

To

the Department of Insurance and Social  
Security

at D. A. Tsenov Academy of Economics –  
Svishtov

To

Scientific jury for the procedure of acquiring  
the educational and scientific degree "Doctor"  
in the scientific field "Finance, Monetary  
Circulation, Credit, and Insurance (Insurance  
and Social Security)" at D. A. Tsenov  
Economics Academy – Svishtov

## REVIEW

To acquire the educational and scientific degree of 'Doctor' in the scientific field  
"Finance, Monetary Circulation, Credit, and Insurance  
(Insurance and Social Security)"

Reviewer:

**Assoc. Prof. Rumen Georgiev Erusalimov, PhD**

Author of the dissertation:

**Nikolay Valeriev Iliev**

Part-time PhD student at the Department of Insurance and Social Security

Title of the dissertation:

**"Guidelines for the Development of Motor Insurance in Bulgaria"**

## **I. General presentation of the dissertation paper**

The dissertation submitted for review on the topic "Guidelines for the Development of Motor Insurance in Bulgaria" consists of 181 pages of main text, structured in the classical format of introduction, three chapters, and conclusion. It includes a list of 30 cited sources and a Declaration of Originality and Authenticity. The research is illustrated with 31 tables and 16 figures.

## **II. Assessment of the form and content of the dissertation**

Motor insurance, represented by the "Motor Vehicle CASCO Insurance" and "Motor Third Party Liability Insurance", has gradually become an undisputed leader in terms of the premium income generated by insurers. Its market share has consistently exceeded 70% for years, and expectations are that this trend will continue in the future. Therefore, the provided dissertation work for review addresses an especially relevant topic. The author's objective is to "evaluate the current state and outline directions for the future development of motor insurance in Bulgaria". The thesis defended by the author is that "by implementing certain legislative and organisational changes, it is possible to improve the insurance practices, resulting in an increased coverage and premium income realised by insurers offering motor insurance policies on the Bulgarian insurance market".

In the introduction of the dissertation, which occupies 4 pages, the relevance of the examined issue is justified. The object and subject of the research are described, the main goal is set, and the research thesis is presented.

The first chapter of the dissertation study begins with the formulation and overview of the issues that have accompanied the development of motor transport over time, including the relationship between the increasing number of vehicles and the number of road traffic accidents. The introduction of motor insurance has been traced on a global scale, including specifically in Bulgaria. The focus is on the emerging new questions and issues related to the upcoming introduction of



autonomous motor vehicles. The significance of motor insurance for the Bulgarian insurance market is justified, based on which the reason for the dissertation research to be entirely directed towards the development of "Motor Vehicle CASCO Insurance" and "Motor Third Party Liability Insurance" is argued. Logically, the chapter continues with an explanation of the economic essence and the organisation of the application of the mentioned insurances. The features of concluding and maintaining insurance contracts are examined, as well as the specifics of the claims settlement (liquidation) process.

The second chapter begins by identifying the factors that influence the development of motor insurance. These factors are grouped into two directions: factors related to the object and subject of insurance and factors related to legislation. Based on current statistical information, it has been established that the share of cars relative to the country's population is continuously increasing, which is a prerequisite for an increase in the number of concluded motor insurance policies. The number of road traffic accidents and the individuals affected by them have also been tracked, which is another factor influencing the development of motor insurance. The chapter continues with a justification of the reasons why "Motor Third Party Liability Insurance" should be mandatory. The emphasis is placed on the measures adopted by the state to increase the coverage of insurance, as a result of which it was found that after 2017 it reached and even exceeded 100%. The author has explained the paradox of having more insurance policies than automobiles, which is due to organisational issues accompanying the process of deregistering uninsured vehicles and subsequently restoring their registration after concluding a new insurance policy. As a result, in practice, some vehicles have two or even more insurance contracts concluded within one calendar year.

Based on official data, the dynamics in the development of the two main indicators for each section, branch, or type of insurance have been tracked, namely: gross written premiums and insurance payments. The data has been

analysed, and based on calculations, the respective conclusions and findings have been drawn. It has been observed that despite the fluctuations in the data for the realised premium income and the liability assumed by insurers, the average insurance amount for the voluntary insurance "Motor Vehicle CASCO Insurance" remains stable over time at around 22 000 – 24 000 BGN. According to the author, this is also the main reason why the coverage of the insurance does not exceed 25% during the analysed period, which is related to the aging of the vehicle fleet in our country, the low value of motor vehicles, and consequently the reluctance of their owners to insure them. The calculated Loss Ratio for both motor insurance policies provides the author with a basis to claim that motor insurance in Bulgaria is financially stable, and the risk is well balanced over time.

