

NEWSPAPER INSURER PRESS ISSUE №22 (28 November - 12 December 2007) WITH AN ACCENT PUT ON THE HIGHLIGHTS AND HOT TOPICS

Dear readers, in the overview of issue No22 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 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entered in the Insurer Brokers Register; who has been granted by an insurance broker license, whose licenses has been withdrawn.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. FSC lessened the amount of the Guarantee Fund deposit made for every MTPL insurance policy sold, from BGN 10 to BGN 8.50. The directive was promulgated at the proposal of the Council of the Guarantee Fund, whose members are all of the insurance companies selling MTPL insurance.

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 6.

The news of the issue (page 2) is highlighted by the heading „The Security Fund started“. The Guarantee Fund (GF) created the necessary organization for the creation of the Security fund. This has been declared before the newspaper „Insurance Press“ by **Borislav Mihailov**, Guarantee Fund Managing Board chairman and CEO. The interview with him is on page 11.

Within the interview Mr. Mihailov answers the questions of Joanna Stefanova regarding the specific steps that will be made further the Insurance Code's amendments which regulate the creation of the new fund, the financing of the Fund, the price and the range of the MTPL insurance. All amendments of the Insurance Code will be published soon in the State Gazette. The GF administration will be restructured to create a new department that will serve the Security fund (SF). It shall be done by decision of the Managing Board. The Managing Board of the Guarantee Fund shall be making decisions for all claims that should be paid by the fund. By far these issues shall be treated in the Guarantee fund also. The wanted experts - economist-accountant, legal adviser and liquidator will be recruited soon. In order to be paid compensation by the SF, the

allowed people are to apply for before the assignees of the companies that gone bankrupt. Further the assignees shall prepare all necessary documents that give grounds for the compensations to be paid and redirect the claims to the fund. At this stage the deposit that is stipulated in the updated Insurance Code is BGN 1.50 for each MTPL policy. In principle it is normal for the MTPL premium to be raised and this will happen with ease, considers Mr. Mihailov. He answered the question about the range of the Motor Third Party Liability insurance - towards 11th November it remains above the minimum of 90% - 91,78%. The trend is for the compensations going up together with the prices. There are still not big claims from abroad but if an occurrence of such a big insurance event abroad, the relative claims that should be paid by the GF are backed by special reinsurance program to cover all big compensations.

On page 2 you could find information about the discussion forum, which is organized by Finances High School (VUZF) together with the Certified Financial Advisors Institute (CFAI). The topic of the forum is „The professional financial consulting - status and perspectives“. More details follow in the next issue.

The **Cover story: Investments** starts on page 4. The heading of the material of **Joanna Stefanova** is „**The Art of 21st century - make the money work for you**“, and subheadings „**18 years after the beginning of the post-communist transition the Bulgarian is selling houses to buy shares**“ and „**Balance must be found even for investment**“. The first thing that crosses the mind of the Bulgarian is to deposit the saved money into a bank account that pays an interest. For the last few years the fixed deposit rate return (ROI) appears to be so small that even cannot cover the official inflation. Or with other words the invested money just vanished later on. That's why very popular abroad are life insurances with savings element involved. Their Return On Investment (ROI) is guaranteed and is considerably higher compared to the usual rates of the bank deposits interests. These products are successfully fighting the devaluation of the savings while providing protection in case of accident. But even in this case we cannot talk of fast enrichment, lately aimed by many Bulgarians.

These and other questions have been asked by Joana Stefanova of

Maxim Sirakov - First Executive Vice-president of Allianz Bulgaria Holding Plc. The heading of this interview is **People are to remember the lesson they learned by the pyramids.**

Maxim Sirakov shared that there are some legal restrictions imposed to the insurers regarding the real estate investments, investment in securities and the type of securities. Each company is looking for the best assets to invest in its reserves and owned resources, striving to keep the balance between the risk and the profit. Further in the conversation Mr. Sirakov makes an analysis of the different types of investment from the point of view of safety/profitability. The conclusion that has been imposed is: „**The investment that can bring a good profit while well calculated risk could be made in any area...**“.

According to Mr. Sirakov no one of the Bulgarian insurance companies is investing in gold. The insurers are usually conservative investors. All too often the private investment is a point of mentality. The younger people are inclined to risky investments, the elder and those that are near to pension appreciate the real money. People commenced requiring higher investment security. The market gave an immediate answer to the new demand by some „structured“ products which provide a guaranteed minimum. The advice of Maxim Sirakov is to pay more attention during the initial choice of pension and investment fund: check the investors, the managers, the range of the extended state supervision and regulation. In his opinion everybody can invest in risky fund with high profitability, in bank deposit or at least one life insurance policy to cover all risks. But only investment in a business can make a fortune.

