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| <b>Date of Rating Committee:</b> | <b>18.12.2018</b> |
| <b>Date of Publication:</b>      | <b>19.12.2018</b> |

BCRA – Credit Rating Agency (BCRA) is the third qualified rating agency in the EU, registered under Regulation (EC) No. 1060/2009 of the European Parliament and of the Council. The credit ratings, assigned by BCRA, are fully recognised throughout the EU and are equal with the other ratings, recognized by European Securities and Markets Authority (ESMA), without any territorial or other limitations.

At a Meeting held on December 18, 2018, the Rating Committee of BCRA – Credit Rating Agency the results of the **review of the ratings “under review” of the insurance companies** with regard to the changes made in the used by BCRA “Methodology of assigning claims paying ability rating”<sup>1</sup> entered into force on June 21, 2018 were discussed.

At the meeting, a decision has been taken to **remove the status “under review”** and to assign/affirm the claims paying ability ratings as follows:

BCRA **affirms** the assigned rating of „DZI – General Insurance“ **EAD**

Long-term claims paying ability rating: **BBB** ;  
Long-term national-scale rating: **AA+ (BG)** ;  
and **changes** the outlook of both ratings from „stable“ to „positive“.

BCRA **affirms** the assigned rating of „IC Lev Ins“ **AD**

Long-term claims paying ability rating: **BB+** ;  
Long-term national-scale rating: **A- (BG)** ;  
and **maintains** the „positive“ outlook of both ratings.

BCRA **affirms** the assigned rating of **IJSC „Armeec“**

Long-term claims paying ability rating: **BB+** ;  
Long-term national-scale rating: **A- (BG)** ;  
and **maintains** the „stable“ outlook of both ratings.

BCRA **affirms** the assigned rating of „IC Evroins“ **AD**

Long-term claims paying ability rating: **BBB-** ;  
Long-term national-scale rating: **A+ (BG)** ;  
and **maintains** the „stable“ outlook of both ratings.

BCRA **affirms** the assigned rating of „IC EIG Re“ **EAD**

Long-term claims paying ability rating: **BB+** ;  
Long-term national-scale rating: **A- (BG)** ;  
and **maintains** the „stable“ outlook of both ratings.

BCRA **affirms** the assigned rating of **IC „Bul Ins“ AD**

Long-term claims paying ability rating: **BB** ;  
Long-term national-scale rating: **BBB (BG)** ;  
and **maintains** the „stable“ outlook of both ratings.

<sup>1</sup> [https://www.bcra-bg.com/files/cpaic\\_methodology\\_2018\\_bg.pdf](https://www.bcra-bg.com/files/cpaic_methodology_2018_bg.pdf)

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Data on Main Key Indicators of the Insurance Companies are set out in the following table:

| Insurance Company:  | „DZI – General Insurance“<br>EAD |         |         | „IC Lev Ins“ AD |         |         | IJSC „Armeec“ |         |         | „IC Evroins“ AD |         |         | „IC EIG Re“ EAD * |        |      | IC „Bul Ins“ AD |         |         |
|---|----------------------------------|---------|---------|-----------------|---------|---------|---------------|---------|---------|-----------------|---------|---------|-------------------|--------|------|-----------------|---------|---------|
|   | 06.2018                          | 2017    | 2016    | 06.2018         | 2017    | 2016    | 06.2018       | 2017    | 2016    | 06.2018         | 2017    | 2016    | 06.2018           | 2017   | 2016 | 06.2018         | 2017    | 2016    |
| <b>Gross Premium Income (BGN '000):</b>                                 | 107 950                          | 188 646 | 169 241 | 132 451         | 204 680 | 195 482 | 106 546       | 194 797 | 182 366 | 80 340          | 143 945 | 117 131 | 10 970            | 11 982 | -    | 76 978          | 115 661 | 130 479 |
| <i>Change on a yearly basis</i>   | 13.1%                            | 11.5%   | 7.1%    | 19.7%           | 4.7%    | 20.0%   | 8.7%          | 6.8%    | -12.2%  | 9.1%            | 22.9%   | -1.0%   | 1.2%              | -      | -    | 44.3%           | -11.4%  | 14.2%   |
| <b>Net Earned Income (BGN '000):</b>                                    | 93 630                           | 171 464 | 157 111 | 81 039          | 141 764 | 152 694 | 60 408        | 112 932 | 147 456 | 69 116          | 81 187  | 88 913  | 6 208             | 8 160  | -    | 31 290          | 50 550  | 61 558  |
| <i>Change on a yearly basis</i>   | -4.3%                            | 9.1%    | 10.7%   | 10.9%           | -7.2%   | -17.2%  | 6.5%          | -23.4%  | -14.6%  | 25.1%           | -8.7%   | -15.0%  | 12.6%             | -      | -    | 103.8%          | -17.9%  | -9.6%   |
| <b>Retention Limit (the % of risk the IC keeps for its own account)</b> | 95.8%                            | 94.6%   | 93.9%   | 62.1%           | 69.4%   | 81.1%   | 61.5%         | 62.3%   | 67.5%   | 88.2%           | 57.9%   | 70.5%   | 86.6%             | 78.7%  | -    | 44.2%           | 39.5%   | 39.3%   |
| <b>Net Financial Result (BGN '000):</b>                                 | 7 061                            | 12 475  | 5 770   | 292             | 361     | 436     | 1 587         | 7 440   | 8 464   | 470             | 121     | 926     | 140               | 95     | -    | 6 232           | 36      | 66      |
| <b>Result from Insurance Activity</b>                                   | 4 519                            | 7 687   | -1 540  | 4 718           | 37 783  | 12 578  | -1 937        | 3 142   | 4 257   | 351             | -1 616  | -201    | 130               | -37    | -    | 485             | -3 323  | 69      |
| Gross claims ratio  | 45.0%                            | 79.9%   | 53.8%   | 64.5%           | 78.4%   | 53.0%   | 59.1%         | 51.8%   | 63.6%   | 63.6%           | 68.7%   | 70.4%   | 59.4%             | 28.0%  | -    | 58.5%           | 52.8%   | 67.0%   |
| Net claims ratio  | 51.1%                            | 54.9%   | 53.4%   | 38.1%           | 39.5%   | 45.6%   | 51.0%         | 43.2%   | 55.9%   | 52.3%           | 46.7%   | 49.8%   | 27.2%             | 46.5%  | -    | 49.6%           | 58.1%   | 43.9%   |
| Expense Ratio   | 15.9%                            | 13.1%   | 11.4%   | 48.6%           | 17.8%   | 23.8%   | 28.3%         | 36.9%   | 25.8%   | 17.9%           | 20.0%   | 15.3%   | 10.7%             | 11.0%  | -    | 40.1%           | 39.5%   | 42.0%   |
| Acquisition Ratio   | 28.2%                            | 27.5%   | 36.2%   | 7.4%            | 16.1%   | 22.3%   | 23.8%         | 17.2%   | 15.3%   | 29.3%           | 35.3%   | 35.1%   | 60.1%             | 43.0%  | -    | 8.7%            | 9.0%    | 14.0%   |
| Combined Ratio  | 95.2%                            | 95.5%   | 101.0%  | 94.2%           | 73.3%   | 91.8%   | 103.2%        | 97.2%   | 97.1%   | 99.5%           | 102.0%  | 100.2%  | 97.9%             | 100.5% | -    | 98.4%           | 106.6%  | 99.9%   |
