

**“GLOBAL CHALLENGES FOR
ENVIRONMENT, SUSTAINABILITY AND
FINANCIAL PERFORMANCE IN BULGARIA
FROM THE VIEWPOINT OF
INTERAMERICAN BULGARIA”**

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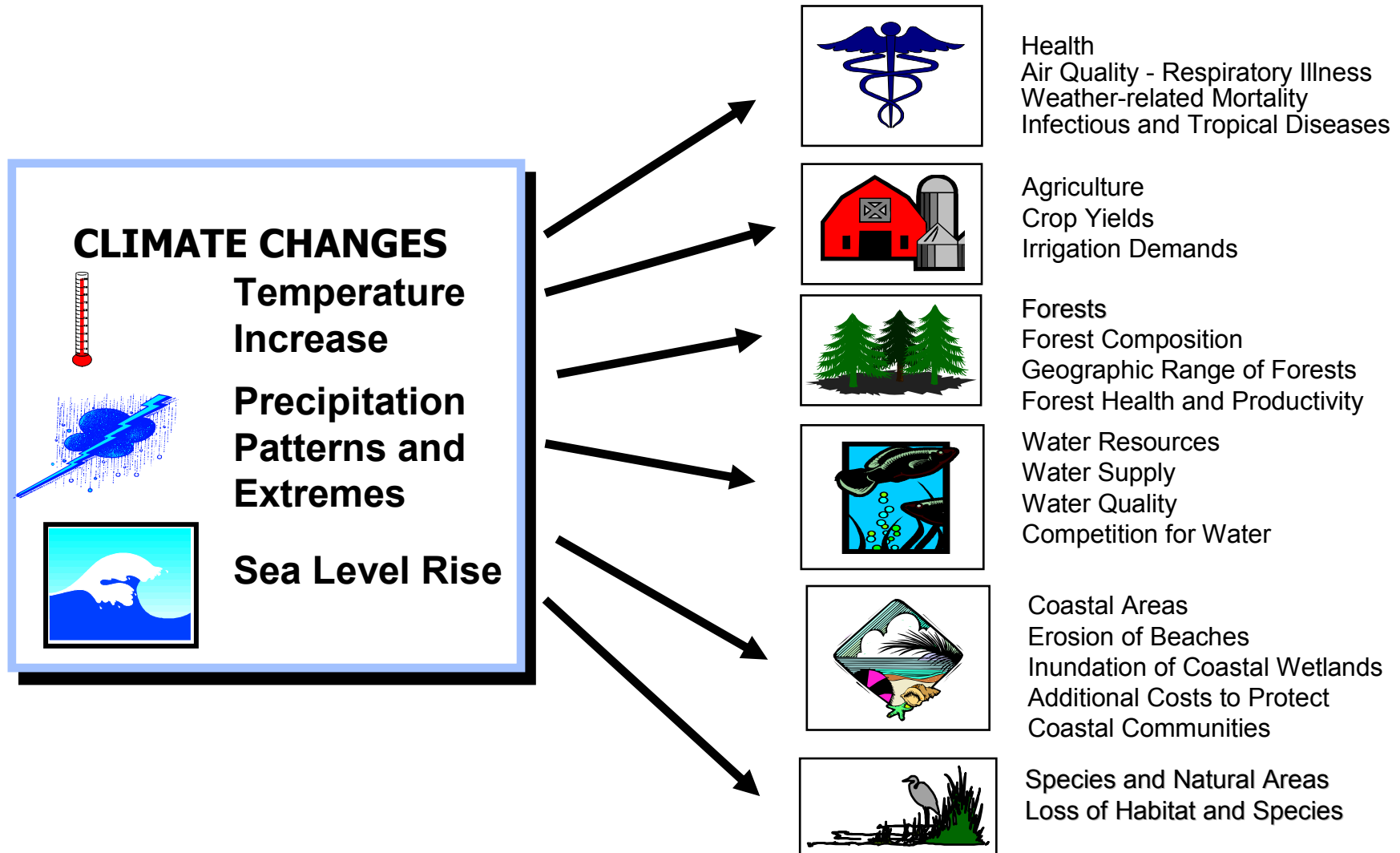
CLIMATE CHANGE

The United Nations Framework Convention on Climate Change (UNFCCC) defines climate change as a “change of climate that is attributed directly or indirectly to human activity, that alters the composition of the global atmosphere, and that is in addition to natural climate variability over comparable time periods.



Human activities can intensify the greenhouse effect

POTENTIAL CLIMATE CHANGE IMPACTS



POSSIBLE SCENARIOS FOR EUROPE

- ✓ A warmer climate will probably lead to more extreme weather like storms and floods.
- ✓ There are estimates that show that frequency of storms will increase by 20 % in hundred years
- ✓ Storms will not behave in the same way as now
- ✓ An increase on wind speed by 5 % causes an increase of damages by 100 %.
- ✓ The damages will not be in just storms but in increase of damage to persons
- ✓ Climate change will lead to more frequent and intense winter storms in Europe, causing increased damage in the long term (This is the conclusion drawn by Swiss Re)
- ✓ Claims are forecast to increase by 16 to 68 % over the period 1975 to 2058 in constant currency (only wind exposure)



THE ENVIRONMENTAL SITUATION IN BULGARIA

Strengths

- Low level of air, water and soil pollution of the territory of the country.
- Large environmentally clean territories.
- Bulgaria is one of the richest countries in Europe as for biological diversity.
- Adopted legislation and programs for implementation of environmental protection policies.
- High percentage of nuclear power generation in the power generation structure.
- Well developed system for monitoring of the environment.

