

Bulgarian travel operators market from insurance industry perspective

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Abstract.

During COVID pandemic, travel operators in Bulgaria met considerable difficulties and many of them received aid from Bulgarian Government. As a sequence, the price of the mandatory insurance for travel operators called “Responsibility of travel operators” raised and many insurers even denaide to sell this type of insurance policy.

Keywords: travel operators, insurance, policy “Responsibility of travel operator”.

Introduction

During COVID pandemic, travel operators in Bulgaria met considerable difficulties and many of them received aid from Bulgarian Government. As a sequence, the price of the mandatory insurance for travel operators called “Responsibility of travel operators” raised and many insurers even denaide to sell this type of insurance policy.

Travel operators and insurers

Ministry of Tourism of Republic of Bulgaria maintains complete list of travel operators acting on the territory of Bulgaria as of 2022 (Ministry of Tourism of Republic of Bulgaria, 2022a). The list includes some important attributes like: type of the company (both travel agent and travel operator or only travel operator), registration ID of the travel operator, name of the company, company EIC number, date of expiration of the insurance policy, insurer, limit of the insurance policy.

The travel operator are insured by 11 insurers in 2022 as can be seen in Table 1. Actually, two insurers - LEV INS AD and ZD EUROINS AD – make 95% of all insurance policies “Insurance of travel operator”.

Table 1. Insurers and number of Travel operators insured by them in 2022 r.

Insurer	Number of insured travel operators
GENERALLI AD	4
ZAD ALLIANCE BULGARIA AD	1
ZAD ARMEEEEC AD	5
ZAD ASSET INSURANSE AD	5
ZAD OZK ZASTRAHOVANE AD	19
ZK AKSIOM AD	2
ZD BULINS AD	7
ZD EUROINS AD	558
ZEAD DAL BOG Live and health EAD	4
ZK LEVINS AD	700
ZA UNIQA AD	17

The insurance policies are for different limits, as can be seen in Table 2. The majority of insurances are for the lowest limit (25 000 BGN) which are 81% of all insurances.

Table 2. Limits of insurance and number of insurances of travel operators with this limit in 2022 r.

Limit, BGN	Number of insured travel operators
1,100,000.00	1
1,400,000.00	7
10,000.00	1
125,000.00	32
175,000.00	11
25,000.00	1071
250,000.00	17
30,000.00	2
350,000.00	8
450,000.00	5
50,000.00	83
500,000.00	16
65,000.00	1
700,000.00	3
75,000.00	63
850,000.00	1

There exists a relation between the insurance limit of the travel operator and the revenues of the travel operator declared for the previous year. This relation is defined in the „**Regulation of conditions for signing mandatory insurance covering the responsibility of the travel operator**” (Ministry of Tourism of Republic of Bulgaria, 2022b).

This also means that the risk of default is related to insurance limits as they are related to the income and hence to the risk exposure.

Only 7 travel operators have the maximal limit of 1 400 000 BGN for their insurance policies in 2022, i. e. have turnover more than 3 000 000 BGN: ALBENA TOUR EAD, ALEXANDRIA TRAVEL EOOD, BOHEMIA OOD, EMERALD TRAVEL BULGARIA OOD, ONEKS TOUR EOOD, SUNNY TOURS OOD and TEZ TOUR BULGARIA OOD.

The insurance limits, based on net income of the previous year, are presented in Table 3 below.

Table 3. Insurance limits defined by Ministry of tourism of Bulgaria

Insurance limit
25,000
30,000
50,000
65,000
75,000
125,000
175,000
250,000
350,000
450,000
500,000
700,000
850,000
1,100,000
1,400,000

Actually, large claims exceeding the the insurance limits are possible only for the large travel operators and hence a second level of insurance should be introduced for them. This is the intention of Ministry of Tourism. A Guarantee fund is planned to be created in Bulgaria following the experience of other EU countries.

Conclusion

Large travel operators can meet considerable liquidity difficulties and even can default when catastrophic events like COVID pandemic occur. Because of this, a second level of insurance like Guarantee fund would be good practice and actually it is currently introduced in EU countries.

References

Ministry of Tourism of Republic of Bulgaria (2022a) List of travel operators acting on the territory of Bulgaria as of 2022. Work paper.

Ministry of Tourism of Republic of Bulgaria (2022b) Regulation of conditions for signing mandatory insurance covering the responsibility of the travel operator