

**Boyko Atanasov,
Chair of the Financial Supervision Commission:**

“Pension funds have reserves guaranteeing the payment of lifetime pensions”

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- You got a difficult term of office in difficult years, Mr. Atanasov. What has been the biggest challenge for you and the sector?

- The time when I was entrusted by the Parliament with the governance of the Financial Supervision Commission was after the bankruptcy of the banking sector, after the bankruptcy of an insurance company and during major transformations in the transposition of European regulations. By law, the term of the previous chair had to be completed - I had 3 years and I can comment on what we achieved in half a term.

For me, it is summed up in the achieved stability of the insurance market, introduced innovations in the regulations of the capital market, strengthened strictness and full transparency of the pension insurance market.

- Is there a real danger that people insured in pension funds will be left without a second pension, or that it will be a token amount?

Investment portfolios of pension funds are well structured and highly diversified. They also have adequate reserves to guarantee the payment of lifetime pensions. The assets of each fund are kept in a custodian bank.

Every transaction with their assets, regardless of size, is reported and verified by the supervisor. I can say that the activity of supplementary pension insurance is one of the most strictly regulated. Regulatory stability and predictability have been achieved and no significant changes are required.

- How do you see the idea of allowing them to invest a larger percentage of assets, which was included in the coalition agreement?

- The pursuit of better return inevitably raises the issue of taking on more risk. As a rule, riskier investing involves both a higher potential for returns and a greater risk of loss. If and when there are specific proposals for changes in the investment regime of the funds, we are ready to participate in an expert debate on the subject. From our constant communication with the relevant structures of the OECD, I can say that currently the investment requirements meet the proper European and world criteria in terms of risk tolerance.

We have improved regulations to enable pension funds to achieve optimal returns through investments in a wide range of instruments.

- Not a single insurance company went under during the crisis, but there were bankruptcies when everything was normal. What is the reason?

- With the spread of the pandemic, the risks in the financial markets have increased. As a regulator, we have taken measures and the insurance sector goes through crisis relatively smoothly and successfully. Moreover, the gross premium income realized by insurers based in our country at the end of the third quarter of 2021 was BGN 2.4 billion, which is 13% annual growth. Life insurance companies experienced a growth of 34% in premium income, and general insurance - 9%. In the last two years, the sector has provided remote services such as online sales, liquidation of damages, and completely new products.

- Are there still uninsured risk areas?

- Because of the pandemic, the efforts of the supervisor and the market to reduce uninsured motorists are particularly important. In 2020, 97% of registered cars had valid motor third party liability insurance. We also analyzed which companies cover the risk of events occurring as a result of COVID-19, it turned out to be 15 companies. Insurance consumers seeking epidemic/pandemic risk coverage have a choice.

- What are the other market niches besides the pandemic?

- The business is exposed to cyber risks, which also leads to seeking insurance protection from them. Several Bulgarian companies already offer insurance products for digital and cyber security.

- The Bonus-malus regulation is almost ready, but why is it not implemented yet?

- After the publication of the initial draft regulation in late 2018 and the public reaction in 2019, we developed a second one. By law, three institutions are responsible for the regulation - the Ministry of Transport, the

Ministry of the Interior and the Financial Supervision Commission. On January 29, 2020, we adopted a new draft regulation at the first vote, but entry into force has been complicated.

Firstly, from the fact of shared competence - we cannot move it by ourselves, but only simultaneously with the other two ministries. Secondly, by the pandemic, which sharply refocused the attention of institutions, businesses and consumers, on completely different problems. The election situation last year also led to it not being among the priorities of the Ministry of Transport and the Ministry of the Interior. Thus, 4 years after its initiation, it remains at the stage of almost completion.

- Will a new revision be necessary - the situation is changing?

- Yes. The traffic violation statistics on which the methodology was based need to be updated. In addition, a new European directive from 2021 envisages an amendment to the rules on certificates of insurance events and outlines their relationship with insurers' rules for adjusting the premium depending on the claim history of the insured persons.

The intended change explicitly emphasizes the autonomy of insurers in the pricing policy, including using claim history information. This directly affects the bonus-malus model as a system not regulated in a legal act, but as a practice of insurance companies. My opinion is that the FCS did the absolute maximum to create an optimized version of the regulation. In the event that the Ministry of Transport and the Ministry of the Interior, in whose departments it is, decide to resume discussions, we will be available.

- Are our insurers stable?

Since I chair the FSC, our efforts have been focused on such supervision as to ensure timely and fast payment of benefits with the accompanying facts and arguments for the

determined amount, and in case of refusal, clear evidence is presented.

When there are clear regulations and strict supervision, we see the result - a stable, predictable insurance market with products that meet the needs and with high protection for consumers.

- And how do you protect the market of investment funds from Ponzi schemes and fraud?

- In recent years, there has been a significant drop in interest rates on bank deposits. As a result, investors are shifting to the investment services sector. What are the risks? In our country - absolutely minimal. We carry out direct and absolutely strict supervision of the structure of investments in their portfolios.

Every potential investor should first check our website to verify the status of the person they plan to trust with the management of their financial assets. A licensed management company will explain to the potential investor that there is no guarantee of profit when investing in mutual funds and that higher returns also bring higher risk.

- What is the profile of our capital markets?

- The important thing for Bulgarian citizens is to be confident in their insurance company, to have a third-party liability insurance at an acceptable price, to be certain that the fund in which their pension is located will be able to pay their second pension when the time comes. I sincerely urge for focus on the very important elements of the work of the FSC that have brought stability over the years. Regarding the capital markets - our main function is to supervise the participants and ensure the safety of investors. We act as a referee, not a player. In detail, my answer is - we aim to create conditions for equality in the criteria for access to capital markets and opportunities for fair competition between participants. Currently, 350 supervised companies are traded on the stock exchange,

of which about 200 are illiquid. The Bulgarian capital market is still developing slowly as an alternative to the banking market. Companies raise funding mainly with loans, and savings are much more than investments on the stock exchange.

- Are you preparing for the adoption of the euro? As a regulator, do you have serious responsibilities for the organization and control of funds and companies?

The executive branch in the form of the Ministry of Finance is driving this process and it is my belief that we must be in full sync with them and together move in the direction of sustainable change supported by expertise, arguments, objective facts and analysis. We coordinated the entire process of preparation and coordination of the National Plan for the introduction of the euro in the Non-Banking Financial Sector.

- As the end of your short term approaches, will we see you in the race for second?

- In Bulgaria, there is a practice of thinking about holding office to secure personal interests. My emphasis has always been on achieving results against set goals. In the last 3 years, under my leadership, we have launched projects aimed at building a modern information infrastructure, optimizing regulatory and supervisory practices, reducing the administrative burden, easing administrative procedures, developing human potential, strengthening public trust, increasing public financial literacy. The parliament will decide under whose leadership they will be finalized.

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Born on November 10, 1970 in Targovishte. Graduated from UNWE in 1995. He has been in the tax administration since 1996, when he became a tax inspector. He successively passed through the positions of head of the Lyulin tax office, deputy territorial tax director in TDT - Sofia, and territorial director of TD of the NRA - Sofia. From 2013 to 2017,

he was the chief executive officer of the NRA.
On March 15, 2019, he was elected by the
parliament as the Chair of the Financial
Supervision Commission

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