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International Cooperative and Mutual Insurance Federation

Facts and figures

Mutual and cooperative insurance in Europe
Vol 2

Excerpt: Bulgaria

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Methodology

Business scope

The study focuses on the direct insurance sector and does not in principle include reinsurance. Therefore, the report is based on direct (gross) premiums written by insurance companies (in both the total market and mutual/cooperative market) and reinsurance premiums have, where possible, been eliminated.

Types of insurers included

The main purpose of the study is to describe the mutual and cooperative insurance sector by highlighting the size, relevance and socio-economic importance of mutual and cooperative insurers in the region.

The definition of the “total mutual/cooperative insurance sector” in this report¹ includes insurance undertakings whose legal status is classified as “mutual” or “cooperative” in their national law, as well as insurers whose structure and values reflect the mutual/cooperative form (see definition 3 below).

Extending the definition in this way has enabled the study to include all organisations which operate on mutual/cooperative principles, in line with the report’s research objectives, without being restricted by legal definitions, of which there is a wide variety across Europe.

Insurance companies included in this study have been categorised by three definitions relating to their legal structure and ownership.

1. Mutual/cooperative insurers in the legal form (definition 1)

Mutual and cooperative insurers in a legal form of a (insurance) mutual or cooperative.

In addition, insurance undertakings whose legal structure corresponds to or is in some way aligned with the mutual/cooperative model and whose legal structure is different to a joint-stock (limited) company. These include friendly societies, community benefit societies² and protection and indemnity (P&I) clubs.^{3,4}

2. Subsidiaries of mutual/cooperative insurers in the legal form (definition 2)

Subsidiaries of a (definition 1) mutual or cooperative insurer in the legal form.⁵ These are commonly operated in the legal form of a joint stock or limited company. In any given market, insurance companies within this definition include subsidiaries of both domestic and foreign-based (including non-European markets) mutual/cooperative insurers in the legal form.

3. Mutual/cooperative-type insurers (definition 3)

This encompasses the remaining mutual/cooperative insurance companies not classified by definition 1 or definition 2. It includes companies that:

¹ Note that while this definition is the same as the definition used by ICMIF in its *Global Mutual Market Share* reports, there are a number of instances where various companies’ data included in the ICMIF research have been excluded (or classified differently) in this study. These differences will be noted.

² See chapter on the UK.

³ A P&I club is a mutual insurance association that provides risk pooling, information and representation for its members. Unlike a marine insurance company, which reports to its shareholders, a P&I club reports only to its members. Originally, P&I Club members were typically ship owners, ship operators or demise charterers, but more recently freight forwarders and warehouse operators have been able to join.

⁴ Due to the international nature of P&I Clubs, premium data on domestic risks only (if known) are included in each chapter’s figures. For this reason, P&I Clubs in Europe (either registered in or operating within) have been excluded from the ranking of the largest mutual/cooperative insurers (see Top 100 chapter).

⁵ The main condition for inclusion in this category is that the ultimate parent company is itself actively engaged in insurance activities, even if only to a limited extent.

- are owned by, governed by and operated in the interests of their members or policyholders;
- are inspired by mutualist and/or cooperative ideas; and/or
- are structured in such a way that they are not (majority) controlled by outside capital interests.

It features a range of different company structures, often in the legal form of a limited insurance company,⁶ which is majority-owned by a non-insurance mutual or cooperative organisation or group (including banks). It also includes insurance undertakings that are owned by or governed by a membership or community organisation, charitable trust, foundation, union or other non-profit organisation.

Note that when reference is made throughout the report to the “total mutual/cooperative insurance sector (or market)” or the “total number of mutual/cooperative insurance companies”, this refers to all definitions (1-3) of insurers categorised above.

Legal research

Desk research was carried out to produce the legal sections of the report. When information was not readily available, national supervisors, national insurance associations and trade bodies have been consulted where possible.

The ECB annual average exchange rates have been used in the legal part of the report where necessary.

Total insurance market figures

In each chapter, the total number of licensed insurance undertakings has been taken from the national insurance regulator or supervisory body where available. In certain instances, the totals have been adjusted to include insurance undertakings that are licenced and operating within the market, but were not included in the figures produced by the supervisor. Where data was not available from the national supervisor, national insurance associations and trade bodies have been consulted where possible.

