





REPORT ON INSURANCE MARKET IN MONTENEGRO FOR 2012

Report on Insurance Market Situation in Montenegro 2012

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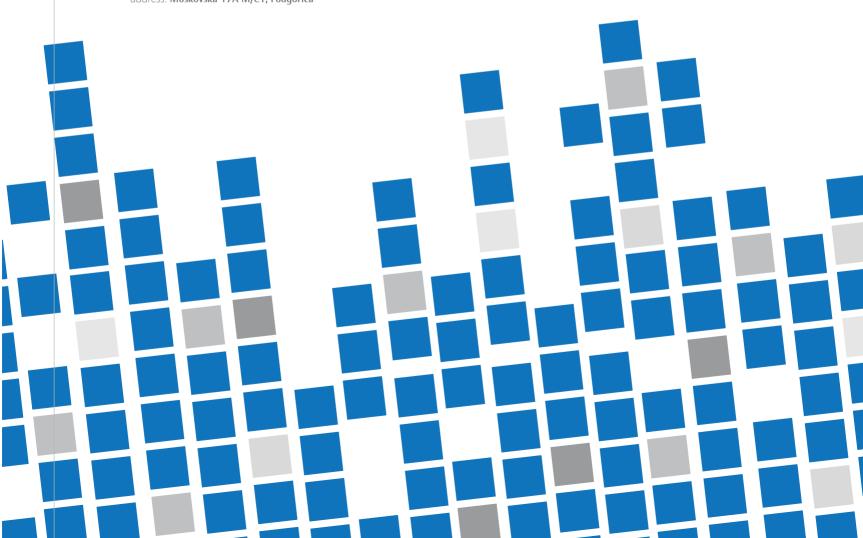
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CONTENTS:

INDEX OF TABLES AND FIGURES	4-5
I INTRODUCTION	7
1.1 Macro-economic indicators	8
II INSURANCE MARKET PARTICIPANTS	9
2.1 Insurance companies	11
2.2 Insurance agents and brokers and agencies for ancillary insurance services	12
2.3 Employees in insurance sector	13
III INSURANCE MARKET INDICATORS	15
3.1. Gross written premium share in GDP	17
3.2 Insurance density	18
3.3 Insurance market concentration in Montenegro	18
3.4 Structure of written gross insurance premium: life and non-life insurance	
3.5 Written gross insurance premium by insurance classes	
3.6 Life insurance	
3.7 Compulsory transport insurance	
IV ASSETS STRUCTURE	27
V STRUCTURE OF LIABILITIES	31
5.1 Technical provisions	34
VI DEPOSITING AND INVESTING TECHNICAL PROVISIONS FUNDS AND 1/3 OF CAPITAL	37
6.1 Depositing and investing net technical provision	42
6.2 Depositing and investing 1/3 of capital funds	43
VII FINANCIAL OPERATING RESULTS	45
VIII OPERATING INDIKATOR	47
8.1 Solvency	49
8.2 Reinsurance	50
8.3 Profitability	50
8.4 Liquidity	
8.5 Claims indicator	
IX ASSOCIATION - NATIONAL BUREAU OF INSURERS OF MONTENEGRO	55
VIII INCLIDANCE COMPANIES IN MONTENESSO	F0

INDEX OF TABLES AND FIGURES

TABLES

Table 1. Breakdown of macro-economic indicators 2005- 2012	6
Table 2. Overview of insurance companies operationally active in Montenegro in 2012	7
Table 3. Overview of companies conducting insurance agency activities in Montenegro	8
Table 4. Overview of companies conducting insurance brokerage activities in Montenegro	9
Table 5. Overview of companies conducting ancilliary insurance services in Montenegro	9
Table 6. Total number of employees in insurance sector 2008-2012	10
Table 7. Herfindahl-Hirchman index 2010 2012	
Table 8. Insurance premium structure in 2011 and 2012	16
Table 9. Structure of insurance porfolio by insurance classes in 2011 and 2012	18
Table 10. Breakdown of the number of insured persons in 2011 and in 2012. godinigodini	20
Table 11. Compulsory transport insurance premium by classes in 2012	20
Table 12. Share of motor vehicle liability insurance (MVLI) in 2012 by insurance companies	21
Table 13. Structure of assets of insurance companies on 31 December 2011 and 31 December 2012	21
Table 14. Share of insurance company in total assets of insurance sectorestor	22
Table 15. Structure of liabilities of insurance companies on 31 December 2011 and 31 December 2012	23
Table 16. Structure of technical provisions of insurance companies on 31 December 2011	26
Table 17. Gross and net technical provisions by insurance groups on 31 December 2012 (€)	27
Table 18. Solvency of insurance companies on 31 December 2011 and 31 December 2012	31
Table 19. Solvency by insurance groups on 31 December 2012	31
Table 20. Share of reinsurers in gross premium, processed claims and gross technical provisions	32
Table 21. Applicable technical retention result by insurance groups	33
Table 22. Profitability indicators on 31 December 2012	34
Table 23.Timelines in processing claims by insurance groups at the market level on 31 December 2012	35
Table 24. Gross claim ratio of non- life insurance companies on 31 December 2012	35
Table 25. Gross claim ratio of life insurance companies on 31 December 2012	36
Table 26. Share of insurance-related costs and other operating costs arising from	
insurance operations in earned premium on 31 December 2012	36
Table 27. Calculation of contribution to the Guarantee Fund for all insurance companies	38,

FIGURES

Figure 1. Share of gross written premium in GDP 2008 -2012	11
Figure 2. Written gross premium per capita 2008 -2012 (€)	12
Figure 3. Market share of insurance companies in 2012 (%)	14
Figure 4. Share of companies in gross written premium of life insurance in 2012 (%)	15
Figure 5. Share of companies in gross written premium of non-life insurance in 2012 (%)	15
Figure 6. Gross premium trend: life vs. non-life 2008-2012	16
Figure 7. Gross premium structure: life vs. non-life 2008-2012	17
Figure 8. Structure of gross insurance premium by insurance classes in 2011 and 2012 (%)	19
Figure 9. Structure of liabilities of insurance companies on 31 December 2011	
and 31 December 2012 (%)	24
Figure 10. Structure of technical provisions of insurance companies	
on 31 December 2011 and 31 December 2012 (%)	26
Figure 11. Structure of deposited and invested net technical provisions of life insurance	
in accordance with restrictions stipulated by the Rulebook on 31 December 2012 (%)	28
Figure 12. Structure of deposited and invested net technical provisions of non-life insurance	
in accordance with restrictions stipulated by the Rulebook on 31 December 2012 (%)	29
Figure 13. Structure of deposited and invested net technical provitions at the market level	
in accordance with restrictions stipulated by the Rulebook on 31 December 2012 (€)	29
Figure 14. Structure of invested and deposited capital funds at the market level	
on 31 December 2012 (thous€)	30



I INTRODUCTION

The Report on Insurance Market Situation in Montenegro 2012 has been prepared based on the analysis of reviewed annual financial statements and other data submitted by insurance companies to the Insurance Supervision Agency, including, inter alia, annual operational reports together with the opinion of the authorized actuary and the report of external auditor.

The most significant events and trends at the Montenegrin insurance market in 2012 were as follows:

- ➤ Gross insurance premium continued to make slight increase in 2012, together with simultaneous growth of gross life premiums and gross non-life premiums;
- ➤ Concentration level at the market, measured by the HH Index continues to be high, with the tendency of further reduction;
- ➤ Positive net financial business result at the level of entire insurance market continued in 2011 (six companies generated net income of 3.420 mil. € in 2012)
- > Amendments to the Insurance Law were adopted ("Official Gazette of MN", no 45/12);
- > The new Law on Compulsory Traffic Insurance was adopted ("Official Gazette of MN", no 44/12);
- > 10 by-laws arising from the Insurance Law were adopted and amended;
- > Regulatory frameworks for bancassurance activities was established;
- Obligation to evaluate capital adequacy was introduced;
- New methodology for evaluating the solvency through the ratio of capital and solvency margin was introduced;
- ➤ Intensifying cooperation with financial system institutions aimed at better and more efficient performance of regulatory function, as well as strengthening cooperation with supervisory authorities in the region;
- ➤ Organization of The First International Conference on development of life insurance market together with life insurance companies, whose participants were reputable insurance lecturers from markets that have significant tradition in life insurance development (Austria, Germany, ...), as well as members of international association of insurance supervision and representatives of regulatory authorities from the region (Insurance Supervision Agency of Macedonia, Central Bank of the Republic of Kosovo, Insurance Agency Bosnia and Herzegovina, Insurance Agency of the Republic of Srpska, Insurance Supervision Agency of the Federation of Bosnia and Herzegovina, etc...);
- > Ongoing training of the staff with the view of preparing for conduct of risk assessment based supervision, which is one of the basic principles of the EU Directive Solvency II.

1.1 Macro-economic indicators

According to the estimate of the Ministry of Finance of Montenegro, in 2012 the GDP amounted to 3.338 billion euro. Budgetary deficit amounted to 162.7 million euro, i.e. 4.87% GDP. Unemployment rate in Montenegro in 2012 amounted 13% and inflation rate amounted to 4.1%.

