



**MONTENEGRO
INSURANCE
SUPERVISION AGENCY**

**REPORT ON INSURANCE MARKET IN MONTENEGRO
for 2013**

June, 2014

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I INTRODUCTION

The Report on Insurance Market Situation in Montenegro 2013 has been prepared based on the analysis of annual operational reports of insurance companies, together with opinion of the authorized actuary and the report of external auditor, as well as on reviewed annual financial statements and other data submitted by insurance companies to the Insurance Supervision Agency.

The most significant events and trends at the Montenegrin insurance market in 2013 were as follows:

- Gross insurance premium recorded increase also in 2013, together with simultaneous growth of gross life premiums (14.79%) and gross non-life premiums (7.75%);
- Increase in insurance market indicators (share in GWP, in GDP, insurance density, etc...);
- 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 from 2011 (seven companies generated net income of 4.272 mil. € in 2013)
- New methodology for calculating the solvency margin was introduced;
- 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;
- Seven bylaws were adopted and one was amended, which arise from the Law on Insurance and Law on Compulsory Traffic Insurance;
- Organizing and the event of VI regional meeting of supervisors from Central, Eastern and South-Eastern Europe, when the experience were exchanged regarding the prevention of money-laundering in insurance, discussions on the role of external auditor in insurance, as well as on the requirements of the Fit & Proper test for the management of insurance companies;
- Intensifying cooperation with financial system institutions, as well as strengthening cooperation with supervisory authorities in the region and with international insurance-related organizations;
- Participation in the EU accession negotiations for the Negotiation Chapter 9 – Financial Services, Negotiation Chapter 17 – Economic and Monetary Union and for the Negotiation Chapter 4 – Free Movement of Capital;
- 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 2013 the GDP amounted to 3.336 billion euro. Budgetary deficit amounted to 121.7 million euro, i.e. 3.65 % GDP. Unemployment rate in Montenegro in 2013 amounted 19.5% and inflation rate amounted to 2.2%.

The following Table illustrates the macro-economic indicators:

Table 1. Breakdown of macro-economic indicators 2005-2013

Indicators	2005.	2006.	2007.	2008.	2009.	2010.	2011.	2012.	2013. ¹
	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	5.372
GDP growth rate (%)	4,2	8,6	10,7	6,9	-5,7	2,5	3,2	-0,5	3,5
Inflation (CPI)	2,5	2,8	4,2	7,1	3,4	0,5	2,8	4,1	2,2
Population	623.300	624.200	626.200	628.800	631.500	619.400	620.600	620.029	621.000
Number of unemployed persons	48.845	38.876	31.469	28.378	30.169	32.106	30.552	31.232	171.474
Number of employed persons	144.340	150.800	156.408	166.221	174.152	161.742	163.082	166.531	32.190
Average gross salary (€)	327	377	497	609	643	715	722	727	726
Average net salary (€)	213	246	338	416	463	479	484	487	479
Budgetary surplus/deficit (in million euro)	-45,55	74,24	176,96	15,17	-130,33	-112,24	-127,37	-162,7	-121,7
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	402,80
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	1.732,90
Foreign trade balance (in million euro)	-318,12	-638,82	-1.133,99	-1.682,27	-992,64	-881,55	-840,80	-779,75	-1.330,10

Source: Ministry of Finance of Montenegro and Monstat

II INSURANCE MARKET PARTICIPANTS

2.1 INSURANCE COMPANIES

During 2013 there were eleven insurance companies performing insurance business at the Montenegrin insurance market. Five insurance companies conducted non-life insurance business only, while six insurance companies conducted life insurance business only.

¹ 2013 data are shown according to the estimates of the Ministry of Finance

Table 2. Overview of insurance companies operationally active in Montenegro in 2013

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 2013 amounted to 49.812 mil. Euro, which presents a growth in comparison to 2012 by 8.31%². Foreign capital amounted to 37.932 mil. euro, with 76.15% share in the total share capital, and domestic capital amounted to 11.880 mil. euro, with share of 23.85%. The following insurance companies recorded growth of share capital value in 2013:

- Uniqa Non-Life Insurance AD Podgorica in the amount of 1,300,000.00€;
- Grawe Insurance AD Podgorica in the amount of 699,990.79€;
- Wiener Städtische Life Insurance AD Podgorica in the amount of 500,000.00€;
- Atlas Life AD Podgorica in the amount of 500,000.00€;
- Uniqa Life Insurance AD Podgorica in the amount of 500,012.77€.
- Merkur Insurance AD Podgorica in the amount of 200,000.00 €;
- Swiss Insurance in the amount of 499,362.90 €.

Although total capital increase for these seven companies amounted to 4.199 mil. €, at the same time company Swiss Insurance reduced the amount of share capital by 375,889.00 due to the coverage of previously incurred loss.

² Value of total share capital of insurance companies on 31 December 2012 amounted to 45.988 mil.eura;

2.2 INSURANCE AGENTS AND BROKERS AND AGENCIES FOR ANCILLARY INSURANCE SERVICES

During 2013, the Insurance Supervision Agency issued, in accordance with the Insurance Law:

- Two licenses to companies for agency in insurance;
- 50 authorizations to physical persons for performance of agency activities;
- 23 authorizations to physical persons for performance of brokerage activities.

At the end of 2013, Montenegrin insurance market had 19 companies performing agency in insurance (two companies ceased with performing agency in insurance due to the voluntarily liquidation) and 1 entrepreneur – insurance agent (one entrepreneur ceased with performing activity on 31 December 2013), while 6 companies conducted brokerage operations in insurance.

Moreover, on 31 December 2013, 502 physical persons in Montenegro had authorizations for conduct of agency operations in insurance, while 145 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
Aktuar DOO Podgorica	Agency
Obses DOO Podgorica	Agency
Premija plus DOO Podgorica	Agency
Ideal Life DOO Podgorica	Agency
Indego Plus DOO Tivat	Agency
AM Capital	Agency
UNICAPA	Agency
Expres-Ključ Rožaje	agent-entrepreneur

According to the Law on Insurance, insurance agency companies conduct activities on initiating, proposing, preparing and concluding insurance contracts on behalf of and for the account of insurers. In 2013 such companies entered into 155,059 insurance policies, which is for 23.15% more than in 2012 (125,906 policies) and generated written gross premium in the amount of 19.027 mil. €, or share of 26.14 % in the written gross premium of Montenegrin insurance market. Out of total gross written premium generated by insurance agents, 16.567 mil. euro related to the motor vehicle liability insurance.

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 insurance 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 2013, brokerage companies of the Montenegrin insurance market entered into 2,085 insurance contracts (17.85% less than in 2012, when 2,538 were contracted) and contracted gross premium in the amount of 6.878 mil. euro with the share of 9.45% 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 – 2013 is presented in the following Table:

Table 6. Total number of employees in insurance sector 2008-2013

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

In 2013 there was reduction in the number of employees at the market level for 3.91% in relation to 2012, therefore the number of employees amounted to 737.

III INSURANCE MARKET INDICATORS

In 2013, the written gross premium of the insurance market of Montenegro amounted to 72.774 million euro³ and increased by 8.75 % in relation to 2012 when it amounted to 66.922 mil. Euro.