To ensure consistency across all markets in this study, figures on the total insurance market in each country have been taken from Swiss Re’s *sigma* data.⁷ These have also been compared against additional data obtained from national supervisors/regulators, although some differences between Swiss Re’s data and supervisory data may be noted. In certain instances, figures produced by Swiss Re have also been adjusted to ensure reporting year consistencies and to include insurance business that is not covered in their data.

Life and non-life business in this study are categorised according to standard EU conventions, which is the same categorisation as in Swiss Re’s data. In relation to health insurance, this is classified as non-life insurance throughout the study, even where it is classified differently in individual markets.⁸

For the statistical part of the report, variable currency exchange rates have been used for the different years, with all figures converted into euros (EUR). To allow for more accurate market share calculations, exchange rates used for the mutual/cooperative insurance sector are the same as those used by Swiss Re in order to be consistent with the euro conversion of the total market figures.

Growth figures of individual markets have been calculated in local currency terms throughout the report unless otherwise stated in order to eliminate misleading effects of exchange rate fluctuations and thus ensure accurate year-on-year comparisons.

Number of members/policyholders

The definition of “members/policyholders” in this instance may refer to the number of customers, clients or people insured by mutual/cooperative insurers, as there is no consistency between markets or companies regarding which figure (if any) is reported.

⁶ In certain markets where insurance companies cannot take the legal form of a mutual or cooperative (or have restrictions on the line of business which they can offer), figures may nevertheless be indicated for the mutual/cooperative insurance market due to the presence of definition 2 and definition 3 insurers.

⁷ Data has been taken from updated statistics, originally published in Swiss Re Institute’s *sigma World Insurance* reports. The most recent report was Swiss Re Institute, *Q3/2016 World insurance in 2015: steady growth amid regional disparities*.

⁸ The major example of this is in Germany, where health insurance is classed as a life insurance product.

However, it should be noted that each policy issued by a mutual/cooperative insurer equates to a single member/policyholder. If an individual person or entity purchases more than one insurance product from mutual/cooperative insurers, that multiplicity of policies will be recognised in the overall member/policyholder figures for each country.



Mutual/cooperative insurance companies

Landscape

Insurance undertakings in Bulgaria are permitted to engage in insurance activities once they have been granted a license from the Financial Supervision Commission¹ – FSC (*Комисия за Финансов Надзор*).² The FSC is an independent government body, responsible for the regulation and oversight of the Bulgarian insurance market.

The activities of life and non-life (re)insurance companies are regulated by a new Insurance Code which entered into force on 1 January 2016 and repealed the Insurance Code of 2005 (*Кодекс за застраховането*). This latest version of the Insurance Code transposes the Solvency II Directive³ into Bulgarian law, following the same regime in relation to the right of access to the EU and EEA market. The Insurance Code excludes insurers from accessing the EU/EEA market if they simultaneously meet five criteria:⁴

- the insurer's annual gross written premium income does not exceed the BGN equivalent of EUR 5 million.
- the gross amount of its technical provisions, without deducting the shares of reinsurers or special purpose vehicles, does not exceed the BGN equivalent of EUR 25 million.
- where the insurer belongs to a group, the gross amount of the technical provisions of the group, without deducting the shares of reinsurers or special purpose vehicles, does not exceed the BGN equivalent of EUR 25 million and if the following additional conditions are met:
 - the group does not have another insurer that has access to the single market, or a reinsurer.
 - all insurers in the group have their head offices in the Republic of Bulgaria.
 - the business of the insurer does not include insurance or inward reinsurance of risks under points 10 to 15, Section II, letter "A" of Annex No 1 of the Insurance Code, unless they are covered as ancillary risks within the meaning of Article 30.
- regarding the business of inward reinsurance of the insurer:
 - its premium income does not exceed the BGN equivalent of EUR 500,000 or 10 % of the gross written premium income, respectively.
 - its technical provisions, without deducting the shares of reinsurers or special purpose vehicles, do not exceed the BGN equivalent of EUR 2,500,000 or 10% of the gross technical provisions, without deducting the shares of reinsurers or special purpose vehicles.

