

NEWSPAPER INSURER PRESS ISSUE N°21 (14-28 NOVEMBER 2007) WITH AN ACCENT PUT ON THE HIGHLIGHTS AND HOT TOPICS

Dear readers, in the overview of issue no21 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.

We start by our congratulations to **Petar Andasarov** - the „Action Poet“ on his jubilee poetry night devoted to his 70 anniversary. The Petar Andasarov's jubilee poetry night was held on 30th October this year, under the heading „Sun between us“ in the packed by admirers, friends relative and acquaintances Hall 7 of the National Palace of Culture. The occasion was organized by the Bulgarian Writers' Union in co-operation with the National Palace of Culture. An emotional, inspirational speech about the life course and the creative work of the poet was delivered by the poet Evtim Evtimov. You could share the occasion through the medium of the beautiful pictures of the photograph **Michel Geron** and the emotional article by **Slavimir Genchev**, carried on pages.13 and 16.

Under the heading „**Happy Birthday**“ we offer our congratulations and best wishes to Dr. **Plamen Yalamov**, Executive Director of the Insurance company „Allianz Bulgaria Life“.

Happy new returns and best wishes to all who celebrate their birthday in November! 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 some news from the Financial Supervision Commission (FSC) giving the information about the new companies, entered in the Insurer Brokers Register, who has been granted by an insurance broker license, whose licenses has been withdrawn. Here you can read about the newly adopted documents and regulations, issued by FSC within the time between the last two issues of „Insurer Press“.

On the same page and under „**One to One**“, we are giving the start of our material we determine as „news of this issue“ - „**Hild Bulgaria EOOD are non-licensed service providers**“ (continued on page16).

On 31.10.2007 FSC sent a letter addressed to „**Hild Bulgaria EOOD and Hild Asset Bulgaria**“ by which both companies were notified that the service of paying annuities, or pensions for an indefinite time in the future, after Hild has received the rights over the property of the people involved in the contract, has the characteristics of life insurance services performed by an insurance company, for which Hild has no licence.

On 8th November this year the Parliament carried some amendments to the Insurance Code and found a solution of Hild case. Hild's activity was considered as an insurance services and the transfer of ownership rights - as a premium payment. The company made an official statement that Hild will definitely comply with the Insurance Code and the Bulgarian Legislation.

The theme has been largely discussed by the Association of Bulgarian Insurers (ABI) who supported the FSC's findings that „**What Hild offers is nothing but insurance services**“ (page 16)

„What Hild offers is nothing but insurance services“, Orlin Penev, head of ABI said. Penev said that the Hild's offer to pay a life annuity is absolutely identical to the service given against a pension or annuity insurance. Such an activity is only allowed for licensed companies, and Hild is not one of them, this is also subject to the regulations of Life Insurance Directive 2002/83/EU. Both „Hild Bulgaria“ EOOD /Ltd/ and „Hild Asset Bulgaria“ EAD /Plc/ have not

been granted a license for such an activity. This way **Orlin Penev**, the chairman of the Association of Bulgarian Insurers backed the findings of the Financial Supervision Commission for Hild Bulgaria.

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 19.

The Insurance company KD „Life“ presents its new Life Insurance product, linked with shares in an investment



on the same page 2. According to Stephan Stephanov, CEO of the company, the product „Fundpolice Rent Guarant“ appears for the first time on the Bulgarian market. This is a combination of hedge-fund linked investment and guaranteed rent payment. Full details will be published in our next issue.

In the next issue you will also find detailed information about the training „Professionalism and Professional Standards“, organized by the Bulgarian Actuarial Society (BAS). The training was carried out on 5th and 6th November 2007 in Sofia.

Another interesting event from the beginning of November was the Graduation Ceremony of the Class 2007 of the Insurance and Finances High School (VUZF) - Sofia, held on 1st November - the day of Bulgarian Revival Leaders (page 12 and 17).

On page 17 we note that the assets of the pension funds passed the BGN 2 billion barrier.