Under the regular heading „**Analises**“ Kalin Dimitrov is offering a study of the General insurance and Life insurance market for the first eight months of the present year (pages 6 and 7). While Teya Baicheva is making a snapshot of the status and analyses the dynamics of the Voluntary Health insurance towards the end of August 2007.

The total premium income of the 19 licensed insurers in the field of non-life insurance came to BGN 779 351 thousand for the first eight months of 2007. Only in August only 2007 the insurers accumulated BGN 114 million, given that the premia for the first seven months of 2007 amounted to BGN 295 399 thousand. The compensation payments made during the first eight months of 2007 came to BGN 295 954 thousand. Non-life insurance market was as dominated by motor insurance - Autocasco and MTPL. Both products make 65.71% of all incomes and 87.27% of

all compensation payments.

Bulstrad Insurance and Reinsurance Company remains the leader in the field of non-life insurance with BGN 124 250 thousand and a market share of 15.96%. DZI Insurance and Reinsurance Company came second with gross premium income BGN 110 972 thousand and a market share of 14.24%. Allianz Bulgaria is the third leader with a gross premium income of 99,560 thousand and a market share 12.77%

The gross premium income of the 15 licensed insurers in the field of life insurance came to BGN 138 174 thousand in the end of August 2007. FSC reported that some of the products were not on sale. The compensation payments made for the period came to BGN 34 883 thousand. The product that generated the greatest income (73.91%) and the greatest compensation amount (67.90%) is Life and Annuities. The market concentration is still high as the three leading companies hold 60% of the market. Allianz Bulgaria Life came first with a market share of 25.97%, DZI Insurance and Life Insurance Company with a market share of 18.34% and Uniqa Life came third with a market share of 14.92%

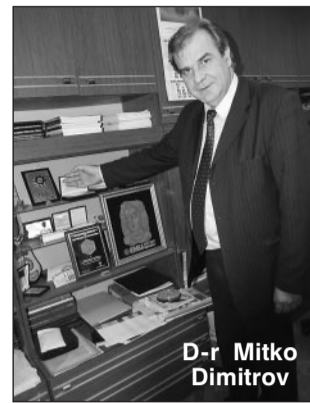
The premium incomes in the field of supplementary health insurance came to BGN 19 273 thousand. Zakrila has generated BGN 7 846 thousand proving the great concentration of the market. Medico-21 came second with income of almost BGN 2 399 thousand and DOM-Zdrave came third with premia BGN 2 605 thousand. The compensation payments made in the field came to BGN 10 119 thousand. The product that generated the greatest income (22.38%) and the greatest compensation amount (25.55%) is Non-hospital Medical Care. The data for all insurers per type of insurance could be found in the tables on pages 7 and 8.

On page 9 we are giving you some information about the international conference discussing internal audit as an important factor in the financial field. The material of Ileana Stoyanova is named „**The internal audit and the risk management - the two sides of one coin.**“

The first international conference discussing internal audit as an important factor in the financial field was held in Sofia, on 7th and 8th November. The forum was organized by the Institute of Internal Auditors in Bulgaria (IIA-Bulgaria). The forum was commenting on the most topical issues concerning internal audit in the fields of finance and gives the participants the chance to share expertise with other professionals working in the same line of business.

Under the heading „**Meetings**“ you can read the interview given to Ileana Stoyanova by senior research associate d-r **Mitko Dimitrov**, Director of the Institute of Economics of the Bulgarian Academy of Sciences (BAS), Advisor of the President on Economic Strategies and Programmes.

He is a chef of a special team in the Institute of Economics in BAS, developing for the last two years the project for a new economic strategy for accelerated development of Bulgaria after EU integration. Mr. Dimitrov was as kind as to answer some questions about this strategy. How this strategy will facilitate Bulgaria to come up with Europe while guaranteeing a new accelerated cycle of economic reforms; the investments in the field of tourism, the commitment between the demographic problems, the income of the Bulgarians and the



D-r Mitko Dimitrov

higher occupancy rate; the agglomerations. Mr. Dimitrov touched the questions about the long term of the strategy - until 2020, the macroeconomic indicators and the GDP growth. He emphasized that: Our strategy is relying on the authority of the President to make problems to emerge into the light and to offer to offer decision.