An insurer is not permitted to perform both life and non-life insurance operations, except in cases where a life insurer wants to perform accident and sickness insurance operations or *vice versa*.⁵ An insurer engaged in both life insurance, and accident and sickness insurance must be organised in such a way that the life insurance activity is distinct from non-life insurance activity.⁶

¹ FSC's [website](#).

² Article 28 of the Insurance Code of 29 December 2015.

³ Directive 2009/138 EC of the European Parliament and of the Council of 25 November 2009 on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II) [2009] OJ L335.

⁴ Article 16 of the Insurance Code.

⁵ Article 24(1) of the Insurance Code.

⁶ Article 141(1) of the Insurance Code.

An insurance undertaking in Bulgaria can take the following forms:⁷

- a joint stock company (*акционерно дружество*)
- a mutual insurance cooperative (*взаимозастрахователна кооперация*)
- a European Company (*Европейско дружество*)

Bulgarian legislation does not provide for any legal type of mutual insurance other than a mutual insurance cooperative. A mutual insurance cooperative is established and operates under the Cooperatives Act,⁸ unless the Insurance Code provides otherwise.⁹

Mutual insurance cooperatives can only underwrite life insurance, with or without accident and/or sickness insurance.¹⁰

Number of licensed insurance undertakings

In 2015, there were 65 insurance companies authorised by the FSC. This included 30 non-life insurance companies and 15 life insurance companies. There were approximately 20 health insurance companies active which, due to amendments in Bulgarian legislation, had been required to obtain a license as a non-life insurance joint-stock company by mid-2013.¹¹

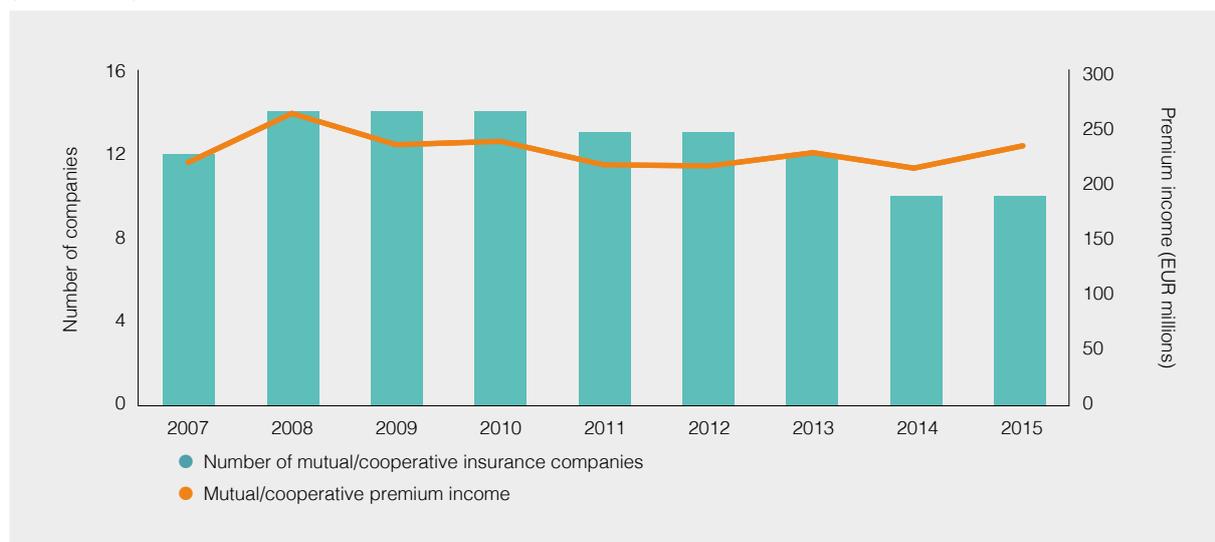
The number of insurance undertakings has increased since 2007, when there was a total of 57 licensed insurance companies (20 non-life insurers, 17 life insurers and 20 health insurers).

Number of mutual/cooperative insurers

There were ten mutual/cooperative insurance undertakings in 2015. This included two mutual insurance cooperatives (legal form), both in the life sector, and eight subsidiaries of foreign mutual/cooperative insurers and mutual/cooperative-type insurers.