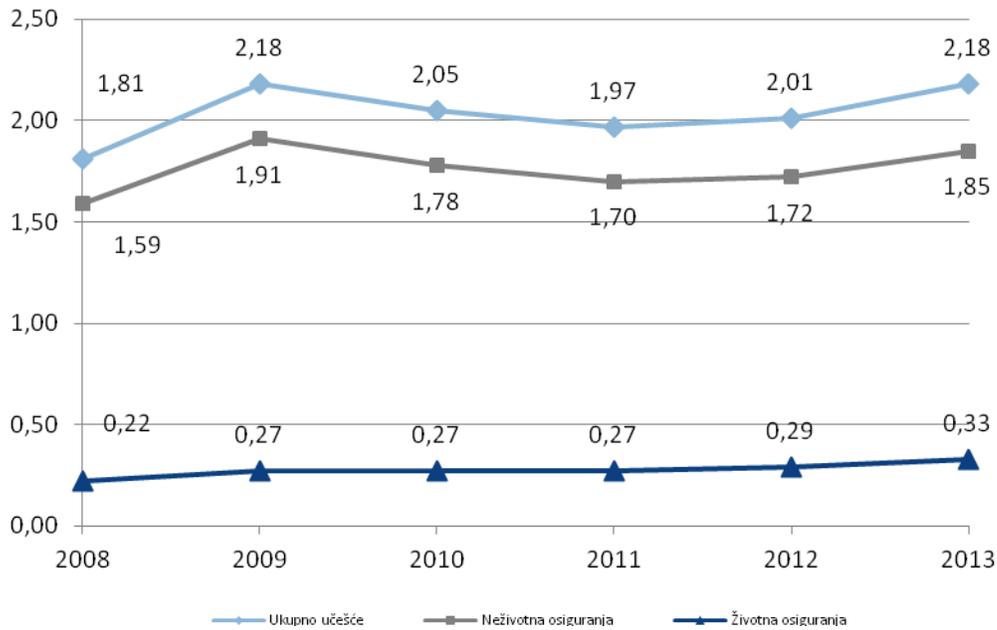
3.1. GROSS WRITTEN PREMIUM SHARE IN GDP

After positive trends in 2012, indicator of gross written premium share in GDP recorded growth in 2013 by 0.17 percentage points and amounted to 2.18%.

This indicator recorded growth in 2013 in terms of gross non-life insurance and life-insurance premiums. Namely, the share of non-life written gross premium in GDP amounted to 1.85 %, while the share of life insurance premium in GDP amounted to 0.33%.

Figure 1. Share of gross written premium in GDP 2008 – 2013

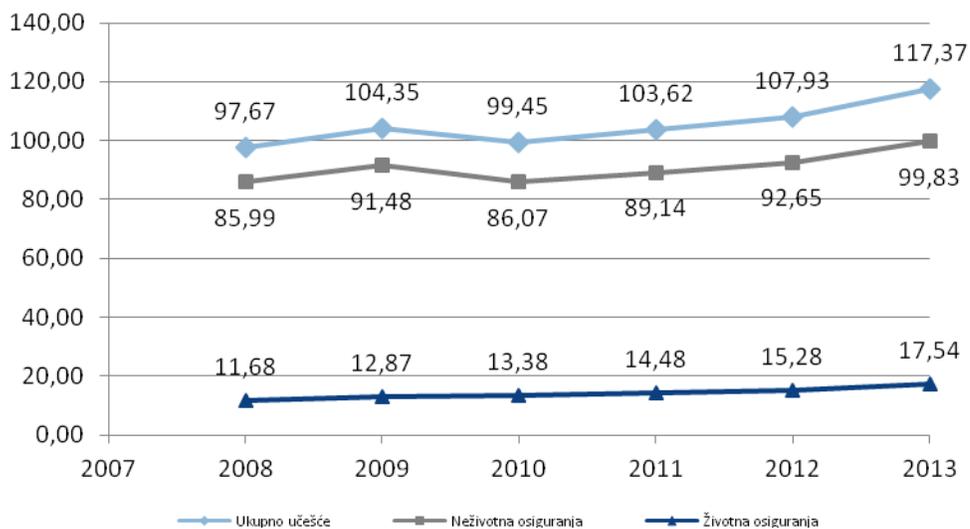
³ Gross written premium does not include tax on insurance premium.



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 -2013 (€)



Written gross premium per capita in Montenegro in 2013 amounted to 117.37 euro, which still remains significantly below the average of EU member countries in 2012 (around 1,927 euro)⁴.

3.3 INSURANCE MARKET CONCENTRATION IN MONTENEGRO

The level of concentration of insurance market is established by Herfindahl-Hirschman index (HHI)⁵, 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 concentration);
- 1,000 – 1,800 → Moderate concentration;
- 1,800 – 10,000 → Concentrated market (monopoly).

Regarding the insurance market of Montenegro, in the period from 2011 to 2013, 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 2008, respectively since entering of insurance companies that operate under large world groups into the Montenegrin market, there has been a trend that indicates the increase of competition level i.e. the reduction of market concentration.

Table 7. Herfindahl-Hirschman index 2010 - 2013

Company	2011.			2012.			2013		
	Gross premium	Share %	HHI	Gross premium	Share %	HHI	Gross premium	Share %	HHI
Lovćen osiguranje AD	29.400.966	45,38	2.059,13	27.284.656	40,77	1.662,26	28.309.977	38,90	1.513,28
Lovćen životna osiguranja	1.269.847	1,96	3,84	1.411.886	2,11	4,45	1.285.496	1,77	3,12
Sava Montenegro AD	10.340.373	15,96	254,70	10.875.443	16,25	264,09	11.156.214	15,33	235,00
Grawe osiguranje AD	4.940.958	7,63	58,15	4.685.915	7,00	49,03	4.615.070	6,34	40,22
Swiss osiguranje AD	2.191.985	3,38	11,45	2.015.348	3,01	9,07	1.946.069	2,67	7,15
Delta Generali osiguranje AD	7.146.911	11,03	121,67	9.480.044	14,17	200,67	10.252.482	14,09	198,47
Uniqa životno osiguranje AD	1.420.639	2,19	4,81	1.574.606	2,35	5,54	1.617.719	2,22	4,94
Uniqa neživotno osiguranje AD	6.654.608	10,27	105,49	7.792.127	11,64	135,57	10.233.662	14,06	197,74
Merkur osiguranje AD	808.184	1,25	1,56	969.726	1,45	2,10	1.801.634	2,48	6,13
Atlas Life osiguranje AD	152.708	0,24	0,06	181.922	0,27	0,07	349.348	0,48	0,23
Delta Generali životno osiguranje AD	192.759	0,30	0,09		0,00	0,00		0,00	0,00
Wiener Städtische životno osiguranje AD	271.760	0,42	0,18	650.347	0,97	0,94	1.206.839	1,66	2,75

⁴ Source: Swiss Re

⁵ HHI is obtained when market share of each insurance company are individually squared and mutually summed.

