



Newsletter for our clients

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INSURANCE AGAINST BAD DEBTS **EUROINS SELLS ACTIVELY ITS RELATIVELY** **SMALL VOLUME OF OVERDUE RECEIVABLES**

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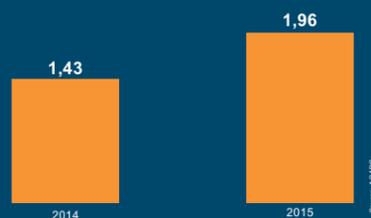
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➤ **BULGARIANS BAD DEBT REFERRED TO COLLECTORS UP 37% IN 2015**

Bulgarians bad debt referred to collectors rose 37% to 1.96 billion levs in 2015, the Association of Collection Agencies in Bulgaria (ACABG) said. Banks' non-performing loans make up the bulk, 60%, of bad debts referred to collection agencies. In terms of banking products processed by collection agencies, the largest share take consumer loans, followed by credit cards, and a small share of debts on mortgages. The percentage of debt assigned to collection companies for non-bank financial products decreased to 6% of the total amount in 2015 from 16% in the previous year. The volume of bad debts handed over for collection by mobile phone and utility services companies accounted for 30 per cent. The ACABG said it does not expect significant changes in 2016 - neither in terms of the assigned volumes of bad debt, nor in bad debt payments.

Bulgarians bad debt referred to collectors

■ in billion BGN



➤ **LATE PAYMENTS PUT A BRAKE ON JOB CREATION IN EUROPE**

Late payments, as well as long payment terms, cause trouble for enterprises all over Europe and the consequences can be counted in lost jobs and growth opportunities for million enterprises, according to the new European Payment Report. Small and medium sized enterprises (SME) are hurt most of all. More than every third SME (34%) say they could hire more employees if they were paid faster.

Norway's B2Holding buys Bulgaria's DCA

Norwegian B2Holding ASA, one of the largest debt solutions providers in Europe, has fully acquired Debt Collection Agency AD (DCA), a leading financial institution in the field of debt purchasing in Bulgaria and Romania.

The purchase was made through Dutch-registered Ultimo Netherlands BV, a fully owned subsidiary of B2Holding, and includes Debt Collection Agency's subsidiary in Romania and the specialized company in collecting debts of legal entities Smart Collect.

With the acquisition of DCA, B2Holding has secured a strong platform for further growth on two of the largest markets in the Balkan region. It is expected that the Bulgarian non-performing loans ("NPL") market will see significant growth in activity going forward. The Romanian market is currently the largest market for NPL transactions in the Balkan region, and with the acquisition of DCA, B2Holding will be well positioned for further growth in the Romanian market. The acquisition of DCA is in line with B2Holding's strategy to gain local presence before or as a part of acquiring portfolios

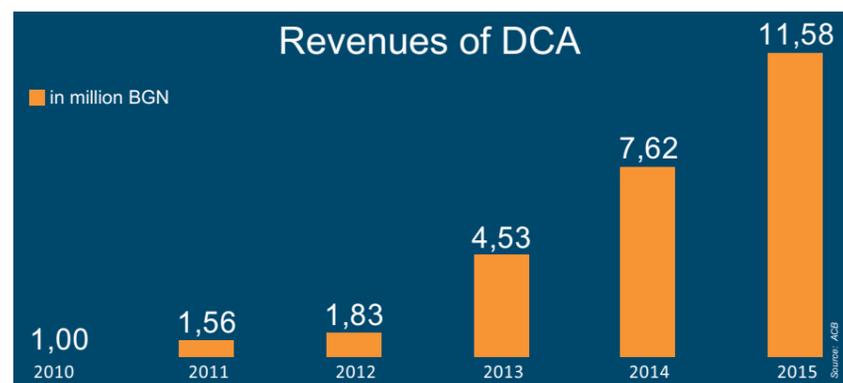
"We are very impressed with what the founders of DCA have achieved since its establishment in 2010."

