



REPORT ON INSURANCE MARKET IN MONTENEGRO for 2015

June, 2016

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I INTRODUCTION

The basis for development of the Report on Insurance Market Situation in Montenegro 2015 were annual operational reports of insurance companies, together with opinions of the authorized actuaries thereon, reports of external auditors, as well as other data submitted by insurance companies to the Insurance Supervision Agency, reports of insurance agency companies, reports of insurance brokerage companies, reports of insurance agents – entrepreneurs and the Annual Operational Report of the Association – National Bureau of Montenegro Insurers.

The most significant events and trends at the Montenegrin insurance market in 2015 were as follows:

- There was a growth of gross written premium for 6.24% in relation to 2014 (in the absolute amount of 4.516 mil. euro);
- Gross written premium of the non-life insurance increased for 6.93% (4.147 mil. euro) in relation to 2014, whilst the gross written premium of the life insurance recorded growth for 2.94% (369 thousand euro);
- Share of the gross written premium in the gross domestic product (GDP) recorded growth for 0,05 percentage points in relation to 2014 and amounted to 2.14%;
- Gross written premium per capita in Montenegro amounted to 123.64 euro;
- Concentration level at the market, measured by the HH Index continues to be high;
- Value of the total assets at the level of all insurance companies on 31 December 2015 amounted to 184.984 million euro, which represents a growth for 10.21% in relation to the value of the total assets on 31 December 2014;
- There was a negative net financial business result at the level of entire insurance market in the amount of 2.763 mil. euro;
- Continued improvements in the regulatory framework for insurance through amendments to the existing and adoption of new bylaws based on the European Union Directives and international standards;
- Strengthening cooperation with financial system institutions, as well as with supervisory authorities in the region and with international insurance-related organizations;

1.1 MACRO-ECONOMIC INDICATORS

According to the estimate of the Ministry of Finance of Montenegro, in 2015 the GDP increased for 4% and amounted to 3.595 billion euro. Budgetary deficit amounted to 291 million euro, i.e. 8.1 % GDP. According to the data of the Employment Bureau of Montenegro, the unemployment rate in Montenegro in 2015 amounted 17.24% and according to the estimate of the Ministry of Finance the inflation rate amounted to 1.4%.

The following Table illustrates the macro-economic indicators:

Table 1. Breakdown of macro-economic indicators 2005-2015

Year											
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015 ¹
GDP (mil. €)²	1.815	2.149	2.680	3.086	2.981	3.125	3.265	3.181	3.362	3.458	3.595
GDP per capita (€)	2.960	3.496	4.354	5.000	4.821	5.045	5.266	5.126	5.413	5.561	5.778
GDP growth rate (%)	4,2	18,4	24,7	15,1	-3,4	4,8	4,5	-2,6	5,7	2,8	4,0
Inflation (CPI)	2,5	2,8	4,2	7,1	3,4	0,5	2,8	4,1	2,2	-0,7	1,4
Population	613.109	614.628	616.969	617.157	618.294	619.400	620.029	620.600	621.200	621.800	622.218
No of unemployed persons	48.845	38.876	31.469	28.378	30.169	32.106	30.552	31.232	32.190	34.687	39.991
Number of employed persons	144.340	150.800	156.408	166.221	174.152	161.742	163.082	166.531	171.474	173.595	175.617
Average gross salary (€)	327	377	497	609	643	715	722	727	726	723	725
Average net salary (€)	213	246	338	416	463	479	484	487	479	477	480
Budgetary surplus/ deficit (mil.€)	-45,55	74,24	176,96	15,17	-130,33	-112,24	-127,37	-162,7	-121,7	-107,0	-291,2
Export (mil. €)	369,3	441,1	454,7	416,2	277,0	330,4	454,4	366,9	375,6	333,1	325,2
Import (mil. €)	1.042,8	1.457,4	2.073,1	2.529,7	1.654,2	1.657,3	1.823,3	1.820,8	1.773,3	1.784,2	1.787,8
Foreign trade balance (mil. €)	-673,5	-1.016,2	-1.618,3	-2.113,5	-1.377,2	-1.326,9	-1.368,9	-1.453,9	-1.397,7	-1.451,1	-1.462,6

Source: Ministry of Finance of Montenegro, Statistical Office of Montenegro – MONSTAT and Employment Bureau of Montenegro

¹ Data for 2015 shown according to the estimate of the Ministry of Finance and Monstat, whilst the number of unemployed persons is extracted from the statistics of the Employment Bureau of Montenegro.

² Statistical Office of Montenegro – Monstat published the results of calculated gross domestic product (GDP) of Montenegro for 2014, as well as revised time series of GDP data for the period 2010-2013 according to the methodology of the European System of National and Regional Accounts (ESA 2010), replacing the previous methodological framework ESA 95.

II INSURANCE MARKET PARTICIPANTS

2.1 INSURANCE COMPANIES

During 2015 there were eleven insurance companies performing insurance business at the Montenegrin insurance market: six insurance companies conducted life insurance business while five insurance companies conducted non-life insurance business.

Table 2. Overview of insurance companies operationally active in Montenegro in 2015

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
Non-life insurance companies
Lovćen osiguranje AD
Sava Montenegro AD
Generali osiguranje Montenegro AD
Uniqa neživotno osiguranje AD
Swiss osiguranje AD

Share capital of insurance companies

The total share capital of insurance companies as of 31 December 2015 amounted to 53.886 mil. Euro, which represents a growth in comparison to 2014 by 3.46%³. Foreign capital amounted to 47.880 mil. euro, with 83.29% share in the total share capital, and domestic capital amounted to 6.006 mil. euro, with share of 16.71%. The following insurance companies recorded growth of share capital value in 2015:

- Uniqa Life Insurance AD in the amount of 300,007.66 euro;
- Uniqa Non-life Insurance AD in the amount of 1,200,000.00 euro; and
- Merkur Insurance AD Podgorica in the amount of 300,000.00 €;

³ Value of the total share capital of insurance companies on 31 December 2014 amounted to 52.086 mil.eura;

2.2 COMPANIES OFFERING INSURANCE AGENCY, INSURANCE BROKERAGE AND ANCILLARY INSURANCE SERVICES

During 2015, the Insurance Supervision Agency issued, in accordance with the Insurance Law:

- 2 work permits to insurance agency companies;
- 2 work permits to insurance brokerage companies;
- 2 consents to banks for performance of agency in insurance;

At the end of 2015, Montenegrin insurance market had 18 companies performing agency in insurance⁴; 1 entrepreneur – insurance agent and 6 banks.

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

Company	Activity
Safe Life DOO Podgorica	agency
WVP DOO Budva	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
Aktuar DOO Podgorica	agency
Obses DOO Podgorica	agency
Premija plus DOO Podgorica	agency
Indego Plus DOO Tivat	agency
AM Capital DOO Podgorica	agency
UNIKAPA DOO Bar	agency
KONTAKT DOO Podgorica	agency
EXPERIENCE DOO Tivat	agency
ČELEBIĆ LOYAL DOO Podgorica	agency
Expres-Ključ Rožaje	agent-entrepreneur

⁴ There was a decline in the number of insurance agency companies in relation to 2014 since one company, by the virtue of voluntary liquidation, ceased with insurance agency activities, whilst three companies had no insurance agency business in 2015, which according to the Insurance Law represented grounds for license revocation.
Insurance Supervision Agency of Montenegro

Table 1. Overview of banks conducting insurance agency activities in Montenegro

Name of the bank	Activity
Societe Generale bank Montenegro AD	Agency
Hypo Alpe-Adria Bank AD	Agency
Atlas bank AD	Agency
Hipotekarna bankaAD	Agency
NLB Banka AD	Agency
Erste Banka AD	Agency

Insurance brokerage activities were performed by 6 insurance brokerage companies⁵.

Table 5. Overview of companies conducting insurance brokerage activities in Montenegro

Company	Activity
APO Plus DOO Podgorica	brokerage
Adriatic AG DOO Podgorica	brokerage
WVPCG DOO Budva	brokerage
Broker INS DOO Podgorica	brokerage
AM Capital Team DOO Podgorica	brokerage
Status Broker DOO Podgorica	brokerage

2.3 INSURANCE AGENTS AND BROKERS

During 2015 the Insurance Supervision Agency issued, in accordance with the Insurance Law, 102 authorizations to physical persons – insurance agents and brokers who passed the professional exam for conduct of such activities and who fulfilled other requirements prescribed by the Law.

Moreover, on 31 December 2015, 470 physical persons in Montenegro had authorization for conduct of agency operations in insurance, 49 physical persons had authorization for conduct of brokerage operations, while 171 physical persons had authorization for conduct of insurance agency and brokerage operations.

⁵ There was a decline in the number of insurance brokerage companies in relation to 2014 since two companies had no insurance brokerage business in 2015, which according to the Insurance Law represented grounds for revocation of license for conduct of insurance brokerage activities.
Insurance Supervision Agency of Montenegro

2.4 EMPLOYEES IN INSURANCE SECTOR

In 2015, there were 728 employees in insurance companies, which represent a decline for 4.24% in relation to 2014.

Table 2. Total number of employees in the insurance sector 2008-2015

Year	2008	2009	2010	2011	2012	2013	2014	2015
Total number of employees in the insurance sector	639	643	703	814	767	737	760	728

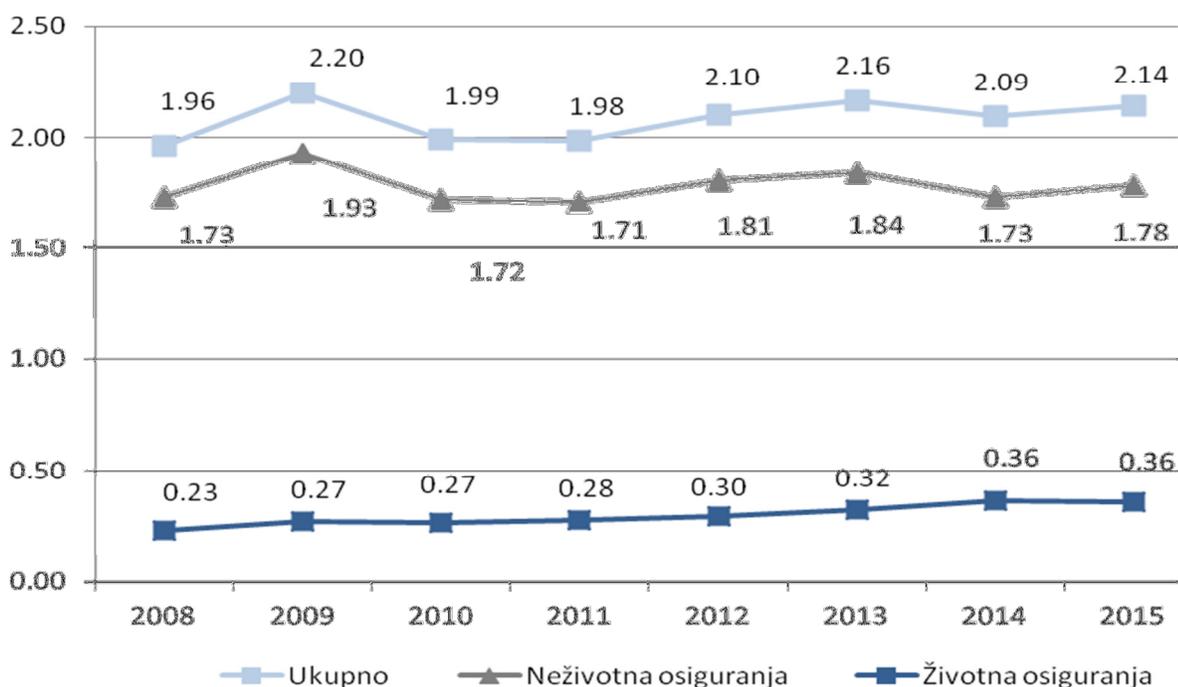
III INSURANCE MARKET INDICATORS

During 2015, the companies that conduct insurance activities at the Montenegrin market had the written gross premium in the amount of 76.933 million euro, which represents increase for 6.24% in relation to 2014.