On pages 12 and 17 **Petar Andasarov** is meeting you with reader doctor **Velichko Adamov**, Rector of Academy of Economics „D.A.Tsenov“ - Svistov

It is no chance that the material is named „**The historic mission to be follower of the benefactor Dimitar Apostolov Tsenov**“.

Mr. Adamov shared the priority tasks in the activity management program of the Academy, what are the new issues of the competition in the field of economic education after our accessment to EU. On these two pages, devoted to the Academy of Economics „D.A.Tsenov“ - Svistov, you can read about the possibility to compete with the Bulgarian and the European universities, the relationships with other high schools all over the world, the „convertibility“ of the diplomas and other interesting thoughts and desires.

On page 14 we continue our theme for the „hot“ MTPL insurance. The conversation in this issue is with **Kosta Cholakov**, CEO of Interamerican Insurance company. According to Mr. Cholakov at the moment the MTPL does not match the assumed risks. On the other hand the published statistical data show that the compensations are growing. This trend will continue for the next few years. The compensation payments made on MTPL increased with BGN 20 000 thousand but at the same time the accumulated premia increased only with 0,4%. The MTPL policy prices will have gone up in order to meet the requirement. for healthy market. Mr. Cholakov answers some other questions asked by the author- about the „bonuses“, the option for payment on installments basis, the range, the certificate in English, the problems and other important details, relative to the compulsory MTPL.

If you want to make guaranteed money, the publication by Ileana Stoyanova on page 18 will be of help. You are given information about the new product of the Insurance company „KD Life“ - Fund policy Renta Garant. Details are given about the advantages, the risk element and the distinguishing marks of this product, compared to similar ones in other companies. A comprehensive definition of hedge fund is given at the same place.

As promised in the last issue, we are giving on page 19 some more information about the training course, organized by the Bulgarian Actuary Association (BAA) - „Professionalism and professional standards“. The course was conducted on 5th and 6th November in Sofia.

On 14.11.2007, a press conference was held in hall Serdika in Sheraton HOTEL where the insurance company VICTORIA officially promoted its international FATA Assicurazioni Danni S.p.A., member of Generali group. (page 20)

Under the regular heading „In the world“ (page 21) this time we are in Poland, where the pension system requires upgrade.

**Selection: VANIA PETROVA
Translation:
ALBENA DIMITROVA**

КАЧЕСТВО НА УСЛУГИТЕ В ЧАСТНИЯ СЕКТОР

● Трета национална среща на частната индустрия за сигурност

В края на дискусиата се проведе среща-диалог със заместник-министъра на вътрешните работи **Румен Андреев**. Участниците във форума приеха Етичен кодекс на частната индустрия за сигурност в Република България. БСИС към момента обединява 4 сдружения: Национална асоциация на фирми за търговска сигурност и охрана (НАФТСО), Национална асоциация на фирми, охраняващи с технически средства (НАФОТС), Българска камара за охрана и сигурност (БКООС) и Национална браншова асоциация ДПожарна и аварийна безопасност“ (НБАПАБ).

Прието бе и обръщение към зако-

нодателната и изпълнителната власт, в което участниците във форума изразиха увереност, че обединението в частния сектор за сигурност ще бъде фактор за решаване на съществуващите в него проблеми, за ефективна защита и представителство на законните интереси на коректните юридически и физически лица в частната индустрия за сигурност, както и за активно участие в развитието на европейския модел на частните услуги за сигурност.

Бел. ред. Подробности за проведената среща ще поместим в следващия брой.

СЛАВИМИР ГЕНЧЕВ

На 5 декември т. г. в Дом № 2 на Резиденция „Бояна“ - София, Българският съюз на индустрията за сигурност (БСИС) организира за трети път национална среща на представителите на частния сектор за сигурност. Участниците дискутираха по три основни теми: отговорностите на частната индустрия за сигурност и реалностите, европейски и социални аспекти на качеството и правна рамка на частните услуги за сигурност. В работата на форума участваха и генералният секретар на Европейската конфедерация на частните услуги за сигурност (CoESS) **Хилде де Клерк** и главният изпълнителен директор на „Евроаларм“ (Асоциация на европейските производители и инсталатори на пожарни и охранителни системи) **Берт ван Лангевелд**. Широко бе дискутиран проектът на нов закон, регламентиращ частната охранителна дейност.