TOTAL	64.791.699	100	2.621,12	66.922.021	100	2.333,80	72.774.509	100	2.209,04
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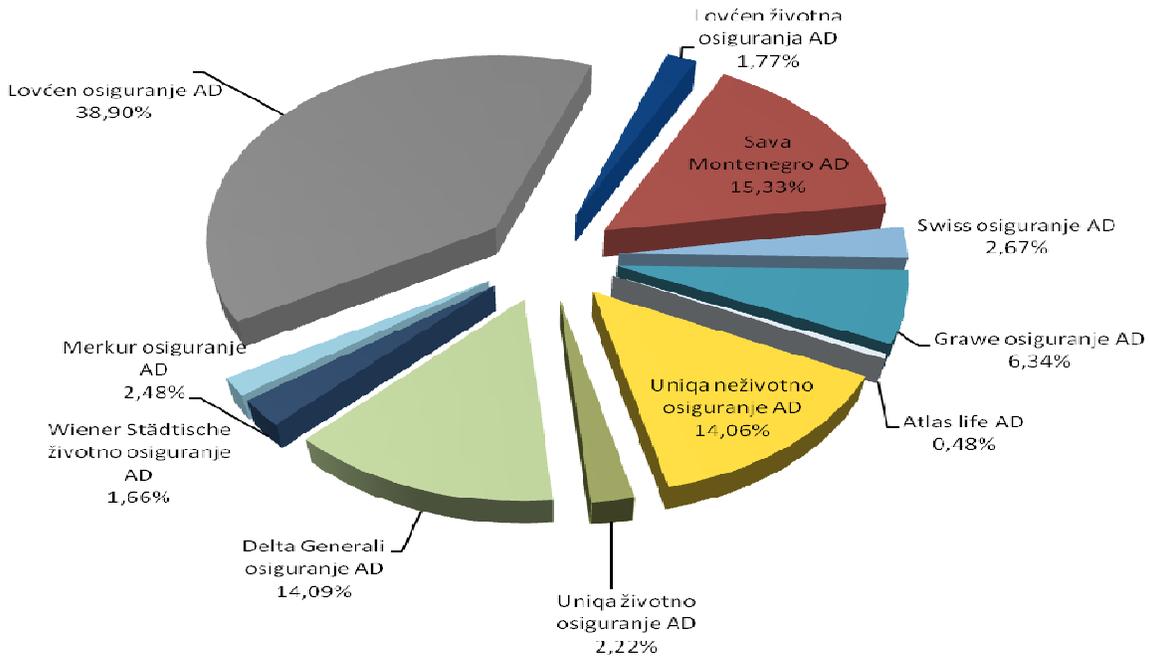
The largest share of 38.90 % in the insurance market continues to be generated by Lovćen osiguranje. Nevertheless, the market share of the largest Montenegrin company has constantly been reduced in the previous period and in 2013 was reduced for 1.87 percentage points in relation to 2012 when it amounted to 40.77% (27.285 mil. euro).

Two companies with the greatest written gross premium were Lovćen and Sava Montenegro whose market share amounted to 68.32% (49.719 mil.eura) in 2013 which is by 2.79 percentage points lower in relation to 2012, when it amounted to 57.02% (38.160 mil. Euro).

Three companies with the biggest written gross premium were Lovćen, Sava Montenegro and Delta Generali osiguranje whose market share amounted to 68.32% (49.719 mil. eura) in 2013. 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 2012 the market presence of the three companies (Lovćen, Sava Montenegro and Delta) with the greatest gross written premium amounted to 71.19% (47.640 mil. €).

The following figure shows market presence of insurance companies in 2013:

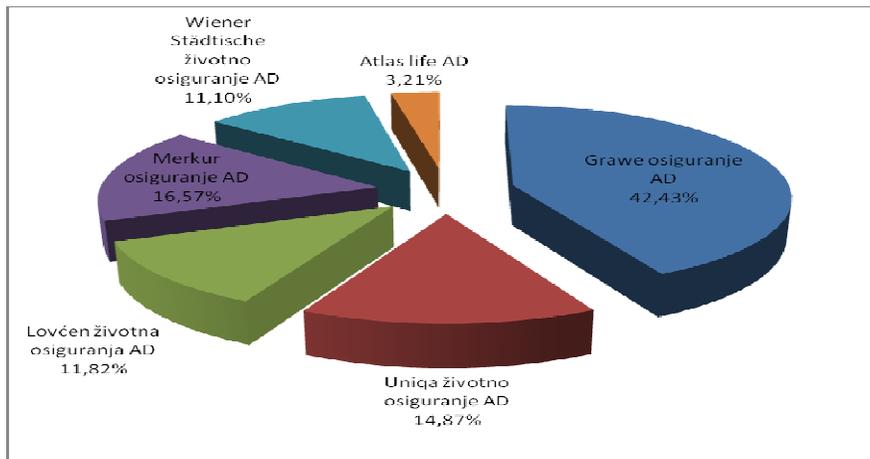
Figure 3. Market share of insurance companies in 2013 (%)



Regarding the distribution of life insurance companies in terms of their market share at the end of 2013, there was a change in relation to 2012. Namely, Grawe osiguranje remains to be the largest within this insurance group with its market share of 42.43% (reduced in comparison to 2012 for 7.03 percentage points). However, at the end of 2013 the second insurance company in terms of market share was Merkur osiguranje (16.57%), followed by Uniqa životno osiguranje with its share of 14.87%, Lovćen životna osiguranja with 11.82% and Wiener Städtische životno osiguranje with 11.10%. Regarding the life insurance companies, the highest growth of gross written life insurance premium was achieved by Merkur osiguranje with 6.33 percentage points, as well as by Wiener Städtische životno osiguranje with 4.24 percentage points.

The following figure shows the share of life insurance companies in the gross written life insurance premium in 2013:

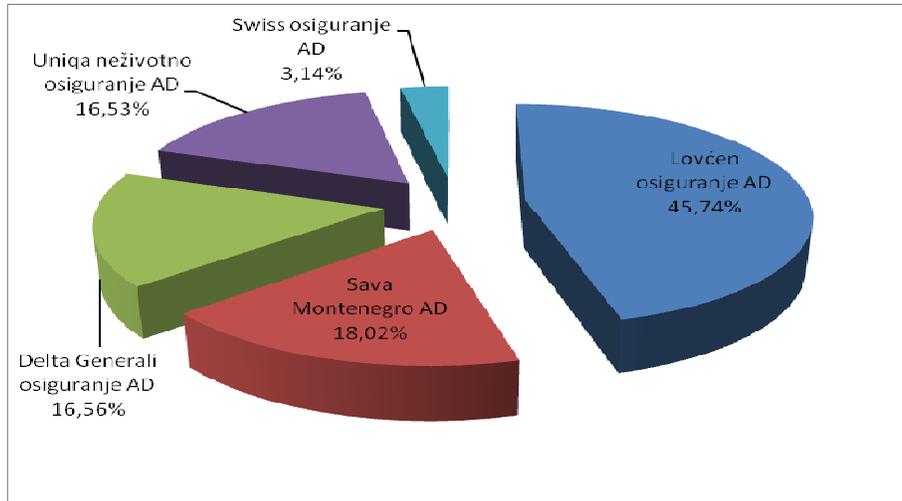
Figure 4. Share of companies in the gross written premium of life insurance in 2013 (%)



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 45.74%, although reduced by 1.75 percentage points in relation to the previous year (47.49%). It is followed by Sava Montenegro with its share of 18.02%, Delta Generali osiguranje with 16.56%, Uniqa neživotno osiguranje with 16.53% and Swiss osiguranje with 3.14%. Regarding the non-life insurance companies, the highest growth of gross written premium of non-life insurance was achieved by Uniqa neživotno osiguranje with 2.97 percentage points (in 2012 amounted to 13.56%).

The following figure shows the share of non-life insurance companies in the gross written non-life insurance premium in 2013:

Figure 5. Share of companies in gross written non-life insurance in 2013 (%)



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

Non-life insurance continued to dominate at the Montenegrin market in 2013, taking 85.06% of the total gross written premium. In the structure of written gross premium in 2013, the share of life insurance slightly increased from 14.16% in 2012 to 14.94% in 2013. In 2013, the share of non-life insurance premiums in the overall premium registered a decline for 0.78 percentage points, whilst share of life insurance premiums made a growth for the same value.

Table 8. Structure of insurance premiums in 2012 and 2013

	2012		2013		Index 2013/2012
	Premium (€)	Share (%)	Premium (€)	Share (%)	
Life insurance	9.474.403	14,16	10.876.106	14,94	114,79
Non-life insurance	57.447.618	85,84	61.898.403	85,06	107,75
TOTAL	66.922.021	100	72.774.509	100	108,75

Observed in relation to insurance groups and in comparison to 2012, the total life insurance premium recorded growth of 14.79%, whilst the total non-life insurance premium recorded growth of 7.75%.

