

# **COST ACTION C17**

## **“BUILT HERITAGE: FIRE LOSS TO HISTORIC BUILDINGS”**

### **1.1. Title**

**“A Review  
Of  
Some problems concerning the Estimation of the Cultural and  
Financial Value of Historical Heritage in Bulgaria”**

### **1.2. Full name of the working group member, address, telephone, e-mail, details**

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Nowadays, the historical buildings that are monuments of culture in Bulgaria stay beyond the interests of the insurance companies that operate in the country. This situation is a consequence not only because of economic factors, caused by the economic crisis, but also because of factors, descending from the state control system till 1990 and the structural reform (becoming private the insurance companies) that had finished just a year ago.

In accordance with the system that was functioning before the economical and political changes, which is still in force, owners are obliged to take care for preserving and protecting of the historical buildings. Practically it is almost impossible for private owners to insure the property only by themselves because of the lowly income that they receive as a result of functioning of the building (most of these buildings are residential or small buildings). If they do not dispose of the necessary financial resources they are given a mortgage-secured credit from the local government (municipality). The financial resources laid out for preserving the buildings

are not subject to repaying if no changes of use, ownership and legal status occurred. The resources that are subject to refunding are for constructing and repairing of the water-supply system and sewerage, electrical wiring, fire detection and alarm system, etc. In the Bulgarian legislation that is in force, there are requirements for insuring the loans on mortgage.

As for complex building heritage (architectural or historical complexes, whole towns, museums, galleries, school or university buildings etc.) which are state or municipality property, the insurance matters are accompanied by lots of problems, some of them are as follows:

1. There is a lack of current expert assessment (calculations) of the cost of the value of the heritage. It is well known that the sum that is going to be insured is defined on the basis of expert assessment of the cost of the value. The practice in Bulgaria shows that in large numbers of that kind of heritage the current value cost is underestimated or absent in the documentation, which makes the insuring of historical buildings pointless where the first loss base bears no resemblance to the actual value. Actually the expert calculations do not give an account of “historical” and “cultural” value but only of the substance cost.
2. In fact very few of the cultural institutions could actually afford the premium for proper insurance due to the “tightness” of their budgets which does the Government set. There are such examples showing that a historical building, a very profitable one from tourist point of view is forbidden to insure the property (state property) because of the restricted budget of the Ministry of Culture, respectively the municipality budgets.

The mechanism that was described above does not work effectively because firstly, there is a lack of sufficient funding in the state budget, and secondly, in the Insurance Act mortgage-secured loans for historical buildings are not involved in the list of the compulsory insurance products.

It has to be noted that this mechanism was created in a period when most of the historical buildings were a state property and only The State Insurance Institute was operating in the country. Nowadays, over 90% of the historical buildings are private property and at the same time there is no state insurance company functioning.

At meetings with representatives from the insurance branch in Varna it was found out that these companies do not show any business interest in insuring heritage buildings, having status of monuments of culture. As far as there are some exceptions, the insuring of such type of buildings is realized in the order of common fire insurance.

One of the possible decisions of the problem with the disposition of the insurance companies to insure building heritage which is a municipal property is to offer specific insurance products pointed at a group of historical buildings which the Government (municipality) is going to insure. This way the risk is going to be distributed between the properties, while the probability of setting in fire incidents at one and the same time is quite small.

As for future business interests on behalf of the insurance companies, they could be connected with the development of cultural tourism, which could be financed through international projects and research activities.