand. General insurance Compensations Paid out amount of BGN 245 358 thousand. You can find the detailed statistics on the FSC's webpage - www.fsc.bg.

Page 2 is holding also the following information: „Generali Bulgaria Holding“ awarded their best agents“ and „Eurohold Merges Its Insurance Business In A New Company“.

Under the heading „**Happy Birthday**“ we offer our congratulations and best wishes to Mrs **Daniela Petkova**, CEO for Doverie Pension Insurance Company.

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

Some short reviews of interesting articles in similar editions treating the Insurance and Social Security issues, published within the period between the two issues of „**Insurer Press**“, start on page 2 and continue on page 21.

DZI Leader - a unit-linked insurance product, linked with shares in an investment fund is presented during out conversation with Veselin Tonev - director of „Actuaries“ and „Long-term Insurance“ department in DZI Insurance and Reinsurance company - page 3.

On page 5 and under the heading of „**Jubilee**“ Slavimir Gentchev is talking with **Georgui Getzov** - general representative of „Allianz Bulgaria Holding“ - Vratza. Mr. Getzov answers some questions regarding the past and the present of the real General representative office. He shares his opinion on some live questions regarding the Compensation Fund and the Catastrophic pool. He is telling about the last year's obtained results and notes the expectations for the present year.

The Cover Story (page 4 and 6) is devoted to the Insurance Code

Amendments. The story by **Ileana Stoyanova** is headed „**The disagreement with the establishment of the Compensation Fund made business people joining hands**“ On 20 September the Parliament adopted in first reading the amendments of the Insurance Code.

The proposal that mostly provoked the heated discussions between many branch associations - Association of Bulgarian Insurers /ABZ/, Bulgarian Association defending insured and harmed in accidents /ADIHA/ and Bulgarian Association of Insured and Car-accident Casualties /BAICAC/, is the establishment of a special Security Fund. The Security Fund will be making compensation payments on the obligatory MTPL, Accident insurance, Disease and all investment-linked Life insurance products in the cases when the insurer goes bankrupt. In practice the fund is to raise resources by higher amount of the insurance premium. It will guarantee payment of compensation to the clients of an insurance company. The accumulated finances will be managed as State Securities (SS).

Similar security system is already introduced in the banking system covering for deposits and resources lent to investment agents.

The amendments to the Insurance Code provide for distribution of the annual payments per insured person (object) within an amount to be between 1% to 2% of the average premium.

The supplementary installments to be paid as an annual amount are as follows: BGN 1.50 for each MTPL insurance policy BGN 0.20 for each Accident insurance policy; BGN 0.80 for each Disease insurance policy or „Fixed Health Insurance“; BGN 0.70 for Risk insurance policy and BGN 4 of each savings Life insurance policy.

Provided this compulsory payments adopted within the next 5 years the Security fund would accumulate financial resources amounting BGN 30 million that should guarantee 10% of the compensation payments made in non-life insurance or the compensation payments made in life insurance (BGG 262 536 370) towards the end of 2006, which is similar to the total amount of the compensations per type of non-life insurance, which are covered by the Security fund (BGN 269 901 313).

Bulgarian Association defending insured and harmed in accidents /ADIHA/ expressed their satisfaction by the fact that the Security fund will protect the interests of the insurance services customers and will consolidate the trust in the Insurance Branch. The members of the Bulgarian Association of Insured and Car-accident Casualties /BAICAC/ declared that they accept with admiration the idea for the creation of the Security fund. They think this to be the right way to avoid problems with the foreigners who had an accident on the territory of Bulgaria and couldn't be paid any compensation. A problem would arise at the moment when the damage is covered, the compensation - provided but there is no insurer to pay it off. On the one side we have an valid insurance policy but the insurer is really missing. The damaged person shall be not authorized to address a request (fill complaint) to the Security fund while the last does not compensate damages which are covered by a valid policy. This is a real vicious circle and there is no way to get out of it. Finally the injured have no option but to sue Bulgaria for the infringement of the internal legislation.

How does the Security fund strike the business people? - Some people from the Insurance branch consider this to be a political decision since in

this case they did not give the proposal; they also add that such a fund exists only in some of the EU countries. Something more, the same security role is played by the Guarantee fund and the National Bureau of Bulgarian Motor Insurers /NBBMI/ and if they fail to play it, this will provoke a rise of the insurance premia - threaten the insurers.

Even as early as on 22 June 2007. Association of Bulgarian Insurers /ABZ/ expressed their negative standpoint on the establishment of a special Security fund. By the way, ABZ did not change their mind until now.

What are the world best practices in the Compensation Insurer Insolvency Scheme? The reason for Security funds establishment in USA is the big wave of Motor insurers" bankrupts during the 60s of the last century.

The schemes are different in each separate state. At the moment in USA there are more than 100 Insured Protection funds -54 of them are covering life-insurance, the rest - non-life insurance.

In Japan there are compulsory contributions to the Security fund, paid by all insurance companies.

It turns out that in Europe there are not regulatory requirements that are obliging governments to establish Insurance services' customers protection fund providing insurance services protection scheme.

The other hot topics that is given place on the pages of the newspaper **Insurer Press**, is „**Pros and Cons for the Catastrophic Risks Insurance Pool**“; **World Bank shall cover damages at the rate of BGN 10 billion if destructive earthquake occurred in Sofia.** (pages 7 and 21)

We are a little bit perplexed by the fact that at the first of its kind Press Conference of the National Program for Catastrophe Risks Management Association, that was held on 4th October 2007 at Hilton hotel, that was supposed to present the ideas of the „National Initiative for the Catastrophic Risk Management Program“, created with the participation of the parliamentary Policy on Natural Disasters and Accidents Committee, their representatives just left unsaid the truth for their firm stand point - are they „Pro“ the compulsory dwelling insurance as catastrophic risks prevention. And what about the insurance pool? Will it exist and what kind of risks it is supposed to cover?