The **Cover story: „MTPL“** is developed on few pages by **Joanna Stephanova**. The asked questions for the price of the mandatory insurance, the „bonuses“, payments in installments option, the range, the certificate in English and other important details relative to the MTPL, are answered by leading insurers: **Dancho Danchev**, Chairman of the Managing Board and CEO of Insurance company „Victoria“ (page 4) and **Constantin Velev**, member of the Management Board of „Generali Insurance“ Plc (page 6 and 10). The reader doctor **Radoslav Gabrovski**, Industrial business and Entrepreneurship Department in the Economy Academy „Dimitar Tzenov“ - Svishtov, takes up an attitude to this hot topic on pages 7 and 18.

According to Mr. Danchev MTPL lump sum payment for 3 months period are to be applied for the physical persons. He establishes that when payment in installments the collection rate of MTPL steadily goes down and is up to 60% for the insurance companies majority.

„The MTPL price must not go down“ and the „payment in installments is a

necessary facilitation for the client“ considers **Constantine Velev**.

The story of **Joanna Stephanova** has a very attractive heading „and the subheadings „Is the cost of the mandatory MTPL still going down?“ and „**At the beginning of the campaign no company confesses the increased prices**“ and „**Te game of nerves began**“ (page 4 and 10)

Each year the middle of November gives the unofficial start of the MTPL campaign. Until recently this start has been given by the Financial Supervision Commission (FSC) which was to approve the minimum price of the mandatory insurance. Since the liberalization of the market this „function“ of the Financial Supervision Commission (FSC) dropped off. The high competition between the insurance companies is pushing the prices down. At the very beginning of the insurance companies were observing the recommendations given by the official representatives of the supervisor minimum premium forecast but in their fight for clients some of the companies cut the prices and are selling the compulsory MTPL under the minimum, announced by FSC. In order to find an explanation for the extra low MTPL rates, the insurers applied the so called differentiated approach to the determination of the insurance premium which means precision of each particular risk assessment by applying different criteria translated in limited liability of the insurance company and higher compensations. This way the MTPL in some cities of the country is offered at the remarkable price of BGN40-60.

According to the market data published lately - towards 31st July 2007 the MTPL insurance generated 20% of the premia of the Bulgarian general insurance companies. Almost all insurers we asked said for „Insurer Press“ that the MTPL prices are really low and this price has to fluently go up targeting the minimum prices MTPL is offered on the territory of EU. That means EUR150 which is the price in Slovakia, the lowest in the EU. In Romania the MTPL price is EUR200, etc.

The „Favored trick“ of some insurers was the MTPL offered on an installment plan, but the clients were given one year sticker.

For the last ten days the FSC initiated two important measures of compulsion. FSC sent notification letters to six insurance companies requiring corrections of the MTPL prices until November 9th and introduction of the new prices until November 15th. Few days ago the supervisor adopted instructions, stipulating that if date of the occurrence of the MTPL insurance event is within the time limit that is marked on the sticker, the insurer is imperatively bound by the document he issued for the validity of the MTPL and is liable before the third injured party. The higher damages awarded by the court will leverage the price of MTPL and it will slowly grow up to grow up at EU level.

This way - under the two-side pressure - by the FSC and the growing size of the compensations awarded by the court, the Bulgarian insurers will be forced to increase the price of the compulsory MTPL.

A lot of speculations could be provoked by the point of view of reader doctor **Radoslav Gabrovski** in his publication „**The Market Insurance is a business that is based mainly on the mathematics, the law and the marketing**“. The reader **Gabrovski** is

an acknowledged insurance authority. He has been „studying the insurance“ for more than 30 years, as he mentioned by himself in the introduction of his book „Introduction to the Insurance“

His point of view, according to his words „...is a result of personal researches and analysis of real facts and statistical information from the positions, principles and the traditional conceptions of the insurance theory. I am not aiming to engage someone but just to attract the attention on some obvious (at least for me) facts and evidences that provide ground for reflection regarding the insurance in question. In this one respect and as a representative of the insurance theory I followed mostly the main insurance principles, my thirty years experience as lecturer and the knowledge I gained in the prestigious institutions and insurance companies in Bulgaria and abroad“.....Having studied and processed the available statistical information, the risk development and the dynamics of insurance technical quantities of the examined Motor Third Party Liability (MTPL) of the motorists, tall data are given in a table. The data and the aspects they are offered in, are more than indicative and eloquent facts for the development of the risk, and give the base to draw conclusion regarding the size and the sufficiency of the insurance premia...“