The total number of mutual/cooperative insurance companies in Bulgaria was two fewer than in 2007 and down from a peak of 14 insurance undertakings active in the market between 2008 and 2010 (see Figure 1).

Figure 1
Number of mutual/cooperative insurance companies and total mutual/cooperative premium income (2007-2015)



⁷ Article 12(1) of the Insurance Code.

⁸ The Cooperatives Act of 28 December 1999.

⁹ Article 17(2) of the Insurance Code.

¹⁰ Article 17(5) of the Insurance Code.

¹¹ These health insurers were listed as a separate category to life or non-life insurers by the FSC until 1 September 2013, from which date they have been listed as non-life insurance joint stock companies.

Size and growth of the mutual/cooperative insurance sector

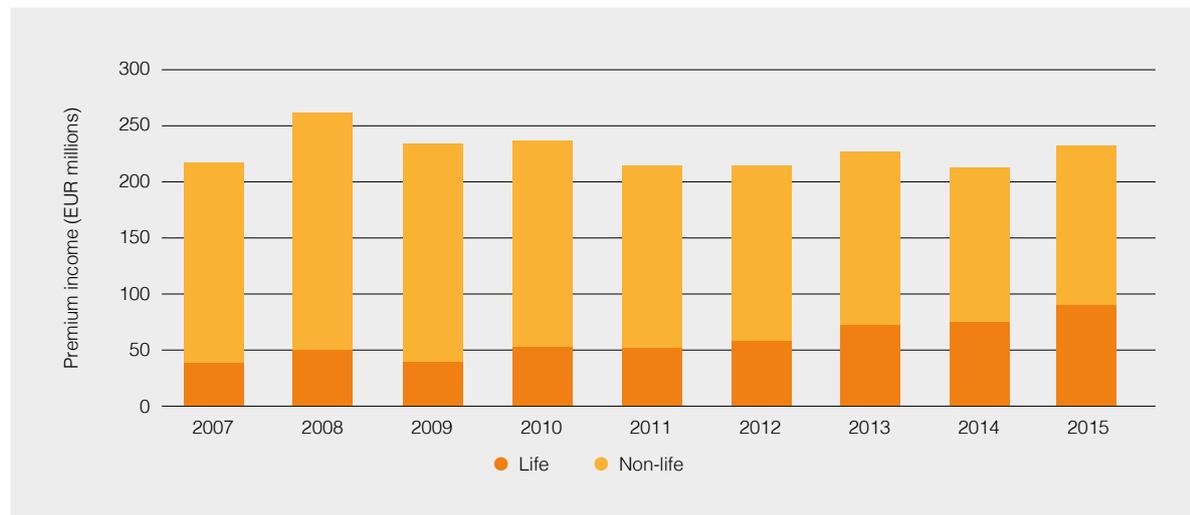
Total

The entire Bulgarian insurance market wrote EUR 964 million in insurance premiums in 2015, the majority (82%) of which was in non-life insurance (EUR 795 million). The total market grew by 24.1% (in local currency terms¹²) since 2007 (EUR 776 million), equivalent to a CAGR of 2.7%.

Mutual/cooperative insurers in Bulgaria wrote EUR 232 million in aggregate premiums in 2015, a growth of 6.7% from 2007 levels (EUR 217 million). Mutual/cooperative growth was weaker than the market average in the period between 2007 and 2015, resulting in a CAGR of 0.8%, despite premium growth of more than 20% in 2008 (see Figure 2). Like the total market, the majority of mutual/cooperative insurance premiums were written in the non-life sector (62%), however, the proportion of total mutual/cooperative insurance business written in the life sector increased to 38% in 2015 from just 18% in 2007.

Figure 2

Premium income of mutual/cooperative insurance companies (2007-2015)



Life

The total life market in Bulgaria has grown by 45.3% since 2007, rising from EUR 116 million in premiums written to EUR 169 million in 2015. Life premiums in the mutual/cooperative sector grew by 130% during this period, increasing from EUR 38 million in 2007 to EUR 89 million in 2015. The CAGR of the mutual/cooperative sector during this period was 11.0%, more than double the total market CAGR (4.8%).