3.1. GROSS WRITTEN PREMIUM SHARE IN GDP⁶

In 2015 the share of non-life gross written premium increased and amounted to 1.78% (2014 – 1.73%), while the share of life-insurance gross written premium in GDP remained at the same level as in 2014 and amounted to 0.36%.

Figure 1. Share of the gross written premium in GDP 2008 – 2015 (%)

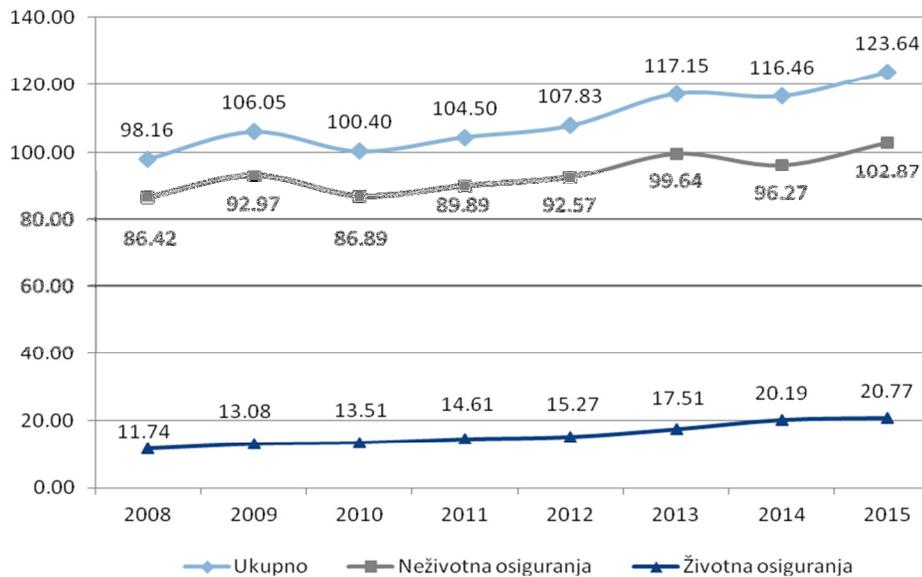


⁶ Considering that the Statistical Office of Montenegro – Monstat published the results of calculation of the gross domestic product (GDP) of Montenegro for 2014, as well as the revised time series of GDP data for the period 2010-2013, the Insurance Supervision Agency made a new calculation of share of gross written premium in GDP for the period 2010-2014.
Insurance Supervision Agency of Montenegro

3.2 INSURANCE DENSITY

One of the most frequently used insurance market indicators is the insurance density which represents the amount of written gross premium per capita.⁷

Figure 2. Written gross premium per capita 2008 -2015 (€)



Written gross premium per capita in Montenegro in 2015 amounted to 123.64 euro, which represents a growth for 6.16% in relation to 2014, but still remains significantly below the average of EU member countries. In 2015 there was a growth of life insurance density indicator, which amounted to 20.77 euro, whilst the gross non-life insurance density also realized an incline and amounted to 102.87 euro.

3.3 INSURANCE MARKET CONCENTRATION

The level of concentration of insurance market is established by Herfindahl-Hirschman index (HHI)⁸, 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-Hirschman index is:

- 0 – 1,000 → Non-concentrated market (high level of competition);
- 1,000 – 1,800 → Moderate concentration;
- 1,800 – 10,000 → Concentrated market (monopoly).

⁷ Source for the number of employees is the Statistical Office of Montenegro.

⁸ HHI is obtained when the market shares of each insurance company are individually squared and mutually summed
Insurance Supervision Agency of Montenegro

In the period from 2012 to 2015, the value of HHI for the Montenegrin insurance market ranged within the limits of concentrated market. Starting from 2008, respectively since entering of insurance companies that operate under large world groups into the Montenegrin market, there had been a trend of reduction in the index value, which indicates the increase of competition level i.e. the reduction of market concentration. However, in 2015 there was a slight increase of the index value in relation to 2014.

Table 7. **Herfindahl-Hirschman index for 2013- 2015**

Company	2013			2014			2015		
	Gross premium	Share (%)	HHI	Gross premium	Share (%)	HHI	Gross premium	Share (%)	HHI
Lovćen osiguranje AD	28.309.977	38,90	1.513,28	26.467.435	36,55	1.335,81	29.241.784	38,01	1.444,71
Lovćen životna osiguranja AD	1.285.496	1,77	3,12	1.184.980	1,64	2,68	1.121.046	1,46	2,12
Sava Montenegro AD	11.156.214	15,33	235,00	11.468.544	15,84	250,81	11.185.622	14,54	211,39
Grawe osiguranje AD	4.615.070	6,34	40,22	4.642.592	6,41	41,10	4.978.561	6,47	41,88
Swiss osiguranje AD	1.946.069	2,67	7,15	2.040.160	2,82	7,94	2.852.823	3,71	13,75
Generali osiguranje Montenegro AD	10.252.482	14,09	198,47	10.059.506	13,89	192,96	10.267.232	13,35	178,11
Uniqa životno osiguranje AD	1.617.719	2,22	4,94	1.900.204	2,62	6,89	1.954.358	2,54	6,45
Uniqa neživotno osiguranje AD	10.233.662	14,06	197,74	9.825.321	13,57	184,08	10.460.447	13,60	184,87
Merkur osiguranje AD	1.801.634	2,48	6,13	2.090.656	2,89	8,33	2.092.963	2,72	7,40
Atlas Life AD	349.348	0,48	0,23	424.994	0,59	0,34	377.686	0,49	0,24
Wiener Städtische životno osiguranje AD	1.206.839	1,66	2,75	2.312.475	3,19	10,20	2.400.670	3,12	9,74
TOTAL	72.774.509	100	2.209,04	72.416.868	100	2.041,14	76.933.192	100	2.100,67

Market share of companies with the highest gross written premium (Lovćen osiguranje) in 2015 amounted to 38.01%, which means that there was a growth for 1.46 percentage points in relation to 2014.

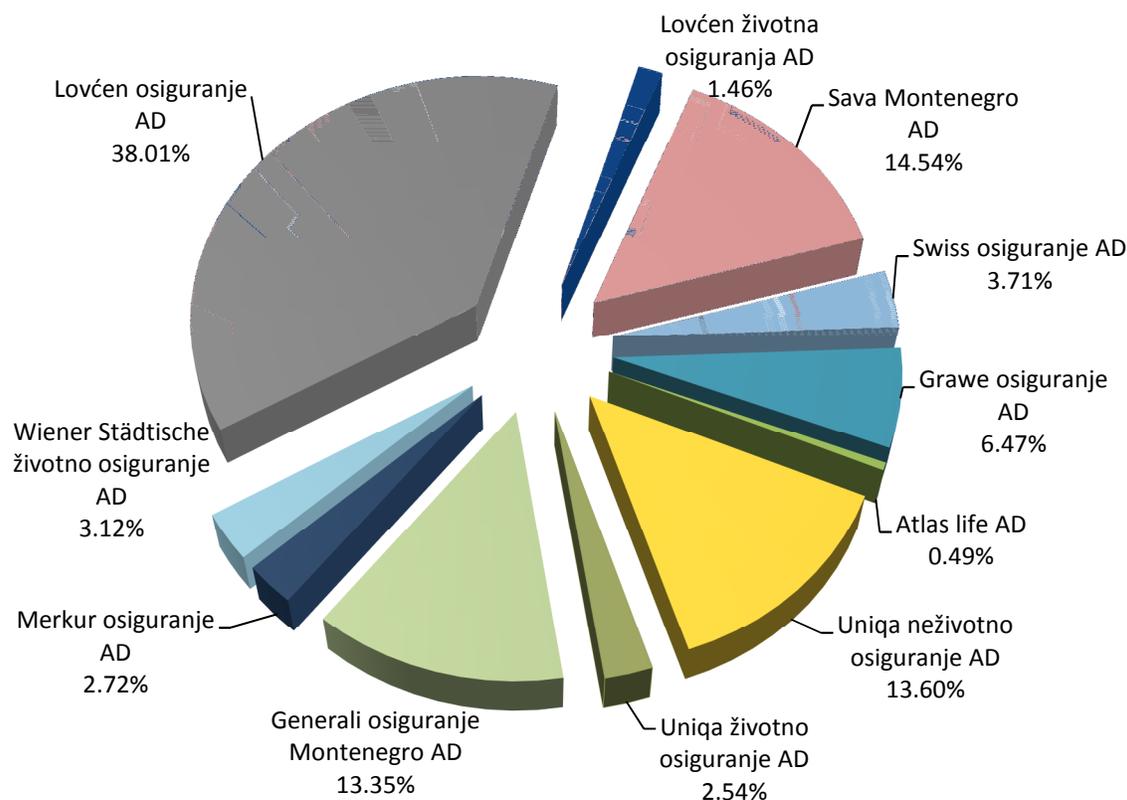
Market share of two companies with the highest written gross premium (Lovćen osiguranje and Sava Montenegro) in 2015 amounted to 52.55 % which is a growth in relation to 2014 for 0.16 percentage points.

Three companies with the highest written gross premium were Lovćen osiguranje, Sava Montenegro and Generali osiguranje Montenegro. Market share of these three companies in the observed period amounted to 65.89%, which is a decline by 0.38 percentage points in relation to 2014 when it amounted to 66.28%. On the other hand, there was a pronounced growth of market share in 2015 in relation to 2014 for the following companies: Swiss osiguranje (for 0.89 pp), Grawe osiguranje (for 0.06 pp) and Uniqa neživotno osiguranje (for 0.03 pp).

It can be concluded from the above that there is a notable trend of concentration reduction at the Montenegrin insurance market.

