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# Legal Newsletter

## Health Insurance Companies will have to be reorganised into Insurance Companies

Bulgaria  
1 February 2011



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## Health insurance companies will have to be reorganised into insurance companies

A new draft Bill for amendment to the Health Insurance Law has been passed by the Bulgarian Government on 27 January 2011. It provides for the reorganisation of currently existing health insurance companies as insurance companies. The amendments aimed to align the Bulgarian legislation to the European, and also come as a reply to letters sent by the European Commission. These letters threatens Bulgaria with proceedings before the European Court of Justice on the occasion of violation of EU laws, should no action be taken to enact the amendments.

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What do the amendments prescribe?

In an outline, the amendments prescribe the following:

- Companies for voluntary health insurance must receive a licence for contracting "Sickness" and/ or "Accident" insurances, within one year of the enactment of the amendments;
- An increase from 2 million to 4,6 million leva of the minimal capital requirements for companies carrying out voluntary health insurance. This will match the criteria for a minimal capital of insurers whose business is non-life insurance;
- Insurers licensed to provide insurance included in Section I of Annex № 1 to the Insurance Code (life insurers) will have the opportunity to widen their licenses by adding "Sickness" insurance underwriting, i.e. they too may operate in field of voluntary health insurance.
- Health insurance companies which fail to timely comply with the prescribed amendments will have to: transform through a merger into an insurer licensed for non-life insurance; or to transfer their entire portfolio of health insurance contracts to an such an insurer and terminate their business; or to terminate their business if unable to comply with either of the preceding two options.
- The terms "health (medical) insurance", "permanent health insurance" and "covering health risks under supplementary insurance" are legally defined. By doing so the different types of insurances and coverage are differentiated. It is suggested that risks such as "hospitalization" and "medical expenses" should fall outside the risks covered by a supplementary insurance.
- It is suggested that insurance contracts for "Sickness" insurance should be exempted from taxation on insurance premiums.

Which are the basic points of the draft Bill that need further clarification?

- Having in mind the insurers which, according to the draft Bill, will have the right to perform voluntary health insurance, the widest approach is present here

compared with any prior draft bills. The draft Bill suggests that voluntary health insurance can be underwritten by insurers who are licensed for "Sickness" and/ or "Accident" insurances. Those could be not only non-life insurers, but also life insurers. This is in compliance with Directive 2009/138/EC of the European Parliament and of the Council, and this gives insurance clients the widest opportunity and range of insurance services offered.

➤ The Bill prescribes that existing health insurance companies may merge or transfer their portfolio of health insurance contracts only to licensed non-life insurers. This is, however, contrary to the idea provided by the draft Bill that voluntary health insurance can be carried out by life insurers as well, therefore these provisions have to become more precise. In addition to the above, the Bill prescribes that existing health insurance companies may merge into or transfer their portfolio of health insurance contracts to licensed non-life insurers in general without further specification of certain particular types of insurances ("Sickness" and/ or "Accident") thus unreasonably limiting the range of non-life insurance companies only to those holding full non-life insurance license (companies who hold license to underwrite all types of insurances listed in Section II of Annex 1 to the Insurance Code, including "Sickness" and "Accident"). It might be better to clarify that existing health insurance companies may merge into, or transfer their portfolios of health insurance contracts, to insurers who hold a license for a "Sickness" and/ or "Accident" insurances, which category includes both non-life and life insurers.

➤ Considering the above, and in compliance with the Directive 2009/138/EC of the European Parliament and of the Council, insurers having a license for "Sickness" and/ or "Accident" insurances, should be granted the opportunity to decide themselves whether they should broaden their license with insurances falling within Section II of Annex 1 to the Insurance Code (non-life insurance) or with insurances falling within Section I of Annex 1 to the Insurance Code (life insurance). In accordance with the choice made, the minimal capital of these insurers may be 4,6 million leva (for non-life insurance activities) or 7 million leva (for life insurance).

The draft Bill which was passed by the Bulgarian Government has been recently presented to the Bulgarian Parliament. The full text of the Bill may be found at the Bulgarian Parliament's website address:

<http://www.parliament.bg/bg/bills/ID/10110>

We are available to discuss with you other aspects of the proposed amendments and changes to the regulation of insurance and voluntary health insurance.

**For additional information or assistance in connection with the aforesaid, please do not hesitate to contact us.**

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