The following Table illustrates the macro-economic indicators:

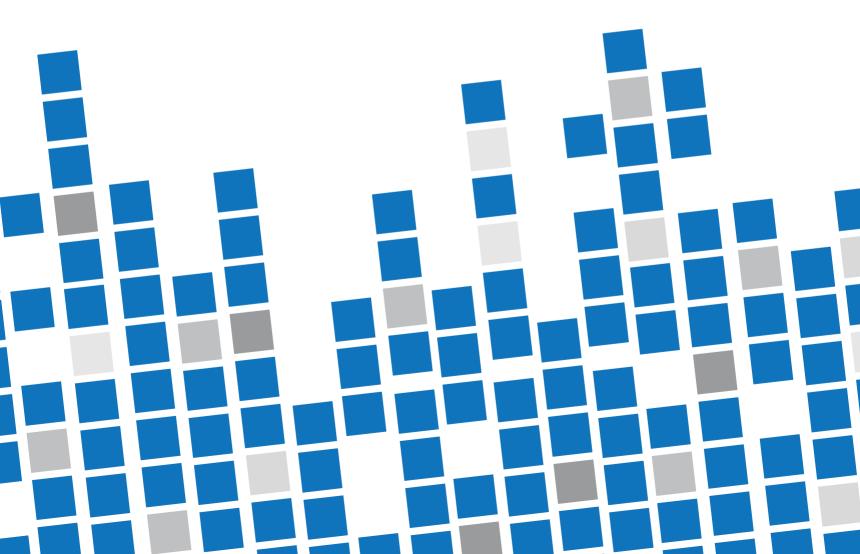
Table 1. Breakdown of macro-economic indicators 2005-2012

Indicators	2005.	2006.	2007.	2008.	2009.	2010.	2011.	2012.*
GDP (in million euro)	1.815	2.149	2.680	3.086	2.981	3.104	3.234	3.338
GDP per capita (€)	2.912	3.443	4.280	4.908	4.720	5.011	5.211	5.384
GDP growth rate (%)	4,2	8,6	10,7	6,9	-5,7	2,5	3,2	-0,5
Inflation (CPI)	2,5	2,8	4,2	7,1	3,4	0,5	2,8	4,1
Population	623.300	624.200	626.200	628.800	631.500	619.400	620.600	620.029
Number of unemployed persons	48.845	38.876	31.469	28.378	30.169	32.106	30.552	31.232
Number of employed persons	144.340	150.800	156.408	166.221	174.152	161.742	163.082	166.531
Average gross salary (€)	327	377	497	609	643	715	722	727
Average net salary (€)	213	246	338	416	463	479	484	487
Budgetary surplus/deficit (in million euro)	-45,55	74,24	176,96	15,17	-130,33	-112,24	-127,37	-162,7
Export (in million euro)	790,41	1.061,00	1.189,95	1.218,19	957,50	1.077,39	1.299,33	1.385,83
Import (in million euro)	1.108,53	1.699,82	2.323,94	2.900,46	1.950,14	1.958,94	2.140,13	2.165,58
Foreign trade balance (in million euro)	-318,12	-638,82	-1.133,99	-1.682,27	-992,64	-881,55	-840,80	-779,75

Source: Ministry of Finance of Montenegro, Monstat and Employment Bureau

^{* -} Preliminary data according to the estimates of the Ministry of Finance , Guidelines of macro-economic and fiscal policy 2013-2016".

II INSURANCE MARKET PARTICIPANTS





II INSURANCE MARKET PARTICIPANTS

2.1 Insurance companies

In the first half of 2011 there were twelve insurance companies performing insurance business at the Montenegrin insurance market, but in the second half there were 11 companies performing such business. By issuing the Resolution no 03-328/7-12 from 15 June 2012, the Insurance Supervision Agency gave approval for transfer of portfolio from Delta Generali life insurance to Uniqa life insurance. Five insurance companies conducted non-life insurance business only, while six insurance companies conducted life insurance business only.

Table 2. Overview of insurance companies operationally active in Montenegro in 2012

Non-life insurance companies						
Lovćen osiguranje AD						
Sava Montenegro AD						
Delta Generali osiguranje AD						
Uniqa neživotno osiguranje AD						
Swiss osiguranje AD						
Life insurance companies						
Grawe osiguranje AD						
Uniqa životno osiguranje AD						
Lovćen životna osiguranja AD						
Merkur osiguranje AD						
Wiener Städtische životno osiguranje AD						
Atlas Life AD						

Share capital of insurance companies

The total share capital of insurance companies as of 31 December 2012 amounted to 45.988 mil. euro, which presents a slight growth in comparison to 2011 by 2.22%¹. Foreign capital amounted to 34,812 mil. euro, with 75.70% share in the total share capital, and domestic capital amounted to 11.176 mil. euro, with share of 24.30%. The following insurance companies recorded growth of share capital value in 2012:

- Delta Generali osiguranje AD Podgorica in the amount of 1,149,000.00€;
- Atlas Life AD Podgorica in the amount of 250,000.00€;
- Uniga neživotno osiguranje AD Podgorica in the amount of 700,000.00€;
- Uniga životno osiguranje AD Podgorica in the amount of 400,000.00€.

Although total capital increase for these four companies amounted to 2.499 mil. €, at the same time company Delta Generali životna osiguranja AD ceased with its insurance business activities, whose share capital amounted to 1.500 mil. €.

2.2 Insurance agents and brokers and agencies for ancillary insurance services

During 2012, the Insurance Supervision Agency issued, in accordance with the Insurance Law:

- Four licenses to companies for agency in insurance;
- One license to a company for brokerage in insurance;
- 43 authorizations to physical persons for performance of agency activities;
- 28 authorizations to physical persons for performance of brokerage activities.

On December 31 2012, Montenegrin insurance market had 19 companies performing agency in insurance and 2 agents – entrepreneurs, while 6 companies conducted brokerage operations in insurance.

Moreover, on 31 December 2011, 450 physical persons in Montenegro had authorizations for conduct of agency operations in insurance, while 122 physical persons had authorizations for conduct of brokerage operations

Table 3. Overview of companies conducting insurance agency activities in Montenegro

Company	Activity
Safe Invest Plus DOO Podgorica	Agency
Safe Life DOO Podgorica	Agency
WVP DOO Budva	Agency
Orion - D.S. Invest DOO Pljevlja	Agency
PRIMS DOO Nikšić	Agency
IN.PRO DOO Podgorica	Agency
Lojd Montenegro DOO Podgorica	Agency
Rogošić Invest DOO Podgorica	Agency
Montagent DOO Podgorica	Agency
DOZ DOO Podgorica	Agency
Safe Invest DOO Podgorica	Agency
IURISPRUDENS DOO Podgorica	Agency
Protektor Crna Gora DOO Podgorica	Agency
Aktuar DOO Podgorica	Agency
Obses DOO Podgorica	Agency
Premija plus DOO Podgorica	Agency
Ideal Life DOO Podgorica	Agency
Indego Plus DOO Tivat	Agency
Polis DOO Podgorica	Agency
Elita-Meel zastupnik u osiguranju Tivat	agent-entrepreneur
Expres-Ključ Rožaje	agent-entrepreneur

Agency companies, which conducted activities on initiating, proposing, preparing and concluding insurance contracts on behalf of and for the account of insurers in 2012 sold 125,906 insurance policies (18.72% less in relation to 2011 when 154,906 insurance policies were sold) and generated written gross premium in the amount of 18.612 mil. €, or share of 27.85% in the written gross premium of Montenegrin insurance market.

Table 4. Overview of companies conducting insurance brokerage activities in Montenegro

Company	Activity		
APO Plus DOO Podgorica	Brokerage		
Adriatic AG DOO Podgorica	Brokerage		
Auctor DOO Podgorica	Brokerage		
WVPCG DOO Budva	Brokerage		
PARTNER M DOO Podgorica	Brokerage		
Broker INS DOO Podgorica	Brokerage		

The basic function of a brokerage company is to establish relation between the insured, i.e. the policy holder, and the insurance company for the purpose of concluding the insurance contract, as well as for conduct of preparatory activities required for signing the insurance contract and providing assistance in exercise of rights arising from the insurance contract, especially in relation to claims being processed by the insurance company. In 2012, brokerage companies of the Montenegrin insurance market concluded 2,538 insurance contracts (31.85% less than in 2011, when 3,724 were contracted) and contracted gross premium in the amount of 4.129 mil. euro with the share of 6.17% in the total written gross premium of the insurance market.

Table 5. Overview of companies conducting ancillary insurance services in Montenegro

Company	Activity			
Montenegro Assistance DOO Podgorica	provision of ancillary insurance services			

2.3 Employees in insurance sector

Overview of the number of employees at the level of the entire insurance sector in the period 2008 – 2012 is presented in the following Table:

Table 6. Total number of employees in insurance sector 2008-2012

Year	2008	2009	2010	2011	2012
Total number of employees in insurance sector	639	643	703	814	786

In accordance with the development of insurance market during previous years, the number of employees had been making a constant growth. Cease of insurance activities of one company in 2012, as well as amendments made to the methodology for monitoring number of employees in the industry, have had a direct impact to the reduction in the number of employees at the market level for 3.44%, therefore the number of employees at the end of 2012 amounted to 786.



