

NEWSPAPER INSURER PRESS ISSUE №14 (30 July - 13 August 2008) WITH AN ACCENT PUT ON THE HIGHLIGHTS, HOT TOPICS AND COMMENTS

Dear readers, in the overview of issue №13 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 re you can find a short review of the Q1 2008 FSC's activity report. The publication highlights the five main aspects of the status and development of the non-bank financial sector.

The full report is published on the webpage of the commission.

Page 2 also offers hot news and information from the last events in the field of insurance.

There is also a curious news story - „Bulgarian Lady became member of Million Dollar Round Table“.

Under the column „Round the Corner“ is published the announcement „CEIOPS invites to 4th Annual Conference“. On behalf of the Committee of European Insurance and Occupational Pensions Supervisors (CEIOPS) FSC is inviting all interested parties to the 4th Annual Conference that will take place on 19 November 2008 in Frankfurt am Main (Germany).

On page 4, under the column „Hot Topics“ is reflected the most significant event within the period between the last two issues of the newspaper - the Commission on Protection of Competition (CPA) announced that on 16th June 2008 they made decision to impose vindicatory sanctions on 14 general insurance companies (including Euroins and Armeec) a total of BGN 2.5 million for entering into a price-fixing cartel agreement for the mandatory Motor Third Party Liability (MTPL). The fine that each insurer should pay ranges from BGN 100k to BGN 250 thousand, and it amounts to BGN 250 thousand for BULSTRAD, Balgarski Imoti and Lev Ins), BGN 175 thousand and both Euroins and Armeec.

CPA mad an analysis of the cartel memorandum and found out that it was targeted to fix a general minimum MTPL premium while maximum rate level of the insurance brokers' commission.

CPA expressly indicated that the stipulated restrictions found grounds on the Insurance Code and the directions of the Financial Supervision Commission.

The immediate reaction of the Association of Bulgarian Insurers (ABI) was to announce that they will appeal

against this decision. This decision provoked a lot of emotional reactions of some managers of companies active in this branch.

Still on this page, under the column Documents, we are publishing the opinion of ABI in the person of Orlin Penev, ABI's Chairman. According to **Mr. Penev**, THE RISK PREMIUM AGREEMENTS SHOULD NOT BE CONSIDERED AS FIXING PRICES BUT FOR STATISTICAL INDICATORS.

We remind you that at the moment when CPC considered this issue on their own initiative, the newspaper Insurer Press conducted a survey among the leading insurers and they flatly denied the contention that this memorandum is a cartel agreement.

One way or another the CPC decision is a fact and therefore we asked some leading insurers for a comment. In this issue you can read the answers-comments of **Roumen Yanchev**, Executive Manager of BULSTRAD Insurance and Reinsurance company: „**The CPC decision is a real absurdity!**“ /pages 4 and 16/; of **Tzvetanka Kroumova**, Executive Manager, ARMEEC Insurance company: „**Are there cartel agreements between the insurers?**“ /page 16/; and of **Kosta Cholakov**, Executive Director, Interamerican Bulgaria ZEAD: „**This CPC act is a big outrage to us!**“ /page 16/.

On page 6, under the column **Analyses**, we are publishing January-May 2008 Insurers data both for General Insurance and private Health insurance.

The main conclusions are that private health insurance options are still not connecting with the Bulgarian consumer as indicated by data of the FSC showing a 3% year-on-year decline in January-May premiums. Generally the Insurance sector clocked a growth of 24.5%.

During the January-May 2008 period the registered general insurance premiums tantamount BGN 592,246 thousand, and the life insurance plans generated BGN 111,004 thousand in premium. The growth compared to the same period in the last year is 23.9% and 27.6% respectively or 24.5% in total for the insurance sector.

This is the official data as per the insurers' reports delivered to FSC.

On page 7 we inform you about the newly out of print issue of the magazine „**Money and Culture**“. The magazine is publication of the Higher School of Insurance and Finance.

On page 8, under the

heading **Team of BENFIELD developed GAP Catastrophe model for Bulgaria**.

Under this heading we continue the publication of the materials from the Catastrophe insurance workshop in Borovets. We remind you that this workshop hosted by the World Bank on 27 May this year, and was attended by more than 70 statesmen, insurers, actuaries, financiers, experts from the Bulgarian Academy of Sciences and construction branch, representatives of the local authorities, foreign brokers and experts, journalists.