Opportunities

- Use of EU financial tools for solving problems related to the protection of the environment in the country (ISPA, SAPARD, PHARE, etc.).
- Conformity of national priorities in the environmental field with the priorities of international bodies as UN, EU, etc.
- Public behavior in support of the efforts to protect the environment.
- Development of tourism as a priority branch for the country.
- Initiated process of restructuring of the energy sector.

THE ENVIRONMENTAL SITUATION IN BULGARIA

Threats

- Global climate changes and falling of the country in the drought zone.
- High costs of approximation of the Bulgarian legislation with the EU legislation.
- Continuing process of deterioration of forests.
- Expected economic growth based on outdated technologies in the industry and the energy sector.
- Unclear regulation of the monitoring and maintenance and funding of liquidated mines.
- Lack of ratified intergovernmental agreements with neighboring countries in the field of the environment transboundary pollution, river flows, etc.

Weaknesses

- Shortage of funding opportunities high external debt, relatively poor population.
- Lack of sufficient quantity of water re-sources and inefficient use of existing resources.
- High level of noise pollution in cities.
- Low quality of liquid fuels used in the country and deteriorated vehicle fleet's age structure. Considerable pollution from transport sources in large and transit cities.
- Lack of sufficient administrative capacity for the implementation of the new legal documents, especially at municipal level. In some "hot spots" cities, air pollution remains an unsolved problem Unsolved problems of waste.

IMPACT ON EXISTING INSURANCE PRODUCTS, INSURANCE-PORTFOLIOS, PRICES AND RE-INSURANCE

- The impacts of catastrophes on insurance products and the existing portfolios are huge.
- Higher frequencies and severities of e.g. storms, floods, etc. will result in severe losses.

	Life pensions	Life protection	Health	Homeowners	Motor	Business Interruption	Fire
STORM	+	-	-	---	--	--	-
FLOOD	+	-	-	---	-	---	0
HAIL STORMS	+	0	0	--	---	-	0
WOOD FIRES	+	-	-	--	-	-	+
WARM SUMMERS	+	--	--	--	0	-	+
PREMIUM DEVELOPMENT	Down -	Up +	Up +	Up +++	Up ++	Up ++	Up +

Legend:

+++ very positive impact, i.e. less claims, more profit

0 no impact

--- very negative impact, i.e. more claims

CHANGES IN THE INSURANCE MARKET

- ✓ **Global warming** - Global warming is now getting more and more attention of the entire population. This is most likely resulting in an increasing awareness under the people of the risks involved.
In turn this will probably feed the need to cover these risks via (increased) insurance.
- ✓ **Changes and new products and services**
- ✓ **Incentives on existing products Effectively using diversification effects - geographical diversification**
 - diversification effects between product lines
 - especially concerning catastrophes
- ✓ **Insurance Securitisation**
 - Catastrophic Bonds ('CAT bonds')
 - Motor and other non-life risks securitisation
 - XXX Securitisation (Specific for the US-market)
 - EV/VIF-Securitisation
- ✓ **“Solidarity -Solutions” with support of the government**
- ✓ **Strategic partnerships or alliances**

TODAY'S ACTIONS OF INSURERS

- Insurers and re-insurers have actions and working groups about the subject, and are part of dedicated international organizations (IPCC, Geneva Association, ...).
- Insurers and re-insurers are actively involved in global initiatives such as the Carbon Disclosure Project, the UNEP FI, the CFO Forum, the European insurance federation (CEA) and national industry federations. They actively working on the following strategies and projects:
 - Underwriting and the prevention of major industrial risks
 - Auditing and large risk prevention Environmental value added products and services
 - Environmental risk prevention for small and medium-sized businesses
 - Prevention and insurance for environmental protection costs
 - Insuring renewable energy production facilities, as wind farm insurance
 - Motor insurance with an environmental focus -Limited mileage policies
 - Insuring "clean" vehicles

THE STANDPOINT OF INTERAMERICAN BULGARIA ON ENVIRONMENTAL ISSUES

Climate change is one of the subjects most under discussion worldwide, on account of its massive potential impact on the ecology and the economy. The potential effects of climate change are particularly great and require insurers to take a number of measures. As Bulgaria is already European Union member and Interamerican Bulgaria is a part of Eureka group, our company is facing the responsibility to shoulder our corporate social and environmental responsibility and that is why Interamerican is up to adopt the Group's measures connected with the climate change's economic and ecological impact, as follows:

- ✓ Mitigation
- ✓ Adaptation

**THANK YOU FOR YOUR
ATTENTION!**