Observing the period from 2008 until 2013, the non-life insurance premium was making an annual growth of average 3.16%, whilst the life insurance grew with the average rate of 8.54%.

The following figure gives an overview of gross premium trend at the overall level and in respect to insurance groups in the period 2008- 2013:

Figure 6. Gross premium trend: life vs. non-life 2008 – 2013

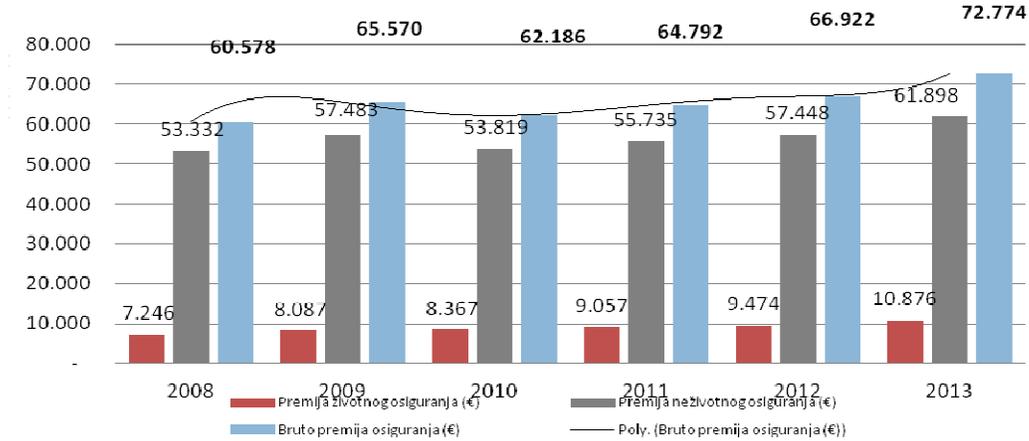
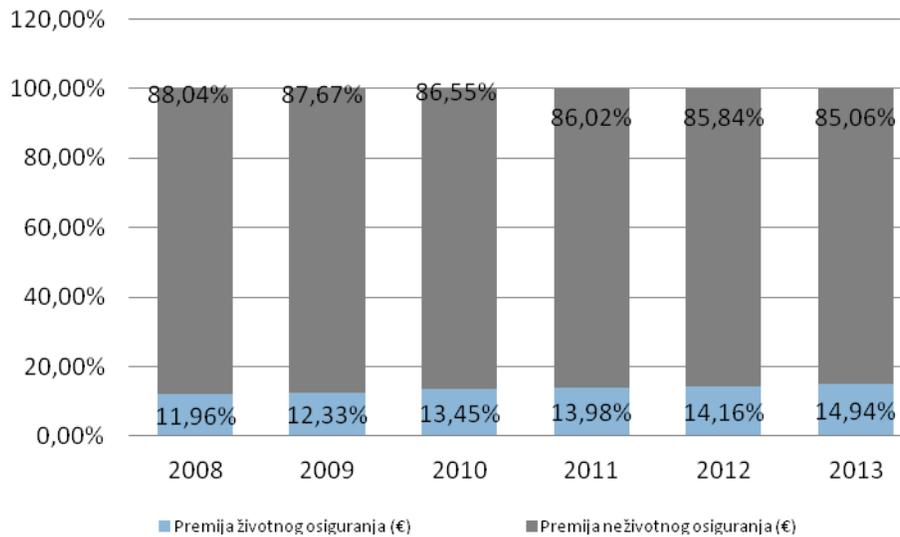


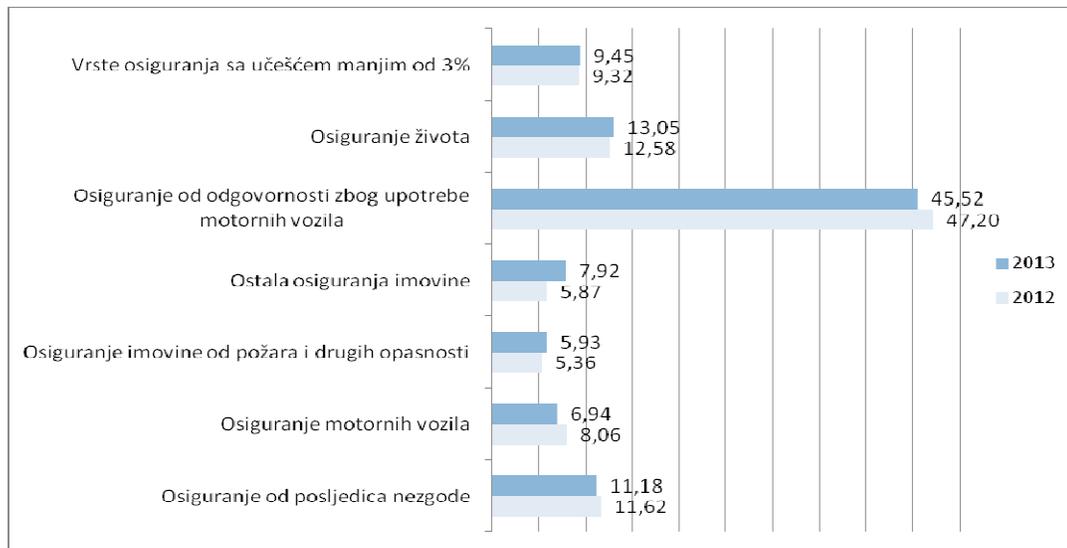
Figure 7. Structure of gross premium: life vs. non-life 2008-2013



3.5 GROSS WRITTEN INSURANCE PREMIUM BY INSURANCE CLASSES

Analysis of the structure of share that certain insurance classes have in the total gross written premium in 2013 shows insignificant change in comparison to 2012. The highest presence is still by compulsory insurance with its share of 47.76%, which in 2013 increased for 3.95%. Regarding the structure of market gross written premium in 2013, 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 58.58%. Six mostly common insurance classes (motor vehicle liability, accident, kasko motor vehicle, insurance of property against fire and other property insurances and life insurance) participate with 90.55%: motor vehicle liability insurance with 45.52%, life insurance with 13.05%, insurance against accident with 11.18%, property insurances with 13.85% and kasko motor vehicle insurance with 6.94%. The before stated shows a high concentration on a very small number of insurance classes, which indicates that Montenegrin insurance market is still at a relatively low level of development.

Figure 8. Structure of gross written insurance premium by insurance classes in 2012 and 2013 (%)⁶



Observed by insurance classes, the most significant growth of gross written premium was recorded by property insurances (insurance of property against fire and other hazards for 20.37% and other property insurances for 46.75%) for 34.16% or for the absolute amount of 2,567,149 Euro. Furthermore, growth of gross written premium occurred with the following classes: life insurance for 12.84% (in the absolute amount of 1,080,956 Euro), motor vehicle liability insurance for 4.88% (in the absolute amount for

⁶ 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.

1,542,338 Euro), insurance against accidents for 4.66% (in the absolute amount of 362,220 Euro), general damage liability insurance for 36.92% (in the absolute amount of 312,871 Euro), additional insurance along with life insurance for 30.84% (in the absolute amount of 309,728 Euro), kasko watercraft insurance for 64.67% (in the absolute amount of 160,299 Euro), as well as insurance of goods in transport for 46.75% (in the absolute amount of 90,892 Euro).