Olav Dalen Zahl, CEO of B2Holding

in new geographical areas. "We are very impressed with what the founders of DCA have achieved since its establishment in 2010. After spending time with the management of the company, we are convinced that we have an excellent organisation in place to further grow the business of DCA and B2Holding in Bulgaria and Romania" says Olav Dalen Zahl, CEO of B2Holding.

B2Holding operates in 14 European countries with a staff of 1,500. In southeast Europe, it is present in Croatia, Serbia, Slovenia, Montenegro, Romania and Bulgaria. Debt Collection Agency is specialised in acquiring debt portfolios from banks, financial institutions and utility companies. It had a profit of 1.9 million euro for 2015 on revenues of 5.9 million euro. The company employs 140 people in Bulgaria and 40 in Romania.

There will be no changes in the management team of DCA. "All current managers are excited to keep going on with its main goal - DCA to become a leader on all markets it operates. The acquisition deal with B2Holding will generate new great opportunities for development and expanding of our business, access to finance and know how, data and expertise. DCA will grow its business and staff more rapidly", Nina Stancheva, CEO at DCA said.



Record figures in debt purchase volumes

The process of selling overdue receivables in Bulgaria to collection agencies has reached a peak. Debt purchase volumes achieved since the beginning of the year have reached record levels and have accumulated a long-term business for the collection sector.

The volume of debt purchases surpassed 350 million levs just in January-March 2016. The sum will grow to more than half a billion levs for the whole year according to experts in the sector. The volume of debt purchases had grown more than four times, from 159 million levs at the end of 2014 to 456 million levs at the end of 2015, data from the Association of Collection Agencies in Bulgaria (ACABG) shows. ACABG's 16 members make up for three-quarters of the market.

"Banks were the main engine on the market that drove the activity."

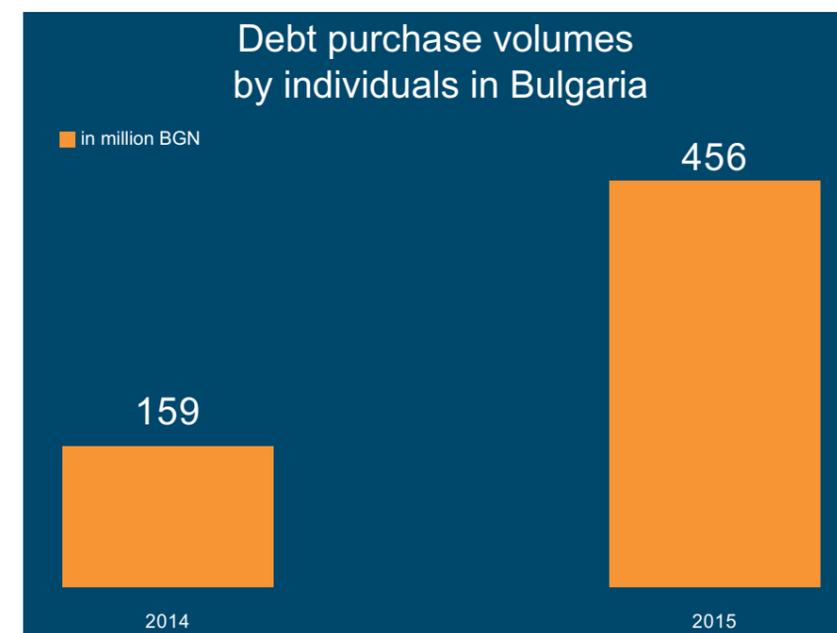
Martin Despov, CEO of DCA

The large volume of receivables sold to collection agencies was because of banks' decision to start selling their bad loans accumulated in the previous years. "Banks were the main engine on the market that drove the activity. The increase in problematic debt sold by banks was because of the upcoming stress tests", according to Martin Despov,

Chief Executive Officer at Debt Collection Agency JSC, one of the biggest purchasers of receivables in Bulgaria.