The model was developed by Benfield ReMetrics Natural Hazards in co-operation with a team of Bulgarian scientists, led by Associated Professor **Dimcho Solakov**, who is the leading expert on seismic hazard in Bulgaria.

Vladimir Stejskal, the Project Leader for GAPQuake Bulgaria in the Benfield ReMetrics Natural Hazards Team explained, „The model's Hazard component includes a set of more than 31,000 simulated earthquakes that could potentially affect Bulgaria. Professor Solakov commented, „The Vulnerability component was specifically built to reflect Bulgarian building standards.“

Professor Solakov also added, „Bulgaria is part of a seismically active zone in Southeast Europe. Several strong and damaging earthquakes have occurred in Bulgaria during the last two hundred years. He emphasized that the earthquake IS NOT a calamity and this fact has to be largely explained.“

The reports of Mr. Stejskal and professor Solakov are carried out in this issue.

What are the challenges before the insurance systems - the hot topic discussed during the Seventh National conference with international participation „Social security and insurance in Bulgaria under the conditions of eurointegration process: challenges before the yet continuing adaptation“. The section, working on the Challenges before the functioning of the social security systems in Bulgaria, was presided by **Nikola Abadzhiev, Ph.D.S**, President of the Bulgarian Association of Complementary Pension Companies (BACPC). On page 9 we publish the lecture of **Nikolay Ninov**, assistant professor in the Academy of Economics D.A.TSENOV, Svishtov - Long-term care - revision of the policy of the EU member-countries“.

On page 10, under the pretentious heading „ABOUT THE BABYLON TOWER, THE



Rumen Yanchev, Chairman of the Board and CEO, BULSTRAD insurance and reinsurance company. The main accents in the conversation are out on fact that the strategy of BULSTRAD is still the same - sustainable development and growth in line with the market' one; Bulgarski Imoti will develop independently but under another name; the unsophisticated environment is



POLYPHONY AND THE DIVERSITY IN THE INSURANCE“ **Yoanna Stephanova** is still trying to answer the question „Why do we have the lowest insurance penetration within the EC and how to get it increased?“

In its last few issues the newspaper Insurer Press is carrying out some materials of the Seventh National Conference with international participation. In this issue you can find the continuation of the lecture, delivered by Mr. **Rangham Bhir**, Vice President of Allianz New Europe, Munich, Germany. The theme of his lecture is „The challenges before the insurance markets in South-Eastern Europe“.

On pages 11 and 21, under „Live questions“, **Todor Todorov**, reader doctor in the Academy of Economics D.A.TSENOV, Svishtov asks the rhetorical question which is heading the article: **Ecological risk - subject of insurance?**

In the article **R.Dr. Todorov** is offering the scientific point of view to the ecological risk and examines its types and sources. He also examines the global heating and its negative issues. According to Ernst & Young analysts the Global Heating is the most serious strategic threat before the insurance and reinsurance companies.

Pages 12 and 22 are devoted to Interamerican Life. The new company of the Dutch financial giant EURECO B.V. officially announced the start of their activity in Bulgaria. „On the market we will be distinguished by innovation“, shared from the company.

On page 13 and 14 is published the interview with

the reason for the ridiculous prices of the MTPL insurance; the decision of CPC to accuse BULSTRAD in cartelling in product pricing is a nonsense.

On page 15 is the Theme with continuation - The Risk Management - the guarantee for security and prosperity of the small companies by reader doctor **Ivanka Boneva**.

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

In the present issue she stops on Step 2 - Research/scan and also explains Step 3 - Identification of the step-by-step Risk Management process. The article is perspicuously illustrated with graphics and tables.

On page 17, under the column In between the Theory and Practice, **Plamen Petrov**, Dr. Ec. Scs, senior research associate, makes us acquaint with the functions and the powers of Insurance Expert Commission.

On page 19, under In the world Dr. **Dimitar Shishkov**, 2nd rank senior research associate points out that the right direction for the health reform is the Public Private Health Insurance. He also gives some examples of the paradoxes of the Health market.

We are finishing this overview by the words prominent Bulgarian director in theatre **Yavor Gardev**, published under the column Personalities and Insurance - The bigger the challenge - the better motivation.

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