

NEWSPAPER INSURER PRESS ISSUE №2 (30 January - 13 February 2008) WITH AN ACCENT PUT ON THE HIGHLIGHTS, HOT TOPICS AND COMMENTS

Dear readers, in the overview of issue no 2 of the newspaper *Insurer Pressy* 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). Here on the same page is published the information that **„FSC reported 23% insurance market growth“**. The growth in the field of life insurance is 33% and 21% in the field of non-life insurance.

The material **„Development with balance between leadership and profitability“** reflects the press conference of **„Allianz Bulgaria Holding“**, held on 24th January this year, at Radisson Hotel.

„More than one million Bulgarians are active users of the financial services of „Allianz Bulgaria Holding“. For us everyone of these clients is very special and important, while the confidence of these people is a greatest recognition for the companies from the group“. These are words of **Dimitar Zhelev** - CEO of the holding.

The produced data made clear that **„Allianz Bulgaria Holding“** has kept its last year position of the biggest financial group in the country.

There is interesting information about the nomination of Mister/Missis Economics 2007. There are five nominations for contribution to the financial sector development. Amongst them are both **Asen Hristov** - Chair of Supervisory Board of Eurohold Bulgaria Plc and Bulgarian Association of Supplementary Pension Security Companies (BAAASPC). Who are the other nominees - read on page 2.

Details about the selected winners and the official ceremony held on 30th January at Sheraton hotel are available in our next issue.

On page 3 is the interview of **Petar Andassarov** with **Zdravko Shushkov**, Manager of DZI - Sofia Directorate. Mr. Shushkov answers questions about the results from 2007 and the events in the life of DZI - Sofia Directorate. He shares his thoughts about the transition of personnel between the companies, about the campaign-driven work and the different approach to mandatory MTPL (Motor Third Party. Liability) insurance.

The **„Cover story“** is the MTPL. The material is given the rhetoric name **„Doomed to dumping?“** (pages 4, 6, 7). Yoanna Stephanova is making analysis of MTPL market which, only for 12 months, reached a growth of 35%. According to official figures, towards the end of the first 9 months of 2007 compared to the same period of 2006, the collected premia on mandatory MTPL increased by 34.98%. The growth of MTPL market is due not as much to

the raised prices of the mandatory MTPL, as to the increased number of the insured cars. For the 10 months of the last year, the insurers made compensation payments coming to 42% from the MTPL premia. Under condition of the fast growing amounts of the MTPL damages, awarded by the court the expended validity of the MTPL over the territory of the whole EU, this insurance would be rightfully considered as a delayed action bomb. During the last MTPL campaign we became witnesses of one more interesting phenomenon.

Distinguished from the last years when the companies were generous to fault in their offerings of bonuses, now lotteries and raffles seem to be in fashion. This year's campaign started comparatively early - even as early as in November. According to some insurers, even then, almost the half of the market in many villages, small cities, and even in some of the smaller district centers, was **„creamed off“** by the competitors, who were selling the mandatory MTPL for BGN65. Precisely at this time of dumping, the role of FSC Supervision Department became more remarkable. FSC initiated measures of compulsion requiring corrections until November 9th and introduction of the new prices. Only due to these measures, the dangerous malpractice was cut off and the campaign continued at higher prices of MTPL policies, admitted the insurers. For all that, in defiance of reason, even now some companies still offer the mandatory MTPL in the small villages at BGN80-85.

In this particular case, the losers are the insurers, even twice. First of all this is because they cannot reach a gentlemen agreement within the guild, even they are in full consciousness of the fact that this time the financial stability of the whole branch is on pledge. Second, insurers are also losers because they have to spend time and resources in order to prove to FSC that in fact they were just willing to protect their clients in long-term aspect. The memorandum **„for building of general position, undertaking of joint actions, creation of favorable conditions for development of all activities regarding the sale of the mandatory Motor Third Party Liability insurance under the conditions of loyal competition, which guarantee the defense of both interests of**

Bulgarian society and of Insurance community“, better known in the media as **„the cartel agreement“** because of the self-reference of the Commission for Protection of Competition (CPC), one way or another, did not worked to enter into force. The stumbling block was formed by few insurance companies which did not sign the document and in actual fact this made it senseless. Despite all, is the devil so bad as he is painted to the eyes of CPC? You can read the answer in the material under the headline **„The „cartel“ that did not take place“** on page 7.

On page 6 and 7 there is a table with official data from FSC for the indicators, relative to Motor Third Party. Liability insurance and the insurance companies for the first 10 months of 2007 and for the



whole 2006.

The heading: **Gallery „INSURER“** (page 5) started together with the first issue of the **„Insurer Press“** and the conversation with prof. dr.(Econ) **Hristo Draganov**, at that time General Director of MIC - Motor Insurance Company. During the past 13 years we had for guests in the pages of our newspaper many prominent insurance professionals who shaped the history of the insurance business in Bulgaria. All these published conversations entered the last book, which was issued recently under the editorship of **„Insurance Press“**. The book has a cordial welcome and the stocks are very low.