Table 9. Structure of insurance portfolio by insurance classes in 2012 and 2013

Class of insurance	2012		2013		Index
	Amount	Share (%)	Amount	Share (%)	2013/2012
Accident insurance	7.773.049	11,62	8.135.269	11,18	104,66
Health insurance	973.111	1,45	824.804	1,13	84,76
Motor vehicle insurance	5.391.037	8,06	5.052.060	6,94	93,71
Railborne vehicles insurance	186.740	0,28	183.744	0,25	98,40
Aircraft insurance	507.529	0,76	495.033	0,68	97,54
Watercraft insurance	247.860	0,37	408.159	0,56	164,67
Insurance of goods in transport	305.265	0,46	396.157	0,54	129,78
Property insurance against fire and other risks	3.586.240	5,36	4.316.663	5,93	120,37
Other property insurances	3.928.921	5,87	5.765.647	7,92	146,75
Liability insurance of users of motor vehicle	31.587.159	47,20	33.129.497	45,52	104,88
Liability insurance of aircraft users	1.175.074	1,76	1.094.423	1,50	93,14
Liability insurance of watercraft users	294.387	0,44	233.808	0,32	79,42
General damages liability	847.437	1,27	1.160.308	1,59	136,92
Other non-life insurance	643.811	0,96	702.831	0,97	109,17
Total non-life insurances	57.447.618	85,84	61.898.403	85,06	107,75
Life insurance	8.418.892	12,58	9.499.848	13,05	112,84
Annuity insurance	36.630	0,05	49.230	0,07	134,40
Additional insurance along with life insurance	1.004.235	1,50	1.313.963	1,81	130,84
Other life insurance	14.645	0,02	13.065	0,02	89,21
Total life insurance	9.474.403	14,16	10.876.106	14,94	114,79
TOTAL	66.922.021	100	72.774.509	100	108,75

Motor vehicle insurance which includes motor vehicle liability insurance and motor own damage (kasko) insurance in 2013 amounted to 38,181,557 euro and represented 52.47% of gross written premium, which is less than in 2012 for 2.78 percentage points (55.26%). Kasko premium of motor vehicle

insurance in 2013 was reduced for 6.29%, or the absolute amount of 338,977 Euro (share in GWP was reduced for 1.12 percentage points). Moreover, premium reduction in relation to the previous year was also recorded by liability insurance of aircraft users for 6.86% and by health insurance for 15.24%.

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 2013 amounted to 10.876 mil.€ and increased for total amount of 1,401,703 €, or for 14.79% in comparison to 2012 when it amounted to 9.474 mil.€. Therefore, in 2013 growth of life insurance premium intensified (growth in 2012 was for 4.61%). Number of life insured persons in 2013 amounted to 49,169, which is a growth of 35.72% in comparison to the previous year.

Table 10. Number of insured persons in 2012 and 2013

	Total number of insured persons		
	2012	2013	Change 13/12 in %
TOTAL	36,229	49,169	35.72

Number of cancelled policies on 31 December 2013 amounted to 5,972, whilst the number of reduced policies amounted to 3,058, and 17,364 new life insurance policies were contracted in 2013. Number of new life insurance policies in 2013 is higher for 114.16% in comparison to 2012 when the companies contracted 8,108 new policies. Number of active life insurance policies at the end of 2013 amounted to 46,535.

Table 11. Gross life insurance premium by insurance classes in 2012 and 2013

Insurance class	Amount (€)	Share (%)	Amount (€)	Share (%)	Index 2013/2012
Life insurance	8.418.892	88,86	9.499.848	87,35	112,84
Annuity insurance	36.630	0,39	49.230	0,45	134,40
Additional insurance along with life insurance	1.004.235	10,60	1.313.963	12,08	130,84
Other life insurance	14.645	0,15	13.065	0,12	89,21
TOTAL	9.474.403	100,00	10.876.106	100,00	114,79

Observing the structure of the gross written premium of life insurance by insurance classes, the conclusion is that mostly present class of this insurance group is *life insurance*, where the companies in

2013 underwrote 9.450 mil.euro gross premium and contributed with 87.35% in the total life insurance premium. *Gross written premium of life insurance* in 2013 recorded growth of 13.05% in relation to 2012 (8.419 mil.euro). The mostly present product under this insurance class is *mixed insurance* (insurance of life in the event of death and surviving) and the gross premium of 7.114 mil.euro was written until the end of 2013. In 2013 a growth of gross mixed insurance premium for 6.60% was recorded in relation to 2012 when it amounted to 6.674 mil. euro. The mixed insurance contributes with 76.26% to the gross written premium of life insurance, whilst its contribution to the gross written premium of life insurance group is 65.43%. Regarding the presence in the life insurance, as in the life insurance class, this product is followed by the risk insurance (life insurance in the event of death) with 1.434 mil.Euro. The gross written premium of risk insurance increased for 56.78% in relation to 2012 when it amounted to 915 thousand euro. Significant share in the gross written life insurance premium was made by additional insurance along with life insurance with 12.08% and 1.314 mil.euro of gross written premium.

3.7 COMPULSORY TRAFFIC INSURANCE⁷

The total compulsory premium in 2013 amounted to 34.757 mil.euro which is by 3.95% higher in relation to 2012. In 2013, the share of gross premium of compulsory insurance in the gross premium of non-life insurance amounted to 56.15%, but 47.76% in the total written gross premium. Five companies conduct compulsory insurance business in Montenegro.

Table 12. **Compulsory traffic insurance premium by classes in 2013**

Compulsory traffic insurance	Premium (€)	Share (%)
Insurance of passengers in public traffic	299.313	0,86
Liability insurance for motor vehicle use	33.129.497	95,32
Liability insurance for aircraft use	1.094.423	3,15
Liability insurance for watercraft use	233.808	0,67
TOTAL	34.757.042	100

Under the structure of compulsory insurance premium, the highest share was made by the motor vehicle liability insurance, which takes 95.32% of the total compulsory insurance premium in 2013. Motor vehicle liability insurance premium in 2013 amounted to 33.129 mil. Euro and increased for 4.88% in comparison to 2012 when it amounted to 31.587 mil.eura.

⁷ Defined by the Law on compulsory traffic insurance („Official Gazette of MN“, no 44/12)

Table 13. Share of gross written premium of motor vehicle liability (MVL) in 2013 by insurance companies

Insurance company	MVL gross written premium (€)	Share (%)
Lovćen osiguranje	12.300.797	37,13
Sava Montenegro	6.729.355	20,31
Delta Generali osiguranja	6.789.360	20,49
Uniqa neživotno osiguranje	6.161.050	18,60
Swiss osiguranje	1.148.935	3,47
TOTAL	33.129.497	100

IV ASSETS STRUCTURE

The value of total asset for all insurance companies, as of 31 December 2013, was 156.241 mil. Euro, which accounts for the increase of 9.91% if compared to the value of total assets as of 31 December 2012. The structure of the share that main asset forms have in the overall assets did not significantly changed since the end of 2012. Namely, the most significant assets category is “the long-term financial funds” with their share of 44.55%. They are followed by the category “short-term financial investments” with their share of 22.33% and “short-term receivables” having 13.20%.