The following figure shows market presence of insurance companies in 2015:

Figure 3. Market share of insurance companies in 2015 (%)



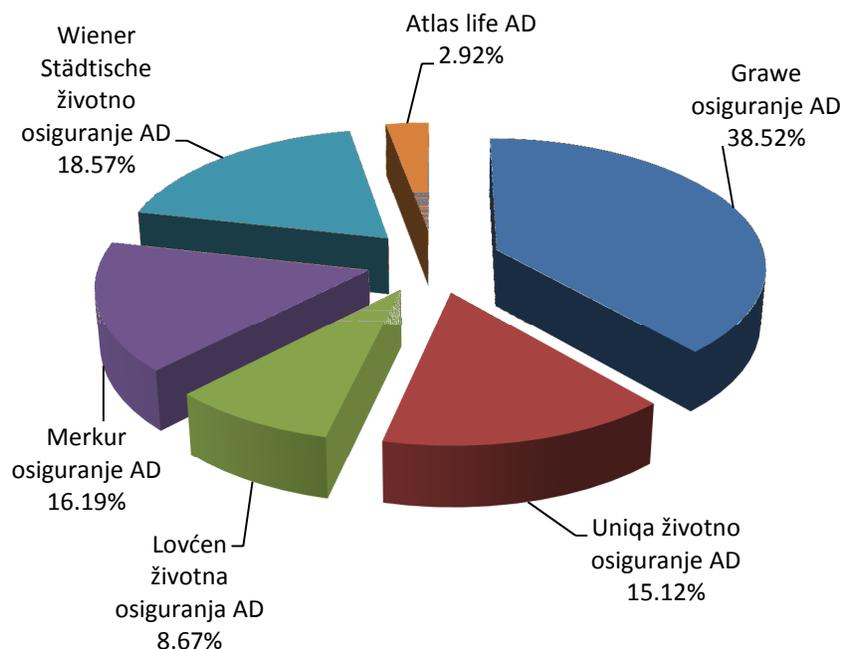
Observing the structure of market share of the life insurance companies, in 2015 there was no change in distribution in relation to 2014. Namely, Grawe osiguranje remains to be the largest life insurance company with its market share of 38.52% in the total life insurance premium (increase in comparison to 2014 for 1.54 percentage points).

The second insurance company in terms of market share was Wiener Städtische životno osiguranje with 18.57% (in 2014 was 18.42%), followed by Merkur osiguranje with share of 16.19%, Uniqa životno osiguranje with its share of 15.12 %, Lovćen životna osiguranja with 8.67%% and Atlas Life with 2.92%.

The highest growth of the gross written premium in 2015 was achieved by Grawe osiguranje (for 1.54 pp) and Wiener Städtische životno osiguranje (0.16 pp).

The following figure shows the share of life insurance companies in the gross written life insurance premium in 2015:

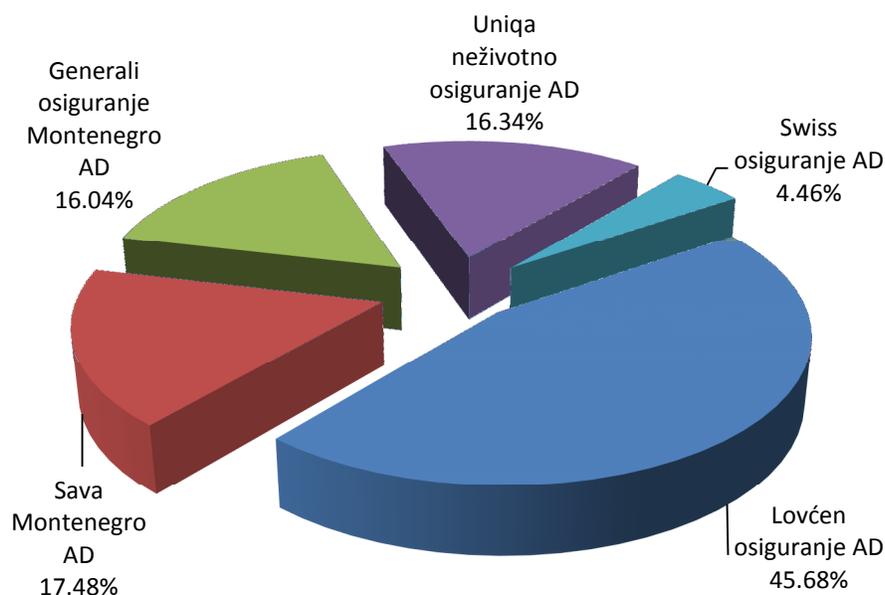
Figure 1. Share of companies in the gross written life insurance premium in 2015 (%)



Regarding the share in the gross written premium of non-life insurance, the largest share of 45.68% is still made by Lovćen osiguranje. It is followed by Sava Montenegro with its share of 17.48%, Generali osiguranje Montenegro with 16.04%, Uniqa neživotno osiguranje with 16.34% and Swiss osiguranje with 4.461%. Regarding the non-life insurance companies, the highest growth of gross written premium of non-life insurance was achieved by Lovcen osiguranje with 1.47 percentage points (in 2014 it amounted to 44.21%) and Swiss osiguranje for 1.05 percentage points (amounted to 3.41% in 2014).

The following figure shows the share of non-life insurance companies in the gross written non-life insurance premium in 2015:

Figure 2. Share of companies in the gross written non-life insurance premium in 2015 (%)



3.4 STRUCTURE OF GROSS WRITTEN INSURANCE PREMIUM: LIFE AND NON-LIFE INSURANCE

Non-life insurances continued to dominate at the Montenegrin market in 2015, taking 83.20% of the total gross written premium. In the structure of the written gross premium in 2015, the share of life insurance declined from 17.34% in 2014 to 16.80% in 2015, which is a decline for 0.54 percentage points. Observed in respect to insurance class, total life insurance premiums registered an increase for 2.94%, whilst the total non-life gross written premiums also made an increase for 6.93% in relation to 2014.

Table 8. Structure of the gross written insurance premiums in 2014 and 2015

Insurance group	2014		2015		Index 2015/2014
	Premium(€)	Share(%)	Premium (€)	Share(%)	
Life insurance	12.555.901	17,34	12.925.284	16,80	102,94
Non-life insurance	59.860.966	82,66	64.007.908	83,20	106,93
TOTAL	72.416.868	100	76.933.192	100	106,24

During the period from 2008 until 2015 the life insurance has been constantly making growth with the average annual growth rate of 8.73%.

The following figure gives an overview of gross written premium trend at the overall level and in respect to insurance classes for the period 2008- 2015:

Figure 3. **Gross premium trend: life vs. non-life, 2008 – 2014**

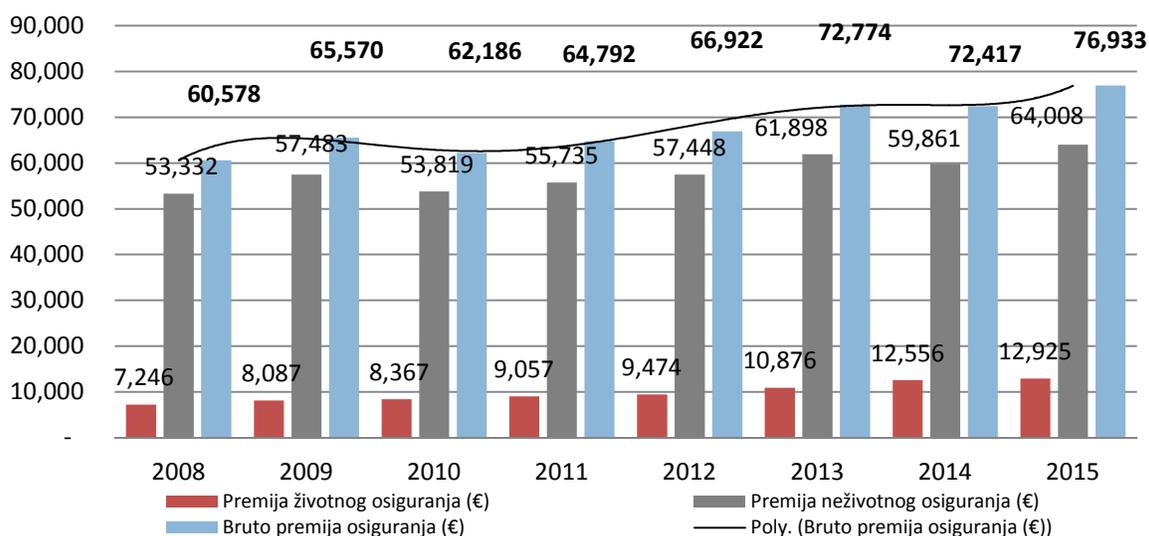
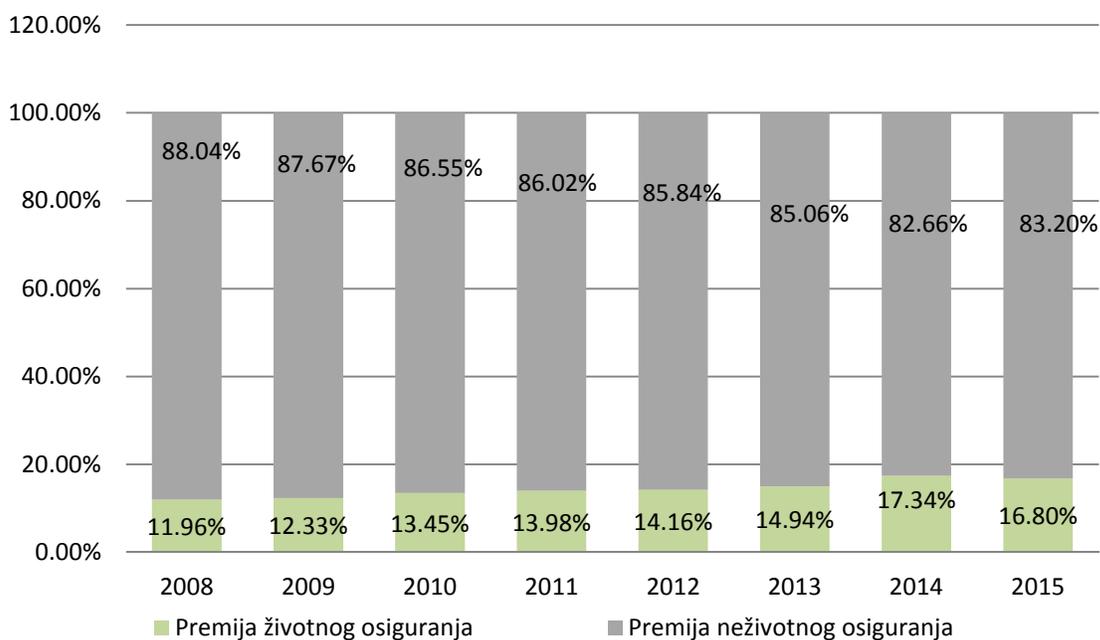


Figure 7. **Structure of gross premium: life vs. non-life, 2008-2015**



3.5 GROSS WRITTEN INSURANCE PREMIUM BY INSURANCE CLASSES

Analyzing the structure of the gross written premium in respect to insurance groups and classes, it may be concluded that the growth of the total gross written premium at the insurance market level was mostly contributed by the growth of the gross written non-life insurance premium by the absolute amount of 4,146,942 euro, whilst the growth of the gross written life insurance premium was 369,383 euro.

Regarding the non-life insurance classes, the growth of the gross written premium of this insurance group in relation to 2014 was mostly contributed by the growth of the gross written premium in the class of other property insurances by the absolute amount of 2,162,186 euro or by 51,58%. Moreover, there was also a growth of the gross written premium with the accident insurance for 494,031 or by 5.51%, as well as with: health insurance for 394,595 (40.57%), other types of non-life insurance for 366,068 (44.03%), kasko motor vehicle insurance for 338,383 euro (7.19%), the insurance against fire and other risks for 253,613 euro (6.62%), general damages liability insurance for 111,259 euro (9.30%) and liability insurance of aircraft users for 105,732 euro (16.54%). At the same time there was a decline in gross written premium with the insurance of goods in transport for 65,869 euro in the absolute amount (16.40%), aircraft insurance for 40,699 euro (22.48%), as well as with watercraft insurance for 36,978 € (14.09%). Growth of the gross written premium with the life insurance group in relation to 2014 was contributed mostly by the growth of the gross written premium in the life insurance premium, which was for 421,408 euro (3.79%).