III INSURANCE MARKET INDICATORS





III INSURANCE MARKET INDICATORS

In 2012, the written gross premium of the insurance market of Montenegro amounted to 66.922 million euro² and slightly increased by 3.29% in relation to the previous year.

3.1. Gross written premium share in GDP

Positive trends at the Montenegrin market, as well as intensive GDP growth in the period 2006 -2009 contributed for the indicator of gross written premium share in GDP to make a constant growth. Due to the impact of economic crisis, as well as to a slow down in growth of the Montenegrin economy, this indicator declined in 2010 and 2011, but in 2012 made a slight growth and amounted to 2.01%.

In 2012, the share of non-life written gross premium in GDP made a slight growth and amounted to 1.72%, as well as the share of life insurance premium in GDP, which amounted to 0.29%.

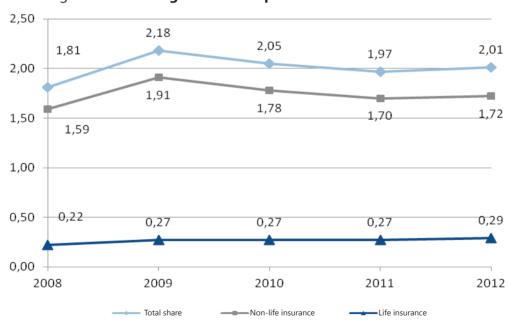


Figure 1. Share of gross written premium in GDP 2008 - 2012

3.2 Insurance density

Insurance density, as one of the most frequently used insurance market indicators, represents the amount of written gross premium per capita.

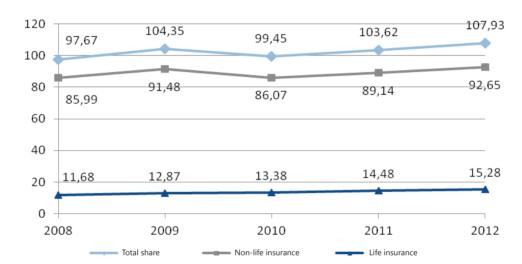


Figure 2. Written gross premium per capita 2008 -2012 (€)

Written gross premium per capita in Montenegro in 2012 amounted to 107.93 euro, which still remains significantly bellow the average of EU member countries in 2011 (around 2,137 euro).

3.3 Insurance market concentration in Montenegro

The level of concentration of insurance market is established by Herfindahl-Hirchman index (HHI)³, and its value can range from 0 to 10,000. The value of index closer to zero indicates that market has a large number of companies of nearly the same market share, i.e. it is a market with the high level of competition. The value of index closer to 10,000 indicates that the market is concentrated, i.e. there is a monopoly in the market.

The range of Herfindahl-Hirchman index is:

- \triangleright 0 1,000 \rightarrow Non-concentrated market (high level of concentration);
- \triangleright 1,000 − 1,800 → Moderate concentration;
- \rightarrow 1,800 10,000 \rightarrow Concentrated market (monopoly).

Regarding the insurance market of Montenegro, in the period from 2010 to 2012, the value of HHI ranged within the limits of concentrated market, since the values of this index belong to the interval from 1,800 to 10,000. Nevertheless, starting from 2010 there has been a trend that indicates the increase of competition level i.e. the reduction of market concentration.

Table 7. Herfindahl-Hirchman index 2010 - 2012

_	2010.			2011.			2012		
Insurance company	Gross premium	Share %	нні	Gross premium	Share %	нні	Gross premium	Share %	нні
Lovćen osiguranje AD	32.338.112	52,00	2.704,27	29.400.966	45,38	2.059,13	27.284.656	40,77	1.662,26
Lovćen životna osiguranja AD				1.269.847	1,96	3,84	1.411.886	2,11	4,45
Sava Montenegro AD	9.687.203	15,58	242,67	10.340.373	15,96	254,70	10.875.443	16,25	264,09
Grawe osiguranje AD	4.888.343	7,86	61,79	4.940.958	7,63	58,15	4.685.915	7,00	49,03
Swiss osiguranje AD	2.417.799	3,89	15,12	2.191.985	3,38	11,45	2.015.348	3,01	9,07
Delta Generali osiguranje AD	5.838.992	9,39	88,17	7.146.911	11,03	121,67	9.480.044	14,17	200,67
Uniqa životno osiguranje AD	1.309.126	2,11	4,43	1.420.639	2,19	4,81	1.574.606	2,35	5,54
Uniqa neživotno osiguranje AD	4.782.900	7,69	59,16	6.654.608	10,27	105,49	7.792.127	11,64	135,57
Merkur osiguranje AD	654.070	1,05	1,11	808.184	1,25	1,56	969.726	1,45	2,10
Atlas Life AD	113.623,00	0,18	0,03	152.708	0,24	0,06	181.922	0,27	0,07
Delta Generali životno osiguranje AD	155.413	0,25	0,06	192.759	0,30	0,09		0,00	0,00
Wiener Städtische životno osiguranje AD	0,00	0,00	0,00	271.760	0,42	0,18	650.347	0,97	0,94
TOTAL	62.185.580	100	3.176,81	64.791.699	100	2.621,12	66.922.021	100	2.333,80

The largest share of 40.77% in the insurance market was generated by Lovćen osiguranje, which is by 4.61 percentage points lower than in the previous year, when it amounted to 45.38% (29.401 mil. euro).

Two companies with the greatest written gross premium were Lovćen and Sava Montenegro whose market share amounted to 57.02% (38.160 mil. euro) in 2012 which is by 4.31 percentage points lower in relation to 2011, when it amounted to 61.33% (39.741 mil. €).

Three companies with the greatest written gross premium were Lovćen, Sava Montenegro and Delta Generali osiguranje whose market share amounted to 71.19% (47.640 mil.€) in 2012. Therefore, notable is the trend of reduction of concentration in the insurance market of Montenegro, which is evidenced by the fact that in the previous year of 2011 the market presence of the three companies (Lovćen, Sava Montenegro and Delta) with the greatest gross written premium amounted to 72.36% (46.888 mil. €).

The following figure shows market presence of insurance companies in 2012:

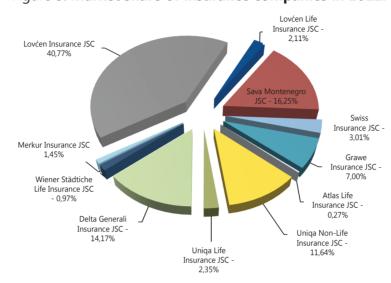


Figure 3. Market share of insurance companies in 2012i (%)

Observed in relation to the structure of share in the gross written life insurance premium, the largest share, despite the decline in comparison to the previous year for 6.28 percentage points, is still made by Grawe osiguranje with 49.46%. It is followed by Uniqa životno osiguranje with its share of 16.62%, Lovćen životna osiguranja with 14.90% and Merkur osiguranje with 10.24% (growth of market share for 1.12 percentage points in relation to 2011). Regarding the life insurance companies, the highest growth of gross written premium was achieved by Wiener Städtische životno osiguranje with 3.80 percentage points (in 2012 the market share amounted to 6.86% and in 2011 amounted to 3.07%).

The following figure shows the share of life insurance companies in the gross written life insurance premium in 2012:

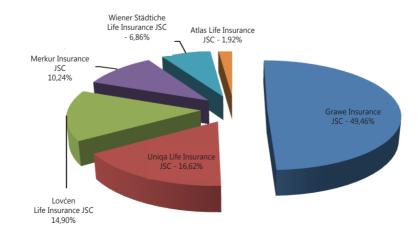


Figure 4. Share of companies in the gross written premium of life insurance in 2012 (%)

Observed in relation to the structure of share in the gross written premium of non-life insurance, the largest share is still made by Lovćen osiguranje with 47.49%. However, the share of Lovćen osiguranje declined for 5.26 percentage points (52.75%) in comparison to the previous year. It is followed by Sava Montenegro with its share of 18.93%, Delta Generali osiguranje with 16.50%, Uniqa neživotno osiguranje with 13.56% and Swiss osiguranje with 3.51%. Regarding the non-life insurance companies, the highest growth of gross written premium of non-life insurance was achieved by Delta Generali osiguranje with 3.68 percentage points (in 2011 amounted to 12.82%).

The following figure shows the share of non-life insurance companies in the gross written non-life insurance premium in 2012:

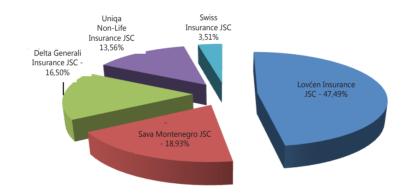


Figure 5. Share of companies in gross written non-life insurance in 2012 (%)

3.4 Structure of gross written insurance premium: life and non-life insurance

Insurance market in Montenegro in 2012 was characterized by a constant trend where non-life insurance premium has a dominant position. In the structure of written gross premium in 2012, the share of non-life insurance slightly declined and amounted to 85.84%, while the share of life insurance slightly increased from 13.98% in 2011 to 14.16% in 2012. In 2012, share of non-life insurance premiums in the overall premium registered a decline for 0.18 percentage points, whilst share of life insurance premiums made a growth for the same value.