On page 8 and 17 is published the project for **Unified system for insurance fraud counteraction and risk assessment**, which has been found a serious step in the right direction. As the newspaper „Insurer Press“, issue n° 20, already noted, a meeting of the working group for building of Unified system for insurance fraud counteraction and risk assessment was held on 30 October 2007, in the Hall of „Car Insurance“ office of Allianz Bulgaria Insurance and Reinsurance Company. The meeting was organized by the Insurance Security Agency (ISA) in connection with the resolution of National conference for insurance fraud counteraction and risk assessment, held in May this year. The meeting discussed the theoretical and

practical measures that can be taken in order to uncover, counteract against material impairment of the insurance companies and the state.

An integrated informational system of counteraction has to be organized, as well as co-operation practices among the respective bodies in the EU and the unification of the investigation actions. The collected information will be at the disposal of very few people working for the specialized state bodies.

The working group is to lay down the main rules, criteria and the indicators for data entry. Now there is no coordination between the Ministry of Interior, the insurance companies, the supervision bodies and the associations involved in the insurance activities.

Page 11 and 14 are dedicated to the ten years successful business of the supplementary pension insurance in Bulgaria. In her article **Ileana Stoyanova** is publishing some data and also blitz-interviews with three managers of pension insurance companies. The questions about the success, the balance they stroke for the last years and how to reach the western countries and the multifunds are answered by **Daniela Petkova**, Executive Director of Pension Insurance Company „Doverie“, **Nikolai Stoykov**- CEO of „ING Pension Insurance“ and the Manager of „ING Life Insurance“ and **Sofia Hristova**, Executive Director of the Pension Insurance Company „Allianz Bulgaria“..

And we will finish our overview by the interview of **Venelin Uzunov** chairperson of the parliamentary commission for accidents and disasters policy, given during the Insurer Day - 1st October. There Mr. Uzunov is talking about the necessity of active co-operation of the Bulgarian insurers achieve a higher level of the insurance culture and higher security of their dwelling in catastrophic situations. He extended his wishes to the insurers „I hope that in the dialog between the government and the legislative power we will find the best decision for both their business and the interests of the citizens“.

Selection: VANIA PETROVA
Translation: ALBENA DIMITROVA

НОВА БРОКЕРСКА ОРГАНИЗАЦИЯ

Сдружение „Обединени застрахователни брокери“ (ОЗБ) е регистрирано в Софийски градски съд по фирмено дело №13192/2007 г. Учредено е на 23.06.2007 г. от осемнадесет застрахователни брокери, развиващи дейност на територията на цялата страна. Сдружението е с нестопанска цел.

В първите няколко месеца са приети още осем застрахователни брокери, като в момента общият им брой достигна **26**.

Членовете на сдружението имат годишен премиен приход от около **30 млн. лева** и над **100 000 клиенти** (физически и юридически лица). Представителните офиси на ОЗБ в момента надвишават **60 броя**, а **застрахователните консултанти са повече от 1000**. До края на 2008 г. ОЗБ възнамерява да покрие цялата страна с общо 100 свои представителства.

Сдружението има за задача да разработи и осъществи програми за организационно, методическо и научно подпомагане на дейността на членовете си.

На първо място ОЗБ възнамерява да представлява и защитава интересите на своите членове пред трети лица и държавни органи, да си сътрудни-

чи с организации, институции, физически и юридически лица в страната и в чужбина.

Сдружението ще създаде условия за своевременна обмяна на информация и идеи, организирани на семинари, конференции, дискусии и други форуми на регионално и национално ниво.

ОЗБ ще създаде свои структури по аквизиция и ликвидация, чрез които ще улесни дейността на членовете си и ще оптимизира отношенията им със застрахователните компании, след което постепенно ще премине към унифициране на програмните продукти на своите членове. Това ще му позволи да оптимизира дейността и отношенията им (разчетни и други) с тези компании.

Сдружението представлява членовете си на основание изрични пълномощни пред застрахователните компании при подписване и преподписване на брокерските договори.

Органите на управление са **Общо събрание и Управителен съвет** с председател **Максим Максимов**.

„ЗП“