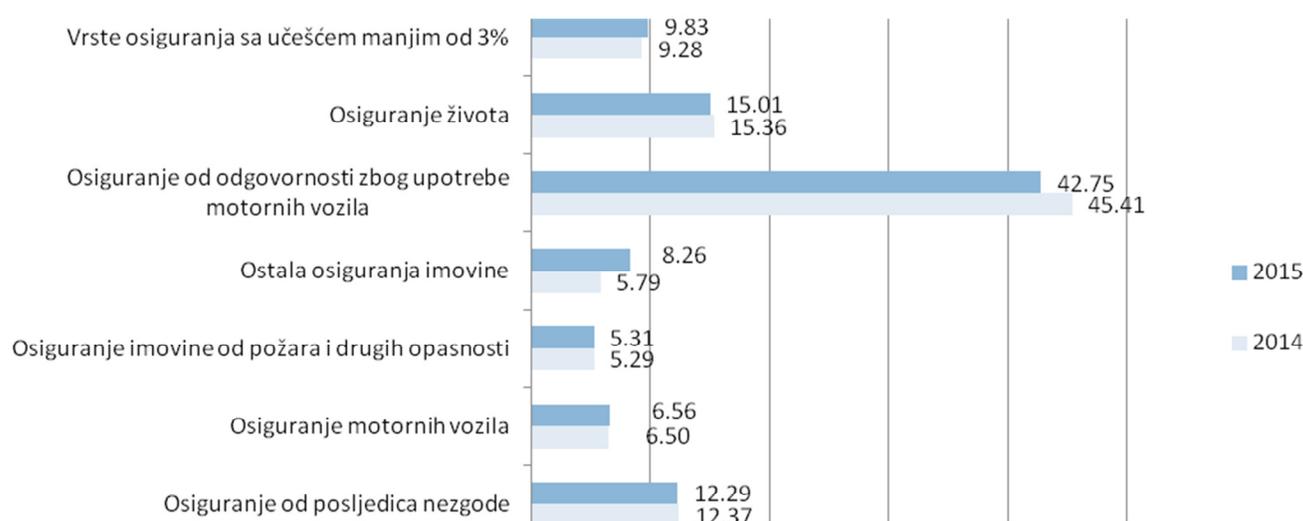
Table 8. Structure of insurance portfolio by insurance classes in 2014 and 2015

Class of insurance	2014		2015		Index
	Amount(€)	Share (%)	Amount (€)	Share(%)	2014/2013
Accident insurance	8.961.387	12,37	9.455.418	12,29	105,51
Health insurance	972.736	1,34	1.367.331	1,78	140,57
Motor vehicle insurance	4.705.740	6,50	5.044.123	6,56	107,19
Railborne vehicles insurance	181.079	0,25	140.379	0,18	77,52
Aircraft insurance	583.886	0,81	641.479	0,83	109,86
Watercraft insurance	262.436	0,36	225.458	0,29	85,91
Insurance of goods in transport	401.578	0,55	335.709	0,44	83,60
Property insurance against fire and other risks	3.829.214	5,29	4.082.827	5,31	106,62
Other property insurances	4.192.110	5,79	6.354.296	8,26	151,58
Liability insurance of users of motor vehicles	32.885.154	45,41	32.888.517	42,75	100,01
Liability insurance of aircraft users	639.071	0,88	744.803	0,97	116,54
Liability insurance of watercraft users	218.563	0,30	222.228	0,29	101,68
General damages liability	1.196.624	1,65	1.307.883	1,70	109,30
Other non-life insurance	831.390	1,15	1.197.458	1,56	144,03
Total non-life insurance	59.860.965	82,66	64.007.908	83,20	106,93
Life insurance	11.124.094	15,36	11.545.502	15,01	103,79
Annuity insurance	40.275	0,06	36.010	0,05	89,41
Additional insurance along with life insurance	1.380.907	1,91	1.330.213	1,73	96,33
Other life insurances	10.626	0,01	13.560	0,02	127,61
Total life insurance	12.555.901	17,34	12.925.285	16,80	102,94
TOTAL	72.416.867	100	76.933.192	100	106,24

Regarding the structure of the market gross written premium in 2015, unequal share distribution of certain insurance classes still remains. Respectively, out of 18 insurance classes defined by the Law on Insurance, two classes (motor vehicle liability insurance and life insurance) take 57.76%, which represents a decline for 3.02 percentage points in relation to 2014 when the share of these two classes amounted to 60.77%. Six mostly common insurance classes (whose share in the gross written premium at the market level amounts to over 5%) are motor vehicle liability insurance, life insurance, accident insurance, kasko motor vehicle insurance, insurance of property against fire and other property insurances. In 2015 these insurance classes participated with 90.17% in the market gross written premium, which represents a slight decrease in relation to 2014 when these 6 classes participated with 90.72%. The above shows a high concentration on a very small number of insurance classes, but also the fact that the most common insurances on the market are still compulsory traffic insurances with the level of 44.43%.

Gross written premium of motor vehicle insurance which includes motor vehicle liability insurance and motor own damage (kasko) insurance in 2015 amounted to 37.933 mil. euro, which represents 49.31% of gross written premium at the market level (in 2014 the gross written premium amounted to 37.591 mil. euro and represented 51.91% of the market gross written premium).

Figure 8. Structure of gross written insurance premium by insurance classes in 2014 and 2015 (%)⁹



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 2015 amounted to 12.925 mil. euro, which represents an increase of 2.94% in relation to 2014 when it amounted to 12.556mil. euro.

Table 9. Number of insured persons in 2014 and 2015

	Total number of life insured persons		
	2014	2015	Change 15/14 in %
TOTAL	54.865	57.503	4,81

⁹ Insurance classes with share lower than 3% are: health insurance, railborne vehicle insurance, aircraft insurance, watercraft insurance, insurance of goods in transport, liability insurance of aircraft users, liability insurance of watercraft users, general damage liability insurance, other non-life insurance, annuity insurance, additional insurance along with life insurance and other life insurances.

Number of active life insurance policies at the end of 2015 amounted to 49,264.

During 2015 the life insurance companies contracted 9,553 new contracts, which is for 13.88% more than in 2014. As regards the life insurance, 6,376 policies were cancelled and 1,360 policies were reduced in the observed period.

Table 10. Gross life insurance premium by insurance classes in 2014 and 2015

Insurance class	2014		2015		Index 2015/2014
	Amount (€)	Share (%)	Amount (€)	Share(%)	
Life insurance	11.124.094	88,60	11.545.502	89,32	103,79
Annuity insurance	40.275	0,32	36.010	0,28	89,41
Additional insurance along with life insurance	1.380.907	11,00	1.330.213	10,29	96,33
Other life insurances	10.626	0,08	13.560	0,10	127,61
Total life insurance	12.555.901	100	12.925.285	100	102,94

Regarding the structure of the gross written premium of life insurance, the mostly present class of this insurance group is life insurance, where the companies in 2015 underwrote 11.545mil. euro gross premium and contributed with 89.32% in the total life insurance premium. This class of life insurance recorded growth for 3.79% in relation to 2014. Significant share in the gross written life insurance premium was made by additional insurance along with life insurance with 10.29% and 1.330 mil. euro of gross written premium.

3.7 COMPULSORY TRAFFIC INSURANCE¹⁰

The total gross written premium of compulsory insurances in 2015 amounted to 34.184 mil. euro which represents a growth by 0.17% in relation to 2014 when it amounted to 34.127 mil. euro. Increase in compulsory insurance is a result of increase in gross written premium with 3 out of 4 classes of compulsory traffic insurances, which are: motor vehicle liability insurance, liability insurance for aircraft use and liability insurance for watercraft use. Gross premium of insurance of passengers in public transport declined for 14.26% or by 55 thousand euro in relation to 2014. In 2015, the share of gross premium of compulsory traffic insurance in the gross premium of non-life insurance amounted to 53.41%, but 44.43% in the total written gross premium. Five companies conduct compulsory insurance business in Montenegro.

¹⁰ Defined by the Law on Compulsory Traffic Insurance („Official Gazette of MN“, no 44/12)

Table 11. Compulsory traffic insurance premium by classes in 2014 and 2015

Compulsory traffic insurance	2014		2015		Index
	Premium (€)	Share (%)	Premium (€)	Share (%)	2015/2014
Insurance of passengers in public traffic	383.903	1,12	329.164	0,96	85,74
Liability insurance for motor vehicle use	32.885.154	96,36	32.888.517	96,21	100,01
Liability insurance for aircraft use	639.071	1,87	744.803	2,18	116,54
Liability insurance for watercraft use	218.563	0,64	222.228	0,65	101,68
TOTAL	34.126.691	100	34.184.712	100	100,17

Under the structure of compulsory insurance premium in 2015, the highest share was made by the motor vehicle liability insurance, which takes 96.21%. Motor vehicle liability insurance premium in 2015 amounted to 32.888 mil. euro and made a slight increase in relation to 2014 for 0.01% when it amounted to 32.885 mil.euro. Two non-life insurance companies recorded growth in gross written premium of the motor vehicle liability insurance (Swiss osiguranje for 43.21% and Lovćen osiguranje for 5.51%) while three companies recorded decline of gross written premium for this insurance class (Uniqa neživotno osiguranje for 8.81%, Sava Montenegro for 6.66% and Generali osiguranje Montenegro for 1%).

Table 12. Share of gross written premium of motor vehicle liability (MVL) in 2015 by insurance companies

	MVL gross written premium(€)	Share (%)
Lovćen osiguranje	11.789.469	35,85
Sava Montenegro	6.871.806	20,89
Generali osiguranje Montenegro	6.655.304	20,24
Uniqa neživotno osiguranje	5.871.458	17,85
Swiss osiguranje	1.700.480	5,17
UKUPNO	32.888.517	100

3.8 COMPANIES DEALING WITH INSURANCE AGENCY AND BROKERAGE

According to the Insurance Law, companies for insurance agency perform activities that include initiation, proposal, preparation and conclusion of insurance contracts on behalf and for the account of insurers. During 2015, insurance agency companies entered into 119,011 insurance policies, which is for 6.16% more than in 2014. (114,589 policies) and thereby contracted gross written premium in the amount of 17.958 mil. euro or 23.34% of the gross written premium at the level of the entire insurance market (2014 – 18,053 mil. euro gross written premium).

Insurance agency companies contracted 15.816 mil. euro of the gross written premium in the motor vehicle liability insurance, which is for 8.90% less than in 2014 (2014 – 15.788 mil. euro of the gross written premium in motor vehicle liability insurance).

Banks involved in insurance agency activities contracted 694 thousand euro of gross written premium in 2015, which represents 0.90% of the total market gross premium.

Insurance agents –entrepreneurs involved in insurance agency activities in 2015 contracted 596 insurance policies or 18,429 euro of gross written premium, which is 0.02% of total market gross premium.

According to the Insurance Law, insurance brokerage companies perform activities related to connecting insured, i.e., insurance contractor, with an insurance company in order to make an insurance contract, include preparatory activities aimed at entering into insurance contract and provision of assistance in exercise of rights arising from the insurance contract, particularly regarding processing of claims against insurance companies. During 2015, insurance brokerage companies mediated in entering into 1,714 insurance contracts (13.61% less than in 2014, when mediated in entering into 1.984 contracts) and mediated in contracting the gross written premium in the amount of 6,754 mil. euro (2014 – gross premium of 4.511 mil. euro). Share of the gross written insurance premium contracted by mediation of these companies, in the total market insurance premium amounted to 8.87% in 2015.