	2011		2012	Index 2012/2011	
	Premium (€)	Share (%)	Premium (€) Share (%)		
Life insurance	9.056.856	13,98	9.474.403	14,16	104,61
Non-life insurance	55.734.843	86,02	57.447.618	85,84	103,07
TOTAL	64.791.699	100	66.922.021	100	103,29

Table 8. Structure of insurance premiums in 2011 and 2012

Within the structure of gross written premium, the total non-life insurance premium made a growth of 3.07%, whilst the total life insurance premium made a growth of 4.61% in comparison to 2011.

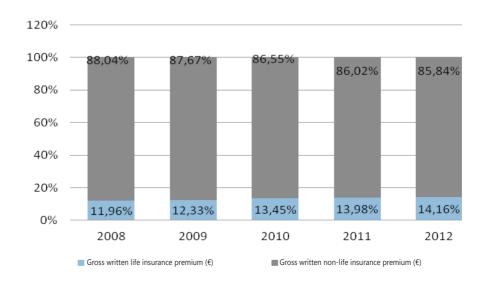
Observing the period from 2008 until 2012, the non-life insurance premium was making an annual growth of average 5.58%, whilst the life insurance grew with the average rate of 24.24%.

The following figure gives an overview of gross premium trend at the overall level and in respect to insurance groups in the period 2008- 2012:

66.922 65.570 64.792 62.186 80.000 60.578 70.000 57.483 57.448 55.735 60.000 53.332 53.819 50.000 40.000 30.000 20.000 9.474 9.057 8.087 8.367 7.246 10.000 2008 2009 2012 Gross written life insurance premium (€) Gross written non-life insurance premium (€) ■ Gross written insurance premium (€) Poly - Gross written insurance premium (€)

Figure 6. Gross premium trend: life vs. non-life 2008 – 2012

Figure 7. Structure of gross premium: life vs. non-life 2008-2012



3.5 Gross written insurance premium by insurance classes

Analysis of the structure of share that certain insurance classes have in total gross written premium in 2012 shows insignificant change in comparison to the previous year. Observed in respect to the insurance classes, a significant growth of gross written premium was made by the life insurance for 8.04%, liability insurance for aircraft use for 30.43%, liability insurance for watercraft use for 75.22%, other property insurance for 23.38%, as well as own damage (kasko) insurance of watercrafts for three times.

Table 9. Structure of insurance portfolio by insurance classes in 2011 and 2012

Class of insurance	20	2011		2012	
	Amount	Share (%)	Amount	Share (%)	2012/2011
Accident insurance	7.346.044	11,34	7.773.049	11,62	105,81
Health insurance	1.031.631	1,59	973.111	1,45	94,33
Motor vehicle insurance	5.741.168	8,86	5.391.037	8,06	93,90
Railborne vehicles insurance	186.740	0,29	186.740	0,28	100,00
Aircraft insurance	1.033.289	1,59	507.529	0,76	49,12
Watercraft insurance	63.012	0,10	247.860	0,37	393,36
Insurance of goods in transport	455.917	0,70	305.265	0,46	66,96
Property insurance against fire and other risks	4.406.629	6,80	3.586.240	5,36	81,38
Other property insurances	3.184.463	4,91	3.928.921	5,87	123,38
Liability insurance of users of motor vehicle	30.011.616	46,32	31.587.159	47,20	105,25
Liability insurance of aircraft users	900.951	1,39	1.175.074	1,76	130,43
Liability insurance of watercraft users	168.005	0,26	294.387	0,44	175,22
General damages liability	930.907	1,44	847.437	1,27	91,03
Other non-life insurance	274.469	0,42	643.811	0,96	234,57
Total non-life insurances	55.734.843	86,02	57.447.618	85,84	103,07
Life insurance	7.792.446	12,03	8.418.892	12,58	108,04
Annuity insurance	73.656	0,11	36.630	0,05	49,73
Additional insurance along with life insurance	1.175.535	1,81	1.004.235	1,50	85,43
Other life insurance	15.220	0,02	14.645	0,02	96,22
Total life insurance	9.056.856	13,98	9.474.403	14,16	104,61
TOTAL	64.791.699	100	66.922.021	100	103,29

Premium of motor own damage (kasko) insurance in 2012 was reduced for 6.21%, as well as the kasko aircraft insurance for 50.88%. Moreover, premium reduction in relation to the previous year was also recorded by annuity insurance for 50.27% and additional insurance along with life insurance for 17.47%. Premium of accident insurance increased for 5.81%. The year 2012 recorded a decline of total premium of kasko insurance (motor vehicles, aircrafts, watercrafts, railborne vehicles) in comparison to 2011 for 9.84%, which is primarily a result of decline aircraft insurance premium for 50.88% and decline in motor vehicle insurance premium for 6.10%.

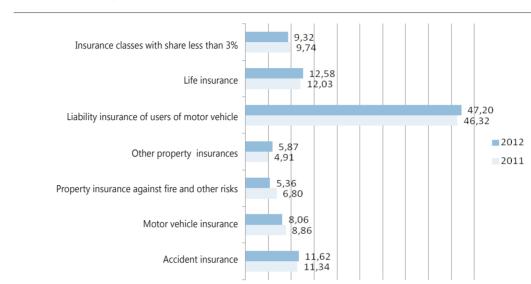


Figure 8. Structure of gross insurance premium by insurance classes in 2011 and 2012 (%)⁴

Observed in relation to the structure of gross premium, the highest presence is still notable with compulsory insurances with the share of 49.96%, which in 2012 increased for 6.25%. Six mostly dominant insurance classes (MVL, accident, kasko for motor vehicles, property insurance against fire and other property insurances and life insurance) contribute with the share of 90.69%: motor vehicle liability insurance 47.20%, life insurance 12,58%, accident insurance 11.62%, property insurance 11.23% and kasko for motor vehicles with 8.06%. The previously stated indicates a high concentration on a rather small number of insurance classes.

3.6 Life insurance

Life insurance in Montenegro, despite a constant growth trend, still has a relatively low level of share in the total written premium of the market. Gross written premium of life insurance in 2012 amounted to 9.474 mil.€ and increased for total amount of 417,547 €, or for 4.61% in comparison to 2011 when it amounted to 9.057 mil.€. Therefore, as a result of the crises, in 2012 there was a slow down in the growth of life insurance premium (growth in 2011 was for 8.25%). Number of life insured persons in 2012 amounted to 36,229, which is a growth of 7.93% in comparison to the previous year.

Table 10. Number of insured persons in 2011 and 2012

	Total number of insured persons				
	2011	2012	Change 12/11 in %		
TOTAL	33.566	36.229	7,93		

^{4 -} Insurance classes with share less than 3% are: health insurance, railborne vehicle insurance, aircraft insurance, watercraft insurance insurance of goods in transport, liability insurance of aircraft insurance, liability insurance of watercraft use, general damage liability insurance, other non-life insurances, annuity insurance, additional insurance along with life insurance and other life insurance.

Number of cancelled policies on 31 December 2012 amounted to 4,250, whilst the number of reduced policies amounted to 2,279, which resulted in a slow down in growth of gross life insurance premium in 2012. 8,108 new life insurance policies were contracted in 2012, which is higher for 22.64% in comparison to 2011 when the companies contracted 6,611 new policies. Number of active life insurance policies at the end of 2012 amounted to 35,449.

3.7 Compulsory traffic insurance⁵

The total compulsory premium in 2012 amounted to 33.436 mil.euro which is by 6.25% higher in relation to 2011. In 2011, the share of gross premium of compulsory insurance in the gross premium of non-life insurance amounted to 58.20%, but 49.96% in the total written gross premium. Five companies conducted compulsory insurance business in Montenegro.

Table 11. Compulsory traffic insurance premium by classes in 2012

Compulsory traffic insurance	Premium (€)	Share (%)	
Insurance of passengers in public traffic	379.778	1,14	
Liability insurance for motor vehicle use	31.587.159	94,47	
Liability insurance for aircraft use	1.175.075	3,51	
Liability insurance for watercraft use	294.387	0,88	
TOTAL	33.436.398	100	

Under the structure of compulsory insurance premium, the highest share was made by the motor vehicle liability insurance, which takes 94.47% of the total compulsory insurance premium in 2012. Motor vehicle liability insurance premium in 2012 amounted to 31.587 mil. euro and increased for 5.25% in comparison to 2011 when it amounted to 30.012 mil.eura.

Table 12. Share of gross written premium of motor vehicle liability (MVL) in 2012 by insurance companies

Insurance comapny	MVL gross written premium (€)	Share (%)
Lovćen osiguranje AD	12.378.323	39,19
Sava Montenegro AD	6.530.114	20,67
Delta Generali osiguranja AD	5.900.398	18,68
Uniqa neživotno osiguranje AD	5.538.688	17,53
Swiss osiguranje AD	1.239.636	3,92
TOTAL	31.587.159	100



IV ASSETS STRUCTURE





IV ASSETS STRUCTURE

The value of total asset for all insurance companies, as of 31 December 2012, was 142.153 mil.euro, which accounts for the increase of 5.04% if compared to the value of total assets as of 31 December 2011. The long-term financial investments have the highest share in the total assets of 41.46%, followed by the short-term financial investments with 26.85% and short-term receivables having 12.43%.