In the third chapter, the challenges and prospects for the development of motor insurance in Bulgaria are examined. The chapter begins with a description of the main methods for risk assessment in insurance. It has been noted that in recent years, there is a clear tendency towards the individualisation of risk assessment and, accordingly, in determining the size of the insurance premium for the "Motor Third Party Liability" insurance in Bulgaria. One of the well-known methods to achieve this is through the use of the Bonus-Malus system. Therefore, the research continues with a review of the European experience in this regard and the summary of the key aspects of implementing the system in different countries. It has been concluded that violations of the Road Traffic Law and the imposed penalties on drivers do not affect the application of discounts or surcharges on the premium if they have not led to insurance claims. Here the author identifies one of the reasons for the failure of the two attempts made by the Financial Supervision Commission (FSC), the Ministry of Interior, and the Ministry of Transport, Information Technology, and Communications (MTITC) to introduce the system in Bulgaria. After logically outlining the issues, the research continues with proposals for their resolution. A reasoned proposal has



been made to amend the texts in the Insurance Code and to clearly and categorically define the driver, not the vehicle, as the object of the "Motor Third Party Liability" insurance. This could be considered as the main contribution of the dissertation.

The third chapter continues with proposals related to improving insurance practices, increasing the coverage of "Motor Vehicle CASCO Insurance" and boosting the premium income realised by insurers. The proposals are divided into two main directions: combined insurance products, which include "Motor Vehicle CASCO Insurance" and comprehensive motor insurance, with expanded coverage. The role of professional insurance intermediaries in the development and placement of suitable combined products has been demonstrated. It is concluded that in relation to the upcoming introduction of autonomous vehicles, comprehensive motor insurance will continue to evolve. It is deemed most appropriate, especially if manufacturers shift from selling vehicles to selling transportation services.

The chapter concludes with a proposal to offer to the insurance market as a standalone product "Auto Assistance", an additional coverage typically made to "Motor Vehicle CASCO Insurance". The author argues that 75% of vehicles in the country are not insured, primarily due to various reasons, especially the aging vehicle fleet and the low value of automobiles. This is another direction for the development of motor insurance and an opportunity to increase the premium income realised by insurers.

The conclusion of the dissertation, contained in 3 pages, presents in a summarised form the main findings and achieved research results.

The good logical coherence of the presentation and the clear style with which the author presents his research and defends his positions leave a strong impression. There is no evidence of incorrect use of external texts. The opinions

and viewpoints of other authors who have written on the topic are appropriately cited, following the requirements of the Bulgarian State Standard.

The author's abstract accurately reflects the content of the dissertation. It presents all the main conclusions and findings that the author reaches in the full text of the research.

### **III. Scientific and scientific-applied contributions of the dissertation**

The dissertation submitted for review has an emphasised applied nature. The following scientific-applied contributions can be identified in it:

1. The significance of motor insurance for the insurance market in Bulgaria has been justified and argued.
2. Based on the study of empirical data and calculations, a constancy in the average amount of insurance coverage for the voluntary motor insurance "Motor Vehicle CASCO" has been observed, despite the increasing premium income of insurers over time. This brings to the forefront the main reason for the low coverage of the insurance, and ways to increase it can be explored.
3. Based on insurance-technical calculations, the financial condition of the two main motor insurance products has been established, indicating the prospects for the development of this branch of insurance in terms of product and, most importantly, pricing policies of insurance companies.
4. Based on an analysis of the reasons for the unsuccessful attempts to introduce the Bonus-Malus insurance system in Bulgaria, the main problem has been identified, and a well-justified solution has been proposed through legislative changes, concerning the object of "Motor Third Party Liability" insurance.
5. Ways to improve the insurance operations in motor insurance and increase insurers' premium income have been proposed through organisational solutions related to the offer of insurance protection.

#### IV. Critical remarks and questions regarding the dissertation

No significant weaknesses and omissions are identified in the dissertation submitted for review.

I allow myself to ask the following question:

1. In the event of a wide adoption of fully autonomous vehicles, as described by you in level five, which approach would be more suitable, from an economic and insurance standpoint, for their market offering: selling the vehicles to individual owners or providing the service of "transportation" while the ownership of the vehicle remains with the manufacturer?

#### V. General conclusion and opinion

The presented dissertation has a well-structured and logically coherent form. Sufficiently valuable contributions and original ideas are identified. The used literary sources are cited properly and correctly. All of this gives me grounds to express my **positive opinion** regarding the qualities of the presented dissertation on the topic "Guidelines for the Development of Motor Insurance in Bulgaria" and to cast my vote "**FOR**" awarding the academic and scientific degree of "Doctor" to Nikolay Valeriev Iliev.

19 September 2023

Reviewer .....

(Assoc. Prof. Rumen Erusalimov, PhD)