

**INSURANCE JOINT-STOCK COMPANY**  
**BULSTRAD VIENNA INSURANCE GROUP**

**INSURANCE EXPERT COMMISSION**

**METHODOLOGY**  
**FOR DETERMINING THE AMOUNT OF INSURANCE INDEMNITY FOR**  
**PERSONAL DAMAGE UNDER THE COMPULSORY INSURANCE OF MOTOR**  
**THIRD-PARTY LIABILITY**

The aim of this Methodology is to provide criteria assisting the Insurance Expert Commission (the Commission, IEC) in determining the just amount of indemnity for personal damage. According to the specific nature of each case, one, several or all of the criteria listed below may be applied for the respective case. Without presuming to be exhaustive, the purpose of this Methodology is to assist the Commission with respect to the specific characteristics of each case, rather than to formalize the process of calculating the indemnity by classifying the cases under common denominators. Some of the criteria listed are based on practices adopted as just by the courts in Bulgaria regarding court settlement of claims.

**I. Criteria for determining the indemnity for personal damage in case of minor, medium and severe bodily injury or death**

In determining the degree of the injuries, the Commission shall observe the legal definitions provided under Art. 128, 129 and 130 of the Penal Code.

A bodily injury shall be considered **severe** if it has caused: continuous disturbance of consciousness; permanent blindness of one or both eyes; permanent deafness; loss of speech, reproductive incapacity; disfigurement which causes permanent disturbance of the speech or of a sensory organ; loss of one kidney, the spleen or a lung lobe; loss or mutilation of a leg or an arm; permanent general health impairment, dangerous to life (Classification of the injuries according to Appendix No. 1 to the Methodology).

A bodily injury shall be considered **medium** if it has caused: permanent weakening of the eyesight or hearing; permanent disturbance of speech, difficulties of the movement of the extremities, the body or the neck, disturbance of the functions of the genital organs without causing reproductive incapacity; breaking of a jaw or knocking out of teeth, without which chewing or speech are impaired; disfigurement of the face or of other parts of the body; permanent impairment of health not dangerous to life or impairment of health temporarily dangerous to life; injuries which penetrate into the cranial, thoracic and abdominal cavities. (Classification of the injuries according to Appendix No. 1 to the Methodology).

A bodily injury shall be considered **minor** in case of injuries other than the ones

defined as medium and severe bodily injuries (Classification of the injuries according to Appendix No. 1 to the Methodology).

**1. Criteria for determining the indemnity amount with respect to the type of bodily injury (minor, medium and/or severe):**

1.1. In determining the indemnity amount, the following medical criteria shall be taken into consideration:

1. *Number and type* of the bodily injuries. In determining the indemnity amount for a combined injury (for instance, 1 severe and 3 medium bodily injuries), the scope of each type of injury shall apply.
2. Whether there are any *persisting deformations, scars, disfigurement*, etc. from the injury;
3. Whether there is *loss of an organ, limb or any of the senses* (hearing, eyesight);
4. Whether a *complete recovery* is possible after the injury and respectively the period for recovery; whether at the time when the claim was made the person had recovered fully;
5. *Period of endured physical pain and suffering* (according to a physician's opinion) and intensity of the pain;
6. *Treatment* prescribed to the injured person for recovery to a pre-existing state; number of surgeries performed and those of them under general anesthesia; outcome from the surgeries;
7. Whether any *deterioration (aggravation) in the health state* of the injured person is likely to occur in the future, according to a physician's opinion; whether any new surgeries will be needed in relation to the injuries (for removal of fixations, etc.), according to a physician's opinion;
8. *Age*: whether age has affected in any way the injuries or the duration of the recovery period, according to a physician's opinion.

The criteria under listed items 1 - 8 or other (adopted) ones shall be included in the Protocol of the IEC after an opinion is received from a physician who is a member of the commission.