Table 13. Structure of assets of insurance companies on 31 December 2011 and on 31 December 2012

Assets	2011		2012		Index
	Amount (€)	Share (%)	Amount (€)	Share (%)	2012/2011
Intangible assets	610.143	0,45	702.956	0,49	115,21
Real estates, plants and equipment directly related to the conduct of insurance activities	11.231.315	8,30	11.028.602	7,76	98,20
Long-term financial investments	52.055.721	38,46	58.931.141	41,46	113,21
Short-term financial investments	38.985.398	28,81	38.163.627	26,85	97,89
Cash funds	1.889.564	1,40	1.956.376	1,38	103,54
Short-term receivables	18.426.778	13,62	17.670.552	12,43	95,90
Share of reinsurers in technical provisions	5.110.603	3,78	5.515.898	3,88	107,93
Prepayments and accrued income	6.608.707	4,88	7.962.553	5,60	120,49
Other	420.095	0,31	221.263	0,16	52,67
TOTAL	135.338.325	100	142.152.967	100	105,04

Regarding the asset forms, the highest growth in 2012 was made in respect to prepayments and accrued income for 20.49% in comparison to the previous year, which is mostly a result of growth in deferred insurance-related costs for 12.88%.

The category "long-term financial investments" recorded growth of 13.21% in comparison to the previous year. Growth of this category is mostly determined by the growth of investments into Montenegrin bonds issued for the EU market and other state securities for 55.37% in comparison to the previous year. The value of total investments into the state bonds amounts to 29.283 mil.€, which represents 49.52% of total long-term financial investments at the market level. In addition, the growth of 15.21% was achieved by "intangible assets".

Table 14. Share of Insurance companies in total assets of insurance sector on 31 December 2011 and 31 December 2012 (%)

Insurance Company	2011	2012	Change %
Lovćen osiguranje AD	41,22%	36,30%	-4,91%
Lovćen životna osiguranja AD	3,79%	4,18%	0,39%
Sava Montenegro osiguranje AD	17,15%	16,89%	-0,26%
Swiss osiguranje AD	3,72%	2,99%	-0,73%
Grawe osiguranje AD	13,43%	16,01%	2,58%
Atlas life AD	0,69%	0,63%	-0,07%
Uniqa neživotno osiguranje AD	5,77%	6,95%	1,19%
Uniqa životno osiguranje AD	2,80%	3,38%	0,57%
Delta Generali osiguranje AD	8,10%	9,94%	1,84%
Delta Generali životna osiguranja AD	0,80%	0,00%	-0,80%
Merkur osiguranje AD	1,55%	1,72%	0,16%
Wiener Städtische životno osiguranje AD	0,97%	1,01%	0,04%
TOTAL	100	100	-

Considering the share of certain insurance companies in the total assets of insurance sector, it can be noted that Lovćen osiguranje continues to have the largest share of 36.30%, followed by Sava Montenegro with 16.89% and Grawe osiguranje with 16.01%. If compared to 2011, Lovćen osiguranje recorded a decline of its share in total assets of companies by 4.91 percentage points (in 2012, Lovćen osiguranje reduced its assets for shares of Lovćen auto in the value of 1,700 mil.€), while Grawe osiguranje, Delta Generali osiguranje and Uniqa neživotno osiguranje recorded share increase from 1 to 2.58 percentage points.

V STRUCTURE OF LIABILITIES



V STRUCTURE OF LIABILITIES

Value of total liabilities for all insurance companies in Montenegro, as of 31 December 2012, was 142.153 mil.euro, which represents a increase of 5.04% if compared to the value of total liabilities on 31 December 2011, when it was 135.338 mil. eura.

Table 15. Structure of liabilities of insurance companies on 31 December 2011 and 31 December 2012

Liabilities	2011		2012		Index
	Amount (€)	Share (%)	Amount (€)	Share (%)	2012/2011
Capital and reserves	32.903.107	24,31	36.621.536	25,76	111,30
Reservations	83.000.681	61,33	86.103.596	60,57	103,74
Short-term liabilities	17.185.861	12,70	17.627.157	12,40	102,57
Long-term liabilities	1.502.041	1,11	566.403	0,40	37,71
Passive prepayments and accrued incomes	746.634	0,55	1.234.276	0,87	165,31
TOTAL	135.338.324	100	142.152.967	100	105,04

Growth of the category "capital and reserves "of insurance companies in 2012 of 11.30% or 3.718 mil.€ is a result of positive financial result achieved in 2011, which amounted to 1.320 mil.€ and in 2012, which amounted to 2.064 mil.€. Four insurance companies performed capital increase in the amount of 2.499 mil.€.

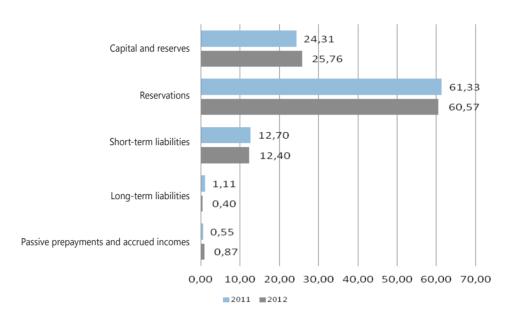
The category "reservations" includes gross of technical provisions of the insurance companies and other reservations needed for pensions, jubilee award, severances, bad deals, etc⁶.

The category "short-term liabilities" is almost at the same level as it was in the previous year as regards the liabilities of the balance sheet (when a slight incline of 2.57% was made) and relates to the liabilities of financing, liabilities arising from direct insurance business (liabilities towards insured, brokers, reinsurance coinsurance premiums, etc...).

Passive prepayments and accrued incomes refer to short-term postponed incomes, advance calculation of costs and expenditures and recorded a growth of 65.31% in comparison to the previous year.

The category "long-term liabilities" with 62.29% in relation to 2011 mostly refer to re-classification of certain balance items, namely, to transfer of long-term liabilities into short-term liabilities due to the expiry of 365 days.

Figure 9. Structure of liabilities of insurance companies on 31 December 2011 and 31 December 2012 (%)



5.1 Technical provisions

According to the Insurance Law, insurance companies are obliged to establish technical provisions that are used to cover liabilities arising from insurance operations at the end of every accounting period.

Amendments to the Insurance Law, which came into effect in August 2012, mostly refer to technical provisions. According to the law, technical provisions of insurance companies include provisions for unearned premiums, provisions for reserved claims, provisions for bonuses and discounts, mathematical reserves, risk equalization reserves, special technical provisions and other technical provisions.

Insurance companies create unearned premiums out of total premium for each insurance class proportionally to the insurance duration, which are used to cover insurance-related liabilities that are to occur in the following accounting period.

Reserved claims are calculated at the level of estimated amount of liabilities for incurred and reported but not settles claims and incurred but not reported claims in the accounting period, including all costs necessary for settling and paying the claims. In case that claims for certain insurance classes occur in the form of annuity, the reserved claims are calculated in a capitalized amount which represents the amount of all future liabilities.

Provisions for bonuses and discounts are calculated up to the amount of compensations and other payments that insured and other users of insurance are entitled to, which arise from the right to participate in profit or other rights arising from the insurance contract – bonus, right to a partial reduction of premium

– discount and right for compensation of a part of premium as result of not using the period of insurance coverage due to premature termination of the contract – termination.

Mathematical reserve is established up to the amount of current value of future liabilities of the insurance company reduced by the current value of future liabilities of underwriters (insurance premiums) and is calculated for each contract separately.

Insurance companies engaged in credit insurance are obliged to establish risk equalization reserves for this class of insurance. Such provisions are calculated on the basis of standard deviation of annual relevant technical results from the average relevant loss ratio for each class of non-life insurance during the observed period.

Insurance companies engaged in life insurance operations, where the insured takes over the investment risk, need to establish special technical provisions.

Other technical provisions are established in respect to the amount of estimated future liabilities and risks against large damages caused by earthquakes, floods, and damages from liabilities of insurance against nuclear damage, liabilities of producers of pharmaceutical products, as well as other liabilities.

Technical reserves at the level of the insurance sector were 84.926 mil. euro as of 31 December 2012, which represents the increase of 3.23% compared to 31 December 2011.

Table 16. Structure of technical provisions of insurance companies on 31 December 2011 and 31 December 2012

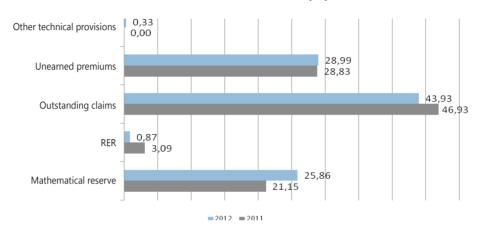
Technical provisions	20	11	2012		Index	
rechnical provisions	Amount (€)	Share %	Amount (€)	Share %	2012/2011	
Outstanding claims	38.605.564	46,93	37.311.475	43,93	96,65	
Unearned premiums	23.719.568	28,83	24.623.396	28,99	103,81	
Mathematical reserve	17.402.650	21,15	21.964.970	25,86	126,22	
RER	2.542.491	3,09	741.945	0,87	29,18	
Other technical provisions	-	0,00	283.899	0,33	-	
TOTAL	82.270.273	100	84.925.685	100	103,23	

As of 31 December 2012, just as in previous years, the highest share in the structure of total technical provisions was the item of reserved claims, which amounted to 37.311 mil.euro (43.93% of total technical provisions), followed by the unearned premiums that amounted to 24.623 mil.euro (28.99% of total technical provisions).