Non-performing loans (NPLs) of the banks make up the bulk, more than 50%, of bad debts sold to collection agencies. The volume of debts they sold surpassed by far the ones of the telecoms and non-banking financial institutions. In terms of banking products bought by collection agencies, the largest share take consumer loans, followed by credit cards, and a small share of debts on mortgages.

Bad loans in Bulgaria surged rapidly after the global financial crisis standing at 18 billion levs at one point. During these years banks used to sell them from time to time or freeze them in their loan portfolios. They have started "clean" their non-performing loans, however, for the last one and a half year under the pressure of the forthcoming BNB's stress tests.

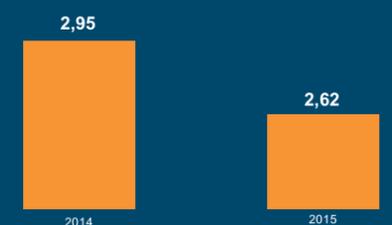


➤ **BULGARIANS AVERAGE BAD DEBT PER PERSON ROSE BY OVER 50% IN 2015**

The number of bad debt cases placed with collection agencies fell to 2.6 million in 2015, from 2.95 million a year earlier, data from the Association of Collection Agencies in Bulgaria (ACABG) shows. However, the average number of unserviced debts went up nearly by 50% during the year of 2015. In 2014 the average debt in Bulgaria was 485 levs. In 2015, however, this amount increased to 747 levs. The rise in average value affects the total volume of debts assigned to collectors for 2015 year it was 1.96 billion levs, compared to 1.43 billion levs for 2014. The association's statistics are based on an Ipsos Bulgaria survey which includes processed information about unserviced debt submitted by all 16 ACABG members which make up for three-quarters of the market.

The number of bad debt cases placed with collection agencies in Bulgaria

■ in million cases



➤ **THE IMAGE OF AN AVERAGE DEBTOR IN BULGARIA HAS NOT CHANGED**

A young person who took a consumer credit without thinking it through and cannot pay it off now, or a person over 40 years old who took a loan to start a business but his/her plans did not work out and now he/she has no funds to pay off the debt. This is the image of the average debtor in Bulgaria. Regarding the second type of debtors it is often a man of about 50, with a good education, living in a big city, who had his own business in the years before the crisis.



Bulgaria-based Euroins Insurance Group (EIG), the owner of Euroins Bulgaria, has over 2 million clients, 1400 employees and annual revenues of over 250 million euro. The group is a subsidiary of Eurohold Bulgaria, a leading holding, listed on BSE-Sofia and WSE and operating across Central and Eastern Europe, focused on non-banking financial services and asset management.

Insurance against bad debts

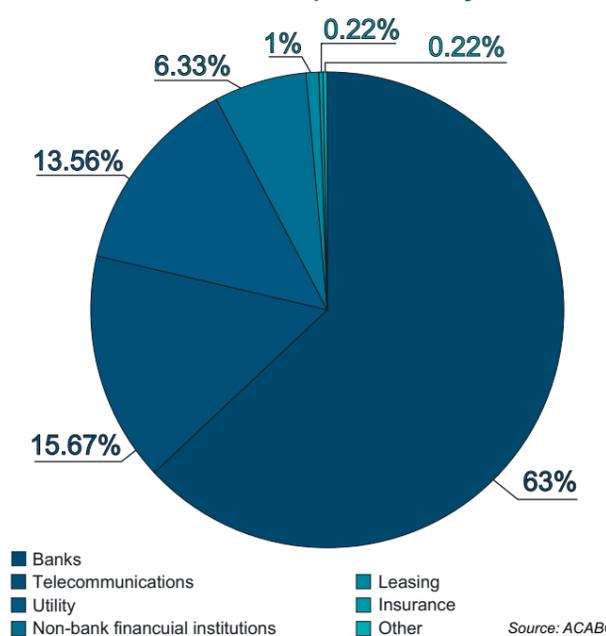
Euroins sells actively its relatively small volume of overdue receivables

The insurance business has always been attractive for investors. Customers pay their policies now with the idea to be compensated for future and just in occurrence of an insurance event. This model made Warren Buffet the most successful and famous investor all over the world. Last century Buffet's Berkshire Hathaway acquired stakes in strategic American companies with funds generated by its insurance business.