Table 9. Structure of sale of insurance through agency companies, brokerage companies, entrepreneurs/agents and banks in 2015

	Number of life insurance policies	Number of non-life insurance policies	GWP in non-life insurance in €	GWP in life insurance in €
Insurance agency companies	115.348	6.297	16.223.602	1.733.932
Insurance brokerage companies	903	811	3.623.677	3.130.320
Entrepreneurs –agents	596		18.429	
Banks	62.308	1.831	517.694	176.012
TOTAL	179.155	8.939	20.383.402	5.040.264

IV ASSETS STRUCTURE

The value of total asset for all insurance companies, as of 31 December 2015, was 184.984 mil. euro, which accounts for the increase of 10.21% if compared to the value of total assets as of 31 December 2014. The most significant assets category continues to be “the long-term financial investments” with its share of 55.58%, followed by “short-term receivables” with its share of 11.29% and the category “short-term financial investments” with its share of 11.13%.

Table 13. Structure of assets of insurance companies on 31 December 2014 and on 31 December 2015

	2014		2015		Index 2015/2014
	Amount (€)	Share(%)	Amount (€)	Share(%)	
Intangible assets	527.831	0,31	455.807	0,25	86,35
Real estates, plants and equipment directly related to the conducts of insurance activities	12.279.827	7,32	11.608.047	6,28	94,53
Long-term financial investments	84.422.955	50,30	102.809.720	55,58	121,78
Short-term financial investments	32.497.301	19,36	20.582.504	11,13	63,34
Cash funds	1.949.370	1,16	9.704.596	5,25	497,83
Short-term receivables	21.070.967	12,55	20.884.809	11,29	99,12
Share of reinsurers in technical provisions	6.278.151	3,74	10.414.406	5,63	165,88
Prepayments and accrued income	8.608.078 ¹¹	5,13	8.309.475	4,49	96,53
Other	210.160	0,13	214.099	0,12	101,87
TOTAL	167.844.640¹²	100	184.984.462	100	110,21

Growth of the asset value at the Montenegrin insurance market was generated primarily by the growth of the category “long-term financial investments” which amounted to 102.810 mil. euro at the end of 2015. This category recorded growth of 21.78% or in the total amount of 118.387 mil. euro in relation to 2014, mostly due to the increase of investments into Montenegrin securities by insurance companies. The value of total investments into the long term securities amounted to 82.894 mil. euro, which is 80.63% of the total category “long-term financial investments”, making a growth of 36.84% in relation to the end of 2014.

Total investment into the long term investments amounted to 5.999 mil. euro at the end of 2015 (5.83% of the long-term financial investments) and made a decline for 30.38% in comparison to the end of 2014. At the end of 2015, real estate investments amounted to 8.037 (7.82% of the long-term financial investments) and made a decrease for 16.17% in comparison to the end of 2014.

On 31 December 2015 there was a decrease with the category “short-term financial investments” for 36.66% or for 11.915 mil. euro. At the end of 2015 the short-term deposits amounted to 16.243 mil. euro (78.92% of the short-term financial investments) and made a decrease for 44.12% in relation to the end of 2014., whilst the short-term securities amounted to 4.303 mil. euro (20.91% of the short-term financial investments) and made a growth for 26.50% in relation to 2014.

¹¹ According to the independent auditor report, there was a correction of the initial position of the undistributed profit on 1 January 2014 for one company in the amount of 1,099,118 Euro and it refers to the effects caused by the change in accounting policy regarding the recognition of underwriting costs. Namely, according to the new accounting policy, only direct underwriting costs – insurance premium commission may be accrued reciprocal to the proportion of the unearned premium in the total premium.

¹² According to the audited financial report for 2015, correction of the entire assets on 31 December 2014 was made, (Report on Insurance Market in Montenegro for 2014 shows the amount of 168,943,758 eura).

On 31 December 2015 the short-term securities issued by Montenegro amounted to 4.145 mil. euro (20.14% of the short –term financial investments), which is for 20.30% more than on 31 December 2014 (growth in the absolute amount of 914 thousand euro). Short-term investments into Montenegrin securities by life insurance companies amounted to 161 thousand euro and by non-life insurance companies amounted to 3.984 mil. euro.

Growth of total assets was also contributed by the growth of the category “share of reinsurers in technical provisions’ for 65.88% or for 4,136,255 euro in relation to 2014, as well as by the growth of the category “cash” for 7,755,225 in relation to 2014. Growth of the category “cash” was mostly generated by its growth with one insurance company (for 7,568,910 euro), relating to the funds deposited at the special account for the purpose of capital increase, which was completed at the beginning of 2016.

Table 14. Share of Insurance companies in total assets of insurance sector on 31 December 2014 and 31 December 2015 (%)

	2014	2015	Change in PP
Lovćen osiguranje	31,07%	31,74%	0,67
Lovćen životna osiguranja	3,36%	3,01%	-0,36
Sava Montenegro osiguranje	14,34%	12,04%	-2,30
Swiss osiguranje	2,96%	2,94%	-0,02
Grawe osiguranje	18,53%	18,74%	0,21
Atlas life	1,08%	0,91%	-0,17
Uniqa neživotno osiguranje	8,27%	9,24%	0,96
Uniqa životno osiguranje	4,00%	4,35%	0,35
Generali osiguranje Montenegro	11,02%	11,07%	0,05
Merkur osiguranje	2,73%	2,99%	0,26
Wiener Städtische životno osiguranje	2,63%	2,99%	0,36
TOTAL	31,07%	31,74%	0,67

The biggest share in the total assets is by Lovćen osiguranje (31.74%), Grawe osiguranje (18.74%) and Sava Montenegro with (12.04%).

V STRUCTURE OF LIABILITIES

Value of total liabilities for all insurance companies in Montenegro, as of 31 December 2015, was 184.984 mil. euro, which represents an increase of 10.21% if compared to the value of total liabilities on 31 December 2014..

Table 15. Structure of liabilities of insurance companies on 31 December 2014 and 31 December 2015

Liabilities	2014		2015		Index 2015/2014 ¹
	Amount (€)	Share (%)	Amount (€)	Share (%)	
Capital and reserves	46.445.658 ¹³	27,67	42.645.327	23,05	91,82
Reservations	96.826.113	57,69	110.304.630	59,63	113,92
Short-term liabilities	12.781.304	7,61	12.749.256	6,89	99,75
Long-term liabilities	10.843.364	6,46	18.470.301	9,98	170,34
Passive prepayments and accrued incomes	948.203	0,56	814.948	0,44	85,95
TOTAL	167.844.641¹⁴	100	184.984.462	100	110,21

Value of the category “long-term liabilities” increased in relation to 2014 for 70.34% or for 7.623 mil. euro due to the increase of this item in the balance sheet liabilities of one insurance company (increase of liabilities on the basis of funds deposited at a special account until completion of the capital increase process).

The category “reservations”, which includes gross technical provisions of the insurance companies and other reservations needed for pensions, jubilee award, severances, bad deals, etc, made growth of 13.92% (for 13.478 mil. euro)¹⁵ in relation to 2014.

Decrease in the category “capital and reserves” of insurance companies in 2015 for 8.18% or for 3.800 mil.euro is a result of negative financial result made in 2015 in the amount of 2.763 mil.euro.

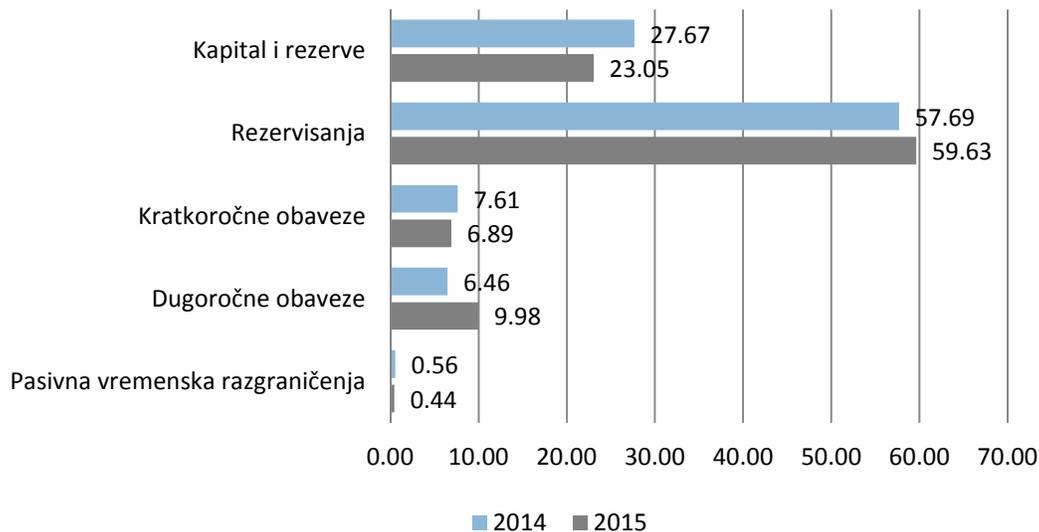
The category “short-term liabilities”, which relates to the liabilities arising from insurance activities, as well as to liabilities of financing, made a decline by 0.25% or by 32 thousand euro, as well as “passive prepayments and accrued incomes” for 14.05% or for 133 thousand euro.

¹³ According to the independent auditor report, one insurance company, due to the change in the accounting policy as of 1 January 2015, made a correction of cumulated accrued costs from the previous period in the amount of 1,099,177.69€ to the account of the undistributed cumulated profit.

¹⁴ According to the audited financial report for 2015 of one company (footnote 13), correction of the entire liabilities on 31 December 2014 was made, (Report on Insurance Market in Montenegro for 2014 shows the amount of 168,943,758 eura).

¹⁵ A more detailed analysis of gross technical provisions is given under 5.1 Technical Provisions
Insurance Supervision Agency of Montenegro

Figure 9. Structure of liabilities of insurance companies on 31 December 2014 and 31 December 2015 (%)



5.1 TECHNICAL provisions

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

According to the Law on Insurance, companies that conduct insurance activities on the Montenegrin insurance market are obliged to establish the following types of technical provisions:

- *Provisions for the unearned premiums* established 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;
- *Provisions for the reserved claims* which are calculated at the level of estimated amount of liabilities for incurred and reported but not settled 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* which 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*, which 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 *provisions for risk equalization*. Such provisions are calculated on the basis of standard deviation of annual realized technical results from the average realized technical result for each class of non-life insurance during the observed period;
- *Special technical provisions* are established by insurance companies engaged in the life insurance operations, where the insured takes over the investment risk; and
- *Other technical provisions* which 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 all insurance companies were 109.379 mil. euro as of 31 December 2015, which represents increase of 14.07% compared to 31 December 2014.