Within the technical provisions the highest growth was made by mathematical reserves of 26.22% in relation to the previous year, which is a result of growth of life insurance premium during previous years. In addition, there was a growth of unearned premium in 2012 for 3.81%. Moreover, there was a reduction of risk equalization reserves for 70.82% due to reduction by non-life insurance companies in allocation

of funds for such reserves aimed at alignment with new legislation (amendments to the Insurance Law "Official gazette of MN", no 45/12). Respectively, according to the new legislation, companies responsible for credit insurance activities are obliged to establish the risk equalization reserves.

Figure 10. Structure of technical provisions of insurance companies on 31 December 2011 and 31 December 2012 (%)



VI DEPOSITING AND INVESTING TECHNICAL PROVISION FUNDS AND 1/3 OF CAPITAL





VI DEPOSITING AND INVESTING TECHNICAL PROVISION FUNDS AND 1/3 OF CAPITAL

6.1 Depositing and investing net technical provisions

Insurance laws and by-laws define forms of properties where insurance companies can deposit and invest technical provision funds and guarantee reserve funds into and restrictions concerning total and individual depositing and investments.

According to the Insurance Law, companies are obliged to deposit and invest technical provision funds into the following forms of property:

- > Securities issued by Montenegro, central banks and governments of foreign countries that are rated at least A or its equivalents by widely-accepted, internationally recognized rating agencies;
- > Bonds or other debt securities traded at organized securities market in Montenegro;
- ➤ Bonds or other debt securities not traded at organized securities market, if the issuer is a legal entity with its registered office in Montenegro;
- > Shares traded at the organized securities market in Montenegro;
- Deposits from banks with their registered office in Montenegro.

Rulebook on restrictions related to depositing and investing technical provision funds and guarantee reserve funds of insurance companies⁷ defines types of placements of reserve funds and restrictions concerning investments into stipulated asset types, depending whether the insurance company is engaged in life or non-life insurance.

The level of compliance of depositing and investing technical provision funds with the Law and the Rulebook is observed from the net principle. Gross technical provisions for the entire insurance sector on 31 December 2012 amounted to 84.926 mil euro, whilst the net technical reserves amounted to 79.140 mil. Euro. The previously stated shows that the share of reinsurers in technical provisions was 6.49% (or 5.516 mil. euro).

Table 17. Gross and net technical provisions of insurance companies on 31 December 2012 (€)

	Net technical provisions		Gross technical	provisions
	Amount (€)	Share (%)	Amount (€)	Share (%)
Life insurance	22.685.470	28,57	22.955.613	27,03
Non-life insurance	56.724.318	71,43	61.970.072	72,97
TOTAL	79.409.787	100	84.925.685	100

As per type of business, the insurance companies engaged in life insurance operations, placed 22,648,710 \in of net technical provisions (or 99.84% of total net technical provisions for life insurance) in stipulated asset forms, while the amount of deposited and invested net technical provisions in compliance with restrictions stipulated by the Rulebook was 22,524,531 \in of the net technical provisions for life insurance (or 99.29% of the total net technical provisions for life insurance). During the observed period the insurance companies, engaged in non-life insurance invested technical provision funds in the amount of 52,365,738 \in (92.32% of the total net technical provisions of non-life insurance) in compliance with the stipulated asset forms and not complying with the restrictions stipulated by the Rulebook, while they invested 51,978,970 \in (91.63% of the total net technical provisions of non-life insurance) when complying with the stipulated asset forms and restrictions stipulated by the Rulebook.

Analysis of deposited and invested net technical provision funds of the insurance companies as of 31 December 2012 shows that it was deposited and invested 75,014,448 € of the net technical provisions funds or 94.46% of total net technical provisions funds at the level of insurance sector of Montenegro and in compliance with the stipulated asset forms (without restrictions stipulated by the Rulebook), while it was deposited and invested 74,503,501 € of the net technical provisions reserves or 93.82% of the total net technical reserves when complying with the stipulated assets forms and restrictions stipulated by the Rulebook.

Deposits had the highest share in the total structure of invested and deposited technical provision funds, in the asset forms stipulated by the Law and the Rulebook, the share being 43.20% and amounting to 32.184 mil.eur as of 31 December 2012. The share of state bonds (Eurobonds, old savings bonds, labor fund shares, etc.) was 35.90% or 26,749 mil.euro, while the share of investment properties was 14.46% or 10.771 mil. Euro, bonds 2.89% i.e. 2.150 mil.euro, shares 2.83% i.e. 2.111 mil.euro, while the cash accounted for 537 thousand € or 0.72%.

Figure 11. Structure of deposited and invested net technical provision funds in line with restrictions stipulated by the Rulebook on 31 December 2012 (%)

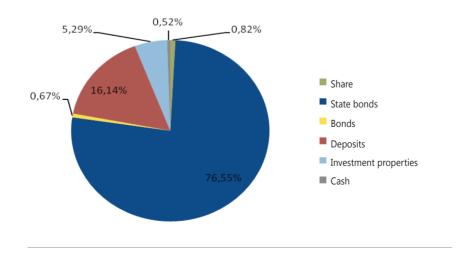


Figure 12. Structure of deposited and invested net technical provision funds for non-life insurance in line with restrictions stipulated by the Rulebook as of 31 December 2012 (%)

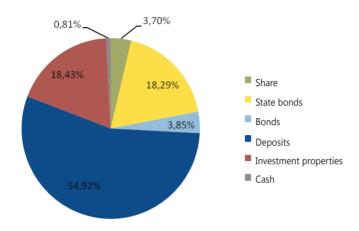
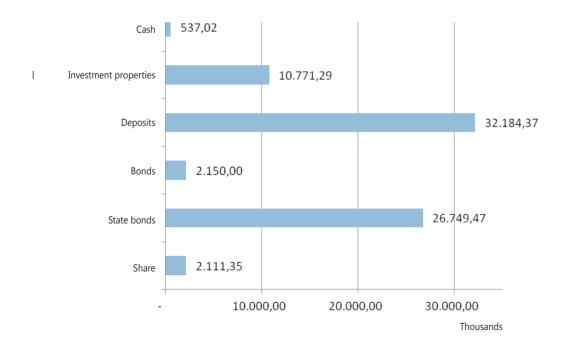


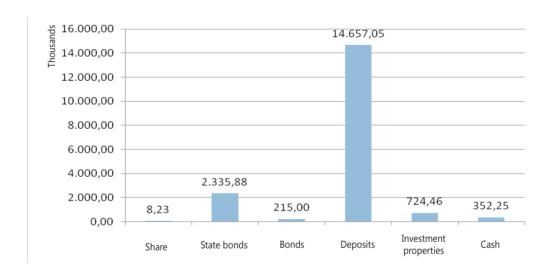
Figure 13. Structure of deposited and invested net technical provision funds at the market level in line with restrictions stipulated by the Rulebook as of 31 December 2012 (€)



6.2 Depositing and investing 1/3 of capital funds

In accordance with the forms of assets and restrictions prescribed by the Law and the Rulebook, insurance companies invested 59.80% of total capital funds at the market level, or 18.293 mil €. Under the total structure of deposited and invested capital funds, the highest share of 80.12% had bank deposits, which amounted to $14,657,050 \, \in$, followed by state bonds with their share of 12.77% or the amount of $2,335,875 \, \in$. Investment real estate had the share of 3.96% or $724,461 \, \in$, cash had the share of 1.93% or $352,246 \, \in$, bonds 1.18% or the amount of $215,000 \, \in$ and shares 0.04% or the amount of $8,226 \, \in$.

Figure 14. Structure of invested and deposited capital funds at the market level on 31 December 2012 (thous.€)



VII FINANCIAL OPERATING RESULTS







VII FINANCIAL OPERATING RESULTS

Insurance activities in 2012 continued with the trend that had commenced in 2011 and achieved net positive result in the amount of 2.064 mil. euro.

Out of eleven insurance companies that were operating in 2012, six companies generated profit in the total amount of 3.420 mil.eura, while remaining five insurance companies made loss in the total amount of 1.356 mil.eura.

Lovćen osiguranje, Lovćen životna osiguranja, Grawe osiguranje, Sava Montenegro, Delta Generali osiguranje i Merkur osiguranje had positive operating results in 2012.



VIII OPERATING INDICATORS





VIII OPERATING INDICATORS

8.1 Solvency

Article 98 of the Insurance Law defines the solvency criteria. It stipulates that insurance companies are obliged to maintain their capital at least at the level of calculated solvency margin. Solvency of insurance companies depends on the adequacy of technical provisions and capital for undertaken obligations in a case of unforeseen operating losses.