Bulgaria also has its good examples. Euroins Insurance Plc is amongst the fastest developing insurance companies in the country thanks to the regional acquisitions made by its owner - Euroins Insurance Group JSC, one of the largest independent insurance players in Eastern Europe. In the last two years the insurer purchased the business of Germany-based Talanx Group in Bulgaria and acquired the businesses of QBE in Bulgaria and Romania, as well as the operations of Interamerican in Bulgaria. Currently, Sofia-based group operates in seven European countries, has more than 7% market share in Bulgaria, Romania and FYROM, and in 2014 initiated operations in Greece. For 2009 Euroins Insurance Group's income from insurance premiums was 95 million euro. It grew up to the amount of 250 million euro in 2016.

Not all insurance clients make their installment payments on time. Theoretically, insurers should not have problems with

The percentage of debt assigned to collection companies by sector



EUROINS – FACTS AND FIGURES

- ✓ Market share: 7.5%
- ✓ Premium income: 118 million levs
- ✓ Claims paid: 75 million levs
- ✓ Founded: 1998
- ✓ Owner: Euroins Insurance Group

outstanding receivables. If a client does not pay its installment on time, the insurer cancels its insurance contract and the outstanding debt is being written off. The reality proves this. As a rule, Euroins ceases the contracts 15 days after the due date had come. The key clients, with which the insurance company has built long-term relations, are not subjected to this rule.

Still, a survey carried out by the Association of Collection Agencies in Bulgaria (ACABG) showed late payments in insurance sector had made up part of the non-payments in the local economy (0.22%). Where is the problem? In case of occurrence of an insurance event - a road accident for example, insurers pay compensation to their insured drivers and then file regression claims to the guilty participants in the accident. MTPL and Motor Casco insurance policies accumulate the bulk of the regression receivables that are being handled firstly through non-judicial debt collection and finally through judicial debt collection. Euroins' strategy for fighting with unpaid premium installments stipulates that

employees firstly pursue collection efforts and activities themselves. If it does not secure payment, the company collaborates with external service providers.

The efforts are being paid-off if we take a look at the data. ACABG's research showed the insurers' unpaid invoices referred to collectors fell to 4.3 million levs in 2015, from 27 million levs a year earlier. This made

up 1.89% and 0.22% of the total bad debts referred to collection agencies.

Euroins Bulgaria also uses actively the option for selling part of its overdue regression receivables to debt collection agencies. With reference to this the insurer follows a strict procedure under the supervision of an inside commission. There is a tendency for insurance companies to sell more unpaid invoices. "By selling defaulted debts, insurers reduce costs, clean up their balance sheets, accumulate cash rapidly and increase their liquidity", said Nina Stancheva, CEO at Debt Collection Agency, one of the leading debt collection agencies in Bulgaria.

Elena Pashova, „Retgression claims and financial risks” expert at Euroins Insurance Plc:

We sell overdue receivables after an internal committee's decision

We accumulate overdue receivables as a result of regression claims. In this case we pay compensation to owners of insurance contracts and then we file a claim against the guilty person that had caused the incident. MTPL and Motor Casco insurance policies are the products that generate the bulk of the regression receivables. We secure payments from our debtors using both non-judicial and judicial collection scheme. The approach with the internal debt collection is the following: an employee of Euroins Insurance sends out an information and reminder letter to the debtor by post, respectively 15 days after the due date and 15 days after sending the information letter. If the debtor ignores the written requests and does not make a payment within 15 days after receiving the reminder letter, he receives a telephone call. The external debt collector steps in when the outstanding debt is overdue by more than 180 days. This is the moment when the insurance company refers its outstanding receivables to an outside partner. If the non-judicial debt collection approach does not work out it paves the way to the judicial debt collection procedure coordinated by the internal jurists and external attorneys-in-law. This is the final step in the fight against late payments. Once per 3 months the results achieved by the company in recovering debts and securing late payments are being supervised by an internal committee