Non-life

Non-life premiums of Bulgarian insurers grew by more than 20% between 2007 (EUR 660 million) and 2015 (EUR 795 million), representing a CAGR of 2.3%. However, in contrast, aggregate premiums of mutual/cooperative insurers fell by 20% during the same period (CAGR of -2.7%). Premium levels dropped from EUR 178 million in 2007 to EUR 143 million in 2015, with six years of negative premium development between 2008 and 2014.

¹² All growth figures are in local currency (Bulgarian lev) terms to avoid any misleading effects of exchange rate fluctuations.

Market share of mutual/cooperative insurance sector

The mutual/cooperative insurance sector represented 24.0% of the total Bulgarian insurance market in 2015 (see Figure 3).

The market share of mutual/cooperative insurers in the legal form was considerably less, at only 0.9%. The majority of the total mutual/cooperative market share in 2015 was held by mutual/cooperative-type insurers (21.3%). A similar trend was observed in the life and non-life sectors, although there was a small mutual/cooperative market share (5.2%) of legal form insurers in the life segment.

As a result of the stronger premium growth in the total market compared to the mutual/cooperative sector, overall market share fell from 27.9% in 2007 to 24.0% in 2015, following a peak of 28.8% in 2010 (see Figure 4). The market share of mutual/cooperative insurers in the legal form in 2015 had also reduced from a peak of 1.7% in 2010, although they still held a larger share in 2015 compared to 2007 (0.4%). Mutual/cooperative-type insurers have experienced a consistent loss in their share of the market since 2007, declining from 26.1%.

Figure 3
Market share of mutual/cooperative insurance companies (2015)

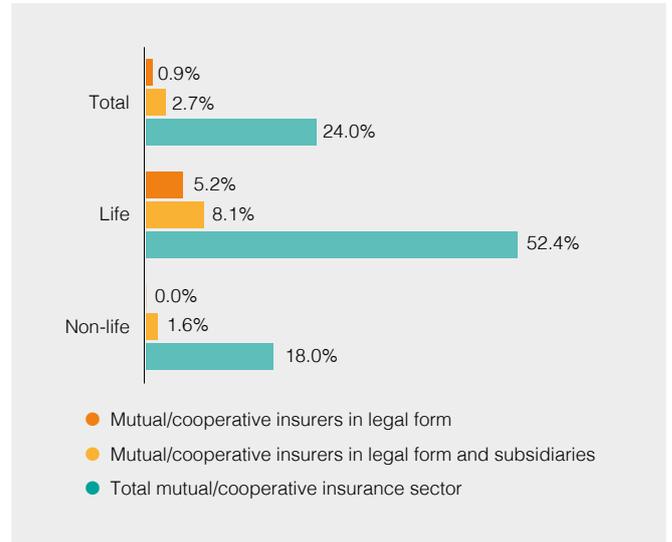
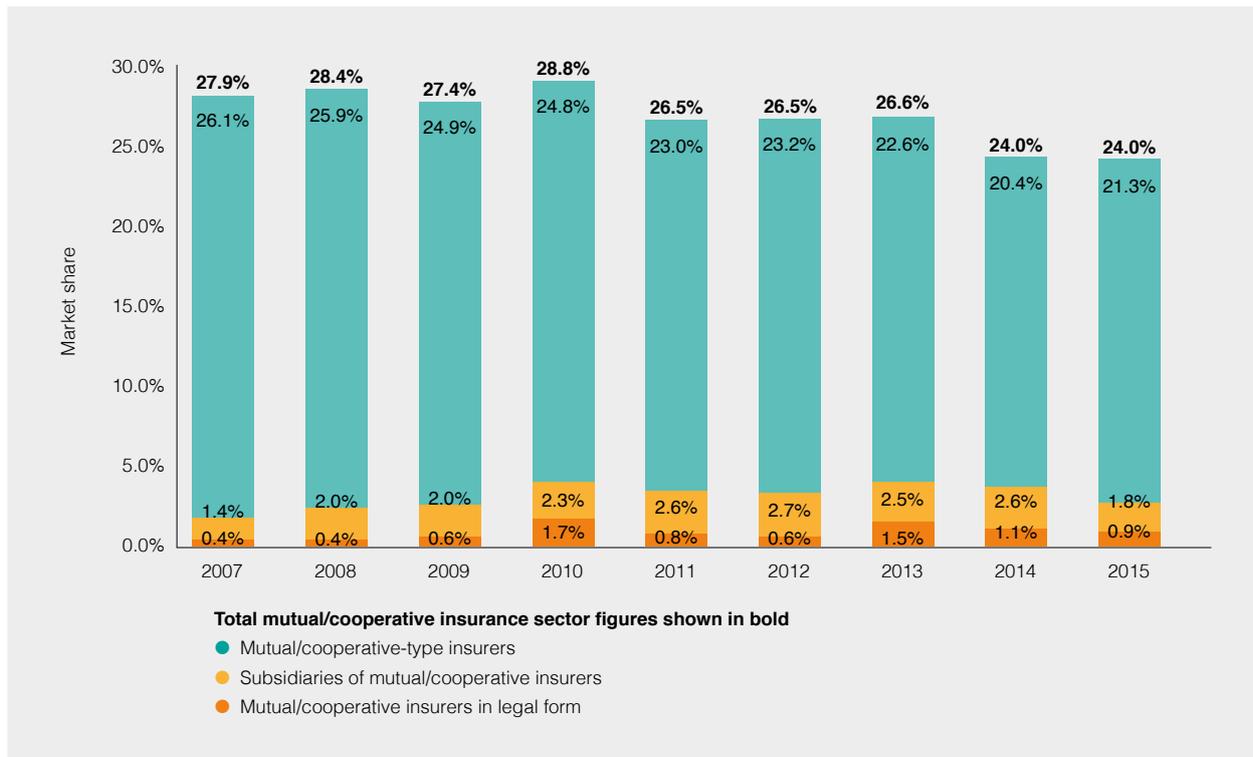