| Net Earned Income / Equity (Operating Leverage)                         | 92%                              | 176%    | 190%    | 116%            | 204%    | 221%    | 76%           | 146%    | 212%    | 266%            | 318%    | 944%    | 48%               | 64%    | -    | 62%             | 113%    | 138%    |
| Technical Provisions / Equity (Insurance Leverage)                      | 234%                             | 229%    | 250%    | 194%            | 194%    | 195%    | 236%          | 232%    | 263%    | 232%            | 228%    | 598%    | 58%               | 24%    | -    | 127%            | 135%    | 123%    |
| Debt held Outside Insurance Provisions / Equity (Financial Leverage)    | 0.0%                             | 0.0%    | 0.0%    | 6.9%            | 0.0%    | 0.0%    | 25.2%         | 25.9%   | 28.8%   | 32.7%           | 25.5%   | 209.3%  | 4.6%              | 4.7%   | -    | 0.0%            | 0.0%    | 0.0%    |
| <b>Total Equity</b>   | 101 574                          | 97 386  | 82 801  | 69 725          | 69 433  | 69 074  | 79 268        | 77 241  | 69 517  | 26 005          | 25 534  | 9 414   | 12 907            | 12 767 | -    | 50 856          | 44 624  | 44 602  |
| Return on Equity  | 4.5%                             | 13.1%   | 7.1%    | 0.0%            | 0.5%    | 0.6%    | 9.3%          | 10.3%   | 13.1%   | 2.3%            | 1.0%    | 4.3%    | -3.7%             | 0.9%   | -    | 12.8%           | 0.1%    | 0.1%    |
| <b>Total Amount of Investment Portfolio</b>                             | 263 003                          | 271 643 | 252 951 | 78 346          | 73 808  | 77 474  | 135 713       | 153 262 | 211 196 | 38 892          | 42 736  | 49 329  | 6 879             | 6 939  | -    | 69 283          | 61 255  | 69 798  |
| <i>Change on a yearly basis</i>   | 0.1%                             | 7.4%    | 6.5%    | 0.1%            | -4.7%   | -22.8%  | -28.4%        | -27.4%  | 23.3%   | 29.2%           | -13.4%  | 13.9%   | 6.5%              | -      | -    | -3.7%           | -12.2%  | 94.6%   |
| Share of highly liquid assets in the Investment Portfolio               | 85.6%                            | 92.0%   | 93.9%   | 9.1%            | 3.5%    | 6.4%    | 34.4%         | 33.5%   | 32.4%   | 47.5%           | 12.7%   | 36.5%   | 27.0%             | 26.7%  | -    | 19.5%           | 25.9%   | 38.8%   |
| Profitability of Investment Portfolio on TTM                            | 2.4%                             | 2.5%    | 3.2%    | 0.2%            | 0.8%    | 1.4%    | 4.9%          | 4.3%    | 2.5%    | 0.0%            | 6.0%    | 4.7%    | 1.3%              | 4.0%   | -    | 7.7%            | 6.6%    | 1.2%    |
| <b>Ratio of Eligible own funds to SCR **</b>                            | 182%                             | 161%    | n/a     | 111%            | 104%    | n/a     | 128%          | 145%    | n/a     | 124%            | 117%    | n/a     | 152%              | 131%   | -    | 119%            | 105%    | n/a     |
| Ratio of Eligible own funds to MCR **                                   | 405%                             | 415%    | n/a     | 287%            | 270%    | n/a     | 389%          | 450%    | n/a     | 227%            | 245%    | n/a     | 181%              | 153%   | -    | 347%            | 396%    | n/a     |
| Liquidity Ratio of Technical Reserves                                   | 107.5%                           | 116.9%  | 118.9%  | 8.8%            | 6.9%    | 6.7%    | 27.5%         | 30.8%   | 39.7%   | 49.9%           | 22.4%   | 45.7%   | 25.7%             | 85.5%  | -    | 30.1%           | 41.4%   | 55.8%   |
| Liquidity Ratio of the Reserve for Upcoming Payments                    | 179.0%                           | 189.1%  | 182.2%  | 15.3%           | 11.7%   | 12.2%   | 48.4%         | 53.4%   | 63.0%   | 80.1%           | 35.0%   | 68.6%   | 66.4%             | 146.2% | -    | 40.9%           | 54.4%   | 86.0%   |

\* Data of the company's activity for 2016 are not available, as the company is restructured, the insurance portfolio is practically set to zero (transferred) and the indicators have no analytical value;

\*\* Data of Ratio of Eligible own funds to SCR and Ratio of Eligible own funds to MCR for the year 2016 are not officially presented by the FSC.