In this issue you can read the conversation of Petar Andassarov with **Plamen Yalamov** - Chairman of the Board of Directors and CEO of Allianz Bulgaria Insurance and Reinsurance Company. On page 8, under the regular heading **„Forum“** you can read the continuation of the materials of the Forth Insurance Conference: Competitiveness of the Bulgarian Insurers on the European market“.

The forum brought together lecturers from the Bulgarian financial, insurance and scientific circles. They discussed and made public their views about the future development of the Bulgarian insurance branch under the conditions of the united European market. **Yurii Todorov**, Chair of the Insurance Security Association, shared his thoughts about the individual insurance risk factor in MTPL risk assess-

ment, which is to be based on the behavior of each driver on the road.

In **„Analyses“** is examined the state of Health insurance business. In her publication on page 9, **Teodora Baycheva** draws the conclusion: **„By the end of November, the Health Insurance market increased to the amount of BGN 22,579 million showing a trend to combination of packages. According to the author, the only difference in the statistical data about the voluntary Health insurance for November, compared to those for October, is in the package with highest percentage of the premium income. Data are given in detailed tables.**

On page 10 **Petya Ivanova** - Director of Center for career orientation and entrepreneurship at Finances High School (VUZF) is explaining how the carrier goes in a parallel with the education.

On page 11 is the continuation of the material from our last issue **„Discussion forum „Professional financial consulting“**. In his report **Bisser Petkov** - Deputy chairperson of the Financial Supervision Commission and charge of the Social Insurance Supervision Division, puts an accent on the role of the financial regulation and education for the development of the financial consulting in the country.

On page 12 is the material of **Doncho Donev** - Consultant Psychologist from Bulgarian Association Defending Insured and Harmed in Accidents (ADIHA), named **„Stress and post-traumatic stress after road traffic accidents“**. According to the author, the insurers still not pay enough attention to this type of trauma, since they do provoke emotional, psychological and physiological reactions, and unaided, very often we cannot cope with.

In **„Our Inquiry“** we addressed the insurance companies the questions: Can we talk at the moment about cartel agreements on the Bulgarian insurance market and in particular in the area of the mandatory MTPL insurance? What are the due measures to be taken in order to avoid the dumping of the prices that should be imminent for the financial stability of some insurers, while preserving the free competition between the companies? Do you think there is a real danger of FSC sanctioning insurers again because of their another go to cartel? The answers of **Petar Avramov** - Chairman of the Management Board and Executive Director of HDI „Insurance“, you can read on page 13.

On the same page is the information **„Rating AA+ for „Cardiff“**. Standard & Poor's said it raised its long long-term

counterparty credit ratings on the insurance companies from the group of BNP Parisbas.

On our **„Bookshelf“** are presented the two new books by prof. dr.(Econ) **Hristo Draganov** -

„Organization and Management of Insurance Business“ and **„Theory of Insurance“**.

Under the heading **„Document“**, we bring to your notice that the Road Traffic Accident Protocols are of importance only when damage of property. There is a citation chapter and verse of the Ordinance #24 Amendment and Supplement Regulations, 2006.

The article on page 19 is very curious. It is on materials of the Institute for Market Economics and examines the economic freedom in the world and in Bulgaria as well. The level of economic freedom found throughout the world remained essentially unchanged over the last year, with overall gains in only two of the five regions examined in the 14th annual Index of Economic Freedom, released today by The Heritage Foundation and The Wall Street Journal.

The 157 nations rated in the new Index received an average economic freedom score of 60.3 (on a scale in which 100 represents the ideal). The Index of Economic Freedom is a series of 10 economic measurements.

Bulgaria's economy is 62.9 percent free, which makes the country the world's 59th freest economy. Bulgaria's overall score is 0.9 percentage point higher than last year, primarily because of improved trade freedom. Bulgaria is ranked 28th freest among the 41 countries in the European region, and its overall score is slightly above the world average. The material examines in details the 10 economic measurements, used for the analyses.

In our regular heading **„In the world“** there is the news that the investment group of the fabulous USA investor Warren Buffett - Berkshire Hathaway, has bought 3 per cent of the reinsurance company Swiss Re as a part of another large scale transaction.

Swiss Re will offshore in Vietnam. The Swiss Swiss Re has agreed to buy 25% of stake from Vietnam National Reinsurance Corporation (VinaRe).

Here you will also learn about Generali PPF Holding with headquarters in Prague. After obtaining all necessary regulatory approvals the PPF Group and the Generali Group, have finalized the announced transaction and combined their Central and Eastern European insurance businesses.

On the same page you can also read some information about the biggest Croatian insurance company Croatia Osiguranje which announced its financial results for 2007.

We finish our overview by the words of Ilda Pavlova - Member of the Management Board and Sales Director with HDI, she said for **„Women in the Insurance Business“** (page 22).

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