

# ISSUE No19 OF THE NEWSPAPER INSURER PRESS WITH AN ACCENT PUT ON THE HIGHLIGHTS AND HOT TOPICS

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. Let's start by congratulations - „Congratulations to all insurers on 1st October and „Happy 15th Anniversary“ to the Association of the Bulgarian Insurers.

Details on this happy event, emotionally covered by Vanya Toshevska and the beautiful pictures by Michel Geron - on page.13.

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

We are to mark the jubilee of the National Association of the companies providing security services with technical equipment - (NAFOTS). At the end of September the association celebrated its 5th anniversary.

On 1st October - the Day of the insurer, the music and poetry, the new school year was inaugurated in the Insurance and Finances High School (VUZF) and in the Economy Academy „Dimitar Tzenov“ - Svishtov (page10 and 17).

On page 5 the newspaper announces a new insurance product - Allianz Index Extra - special limited series of index-linked life insurance product released by „Allianz Bulgaria Life“ insurance company.

Besides the happy holidays, the newspaper Insurer Press also covers the strenuous workdays of the insurers. Under the regular heading „Between two issues“ on page 2 we read that the Financial Supervision Commission (FSC) confirmed the Prospectus for secondary public offer of the emission of secured (insured) corporate bonds, issued by TBI Leasing PLC, Sofia. FSC as well keeps notifying foreign brokers and insurers.

Information about the adopted at first reading on 4<sup>th</sup> October 2007 amendments of the Measures against money laundering Act - a larger circle of people shall be obliged to apply preventive measures against using the financial system for money laundering purposes, details on page 2.

On the same page and under the heading „FSC published market review of the non-banking financial sector“ you can find an analysis of the published Market Review of the non-banking financial sector for the second quarter of 2007, available online on the website of FSC.

On the page 2 we also focus your attention to some short reviews of interesting articles published by similar editions treating the Insurance and Social Security issues.

Further on the same page starts the publication „Only one powerful catastrophic event would expend 18% the GDP of the country“ (the story continues on page 6). This was announced by Venelin Uzunov, Chairman of the Parliamentary Commission for Disaster Management Policy with the 40th National Assembly, on 04.10.2007, Thursday, at Hilton hotel, during the press conference of the National Program for Catastrophe Risks Management Association.

The story covers some more details about the co-founders of the organization, its goals and views regarding the issue of the mandatory nature and the



risks covered.

There is some animation around the idea for development of National strategy for prevention of catastrophic disasters. In all probability on November 16th and 17th, in Sofia there will be the planned for September round table dedicated to catastrophic risk management. The idea of the forum is to bring together the best motions how a catastrophe pool should be organized and managed, and be able to submit a bill for the introduction of the compulsory dwellings insurance, covering the risks „earthquake“ and „floods“. A special insurance fund or similar form is to be created for fast reaction in a case of catastrophic event.

Mr. Eugeni Gurenko, a distinguished risk management specialist working for World Bank as a head of Catastrophic risks direction, will fly from Washington to participate in the meeting and to present the suggestions of the World Bank.

Living up to its principles to reflect thoroughly and down to the details the events and the hot topics in the field of insurance, the newspaper „Insurer Press“ spreads its regular heading „Cover story“ over two whole pages (4 and 6) giving an excellent reading material for the catastrophic risks and the insurance. The publication is headed „Each 125 years two catastrophic events which can lay out all the reinsurance resources provided“, and subheading This is a prognosis of Aon UK, which is developing catastrophic risks and actuary models.