Calculated solvency margin for the insurance sector in Montenegro, as of 31 December 2012, was 17.451 mil.euro, while the capital was 30,589 mil.euro. Ratio between the capital and solvency margin for the entire insurance sector in Montenegro, as of 31 December 2012, was 175.28% meaning that all companies, except for one, were solvent on such date.

Table 18. Solvency of insurance companies on 31 December 2011 and 31 December 2012

	Solvency margin (€)	Capital (€)	Ration between capital and solvency margin (%)
Total for 2011	19.176.588	29.366.447**	153,14
Total for 2012	17.451.237	30.588.909	175,28
Index of changes	91,00	104,16	-

Observed in relation to the insurance groups, the calculated solvency margin for life insurance companies on 31 December 2012 amounted to 4.800 mil.€ and the capital amounted to 12.417 mil.€, while the calculated solvency margin for non-life insurance companies on 31 December 2012 amounted to 12.651 mil.€ and capital amounted to 18.172 mil.

Table 19. Solvency by insurance groups on 31 December 2012

	Solvency margin (€)	Capital (€)	Ratio between capital and solvency margin (%)
TOTAL FOR 2012	17.451.237	30.588.909,11	175,28
Life insurance	4.800.000	12.416.816,99	258,68
Non-life insurance	12.651.237	18.172.092,12	143,64

^{** -} In 2011 solvency meant ratio between the guarantee reserves and solvency margin.

8.2 Reinsurance

Entering into reinsurance contract the risk is transferred to reinsurance and the insurer is protected against losses that could endanger operation of the company. Observed at the market level in 2012, the written gross premium was 66.922 mil.euro, which represents a growth for 3.29% if compared to 2011. At the same time, the premium transferred to the reinsurance was 9.541 mil.euro or 14.26% of written gross premium, which shows growth by 6.72% if compared to 2011. Furthermore, the companies were approved to commission by the reinsurers in the amount of 1.641 mil.euro, which represents a decrease for 2.37% if compared to 2011 when it was 1.681 mil.euro.

The share of reinsurers in the gross processed claims (without costs for processing and payment of claims) in 2012 was 2.890 mil.euro or 10.75% of gross processed claims at the market level, showing the growth by 40.96% if compared to 2011 when it was 2.050 mil.euro.

Considering the mentioned trends and due to a slight growth of written gross premium and premium transferred to reinsurance, a significant growth in share of reinsurance in the processed claims and technical provisions was achieved in 2012, but commissions approved by the reinsurers suffered a slight decline (2.37%).

Table 20. Share of reinsurers in gross premium, processed claims and gross technical provisions on 31 December 2012

	2011.	2012.	Index (%)
Written gross premium	64.791.699	66.922.021	3,29%
Premium transferred to reinsurance	8.939.758	9.540.929	6,72%
Commission approved by reinsurer	1.681.264	1.641.428	-2,37%
Gross processed claims (not including costs of processing and paying these claims)	24.670.804	26.876.274	8,94%
Share of reinsurance in gross processed claims	2.050.214	2.890.024	40,96%
Share of reinsurance in gross technical provisions	5.110.604	5.515.897	7,93%

8.3 Profitability

Retained relevant loss ratio

Retained relevant loss ratio is the indicator of the price policy and adequacy, precisely of the adequacy of premiums to cover obligations arising from insurance contracts and adequacy of transferred risks into reinsurance, or whether the established tariff system is sufficient for settling future obligations in terms of

claims and other obligations of companies. On 31 December 2012 this indicator for non-life insurance in Montenegro amounted to 0.66 (less than 1) and indicates that retained relevant loss ratio was for 34.30% lower than retained earned pure premiums i.e. premiums of insurance companies were sufficient to settle future obligations in terms of claims and other obligations arising from insurance contracts.

Table 21. Retained loss ratio by insurance classes on 31 December 2012

Class of insurance	Retained relevant technical premium	Retained relevant claims	Retained relevant loss ratio
Accident insurance	4.592.948,57	6.294.452,13	1,37
Health insurance	609.064,35	363.437,05	0,60
Motor vehicles insurance	3.413.315,26	3.223.751,94	0,94
Railborne vehicles insurance	33.980,67	97.304,51	2,86
Aircraft insurance	30.233,91	76.414,93	2,53
Watercraft insurance	14.745,39	21.833,04	1,48
Insurance of goods in transport	58.774,63	3.173,61	0,05
Property insurance against fire and other risks	271.466,18	1.064.489,93	3,92
Other property insurance	856.850,83	955.251,08	1,11
Liability insurance for use of motor vehicles	23.523.616,34	10.121.053,74	0,43
Liability insurance for use of aircrafts	16.320,47	-12.288,89	-0,75
Liability insurance for use of watercrafts	70.241,06	16.882,06	0,24
Liability insurance against general damage u	269.898,34	109.008,20	0,40
Credit insurance	30.738,52	31.581,81	1,03
Commercial guarantee insurance	13.092,24	4.233,46	0,32
Financial loss insurance	1.955,28	-8.402,81	-4,30
Insurance of legal remedy costs	0,00	0,00	0,00
Travel insurance	105.859,76	9.892,66	0,09
Other non-life insurances	6.104,00	603,10	0,10
TOTAL	33.919.205,80	22.372.671,55	0,66

Profitability of assets and equity

Ratio of net results and total assets (ROA-return of assets) is the measure of return on total assets in 2012 generated by employing funds in insurance operations, investments, etc. Six companies had positive net results and return of total assets as of 31 December 2012. From the aspect of all companies in Montenegro there is a positive net result and return of total assets of 1.45%, as well as positive return on equity of 5.64%, which is a result of net profit generated in insurance sector in Montenegro. The trend of generating positive return on assets and equity commenced in 2011, when these two indicators amounted to ROA – 1.29% and ROE – 5.31% and such trend still continues.

Table 22. Profitability indicators on 31 December 2012

	Assets (€)	Capital (€)	Net profit/loss (€)	ROA	ROE
TOTAL	142.152.967	36.621.537	2.064.273	1.45	5.64

8.4 Liquidity

The liquidity ratio as of 31 December 2012 for insurance companies in Montenegro was 3.96, which indicates the sufficiency of liquid assets for settling short-term liabilities⁸.

8.5 Claims indicators

Timelines in settling claims

The total number of reported claims in 2012 increased for 7.29% and amounted to 31,939, while in 2011 amounted to 29,769. The indicator of timelines in settling claims is used to determine the number of processed claims compared to the total number of reported claims in the observed year. In 2012, insurance companies had a high level of timelines since 91.66% of total claims were processed and a slight growth of 2.52 percentage points was achieved in comparison to 2011 (89.14%).

Observed in respect to insurance groups, the timelines in processing claims in life insurance in 2012 amounted to 90.12%. Moreover, a slight growth of timeline indicator in processing claims for this insurance group was achieved with 1.62 percentage points in comparison to 2011 (88.50%). Regarding the non-life insurance, the level of timelines in processing claims in 2012 amounted to 91.75% (in 2011 was 89.17%).

⁸ This ratio is calculated in accordance with the Rulebook on the manner to determine and monitor liquidity of insurance companies ("Official Gazette of MN", no 70/08, 87/09, 21/10).

Table 23. Timelines in processing claims by insurance classes for the insurance market on 31

December 2012

Insurance class	Number of processed claims	Total number of claims	% timelines
Accident insurance	10.654	11.115	95,85
Health insurance	1.398	1.471	95,04
Motor vehicle insurance	4.296	4.744	90,56
Railborne vehicle insurance	3	4	75,00
Aircraft insurance	2	4	50,00
Watercraft insurance	5	10	50,00
Insurance of goods in transport	122	124	98,39
Property insurance against fire and other risks	557	601	92,68
Other property insurances	2.009	2.246	89,45
Liability insurance for use of motor vehicles	7.823	8.984	87,08
Liability insurance for use of aircrafts	1	1	100,00
Liability insurance for use of watercrafts	25	29	86,21
General damage liability insurance	661	696	94,97
Credit insurance	11	11	100,00
Commercial guarantee insurance	13	13	100,00
Financial loss insurance	0	1	0,00
Insurance of legal remedy costs	0	0	-
Travel insurance	25	30	83,33
Other non-life insurance	0	2	0,00
Total non-life insurance	27.605	30.086	91,75
Life insurance	1.220	1.228	99,35
Annuity insurance	2	2	100,00
Additional insurance	448	623	71,91
Other life insurances	0	0	-
Total life insurance	1.670	1.853	90,12
TOTAL	29.275	31.939	91,66

Gross claim ratio

Gross claims ratio is calculated as the ratio between the sum of gross amount of processed claims and changes in technical provisions and the amount of earned insurance premium. When observing the entire insurance sector in Montenegro as of 31 December 2012, 45.81% of the earned premium referred to gross claim expenses and increase of gross technical provisions.