In our last issue we already informed you that according to the chairman of the association and the Catastrophic insurance pool partisan Mr. Luka Dokov, the last idea of the National Program for Catastrophe Risks Management Association is by the end of this year to make a preliminary model of municipal voluntary insurance model, for each municipality. The money is raised in a separate account and is directly transferred to a reinsurance company, appointed by the World Bank.

And what about the role of the Bulgarian insurers - the part they are supposed to play is still remaining obscure. The World Bank is preparing specific recommendations for each separate country, according to their different risk exposures. There is not a ready-made model that can be applied to Bulgaria and this was explained during the meeting between the representatives of the association and the journalists

According to Mr **Vesselin Uzunov**, chairperson of the parliamentary com-

mission for accidents and disasters policy „only one powerful catastrophic event would expend 18% the GDP of the country“. Luka Dokov shared that the idea for the Catastrophe Risk Insurance Pool seemed frozen for the last 10 years and this fact prompted the creation of the „National Initiative for the Catastrophic Risk Management Program“. **Stefan Botev**, member of the managing board explained that the members are participating as citizens and have no corporate interest, notwithstanding the fact that some are working for insurance companies and world brokers.

Unfortunately the insurers cannot demonstrate a unity of views regarding such a pool. In word they are not **Con** the idea for the organisation of a catastrophe pool covering for the single catastrophic hazard of earthquake. But a big part of the guild firmly rejected the mandatory nature of the dwelling insurance. Meanwhile the Bulgarian insurers demonstrated a consensus of opinion expressed by the Vice-chairman of the Managing Board of the Bulgarian Insurers Association, **Violeta Darakova**, who said that the insurance cannot be made compulsory and the possible pool is to cover the single catastrophic hazard of earthquake.

Each BGN 1, invested in prevention will get BGN 10-20 by return, after a catastrophic event.

The theme of our regular Legal consultation on page 8 is **The Insurance Code keeps modernizing**. Our expert is **Antoaneta Dimolarova** - lawyer and Insurance Code consultant of the Bulgarian Insurance, is on page 8.

„**The Bulgarian Three-Pillar Pension Model is classic and often exemplify other countries**“ - this is the heading of the conversation with **Nikola Abadjiev**, chairman of the Bulgarian Association of Additional Pension Insurance Companies /BAAPIC/. In November the association will celebrate its tenth anniversary with a positive balance. This association provided a basis for the pension reform. Without the efforts of its members --the pension insurance companies which made real, in practical point of view, the pensions schemes that use the capital coverage principle, within the pension security and the creation of the supplementary pension funds, this reform wouldn't be possible. (pages 9 and 21)

On page 11 you can find the continuation from the last issue of the material by the reader doctor **Diana Ivanova**- secretary general of „Prof. d-r Gavriyski“ foundation and the bachelor **Severina Valchanova** - mathematician in their material „**The new conditions impose new research methods of the insurance market**“. This is a study of the Bulgarian insurance market in its dynamics by the help of the Insurance. The two ladies-authors draw the conclusion that „The Bulgarian insurance market is a promising market with potentially growing demand of insurance services and development opportunities according to the European regulations“

In „**Meetings**“ (page 12 and 17) our guest is the reader doctor **Grigorii Vazov**, President and Chairman of Board of Directors of the Senior School of Insurance and Finance. Together with P.Andassarov and Sl.Gentchev he is discussing the financing, the lecturers' staff, the teachers' strike and the quality of „education“ product, as well as the prospects that are in the accelerated development of the international contacts. The general conclusion which was drawn: the high education shall be mastered by the principles of the corporate management, production and realization of the final intellectual product.

On the „fatal“ page 13 of the newspaper **Insurer Press** is given place to the continuation of the last issue's material devoted to 1st October - the Day of the insurer and the 15th anniversary of the Association of the Bulgarian Insurers Here the newspaper carries the whole text of the congratulations from the Minister of Finance **Plamen Oresharski**: „...I also want to thank the Association for the fine teamwork we accomplished in 2006 for the elimination of the delay in the joint commitments related to EU accession...“ Congratulations were offered by **Radoslav Gabrovski**, First Chairman of ABZ, **Apostol Apostolov**, **Ralitsa Agarin** and **Dimitar Jeleu**. **Orlin Penev**, Chairman of ABZ, welcome the guests. You can read some more about the thoughts, provoked by the holiday, the insurance culture, and, of course, the wishes of some highly placed personalities, connected with the insurance, on pages 13 and 14.

Our inquiry What are the conditions, offered by the insurers for Border MTPL?(page17), is answered by **Ildira Pavlova**, director with „H D I - 3Insurance“PLC. „The tariff policy, adopted by the company, is restrictive“, she shared.

Coming to the end of the last newspaper's issue overview we will finish The interesting story by 2nd rank senior research associate dr **Dimitar Shishkov** was submitted exclusively to „Insurer Press“ and published

under the regular heading „**In the world**“ - „**Even the insurers are interested in „flying“ emergency**“. The article talks about he need of use of Emergency helicopters- for the emergency medical help. The experience in Poland is exemplified. Some more about the organization, the benefits and other curious details could be found on page 18.

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