

ZK „Lev Ins” AD

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Claims Paying Ability Rating	Initial Rating 6.2006	Non-solicited Rating 11.2007	Non-solicited Rating 11.2008	Update 7.2009
Long-term Rating:	BB+	iBBB-(ns)	iBBB(ns)	iA-
Outlook:		<i>positive</i>	<i>positive</i>	<i>stable</i>
Short-term Rating:		ia-3	ia-2	ia-1
	Update 20.07.2010	Monitoring 07.12.2010	Monitoring 25.05.2011	Update 25.10.2011
Long-term Rating:	iA-	iA-	iBBB+	iBBB+
Outlook:	<i>stable</i>	<i>negative</i>	<i>negative</i>	<i>developing</i>
Short-term Rating:	ia-1	ia-1	ia-2	ia-2

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BCRA changes the long-term rating for claims paying ability of ZK “Lev Ins” to iBBB+; the short-term is ia-3 and the outlook – “developing”. The officially adopted methodology by BCRA for assignment of claims paying ability rating of insurance companies is used (http://www.bcra-bg.com/files/file_202.pdf).


In elaborating the credit report and assigning the credit rating, the information, provided by the rated bank, BNB, NSI, BCRA's database, consultants and other sources of public information is used.

During the period under review the global crisis continued dominating over the development of the Bulgarian economy, though GDP registered an 1.9% growth for the second quarter in 2011. In 2010 Gross Premium Written (GPW) with the general insurance continued decreasing, as the decline is 5.1% compared to the previous year. In the first half-year of 2011 the shrinkage of the market slowed down to 0.4% on an annual basis.

The insurance density and insurance penetration decreased. The year of 2010 is characterized with unfavourable results for the sector of general insurance services – the companies in the sector registered an increasing loss from insurance activity and decline in the profits from investment activity compared to the previous year of 2009, as a result of which the sector generated a net loss in the amount of BGN 16 387 thousand. For the first time after four consecutive quarters of negative result from insurance activity, in the second quarter of 2011 general insurance companies realized a profit from insurance. Net Incomes from investment activity in the second quarter of 2011 registered a high increase (89.6% on an annual basis) and at the end of the half-year they reached to BGN 29 363 thousand. The high concentration of the market was maintained. The dominating position of the car insurances also remained the same. In the legal framework there were no significant changes.

During the analyzed period there are no changes in the own equity of ZK “Lev Ins” AD. The team of the Managing board are enlarged with two new members. New liquidity centres are built with the aim to improve the quality of the proposed services. Three new insurance products are offered at the market. Actions are undertaken to expand the company license. The process of information security of the company's activity continues.

In 2010 the rated company registered a decline of 19.5% on an annual basis in the realized GPW

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(a decrease of 3.3% on average for the other companies in the sector). The market share of the company decreased to 9.8% (11.5% in 2009). The decline in GPW is in line of the leading insurances – 32.1% on an annual basis with "Autocasco" and 2.2% with Third Party Liability for vehicles. Third Party Liability for vehicles continues holding the highest percentage in the insurance portfolio of ZK „Lev Ins, as its share in the total portfolio grows up by 12.5 % and reached to 76.4%. Next position is occupied by "Autocasco" (20.1%). Generally, the percentage of the car insurances in the portfolio increases to 96.4% (88.1% in 2009). In the first half-year of 2011 ZK „Lev Ins" realized a growth of GPW in direct insurance by 1.4% on an annual basis, whereas the general insurance market shrank by 0.6%. Due to this the company increases its market share slightly to 9.4% (compared to 9.3% as of 6.2010). The percentage of the insurance „Third Party Liability for motor vehicles" increases to 79.4% (compared to 75.9 % as of 6.2010), whereas the percentage of "Autocasco" decreases to 15.7% (compared to 20.2% as of 06.2010). The total percentage of the car insurances registers a decline of 1%.