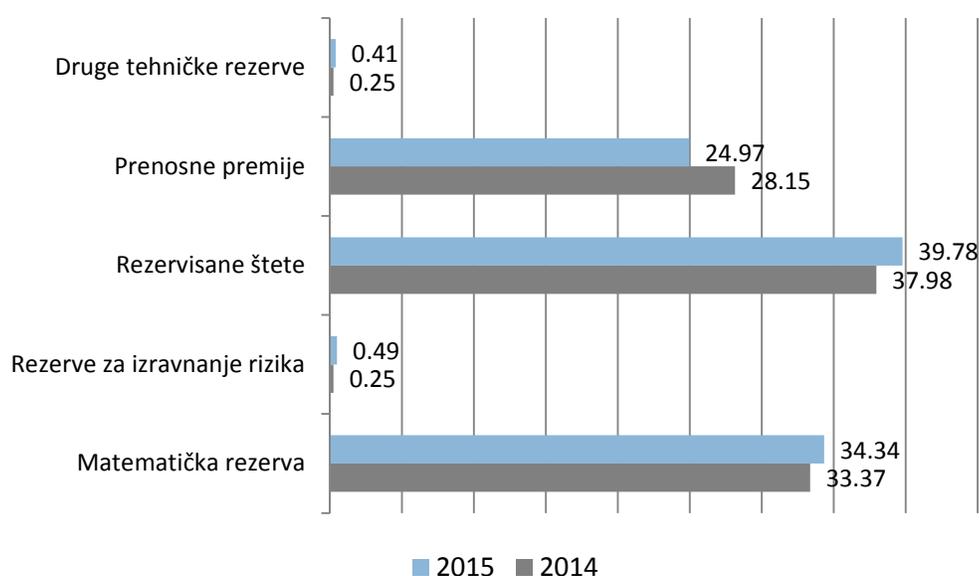
Table 18. Structure of gross technical provisions of insurance companies on 31 December 2014 and 31 December 2015

	2014		2015		Index 2015/2014
	Amount (€)	Share (%)	Amount (€)	Share (%)	
Outstanding claims	36.413.167	37,98	43.515.074	39,78	119,50
Mathematical reserve	26.991.323	28,15	27.311.022	24,97	101,18
Unearned premiums	32.000.721	33,37	37.562.776	34,34	117,38
Reserve for equalization of risks	241.770	0,25	536.409	0,49	221,87
Other technical provisions	238.312	0,25	453.475	0,41	190,29
TOTAL	95.885.293	100	109.378.755	100	114,07

At the end of 2015 the highest share of 39.78% in total technical provisions of insurance companies was made by reserved claims, which amounted to 43.515 mil. euro, followed by mathematical reserves, which on 31 December 2015 amounted to 37.563 million euro (34.34% of total technical provisions), while the unearned premiums amounted to 27.311 mil. euro (24.97% of total technical provisions).

The highest increase in relation to 2014 was made by reserved claims, for 19.50% or for 7.102 mil. euro in relation to previous year. Moreover, a significant growth was made by mathematical reserves for 5.562 mil. euro (17.38%) in comparison to the end of 2014, as well as risk equalization reserves for 121.87% or for 295 thousand euro. Growth of other technical reserves for 90.29% or for 215 thousand euro was caused by the growth of unexpired risk reserves with one insurance company.

Figure 10. Structure of technical provisions of insurance companies on 31 December 2014 and 31 December 2015 (%)



If observed in respect to insurance groups, the **gross technical provisions** on the 31 December 2015 at the level of all non-life insurance companies amounted to 70.428 mil.euro, while the **net technical provisions** under this insurance group amounted to 60.394 mil.euro, which indicates that the share of reinsurers amounted to 14.25% (or 10.034 mil.euro). The value of gross technical provisions for non-life insurances was reduced in relation to the end of 2014 for 12.62% or for 7.895 mil.euro. Moreover, the value of net technical provisions of this insurance group increased for 6.52%, or for 3.697 mil.euro.

Gross technical provisions at the level of life insurance companies amounted to 38.951 mil.euro, while the **net technical provisions** of this insurance group amounted to 38.570 mil.euro. This indicates that the share of reinsurers in the gross technical provisions of life insurance amounted to 0.98% (or 380 thousand euro). The value of gross technical provisions of life insurance increased in relation to the end of 2014 for 16.79%, or for 5,599 mil.euro. Moreover, the value of net technical provisions of this group increased for 17.20%, or for 5.660 mil.euro.

Table 17. Gross and net technical provisions in respect to insurance groups on 31 December 2015 (€)

Insurance group	Net technical provisions		Gross technical provisions	
	Amount (€)	Share(%)	Amount (€)	Share (%)
Life insurance	38.570.440	38,97	38.950.632	35,61
Non-life insurance	60.393.907	61,03	70.428.122	64,39
TOTAL	98.964.347	100	109.378.755	100

VI DEPOSITING AND INVESTING TECHNICAL PROVISION FUNDS AND CAPITAL

6.1 DÉPOSITING AND INVÉSTING NET TECHNICAL PRÓVISIONS

The Insurance Law and Rulebook on depositing and investing technical provision and capital funds for insurance companies define forms of properties where insurance companies can make placement of technical provision fund, as well as restrictions concerning the total and individual depositing and investments of such funds.

The analysis of placement of gross technical reserve funds at the level of insurance market indicate that at the end of 2015 insurance companies, out of total gross technical reserve funds, by application of total and individual restrictions stipulated by the Rulebook, placed 106,249,046 (97.14%)¹⁶.

Life insurance companies placed 38,950,633 euro of gross technical provisions for life insurance (or 100% of total gross technical provisions for life insurance) into stipulated asset forms, including restrictions prescribed by the Rulebook. During the observed period the insurance companies, engaged in non-life insurance invested and deposited, in accordance with the insurance Law and the Rulebook on depositing and investing technical provision and capital funds for insurance companies, gross technical provision funds in the amount of 67,298,413 euro (95.56% of the total gross technical provisions of non-life insurance) into the prescribed forms of property.

The analysis of the structure of total technical provision funds deposited and invested into prescribed asset forms as of 31 December 2015, indicate that the highest share of 66.01% (2014- 60.43%) was made by investments into state securities (Eurobonds, old savings bonds, Labor Fund bonds, etc...), which amounted to 70.134 mil. euro. Namely, companies that provide life insurance invested 33.193 mil. euro into state securities out of total gross technical reserve funds, while the non-life insurance companies invested into this form of assets the amount of 36.941 mil. euro.

Bank deposits, as the permitted form of technical reserve investments, achieved share of 13.35% or 14.179 mil. euro (life insurances deposited funds in the amount of 4.961 mil euro into banks, while the non-life insurances deposited the amount of 9.218 mil. euro), share of reinsurers in the technical provisions amounted to 10.26% or 10.899 mi. euro, real estate investments were 7.46% or 7.929 mil. euro, shares were 1.91% or 2.028 mil.euro, while the cash accounted for 1.051 mil. euro and contributed with 0.99%.

¹⁶ On 31 December 2015, one insurance company showed the coverage of 90.75% total gross technical provisions. However, on 31 March 2016 the before mentioned company adjusted depositing and investing of gross technical provisions with the regulations.

Figure 11. Structure of deposited and invested gross technical provision funds of life insurance on 31 December 2015 (%)

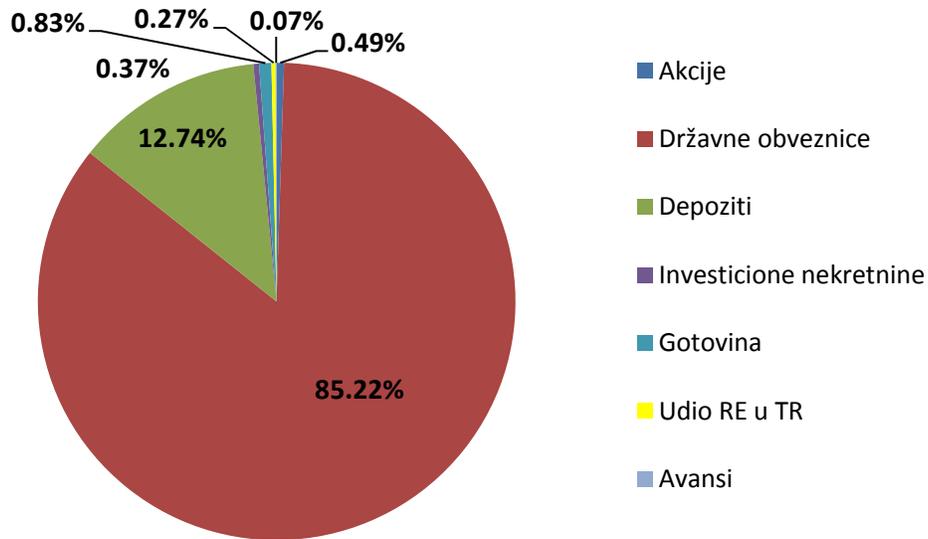


Figure 12. Structure of deposited and invested gross technical provision funds for non-life insurance as of 31 December 2015 (%)

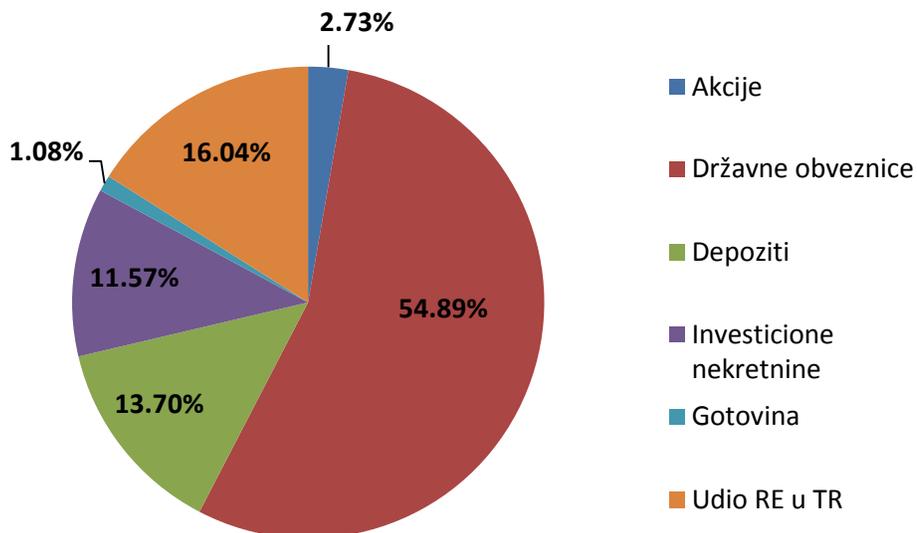
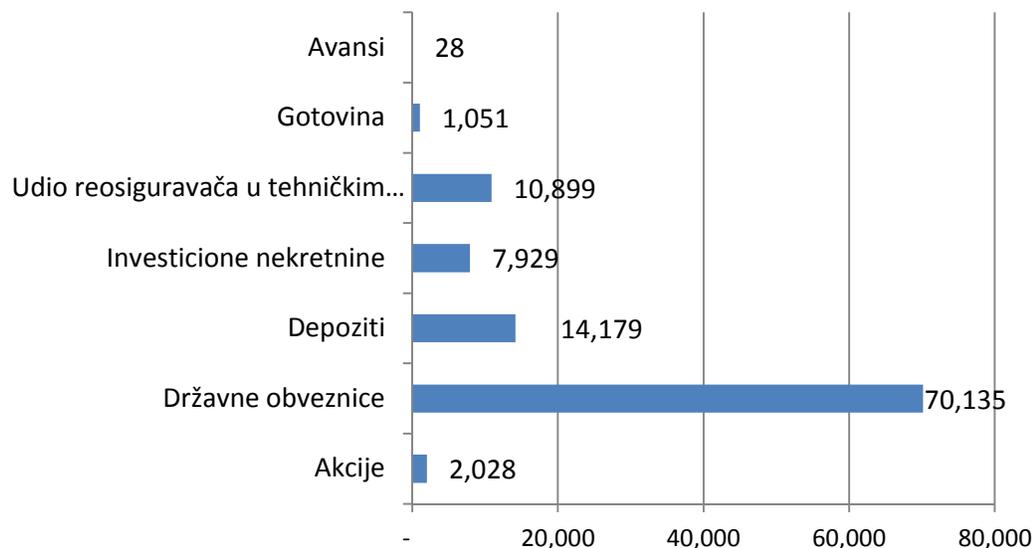