Table 14. Structure of assets of insurance companies on 31 December 2012 and on 31 December 2013

	2012		2013		Index 2013/2012
	Amount (€)	Share (%)	Amount (€)	Share (%)	
Intangible assets	702.956	0,49	576.266	0,37	81,98
Real estates, plants and equipment directly related to the conduct of insurance activities	11.028.602	7,76	11.403.098	7,30	103,40
Long-term financial investments	58.931.141	41,46	69.605.138	44,55	118,11
Short-term financial investments	38.163.627	26,85	34.895.640	22,33	91,44
Cash funds	1.956.376	1,38	3.447.295	2,21	176,21
Short-term receivables	17.670.552	12,43	20.623.663	13,20	116,71
Share of reinsurers in technical provisions	5.515.898	3,88	6.520.098	4,17	118,21
Prepayments and accrued income	7.962.553	5,60	8.957.864	5,73	112,50
Other	221.263	0,16	211.491	0,14	95,58
TOTAL	142.152.967	100	156.240.554	100	109,91

Growth of asset value at the Montenegrin insurance market was generated primarily by the growth of the category “long-term financial investments” which amounted to 69.605 mil. euro at the end of 2013. This category recorded growth of 18.11% or in the total amount of 10,673,997 euro in relation to 2012, mostly due to the increase of investments into Montenegrin bonds by insurance companies. Respectively, Montenegrin insurance companies invested 40.939 mil. euro into the state bonds (state securities whose due date is longer than 365 days in the amount of 40.832 mil. euro), which is for 39.80% higher than investments in 2012 (29,283 mil. euro). The value of total investments into the long term securities issued by Montenegro represents 58.66% of the total category “long-term financial investments”.

Furthermore, growth of total assets was also contributed by the growth of the category “short-term receivables” for 16.71%, or for the total amount of 2,953,111 euro, which is a consequence of growth in short-term receivables from direct insurance operations for 23.34% (2,058,587 euro). At the end of 2013, growth was also recorded with the categories “cash funds” for 76.21% (1,490,919 euro), “share of reinsurers in technical reserves” for 18.21% (1,004,200 euro), as well as with the category “prepayments and accrued incomes” for 12.50% (995,311 euro).

Table 15. Share of Insurance companies in total assets of insurance sector on 31 December 2012 and 31 December 2013 (%)

Insurance company	2012	2013	Change %
Lovćen osiguranje	36,30%	32,28%	-4,02%
Lovćen životna osiguranja	4,18%	3,83%	-0,35%
Sava Montenegro	16,89%	15,14%	-1,75%
Swiss osiguranje	2,99%	3,10%	0,11%
Grawe osiguranje	16,01%	17,29%	1,28%
Atlas Life	0,63%	0,85%	0,22%
Uniqa neživotno osiguranje	6,95%	9,33%	2,38%
Uniqa životno osiguranje	3,38%	3,61%	0,23%
Delta Generali osiguranje	9,94%	10,81%	0,87%
Merkur osiguranje	1,72%	2,33%	0,61%
Wiener Städtische životno osiguranje	1,01%	1,44%	0,44%

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 32.28%, followed by Grawe osiguranje with 17.29% and Sava Montenegro with 15.14%. If compared to 2012, Lovćen osiguranje recorded a decline of its share in total assets at the insurance market level by 4.02 percentage points (balance sum of this company reduced in 2013 due to the maturity of short-term bonds in the amount of 1.900 mil. euro), but the share recorded growth with Grawe insurance for 1.28 percentage points and Uniqa neživotno osiguranje for 2.38 percentage points.

V STRUCTURE OF LIABILITIES

Value of total liabilities for all insurance companies in Montenegro, as of 31 December 2013, was 156.241 mil. euro, which represents a increase of 9.91% if compared to the value of total liabilities on 31 December 2012, when it was 142.153 mil. euro.

Table 6. **Structure of liabilities of insurance companies on 31 December 2012 and 31 December 2013**

Liabilities	2012		2013		Index 2013/2012
	Amount (€)	Share (%)	Amount (€)	Share (%)	
Capital and reserves	36.621.536	25,76	42.261.520	27,05	115,40
Reservations	86.103.596	60,57	93.441.818	59,81	108,52
Short-term liabilities	17.627.157	12,40	16.027.203	10,26	90,92
Long-term liabilities	566.403	0,40	3.332.709	2,13	588,40
Passive prepayments and accrued incomes	1.234.276	0,87	1.177.304	0,75	95,38
TOTAL	142.152.967	100	156.240.554	100	109,91

Growth of the category “capital and reserves “of insurance companies in 2013 of 11.30% or 3.718 mil.euro is a result of positive financial result achieved in 2012, which amounted to 2.064 mil.euro and in 2013, which amounted to 2.989 mil. euro. Seven insurance companies increased their share capital for the amount of 4.199 mil. euro.

The category “reservations” includes gross of technical provisions of the insurance companies and other reservations needed for pensions, jubilee award, severances, bad deals, etc⁸.

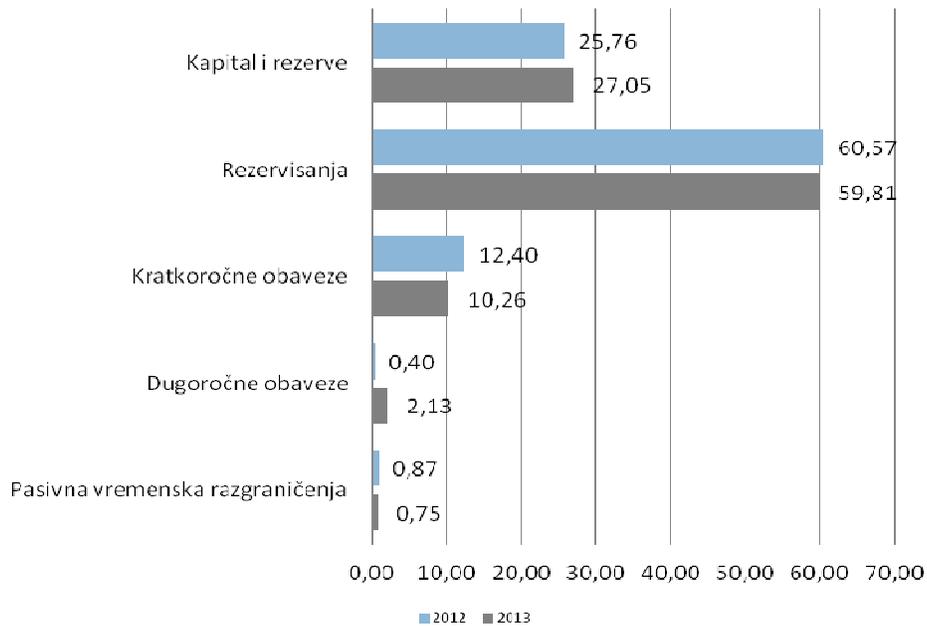
The category “long-term liabilities” recorded growth in relation to 2012 for 488.40% or for 2.766 mil. euro due to the increase of this item in the balance sheet liabilities of one insurance company (increase of liabilities under a long term loan of one affiliated entity in the amount of 2.500 mil. euro).

Passive prepayments and accrued incomes refer to short-term postponed incomes, advance calculation of costs and expenditures and remained almost at the same level as in the previous year (there was a slight decline of 4.62% or for 57 thousand euro).

The category “short-term liabilities”, which relates to the liabilities of financing, liabilities arising from direct insurance business, made a decline of 9.08% (for 1.600 mil.euro). Reduction in this category was mostly influenced by the reduction of short-term liabilities of one insurance company.

⁸ Detailed analysis of gross technical provisions is given under the point 5.1 Technical provisions

Figure 9. Structure of liabilities of insurance companies on 31 December 2012 and 31 December 2013 (%)



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, insurance related companies 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 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* 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.
- *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 the insurance sector were 92.676mil. euro as of 31 December 2013, which represents the increase of 9.13% compared to 31 December 2012.