In 2010 ZK „Lev Ins" registered a growth of Net Claims Ratio – to 49.2% (42.4% in 2009), but they remain lower than the average for the competitive group (58.7%). In the first half-year of 2011 the value of this indicator decreased to 41.8% and it is significantly lower than the average for the other leading companies (54.7%). In 2010 Combined Expense Ratio of the company increased significantly and shows an increase of the loss from insurance activity, which is mainly due to the decrease of Net Earned Premiums maintaining the level of expenses. For the half-year of 2011, the value of the analyzed ratio is 92.5% (100.4% for the same period of the previous year), which shows the company realizes a profit from insurance activity. Its improvement year on year is due to the achieved lower Net Claims Ratio.

In the period under review the company continued maintaining high levels of retention. Significant changes in the re-insurance policy of the company haven't happened.


As of the end of 2010 the investment portfolio of ZK „Lev Ins" AD registered a 2.1% growth on an annual basis, which is significantly lower than the average for the other companies in the general insurance sector (9.6%). The total percentage of high liquid assets (securities and bank deposits) increased by 4.58% reaching to 68.2%; this percentage is higher than the average for the other general insurance companies (65.6%). The

achieved profitability (4.5%) is lower than the average for the other companies in the sector (5.3%). In the first half-year of 2011 the size of the portfolio increased by 6.8% year on year (9.8% for the other companies). Its structure did not undergo significant changes. The total percentage of the investments in securities and bank deposits (68.4%) remained higher than the average for the other general insurance companies (65.7%). The achieved profitability as of 30.06.2011 (8.6%) anticipated highly the average for the other companies in the sector (3.81%). The availability of significant investments in securities of Republic of Greece increased the risk from a loss taking into consideration the low market value of these securities.

In 2010 Net Earned Income of ZK „Lev Ins" decreased by 21.1% on an annual basis (8.7% for the other companies). Negative Net Financial Result is available. Liquidity indicators registered a decline (it is due to the growth of insurance reserves maintaining the size of liquid assets) and the values of the rated company are significantly lower than the average for the competitive group, as well as from the average for the general insurance market. Gross Claims Ratio maintained the same levels of 2009, whereas Net Claims Ratio registered a growth. No change with registered and in-paid equity during the period. The dynamics of the own equity is determined by the current financial result and the uncovered loss with view of this that the company did not allocate dividends in 2010 and first half-year of 2011. Operating and Financial Leverage increased significantly in line of the own equity's decline.

During the first half-year of 2011 the company registered an insignificant decline in GPW by 0.2% (a 0.2% decline for the other companies in the sector). Net Earned Income registered a decline rate to 11.9% (61.8% as of 6.2010). A positive result from insurance activity is available; the market continues registering a loss from this activity. Positive Net Financial Result is realized (BGN 847 thousand) with a registered loss (BGN 2 194 thousand) for the same period of the previous year.

The values of Gross and Net Claims Ratio decreased. The levels of Liquidity Ratio of technical reserves and of the reserve for upcoming payments increased on an annual basis, though they remained lower compared to the average for the other insurance companies and for the sector.

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Main Indicators of ZK "Lev Ins" AD:

	6.2011	6.2010	2010	2009	2008
Gross Premium Product	64 375	64 477	135 198	168 057	158 561
<i>Change on an annual basis</i>	-0.2%	-17.4%	-19.6%	6.0%	55.9%
Net Earned Income	57 030	66 640	134 427	156 399	140 946
<i>Change on an annual basis</i>	-11.9%	-61.8%	-21.1%	11.0%	53.2%
Result from Insurance Activity	4 296	-292	-26 936	-12 100	12 378
Net Profit	847	-2 194	-25 069	7 323	11 842
Gross Claims Ratio	39.8%	65.8%	50.45%	49.0%	40.9%
Net Claims Ratio	41.8%	57.4%	49.22%	42.4%	41.1%
Combined Expense Ratio	92.5%	100.4%	120.0%	107.7%	91.2%
Operating Leverage			409%	270%	278%
Financial Leverage	387%	233%	401%	205%	177%
Liquidity Ratio	2.8%	3.0%	4.1%	5.7%	12.3%
Return on Equity	-55.9%	7.0%	-51.0%	13.6%	25.7%