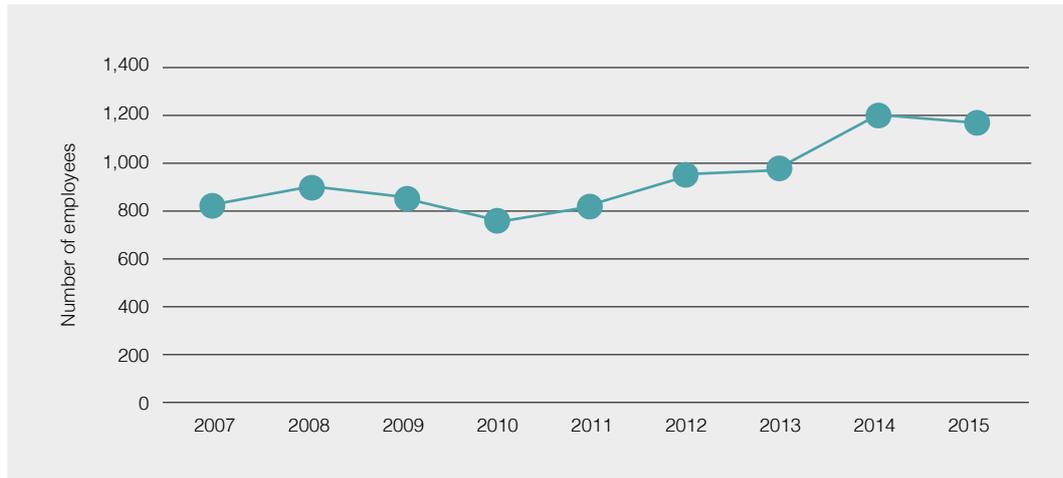
Figure 4
Market share of the mutual/cooperative insurance sector (2007-2015)



Number of employees

In total, 1,169 people were employees of Bulgarian mutual/cooperative insurance companies in 2015 (see Figure 5). This represented an increase of 41.5% from the number of people employed by the mutual/cooperative sector in 2007 (826).