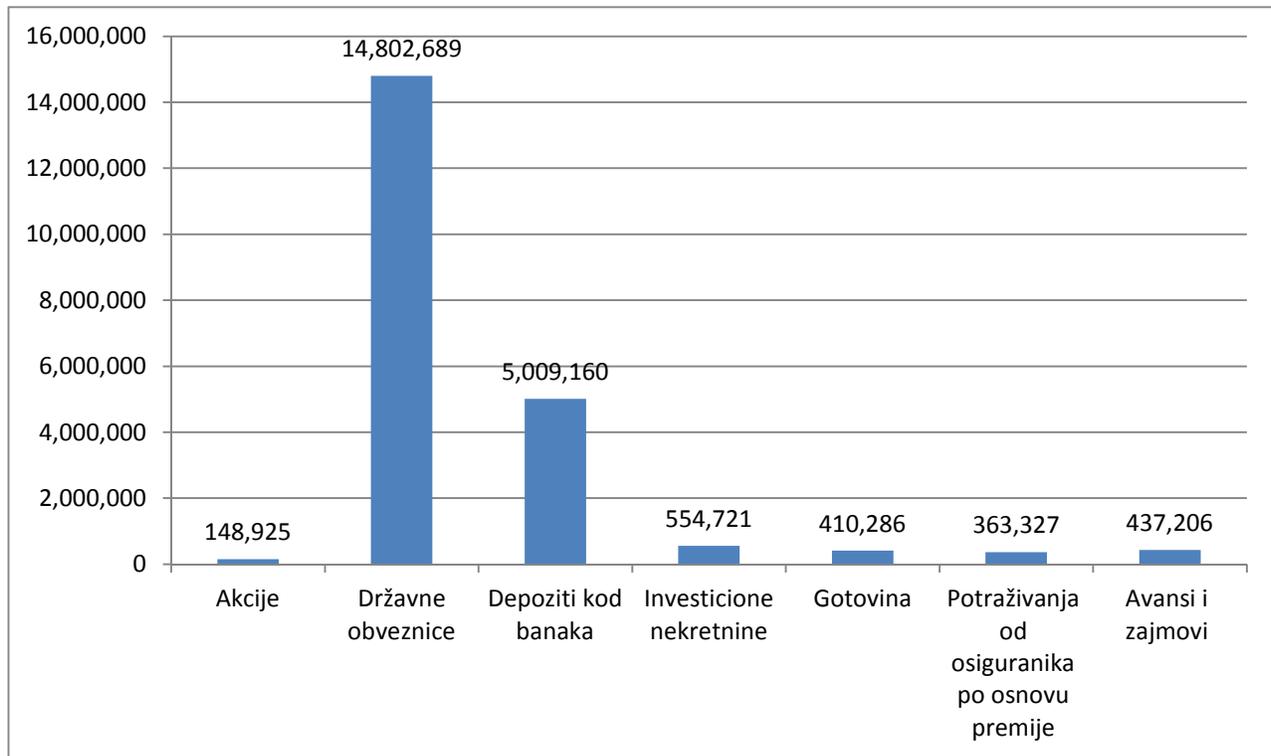
Figure 13. Structure of deposited and invested gross technical provision funds at the market level in as of 31 December 2015 (Euro)



6.2 DEPOSITING AND INVESTING 1/3 OF CAPITAL FUNDS

According to the Law on Insurance and the Rulebook on depositing and investing technical provision and capital funds of insurance companies, insurance companies in Montenegro are obliged ensure depositing and investment of at least 1/3 of capital funds. At the end of 2015, Montenegrin insurance companies invested 60.10% of total capital funds or 21.726 mil euro in accordance with the Law and the Rulebook on depositing and investing technical provision and capital funds of insurance companies. Regarding the structure of deposited and invested capital funds, it can be noticed that the highest share of 68.13% had state securities, amounting to 4.803 mil. euro, followed by bank deposits with share of 23.06% or the amount of 5.009 mil. euro. The real estate investments had the share of 2.55% or 555 thousand euro, advanced payments and loans provided to policyholders together up to the surrender value on the basis of life insurance contract had the share of 2.01% or 437 thousand euro, cash was 1.89% or the amount of 410 thousand euro, receivables from the insured on the basis of premium not older than 60 days had a share of 1.67% or the amount of 363 thousand euro and shares with 0.69% or 149 thousand euro.

Figure 14. Structure of invested and deposited capital funds at the market level on 31 December 2015 (thousand euro)



VII NET PROFIT/LOSS FOR THE BUSINESS YEAR

For the first time from 2011 the insurance sector in 2015 made a negative net result for the business year in the amount of 2.763 mil. euro.

Out of eleven insurance companies that were operating in 2015, seven companies generated profit in the total amount of 4.684 mil.euro, while remaining four insurance companies made loss in the total amount of 7.448 euro¹⁷.

Grawe osiguranje, Sava Montenegro, Generali osiguranje Montenegro, Lovćen životna osiguranja, Uniqa životno osiguranje, Swiss osiguranje and Wiener Städtische životno osiguranje had positive operating results in 2015.

¹⁷ The biggest impact to the loss in 2015 was made by the company Lovćen osiguranje in the amount of 6.550 mil.euro. The company implemented capital increase in the amount of 7,505,405 euro, which was realized at the beginning of 2016.
Insurance Supervision Agency of Montenegro

VIII OPERATIONAL INDICATORS

8.1 CAPITAL ADEQUACY AND SOLVENCY

According to the Law on Insurance, insurance companies shall maintain capital at the level adequate to the volume and types of insurance business it provides. If a company is adequate in terms of capital it has to fulfill three conditions prescribed by the Insurance Law:

- capital has to be at least equal to the solvency margin;
- guaranteed capital has to be at least equal to 1/3 of the solvency margin, and
- guaranteed capital has to be at least equal to the capital stock from the Article 21 of the Law on Insurance.

On 31 December 2015, nine insurance companies at the Montenegrin insurance market were adequate in terms of capital, whilst two companies were not adequate in terms of capital¹⁸.

Insurer's solvency represents its ability to settle its liabilities with the available cash fund within their due deadlines. The solvency indicator at the level of all insurance companies on 31 December 2015 was 1.37.

Table 18. The solvency indicator for insurance companies on 31 December 2015

	Solvency indicator
Life	1,90
Non-life	1,07
Total	1,37

8.2 REINSURANCE

By entering into reinsurance contract the insurance company is transferring the risk to reinsurance and is being protected against losses that could endanger operation of the company. The written gross premium at the level of Montenegrin insurance market was 76.933 mil.euro in 2015, which represents a growth for 6.24% if compared to 2014. At the same time, the premium transferred to the reinsurance made a growth for 22.91% and amounted to 13.139 mil.euro (17.08% of the written gross premium). Moreover, in 2015, the Montenegrin companies were approved to commission by the reinsurers which was for 11.81% higher than in 2014 and amounted to 1.991 mil.euro.

The share of reinsurers in the gross processed claims (without costs for processing and payment of claims) in 2015 was 3.767 mil.euro or 13.04% of gross processed claims at the market level, showing the increase for 20.81% if compared to 2014.

¹⁸ One insurance company, after implementation of the capital increase at the beginning of 2016, ensured the capital adequacy on 31 March 2016.

Table 21. Share of reinsurers in the gross premium, processed claims and gross technical provisions on 31 December 2014 and on 31 December 2015

	2014	2015	Change(%)
Written gross premium	72.416.868	76.933.192	6,24%
Premium transferred to reinsurance	10.689.866	13.138.676	22,91%
Commission approved by reinsurers	1.781.131	1.991.568	11,81%
Gross processed claims (not including costs of processing and paying these claims)	30.524.265	28.904.267	-5,31%
Share of reinsurance in gross processed claims	3.119.001	3.767.965	20,81%
Share of reinsurance in gross technical provisions	6.267.001	10.414.406	66,18%

8.3 PROFITABILITY

Net realized technical result

Net realized technical result represents an indicator of the adequacy, precisely of the adequacy of premiums to settle claims and other liabilities arising from insurance contracts. As regards all companies involved in non-life insurance business, the cumulative value of this indicator at the end of 2015 for all classes of non-life insurance amounted to 0.76. This indicates, regarding the group of non-life insurances, that the amount of relevant claims in self-retention was lower for 24% than the realized technical premium in self-retention, meaning that the net realized technical premium was sufficient to cover claims and other liabilities arising from the insurance contracts.

Table 23. Net realized technical result by insurance classes on 31 December 2015

Class of insurance	Realized technical premium in self-retention	Realized loss in self-retention	Realized technical result in self-retention
Accident insurance	5.987.897	8.301.355	1,39
Health insurance	777.220	693.597	0,89
Motor vehicle insurance	2.745.504	3.091.307	1,13
Railborne vehicle insurance	30.403	43.551	1,43
Aircraft insurance	102.822	63.562	0,62
Watercraft insurance	7.139	-1.298	0,00
Insurance of goods in transport	16.251	15.110	0,93
Property insurance against fire and other risks	616.629	616.937	1,00
Other property insurances	868.475	1.002.890	1,15
Liability insurance for use of motor vehicles	24.804.921	13.547.173	0,55
Liability insurance for use of aircrafts	10.321	23.173	2,25
Liability insurance for use of watercrafts	65.444	20.509	0,31
Liability insurance against general damage	293.519	136.146	0,46
Credit insurance	123.500	100.587	0,81
Commercial guarantee insurance	15.076	3.220	0,21
Financial loss insurance	20.393	2.457	0,12
Insurance of legal remedy costs	1.927	0	0,00
Travel insurance	404.445	191.126	0,47
Other non-life insurances			
TOTAL	36.891.991	27.883.037	0,76

Profitability of assets and equity

Seven insurance companies achieved positive net results and return on equity and capital on 31 December 2015. The indicator on profitability of assets (RoA – return on assets), as a ratio between net results and total assets of insurance company, represents a measure of return on total assets generated by employing funds in insurance operations, investments, etc. From the aspect of the entire market in 2015, the indicator on profitability of assets amounted to -1,49%. Profitability of assets of life insurance companies at the end of 2015 amounted to 2.65% (2014 amounted to 3.03%), whilst the profitability of assets of non-life insurance companies amounted to -3.53% (2014 amounted to 2.9%).

The indicator on profitability of own funds (ROE – return on equity), as a ratio between net result and capital of insurance companies represents a measure of return on own funds. Furthermore, the negative return on equity in the amount of -6.48% (2014 amounted to 8.51%) was generated in 2015 at the level of the entire insurance sector. Profitability of own funds (equity and reserves) of life insurance companies amounted to 7.91% (2014 amounted to 8.42%) and -19.70% (2014 amounted to 8.57%) with non-life insurance companies.