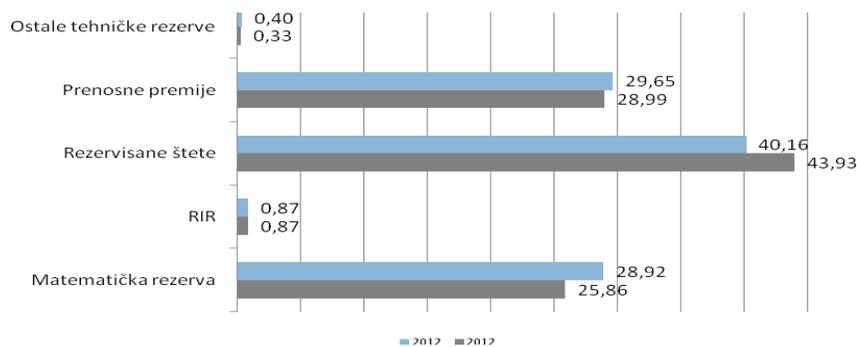
Table 12. **Structure of technical provisions of insurance companies on 31 December 2012 and 31 December 2013**

	2012		2013		Index 2013/2012
	Amount (€)	Share %	Amount (€)	Share %	
Outstanding claims	37.311.475	43,93	37.219.000	40,16	99,75
Unearned premiums	24.623.396	28,99	27.482.947	29,65	111,61
Mathematical reserve	21.964.970	25,86	26.799.535	28,92	122,01
RER	741.945	0,87	807.243	0,87	108,80
Other technical provisions	283.899	0,33	367.773	0,40	129,54
TOTAL	84.925.685	100	92.676.497	100	109,13

As of 31 December 2013, just as in previous years, the highest amount of funds was for the reserved claims, which amounted to 37.219 mil.euro (40.16% of total technical provisions), followed by the unearned premiums that amounted to 27.483 mil.euro (29.65% of total technical provisions).

Observing the value of certain technical provisions, the highest growth was made by mathematical reserves of 22.01% or for 4.835 mil. euro in relation to the previous year, which is a result of growth of life insurance premium during previous years and insurance company portfolio increase. Out of six companies providing life insurance at the Montenegrin market, five of them increased mathematical reserves. In addition, at the end of 2013 there was a growth of unearned premium for 11.61%. Moreover, there was an increase of value of risk equalization reserves (established by those companies that provide credit insurance business) for 8.80% or for 65 thousand euro in relation to 2012 due to the increase in allocation of funds for such type of technical provisions by one company. Value of provisions for reserved claims is at the almost same level in relation to 2012.

Figure 10. Structure of technical provisions of insurance companies on 31 December 2012 and 31 December 2013 (%)



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 make placement of technical provision fund, as well as restrictions concerning the total and individual depositing and investments of such funds.

The Insurance Law defines the following forms of property that insurance companies are obliged to deposit and invest technical provision funds into:

- 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 companies⁹ 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.

It is important to note that the Insurance Supervision Agency drafted and the Ministry of Finance adopted the new Rulebook on depositing and investing technical reserve funds and 1/3 of capital funds ("Official Gazette of MN", no 46/13), whose application started on 1 January 2014.

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 2013 amounted to 92.676 mil euro, whilst the **net technical reserves** amounted to 86.156 mil. Euro. The previously stated shows that the share of reinsurers in technical provisions was 7.04% (or 6.520 mil. euro).

Table 8. **Gross and net technical provisions of insurance companies on 31 December 2013 (€)**

	Net technical provisions		Gross technical provisions	
	Amount (€)	Share (%)	Amount (€)	Share (%)
Life insurance	27.662.670	32,11	28.053.965	30,27
Non-life insurance	58.493.729	67,89	64.622.532	69,73
TOTAL	86.156.399	100	92.676.497	100

The analysis of placement of net technical reserve funds at the level of insurance market indicate that at the end of 2013 insurance companies out of total net technical reserve funds deposited and invested 82,610,971 euro (95.88%) into *stipulated asset forms*, while 82,435,247 euro of total net technical reserve funds (95.68%) were placed by *application of total and individual restrictions stipulated by the Rulebook*.

The insurance companies engaged in life insurance operations, placed 27,587,970 euro of net technical provisions (or 99.73% of total net technical provisions for life insurance) into *stipulated asset forms*, while the amount including the restriction *stipulated by the Rulebook*, while the funds of 27,474,151 euro of net technical reserves of life insurance (99.32%) were placed into *stipulated asset forms* including the restrictions *stipulated by the Rulebook*. During the observed period the insurance companies, engaged in non-life insurance invested and deposited net technical provision funds in the amount of 55,023,001 € (94.07% of the total net technical provisions of non-life insurance) in compliance with the *stipulated asset forms* and without the restrictions stipulated by the Rulebook, while they placed

⁹ Published in „Official Gazette of MN“, no 38/09 and 43/09

54,961,096 euro (93.96%) when complying with the stipulated *asset forms and restrictions stipulated by the Rulebook*.

Observing the structure of total technical provision funds deposited and invested into asset forms and in accordance with restrictions stipulated by the Law and the Rulebook, of 31 December 2013, the highest share of 44.20% was made by investments into state bonds (Eurobonds, old savings bonds, Labor Fund bonds, etc...), which amounted to 36.854 mil. euro. Namely, companies that provide life insurance invested 20.262 mil. euro into state bonds out of total net technical reserve funds, while the non-life insurance companies invested into this form of assets the amount of 16.592 mil. euro. Bank deposits, as the permitted form of technical reserve investments, achieved share of 38.65% or 31.863 mil. euro, investment real estate recorded 12.24% or 10.091 mil. euro, shares made 2.64% or 2.180 mil. euro, while the cash accounted for 1.447 mil. euro and contributed with 1.76%.

Figure 11. **Structure of deposited and invested net technical provision funds of life insurance in line with restrictions stipulated by the Rulebook on 31 December 2013 (%)**

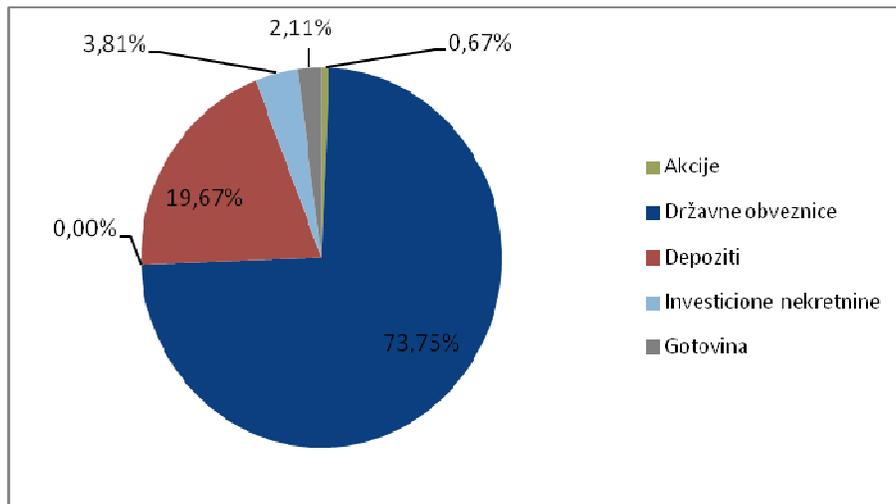


Figure 12. Structure of deposited and invested net technical provision funds for non-life insurance in line with restrictions stipulated by the Rulebook as of 31 December 2013 (%)

