

**ZK „Lev Ins” AD**

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<i>Claims Paying Ability Rating</i>	Initial Rating 6.2006	Non-requested Update 11.2007	Non-requested Update 11.2008	Update 7.2009	Update 20.07.2010	Monitoring 07.12.2010
Long-term rating :	<b>BB+</b>	<b>iBBB-(n)</b>	<b>iBBB(n)</b>	<b>iA-</b>	<b>iA-</b>	<b>iA-</b>
Outlook :		<i>positive</i>	<i>positive</i>	<i>stable</i>	<i>stable</i>	<i>negative</i>
Short-term rating :		ia-3	ia-2	ia-1	ia-1	ia-1

**Bulgarian Credit Rating Agency (BCRA)** is the only Bulgarian agency listed as eligible by the Financial Supervision Commission with decision of protocol 25/04.06.2008 and its credit ratings are acknowledged equally along with the ratings of **Moody's, Standard & Poor's and Fitch**. In 2004 BCRA adapted the claims paying ability rating methodology for insurance companies from ICRA (An associate of Moody's Investors Service). The rating scale of BCRA coincides with the rating scale of **Standard & Poor's**.

**BCRA retains the long-term claims paying ability rating iA- to ZK „Lev Ins” AD and the short-term rating ia-1 and changes the outlook from stable to negative.** BCRA applies the officially adopted methodology of awarding of claims paying ability to insurance companies ([http://www.bcra-bg.com/files/file\\_106.pdf](http://www.bcra-bg.com/files/file_106.pdf)).

During the monitoring executed as of 30.09.2010 BCRA found out the parameters related to the insurance activity and the financial state of ZK „Lev Ins” AD were deteriorated. Increase of the concentration of insurance portfolio, growth of Net Claims Ratio and Expense and Commission Ratios are available. The Combined Expense Ratio also increased significantly. Its values show a significant loss of insurance activity and despite the positive result of investment activity, the company has registered Negative Financial Result as of the end of the period under review amounting to BGN 17 134 thousand.

For these reasons, the Rating Committee of BCRA dated back to 07.12.2010 took a decision to retain the assigned rating (iA-, short-term – ia-1) and changes the outlook from stable to negative.

	9.2010	2009	9.2009
Share of Third Party Liability in the portfolio	74.9%	63.9%	60.0%
Net Claims Ratio	50.08%	42.35%	42.70%
Expense Ratio	45.06%	42.38%	35.02%
Net Commission Ratio	25.03%	23.00%	22.55%
Combined Expense Ratio	120.16%	107.74%	100.26%
Net Earned Income	99 447	156 339	113 071
Financial Result (thousand leva)	-17 134	7 323	2 938