It is well known that Bulgaria is a risky earthquake area on the Balkan Peninsula. Not more than 4 to 5% of the households in Bulgaria are currently insured against natural disasters and the „earthquake“ risk is covered only in 2%. It is absolutely clear that people are not fully aware of the huge risk or they do rely on the state to cover all damages after an eventual disaster. A striking example for „lack of awareness“ for the possible natural disaster risks for the private property, are the consequences of the last floods when many people became homeless and the state did not manage to compensate them for all losses. Here we should reasonably ask: - What is the solution? Every private property is to be covered by mandatory or voluntary insurance. That's how matters stand in the „white“ countries where the risk is redistributed to all citizens and in a case of disaster, all eligible damages and losses are paid by a special funds (or pools) which have preventively insured the property. The last idea of the National Program for Catastrophe Risks Manage-

ment Association is by the end of this year to make a preliminary model of municipal voluntary insurance model, for each municipality, starting by Veliko Tarnovo, whose deputy mayor, eng. Stefan Botev, is a member of the managing board of the National Initiative for the Catastrophic Risk Management Programme. The insurance cover will be specific for each separate city and every city council will be given possibility to decide which catastrophic risk to cover and to persuade the local citizens to buy insurance with a minimum premium. There will be some exceptions - the municipal insurance will be free of charge for the local low-

income citizens, etc. The money is raised in a separate account and is directly transferred to a reinsurance company, appointed by the World Bank. This way the whole responsibility is finally assumed by the reinsurer and in a case of, God forbid! on occurrence of an insured event (disaster) the sufferers will be automatically paid.

The international insurer broker Aon UK, which is making catastrophic risks models, has developed a special simulative flood risk models for Bulgaria. The model is based on the relation between damages and net losses and respectively the prices and coverage of the insurance policies. The losses curve stands for long-term profitability of the model.

In the offered analysis Aon UK proved that the possibility that one single event can lay out all resources the programme suggests comes to 0.2%. 2 are the events for the next 125 years which can lay out all the reinsurance resources provided.

This is the theme of the interviews given especially for Insurer Press by Mr. Simon Forman, AON RE manager for CEE and Mr. Matthew Eagle, AON UK representative and head of the catastrophe modelling and actuary instruments department.

On page 6 you can read the discussion with Mr. Luka Dokov - chairman of the association National Initiative for the Catastrophic Risk Management Programme. The main questions in this discussion are regarding the visit of Mr. Gurenko, on 27<sup>th</sup> September, at the invitation of the association. Mr. Gurenko introduced the Bulgarian catastrophic pool idea to the management of the World Bank. He committed himself to engage a team of seismologists and financial experts of the World Bank to design a specific program. Mr. Dokov emphasized the difference between the pools in Romania and Turkey, he stressed that there is still not an agreement regarding catastrophic risk management programme. The insurers are not against the organisation of a catastrophe pool covering for the single catastrophic hazard of earthquake but they think it should be voluntary.

The same page reflects the chronology of the major events affecting the establishment of the catastrophic pool in Bulgaria.

The helpful to all of us Legal Advice is on page 7. This time topic is „Border insurance Motor third-party liability (MTPL) of the cars within the EU coun-

tries“. The layer Alexander Stoykov gives a detailed explanation of insurance subject, the covered risks, administration, and time and territory range of this insurance. He makes a brief presentation of the European practices and resolves regarding the Border insurance. The analysis also ranges statistical data and legislative decisions, laid and processed in the national bureaus during 2004-2005r.

Our inquiry has the same subject: What are the conditions, offered by the insurers for MTPL? (Page 8) Mrs Tzvetanka Krumova, executive director and member of the Managing council of the insurance and the reinsurance company „Armeets“ answers this question. „In my opinion Bulgaria as an external border of EU and the assumed approach for detailed regulation of the MTPL is right. The key moment that provides system stability is the reliable reinsurance coverage available. The insurance and reinsurance company Armeets is offering MTPL thanks to our reinsurers' support. For me the limitation of the mediators selling the MTPL is not well grounded: I thing we should have instead strict requirements for the quality of their work, instead of expelling them from this market.“

We took this possibility to ask Mrs Kroumova to share her thoughts on the matter of the amendments of the Insurance code, regarding the Coverage fund as a supplement to the already existing Guarantee fund: „With regard to the Guarantee fund I think the analogy with the state guarantee on saving deposits and the Life saving insurance is fully appropriate. In my personal opinion the functions of the fund are to be limited only to this type of insurance. A presence of guarantee fund with regard of other insurances, for me, just poses the question for the „moral risk“ of the insurance companies“.