Figure 5
Number of employees of the mutual/cooperative insurance sector (2007-2015)

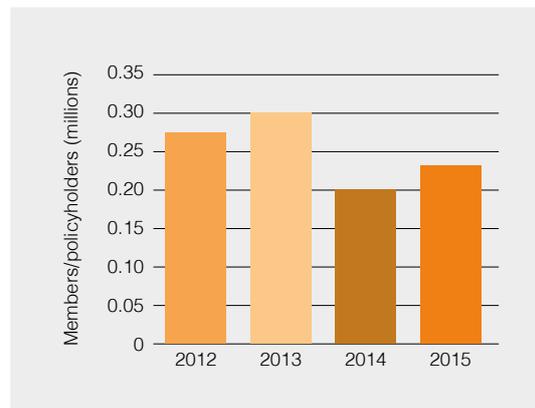


Number of members/policyholders

There was a lack of information about the number of members/policyholders for the Bulgarian mutual/cooperative insurance sector, with data available for just two of the ten mutual/cooperative organisations.

The data available reported that just over 200,000 people were members or policyholders of mutual/cooperative insurers in 2015 (see Figure 6). However, membership numbers had decreased by 15% since 2012, when there were almost 275,000 members/policyholders.

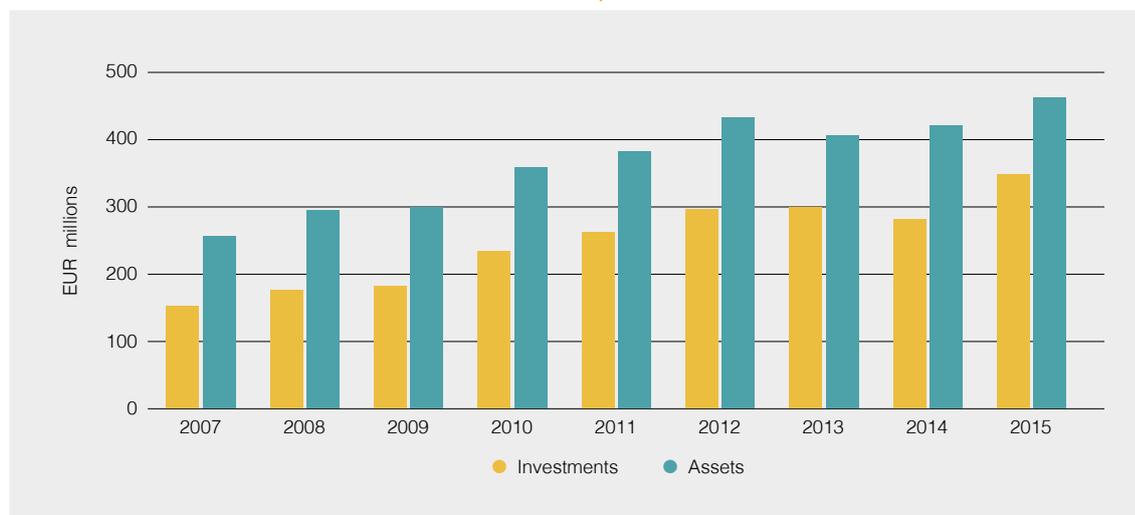
Figure 6
Number of members/policyholders of the mutual/cooperative insurance sector (2012-2015)



Assets and investments

In 2015, the mutual/cooperative insurance sector in Bulgaria held record total assets of EUR 462 million (see Figure 7). Total asset values grew consistently since 2007, reporting positive asset growth in seven of the previous eight years. This steady growth accumulated to a total increase of 80% between 2007 and 2015 (equivalent to a CAGR of 7.6%). The growth of investment assets was even stronger, as total invested assets held by mutual/cooperative insurers grew from EUR 152 million in 2007 to EUR 347 million in 2015 (a significant increase of 127%).

Figure 7
 Total assets and investment assets of the mutual/cooperative insurance sector (2007-2015)



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The International Cooperative and Mutual Insurance Federation (ICMIF) is a best practice organisation committed to giving its members from around the world a competitive advantage. ICMIF helps to grow its mutual and cooperative insurance member organisations by sharing strategies and the latest market intelligence.

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The Association of Mutual Insurers and Insurance Cooperatives in Europe (AMICE) represents the interests of mutual and cooperative insurers in Europe with one united voice and ensures the interests of its members are taken into account in securing a level playing field for all insurers in Europe regardless of their legal form.



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