**1.2. External criteria in determining the indemnity amount**

To determine the insurance indemnity, other objective criteria shall be considered which are not related to the specific event. Such criteria usually include:

1. *Court practices*: consideration of current, effective practices used by the courts in determining the amount of indemnity for similar bodily injuries;
2. *Insurance practices*: these could be considered both in terms of the Company's own practices and also in terms of the practices of other insurance companies for determining the indemnity amounts for bodily injuries; typical indemnity amounts for this kind of bodily injuries;
3. *The year of occurrence of the event*.

1.3. Criteria related to the possibility of reducing the established indemnity amount;

1. *Contributory fault* of the injured person towards the injurious result (for instance, being without a seatbelt or helmet; being under the influence of alcohol or other intoxicating substances; driving without license, beyond the speed limit; crossing the street at an unsafe location, etc.);
2. *Pre-existing illness or condition, for which the insured (who has caused the injury) is not responsible*, which could include various age-related and degenerative disorders (coxarthrosis, osteoporosis, etc.) that have contributed to the gravity of the injury (for instance, if a traffic accident which typically might lead to a medium injury, instead has caused a severe bodily injury due to the advanced age of the injured), according to a physician's opinion.

1.4. Other criteria:

1. Initiated penal proceedings based on a civil claim upheld by the court;
2. In more serious cases, especially if related to permanent disability, the psychological reaction of the injured should be taken into account, his/her subjective experience with respect to the suffered loss (mental disorders, depression, etc.).

Note: It should always be remembered that personal damage includes both the physical pain and suffering caused by the injury, as well as the psychological distress. While the first type can be assessed formally for all injured persons, the second type of damages remains individual and depends on the personality of the injured.

3. Whether there are other persons injured by the event. The possibility of receiving more claims under the same policy, in case of more injured persons, should be considered.

1.5. Material damages:

Material damages are to be discussed separately. Such damages could be indemnified by the IEC only in consideration of proof-of-cost documents and based on a physician's opinion on the relevance of the costs with respect to the nature and degree of the injury.

**2. Criteria for determining the indemnity amount for personal damage in case of death**

2.1. Criteria related to the person who has died in a traffic accident. Details of the person.

1. *Age*;
2. *Family situation* – whether they were married or cohabiting; whether there are underage children and adult children supported by the deceased person;
3. *Employment* (employed, unemployed, student, retired).

#### 2.2. Criteria related to the heirs:

1. *Number of heirs*;
2. *Familial relation to the grantor of inheritance*. The capacity in which the heir claims indemnity (as a mother, father, husband, child);
3. *Age of the heirs*;
4. Whether the person killed in the traffic accident and the person claiming personal damage used to live in *the same household*.

#### 2.3. External criteria for determination of the indemnity amount:

In determining the insurance indemnity other objective criteria shall be considered which are not related to the specific event.

1. *Court practices*: consideration of current, effective practices used by the courts in determining the amount of indemnity in case of death;
2. *Insurance practices*: should be considered both in terms of the Company's own practices, as well as in terms of the practices of other insurance companies in determining the indemnity amount in cases of death;
3. *The year when the event has occurred*.

#### 2.4. Criteria related to the possibility of reducing the established indemnity amount:

*Contributory fault* of the deceased person towards the injury (for instance, being without a seatbelt or helmet; being under the influence of alcohol or other intoxicating substances; driving without license, beyond the speed limit; crossing the street at an unsafe location, etc.).

#### 2.5. Other criteria:

1. Initiated penal proceedings based on a civil claim upheld by the court;
2. Whether there are *other heirs* entitled to receive insurance indemnity, who have not made a claim yet;
3. Whether there are *other persons injured* by the event. The possibility of receiving more claims under the same policy, in case of more injured persons should be considered.

#### 2.6. Material damages:

Material damages are to be discussed separately. They also include the funeral costs incurred by the heirs and evidenced with proof-of-cost documents, or based on average market prices.

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This Methodology is adopted with a Resolution of the Management Board of ZAD BULSTRAD VIENNA INSURANCE GROUP under Minutes No. 9/16.06.2010 and takes effect as of 1 July 2010.

**Appendix No. 1, Classification of the type of physical injuries, is an integral part of this Methodology.**