On the heading „Premiere“ (page 11 and 16) the newspaper gives place to the held in Grand Hotel Sofia premiere of one innovation book - „Business decisions and organization's security“ by Ec.D Roumen Georguiev, vice-president of the International Union of Economists (IUE), professor and active member of the International Academy of Management (IAM). In the course of the event the book was marked as an exceptionally original intellectual work.

But let's go back to the insurers, on page 12, Anelia Chocheva head of „Financial Risk“ direction in the insurance company Euroins, answers the questions of Petar Andasarov regarding the different insurance products and the financial risks covered by the company. Their discussion continues on page 16.

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 after the new Insurance Law, effective from 2002. This issue is giving information about the marketing researches on the insurance market and the correlation between the main economic and insurance indexes. The development dynamics of the insurance market and the change in its structure are graphically illustrated. The dynamics of the indicators in their fully integrated system, that determines the processes and the phenomena in the field of economics and the insurance in Bulgaria, are studied in a table. To be continued.

On page 15, under „We introduce you“ you can read our conversation with Alexander Konstantinov - manager of insurance and reinsurance company Armeets - Sofia 1 Agency.

The continuation of the interesting story about the „Pension system in France“ by senior ass. Margarita Dakova from the Academy of Economics „D.A.Tzenov“ - Svishtov, is on page 19. It examines the hereditary pension and the pension reform in France. Two tables offer data for the pension expenditure evolution and the public pension expenditure prognosis for 2006.

And again „Around the world“ on page 21 and the very hot problem with calamity damages. Iva Ivanova named her article „Emission impossible“. Annual insured losses from catastrophes such as floods and hurricanes could jump to \$49 billion a year in 2010-2019, up from \$41 billion a year in 2000-2006. Insured losses from natural catastrophes due to climate change are expected to rise 37 per cent in the next decade, resulting in the need for alternative ways to manage risk. Insured damages from natural catastrophes at projected future levels will put pressure on catastrophe risk markets. The insurance industry needs to continue to develop alternative approaches to risk transfer such as catastrophe bonds and risk partnerships between insurers and governments. This is a statement from the research, published by the European insurance leader Allianz in Sidney, on 18th September.

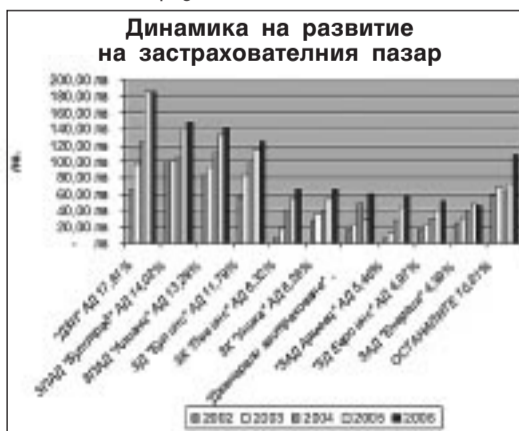
The number of issues of catastrophe bonds, sold to protect against losses from natural disasters, doubled last year to 20 and issues in the first half of this year have already passed last year's total, Allianz said. Last year the insurance companies sold USD4.7 billion of catastrophe bonds against less than USD2 billion in 2005.

You can read further the given examples of small insurance business making money on the base of the public global warming fears attracting new clients on the base their climate changes awareness. The ecologic engagements are good marketing tactic but meanwhile this is an effective way to engage the attention of the world public to the global problem whose solution will have useful effects for both sides.

On page 23 under the heading „Personality and insurance“ the readers of Insurer Press can meet the poet Vaymir Assenov, an author of 18 books of poetry and member of Managing board of the Union of Bulgarian Writers.

You can read his poem „Mythic Godmother“.

Coming to the end of the last newspaper's issue overview we will finish by the words of the poet: „The Insurance and the Poet do protect the Right and Life“.



Let's enhance our insurance culture by the help of reader doctor Diana Ivanova - secretary general of „Prof. dr Gavriyski“ foundation and the bachelor