Table 24 Gross claim ratio for non-life insurance on 31 December 2012

	Gross processed claims	Change in reserved claims	Earned insurance premium	Gross claim ratio (%)
Non-life insurance	27,305,127.58	-1,408,796.10	56,535,434.46	45.81

Gross claim ratio for life insurance is calculated by dividing the sum of the amount of gross processed claims and changes in mathematical provisions, technical provisions and special provisions, when the insured takes over the investment risk, with the earned insurance premium. On 31 December 2012, this indicator for life insurance amounted to 70.81%, respectively 70.81% of the earned insurance premium referred to the gross claim expenses and increase of technical provisions.

Table 25. Gross claim ratio for life insurance on 31 December 2012

	Gross processed claims	Change in technical provisions	Earned insurance premium	Gross claim ratio (%)
Life insurance	1,817,222.15	4,901,712.45	9,488,694.16	70.81

Expenses ratio

Expenses ratio is calculated as a ratio between the sum of the costs of conducting insurance-related activities and other operating costs, contributions and reservations arising from insurance operations and the earned insurance premium. When observing the entire insurance sector as of 31 December 2012, costs of conducting insurance and other costs, contributions and reservations take 46.56% of the earned insurance premium, which indicates a high level of the companies' costs for conducting insurance operations.

Table 26. Share of insurance-related costs and other operating costs arising from insurance operations in the earned premium on 31 December 2012

	Costs for conducting insurance and other costs, contributions and reservations (€)	Earned premium	Expense ratio (%)
Life insurance	4.289.503,52	9.488.694,16	45,21
Non-life insurance	26.450.780,12	56.535.434,46	46,79
TOTAL	30.740.283,64	66.024.128,62	46,56

Expense ratio for life insurance companies on 31 December 2012 amounted to 45.21%, while the expense ratio for non-life insurance companies on 31 December 2012 amounted to 46.79%.

In relation to 31 December 2011, the expense ratio was for 1.94 percentage points lower on 31 December 2012, which was caused by reducing the costs of conducting the insurance-related activities and other operating costs, contributions and reservations in the amount of $206,970 \in$, as well as by increasing the earned premiums in the amount of $2,221,525 \in$.

IX ASSOCIATION - NATIONAL BUREAU OF INSURERS OF MONTENEGRO



IX ASSOCIATION - NATIONAL BUREAU OF INSURERS OF MONTENEGRO

The Association – National Bureau of Insurers is a legal entity, established to implement joint interests of insurance companies engaged in compulsory transport insurance operations in Montenegro. All insurance companies engaged in such operations must become members of the Association.

The Association conducts its operations through established organizational parts, without legal entity status:

- 1) Green Card Bureau;
- 2) Guarantee Fund;
- 3) Information Center.

Its members manage this Association, and its managing bodies are the Assembly, constituted by one representative from each insurance company being its member, and the Executive Director who acts on behalf and is the authorized representative of the Association.

9.1. Activities of the Association - National Bureau of Insurers of Montenegro in 2012

During 2012, the following activities were performed in order to set forth enabling regulations needed for operations of the Association and in accordance with the new Law on Compulsory Traffic Insurance, which were as follows:

- a) Rulebook on criteria for determining the amount of contributions to the Guarantee Fund, which was adopted and issued by the Insurance Supervision Agency;
- b) Rulebook on liquidation of claims to the Guarantee Fund;
- c) Action Plan regarding implementation of the European Report on Traffic Accidents;
- d) Proposal of the amendments to the Rulebook on internal organization and systematization of job positions of the Association;
- e) Amendments to the Rulebook on manner and procedure for issuance, use and control of international motor insurance certificate and claims handling;
- f) New Articles of Association;
- g) Proposal on Conditions for third party liability insurance of owners or users of motor vehicles and trailers:
- h) Proposal on Conditions for third party liability insurance of owners or users of watercrafts;
- i) Proposal on Conditions for third party liability insurance of owners or users of aircrafts;
- j) Proposal on Conditions for accident insurance of passenger in traffic.

In May 2011 the Association began to operate independently under the Green Card System as its fully-fledged member. Moreover, in January 2012 the association commenced with printing green card forms and on 1 February 2012 the companies – Association members started issuing new green card forms with international label "MNE" to its insured

9.2 Calculation of Guarantee Fund profit in 2012

The Guarantee Fund has a special importance in the Association and insurance companies engaged in compulsory insurance allocate funds for its functioning from sold insurance policies. The purpose of such funds is to secure payments of damages caused by the use of unknown or uninsured vehicles, aircrafts, watercrafts or other means of transport, as well as damages caused by these means of transport if insured with the insurance companies whose operating license was revoked or if bankruptcy or liquidation proceeding was initiated against such company. In addition to the mentioned damages, the funds of such Fund also cover damages caused by vehicles whose use was covered by a green card or border insurance, as well as costs of processing these claims and costs of operation of the Guarantee Fund.

Funds of the Guarantee Fund that were available to the Association in 2012 amounted to 1,980,729 €. During 2012, the Association paid claims in the amount of 708,982 €, whereof damages aboard amounted to 179,802 €, and damages in country 529,180 €.

During the reporting period, out of total number of claims to be processed (606 claims –307 claims were transferred from 2011, 265 claims were reported in 2012 and 34 claims were reactivated) the Association processed 387 claims, whereof 164 requests for payment of claims were rejected and 223 claims were paid.

The following Table provides an overview of calculations of contributions for the Guarantee Fund for all companies engaged in compulsory insurance operations:

Table 27. Calculation of contribution to the Guarantee Fund for all insurance companies in 2012

		Number of policies	Calculated contrbution
	ution from technical premium of compulsory liability asurance of owners or users of motor vehicle	248.856	1.060.144
a)	Passenger vehicle	166.878	667.512
b)	Cargo vehicles	12.528	62.640
c)	Buses and trolley buses	1.130	66.670
d)	Motorcycles	5.446	16.338
f)	Other motor vehicles and trailers	4.512	13.536
g)	Border insurance policy	58.362	233.448
		Written gross premium	Calculated contributions
	from technical premium of compulsory liability owners or users of aircrafts	628.635	6.286
Contribution from technical premium of compulsory insurance of passengers in public traffic		292.232	2.922
Contribution from technical premium of compulsory liability insurance of owners or users of watercrafts		168.731	1.687
Total		1.089.597	10.896
TOTAL CON	TRIBUTION TO THE GUARANTEE FUND		1.071.040

XII INSURANCE COMPANIES IN MONTENEGRO



XII INSURANCE COMPANIES IN MONTENEGRO



ATLAS LIFE AD

Adress: Stanka Dragojevića 4, 81000 Podgorica

Telephone: +382 20 406 106
Fax: +382 20 406 156
Email: info@atlaslife.net
Web: www.atlaslife.me

Classes of insurance: life insurance

Number of employees: 15



DELTA GENERALI OSIGURANJE AD

Adress: Kralja Nikole 27a/VI, 81000 Podgorica

Telephone: +382 20 444 800 Fax: +382 20 444 810

Email: kontakt@deltagenerali.me Web: www.deltagenerali.me

Classes of insurance: non-life insurance

Number of employees: 73



GRAWE OSIGURANJE AD

Adress: Novaka Miloševa 6/II, 81000 Podgorica

Telephone: +382 20 210 790
Fax: +382 20 210 963
Email: maja.pavlicic@grawe.at

Web: www.grawe.me

Classes of insurance: life insurance Number of employees: 14



LOVĆEN OSIGURANJE AD

Adress: Slobode 13A, 81000 Podgorica

Telephone: +382 20 404 400 Fax: +382 20 665 281 Email: info@lo.co.me

Web: www.lovcenosiguranje.co.me

Classes of insurance: non-life insurance

Number of employees: 283



LOVĆEN ŽIVOTNA OSIGURANJA AD

Adress: ul.Novaka Miloševa 6/II, 81000 Podgorica

Telephone: +382 20 231 882
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e-mail: info@lovcenzivot.me
Web: www.lovcenzivot.me

Classes of insurance: life insurance Number of employees: 14



MERKUR OSIGURANJE AD

Adress: Bul. Džordža Vašingtona 2A, 81000 Podgorica

Telephone: +382 20 205 465 Fax: +382 20 205 466

Email: info@merkurosiguranje.me Web: www.merkurosiguranje.me

Classes of insurance: life insurance

Number of employees: 7



Akcionarsko društvo za osiguranje Član Sava Re Grupe

SAVA MONTENEGRO AD

Adress: Rimski Trg 70, 81000 Podgorica

Telephone: +382 20 234 036
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Email: info@sava.co.me
Web: www.sava.co.me

Classes of insurance: non-life insurance

Number of employees: 164



SWISS OSIGURANJE AD

Adress: Josipa Broza 23A, 81000 Podgorica

Telephone: +382 20 657 300 Fax: +382 20 657 301 Email: sio@t-com.me

Web: www.swiss-osiguranje.com

Classes of insurance: non-life insurance

Number of employees: 29



UNIQA NEŽIVOTNO OSIGURANJE AD

Adressa: Bul. Sv. Petra Cetinjskog 1a/4, 81000 Podgorica

Telephone: +382 20 444 700
Fax: +382 20 444 340
Email: info@uniqa.co.me
Web: www.uniqa.co.me

Classes of insurance: non-life insurance

Number of employees: 120



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Telephone: +382 20 444 700
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Web: www.uniqa.co.me

Classes of insurance: life insurance

Number of employees: 39