Table 23. Profitability indicators on 31 December 2015

	Assets (€)	Capital (€)	Net profit/loss (€)	ROA	ROE
TOTAL	184.984.462	42.645.327	-2.763.590	-1,49	-6,48
Life insurance	60.995.748	20.418.990	1.614.375	2,65	7,91
Non-life insurance	123.988.714	22.226.337	-4.377.965	-3,53	-19,70

8.4 LIQUIDITY

On 31 December 2015, all insurance companies in Montenegro were liquid. The liquidity ratio on 31 December 2015 for all insurance companies in Montenegro amounted to 12.60, which indicates to the sufficiency of liquid assets for settling liabilities of insurance companies (due liabilities and liabilities that are to be due within 14 days from the date of determining the liquidity ratio)¹⁹.

8.5 CLAIMS INDICATORS

Timelines in settling claims

Observing the level of the entire insurance market, the total number of reported claims in 2015 increased for 110.43% and amounted to 41.789, while in 2014 it amounted to 37.842. There was a high level of timelines in settling claims at the level of the insurance industry since 92.47% of total claims were processed, which is better than in 2014 when 92.26% of claims had been processed.

Observed in respect to insurance groups, the timelines in processing claims in life insurance in 2015 was at a high level and amounted to 93.96% (in 2014 amounted to 93.52%). Furthermore, the level of timelines in processing claims at the level of companies engaged in non-life insurance was at a high level and amounted to 92.34% (in 2014 amounted to 92.14%).

¹⁹ This ratio is calculated in accordance with the Rulebook on the manner to determine and monitor liquidity of insurance companies or reinsurance companies ("Official Gazette of MN", no 22/14).

Table 24. Timelines in processing claims by insurance classes for the insurance market on 31 December 2015

Insurance class	Number of processed claims	Total number of claims	% timeliness
Accident insurance	12.368	12.973	95,34
Health insurance	4.644	5.030	92,33
Motor vehicle insurance	3.383	3.636	93,04
Railborne vehicle insurance	3	6	50,00
Aircraft insurance	1	7	14,29
Watercraft insurance	2	2	100,00
Insurance of goods in transport	130	131	99,24
Property insurance against fire and other risks	447	483	92,55
Other property insurances	1.941	2.174	89,28
Liability insurance for use of motor vehicle	11.491	12.748	90,14
Liability insurance for use of aircraft	88	90	97,78
Liability insurance for use of watercraft	25	25	100,00
General damage liability insurance	432	533	81,05
Credit insurance	33	33	100,00
Commercial guarantee insurance	13	13	100,00
Financial loss insurance	12	15	80,00
Insurance of legal remedy costs	0	0	-
Travel insurance	411	465	88,39
Other non-life insurances	12	12	100,00
Total non-life insurance	35.436	38.376	92,34
Life insurance	2.543	2.612	97,36
Annuity insurance	35	35	100,00
Additional insurance	629	766	82,11
Other life insurances	0	0	-
Total life insurance	3.207	3.413	93,96
TOTAL	38.643	41.789	92,47

Claim ratio

Gross claim ratio of non-life insurance is indicator that represents the ratio between the gross occurred claims (amount of gross processed claims +/- change in the amount of reserved claims) and gross earned insurance premium (realized premium) and indicates which part of the earned premium relates to the claim expenses).

When observing the non-life insurance companies in Montenegro as of 31 December 2015, 54.09% of the realized premium referred to the gross claim expenses.

Table 25. Gross loss ratio for non-life insurance on 31 December 2015

	Gross processed claims	Gross earned premium	Gross claim ratio
Non-life insurance	33.560.546	62.046.616	54,09

Net claim ratio for non-life insurance is calculated as the ratio between the amount of net incurred claims (sum of gross processed claims, reduced by the share of reinsurers in the processed claims, and the change in reserved claims, reduced by the share of reinsurers in the reserved claims) and net earned insurance premium (gross written premium reduced by the premium transferred to reinsurance and corrected by the change in unearned premium reduced by the share of reinsurer). On 31 December 2015, this indicator amounted to 52.93%, respectively 52.93% of the net earned non-life insurance premium referred to the net claim expenses.

Table 26. Net claim ratio for non- life insurance on 31 December 2015

	Net processed claims	Net earned premium	Net claim ratio
Non-life insurance	26.610.451	50.277.138,85	52,93

Expense ratio

Expense ratio is calculated as a ratio between the sum of the costs of conducting insurance-related activities and other costs, contributions and reservations arising from insurance operations and the earned insurance premium.

If observed in respect to gross principle, this indicator for non-life insurance amounted to 45.15% at the end of 2015. Namely, insurance-related costs with non-life insurers take 45.15% of the gross earned insurance premium, which indicates a high level of the companies' costs for conducting insurance operations. When observing the expenses ratio for net reinsurance, the conclusion is that 52.66% of the net earned premium at the level of all insurance companies that deal with non-life insurance relate to costs related to insurance operations and other costs, contributions and reservations arising from the insurance operations.

Table 27. Expense ratio for non-life insurance on 31 December 2015

	Costs for conducting insurance and other operating costs	Earned premium	%
Gross expense ratio	28.014.638	62.046.616	45,15
Net expense ratio	26.476.395	50.277.139	52,66

Combined ratio

Combined ratio, as the sum of claim ratio and expense ratio, shows the business result before the return on invested funds, or the sufficiency of premium to cover expenses of claims and costs arising from insurance operations. Observed in terms of gross amounts, as well as of net principle, on 31 December 2015, companies' expenses for non-life insurance on the basis of occurred claims, costs related to insurance operations and other costs, contributions and reservations arising from business operations, take 99.24% or 105.59% of the earned insurance premium.

Table 28. Combined ratio as of 31 December 2015

	Gross	Net
Claim ratio	54,09%	52,93%
Expense ratio	45,15%	52,66%
Combined ratio	99,24%	105,59%

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 – National Bureau of Insurers 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 - National Bureau of Insurers, 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.

The Guarantee Fund has a special importance within the Association and insurance companies engaged in compulsory traffic insurance activities pay contribution to the Guarantee Fund from the sold compulsory traffic insurance policies. According to the Law on Compulsory Traffic Insurance, the Guarantee Funds are used for payment of insured sums, respectively for compensation of damage to claimants, as follows:

- 1) caused by use of motor vehicles, aircrafts, watercrafts or other means of transport without concluded compulsory insurance contract in accordance with this law;
- 2) due to death, bodily or impaired health caused by the use of unknown motor vehicle, aircraft, watercraft or other means of transport;
- 3) caused by use of motor vehicles, aircrafts, watercrafts or other means of transport where the compulsory insurance contract was concluded with the insurance company that has been revoked its license or against which bankruptcy or liquidation proceedings were initiated;
- 4) in cases from the Articles 34,38 and 40 of this Law.

The Guarantee funds are also used for compensation and costs related to the processing and payment of claims incumbent to the Guarantee Fund.

In 2015, the total amount of contributions paid by the insurance companies to the Guarantee Fund amounted to 979,118 euro. The balance of funds from the Guarantee Fund on 1 January 2015 amounted to 397,045 euro, whilst on 31 December 2015 it amounted to 126,493 euro.

During 2015, the Association paid claims in the amount of 1,339,468 euro, whereof damages abroad amounted to 94,670 euro and damages in country 1,244,798 euro.

During the reporting period, out of total number of claims to be processed (609 claims – whereof 150 claims were transferred from 2014, 400 claims were reported in 2015 and 59 claims were reactivated) the Association processed 463 claims, whereof 100 requests for payment of claims were rejected and 363 claims were paid.

Source: The Annual Operational Report for 2015 - The Association – National Bureau of Insurers

X INSURANCE COMPANIES IN MONTENEGRO

ATLAS LIFE AD

Address: Stanka Dragojevića 4, 81 000 Podgorica
Telephone: +382 20 406 106
Fax: +382 20 406 156
e-mail: info@atlaslife.net
Web: www.atlaslife.me



Class of insurance: life insurance
Number of employees: 11



GENERALI OSIGURANJE MONTENEGRO AD

Address: ul. Kralja Nikole 27a/VI, 81 000 Podgorica
Telephone: +382 20 444 800
Fax: +382 20 444 810
e-mail: kontakt@generali.me
Web: www.generali.me

Class of insurance: non-life insurance
Number of employees: 65

GRAWE OSIGURANJE AD

Address: Bul. Ivana Crnojevića 62/1, 81 000 Podgorica
Telephone: +382 20 210 790
Fax: +382 20 210 963
e-mail: office.podgorica@grawe.at
Web: www.grawe.me



Class of insurance: life insurance
Number of employees: 13



LOVČEN OSIGURANJE AD

Address: ul. Slobode 13A, 81 000 Podgorica

Telephone: +382 20 404 400

Fax: +382 20 665 281

e-mail: info@lo.co.me

Web: www.lovcenosiguranje.co.me

Class of insurance: non-life insurance

Number of employees: 276

LOVČEN ŽIVOTNA OSIGURANJA AD

Address: ul. Marka Miljanova 29/III, 81 000 Podgorica

Telephone: +382 20 231 882

Fax: +382 20 231 881

e-mail: info@lovcenzivot.me

Web: www.lovcenzivot.me

Class of insurance: life insurance

Number of employees: 14



MERKUR OSIGURANJE AD



Address: Bul. Džordža Vašingtona 2A, 81 000 Podgorica

Telephone: +382 20 205 465

Fax: +382 20 205 466

e-mail: info@merkurosiguranje.me

Web: www.merkurosiguranje.me

Class of insurance: life insurance

Number of employees: 12

SAVA MONTENEGRO AD

Address: Rimski trg 70, 81 000 Podgorica

Telephone: +382 20 234 036

Fax: +382 20 234 008

e-mail: info@sava.co.me

Web: www.sava.co.me

Class of insurance: non-life insurance

Number of employees: 148

Insurance Supervision Agency of Montenegro



Akcionarsko društvo za osiguranje

Član Sava Re Grupe



Swiss Osiguranje
Swiss Insurance

SWISS OSIGURANJE AD

Address: Josipa Broza 23A, 81 000 Podgorica

Telephone: +382 20 657 300

Fax: +382 20 657 301

e-mail: sio@t-com.me

Web: www.swiss-osiguranje.com

Class of insurance: non-life insurance

Number of employees: 37

UNIQA NEŽIVOTNO OSIGURANJE AD

Address: Bulevar Džordža Vašingtona 98/4, 81 000 Podgorica

Telephone: +382 20 444 700

Fax: +382 20 244 340

e-mail: info@uniqa.co.me

Web: www.uniqa.me

Class of insurance: non-life insurance

Number of employees: 118



UNIQA
osiguranje



UNIQA
osiguranje

UNIQA ŽIVOTNO OSIGURANJE AD

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Telephone: +382 20 444 700

Fax: +382 20 244 340

e-mail: info@uniqa.co.me

Web: www.uniqa.me

Class of insurance: life insurance

Number of employees: 25

WIENER STÄDTISCHE ŽIVOTNO OSIGURANJE AD

Address: Rimski trg 47, 81 000 Podgorica

Telephone: +382 20 205 150

Fax: +382 20 205 151

e-mail: office@wiener.co.me

Web: www.wiener.co.me

Class of insurance: life insurance

Number of employees: 9