approved by an executive officer. This internal committee has the right to task the recovery work to an external service provider. For this purpose it offers debt portfolios for purchase at tenders. The internal committee assesses debt purchasers' proposals while Euroins' executive officer approves the best among them. We write-off unpaid debts on regression claims according to an internal procedure and depending on their size, and only after a permission given by the management board of the company.

Best islands in Greece - 2016

Summer season has just started but most of us have already focused on the long-awaited summer vacation. Is there something more fabulous than a marvelous island where a man can relax and enjoy a short holiday without being disturbed. The good old neighbor Greece can always provide the desired vacation with its 6000 islands of which 220 are populated. Let us present you the best Greek islands according to the fans of www.tripadvisor.com.

SANTORINI



Even if you've never been to this Cyclades island in the Aegean Sea, you'd still recognize it immediately – candy-colored houses carved into cliffs, sapphire waters, gleaming white buildings topped with half-spheres the color of a stormy sky. Here you'll find peace as you roam the black sand beaches or the streets of a provincial village like Imerovigli. Beautiful Oia is world famous for its sunsets, which seem tinted with every shade of an artist's palette.

CRETE

The birthplace of both the king of the Olympian gods and of modern European civilization, Crete is a Mediterranean jewel. It's rich with archaeological and mythological history that's reflected in its ancient ruins and cultural attractions. Soak up the charming atmosphere of Chania Town's Old Venetian Harbor or the fortresses and monasteries of Rethymon.

MYKONOS

If the mention of Mykonos doesn't immediately bring to mind bright white buildings, turquoise skies and tanned bodies lining golden sandy beaches, you've been living under a rock. The most popular Greek Island in the Aegean Sea is all about energy and attracts a diverse and upscale crowd that thrives on its stylish nightlife. During the day some privacy can be had in the more secluded north beaches, but the south beaches are all party. Ski, jet-ski, windsurf, horseback ride, parasail or just save up your energy for the evening ahead, like most of your fellow travelers in Mykonos.

ZAKYNTHOS



The Ionian Islands are splendid, cinematic paradise. The waters are bluest blue, the sands are achingly silky and smooth. Everything looks heavily Photoshopped. But that's just Mother Nature, in all her unspoiled glory. Zakynthos is the largest of the Ionian Islands, and it's as fruitful as it is beautiful, boasting a bounty of crops like olives and grapes. Music is a huge part of the local culture—you can catch a concert or festival almost any night of the week, and you'll be captivated by the sights and sounds of Zakynthos performers.

CORFU

Corfu is studded with whitewashed houses, Byzantine churches, and the remains of Venetian fortresses and Greek temples. Wander the ancient streets of the Roman village of Kassiopi or explore the central Esplanade of the eponymous Corfu Town. For a DIY spa experience, lather yourself in mineral mud on the shore of the Canal D'Amour. Legend has it that the waterfalls of Nymphes used to attract the mythological beauties of the same name, who would flock to the village to bathe in the pristine waters.

CEPHALONIA

The sapphire waters of Cephalonia are steeped with history. The large Greek island was home to Odysseus, the legendary king hailed in Homer's *The Odyssey*. Fortunately, it won't take you ten years to get there. Explore the enchanting caverns of the Drogarati caves, sail to Ithaca on a glass-bottomed boat or marvel at the ancient artifacts inside the Archaeological Museum of Argostoli, Cephalonia's main town. Or just hide from it all at one of the island's many private beach coves.

More ideas on www.tripadvisor.com.