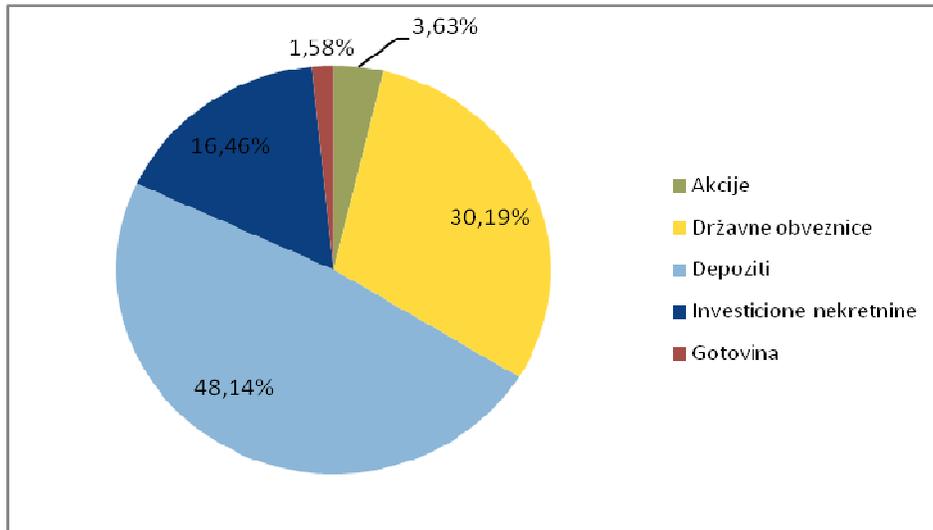
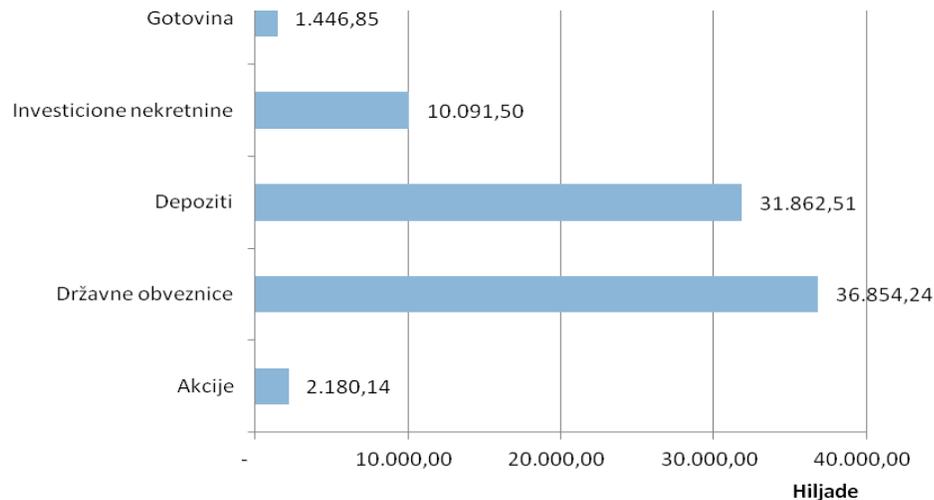


Figure 13. Structure of deposited and invested net technical provision funds at the market level in line with restrictions stipulated by the Rulebook as of 31 December 2013 (Euro)

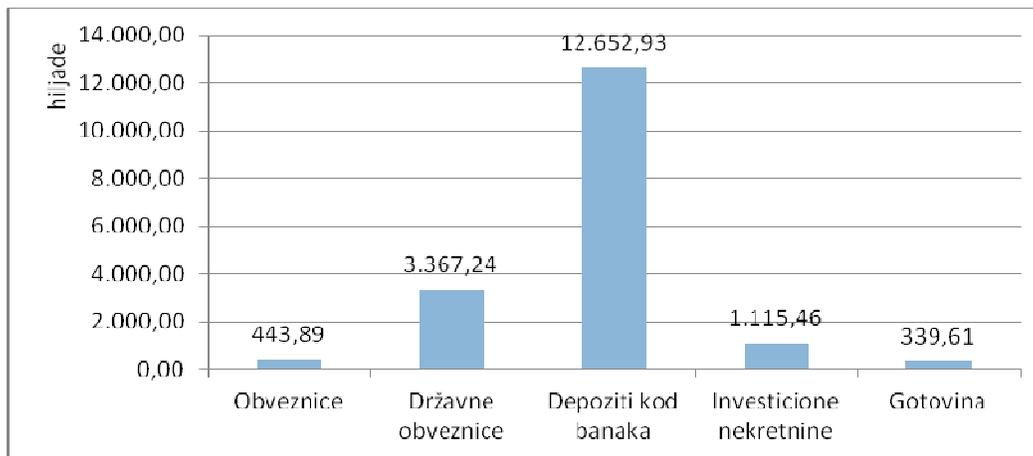


6.2 DEPOSITING AND INVESTING 1/3 OF CAPITAL FUNDS

According to the Law on Insurance, companies are obliged to deposit and invest at least 1/3 of capital funds into forms of assets and in accordance with the restrictions prescribed by the Rulebook. At the end of 2013, Montenegrin insurance companies invested 50.91% of total capital funds at the market level, or

17.919 mil euro. Analysis of the structure of deposited and invested capital funds indicate that the highest share of 70.61% had bank deposits, which amounted to 2.653 mil. euro, followed by the state bonds with their share of 18.79% or the amount of 3.367 mil. euro. Investment real estate had the share of 6.22% or 1.115 mil. euro, bonds 2.48% or the amount of 445 thousand euro and cash 1.90% or the amount of 340 thousand euro.

Figure 14. **Structure of invested and deposited capital funds at the market level on 31 December 2013 (THOUS.€)**



VII FINANCIAL OPERATING RESULTS

Insurance activities in 2013 continued with the trend that had commenced in 2011 and achieved net positive result in the amount of 2.986 mil. euro.

Out of eleven insurance companies that were operating in 2013, seven companies generated profit in the total amount of 4.272 mil.eura, while remaining four insurance companies made loss in the total amount of 1.285 mil.eura.

Delta Generali osiguranje, Grawe osiguranje, Sava Montenegro, Lovćen životna osiguranja, Lovćen osiguranje, Swiss osiguranje and Merkur osiguranje had positive operating results in 2013.

VIII OPERATING 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 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.

The analysis identified that on 31 December 2013 all insurance companies at the Montenegrin insurance market, except one, were adequate in terms of capital.

Article 98 of the Insurance Law defines the solvency criteria, stipulating that insurance companies are obliged to maintain their capital at least at the level of calculated solvency margin.

The calculated solvency margin for the insurance sector in Montenegro, as of 31 December 2013, was 16.353 mil.euro, while the capital was 35.197 mil.euro. The ratio between the capital and solvency margin for the entire insurance sector in Montenegro was 215.23% meaning that all companies were solvent on 31 December 2013.

Table 19. Solvency of insurance companies on 31 December 2012 and 31 December 2013

	Solvency margin (€)	Capital (€)	Ration between capital and solvency margin (%)
Total for 2013	16.353.288¹⁰	35.196.828	215,23
Total for 2012	17.451.237	30.588.909	175,28
Index of changes	93,71	115,06	-

Observed in relation to the insurance groups, the calculated solvency margin for life insurance companies on 31 December 2013 amounted to 2.880 mil. euro and the capital amounted to 13.865 mil. euro, while the calculated solvency margin for non-life insurance companies on 31 December 2013 amounted to 13.473 mil. euro and capital amounted to 21.332 mil. euro.

¹⁰ During 2013 insurance companies commenced with application of the new Rulebook on the manner for calculating solvency margin.

Table 20. Solvency by insurance groups on 31 December 2013

	Solvency margin (€)	Capital (€)	Ratio between capital and solvency margin (%)
TOTAL FOR 2013	16.353.288	35.196.828	215,23
Life insurance	2.880.104	13.864.792	481,40
Non-life insurance	13.473.184	21.332.036	158,33

8.2 REINSURANCE

By 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 2013, the written gross premium was 72.774 mil.euro, which represents a growth for 8.75% if compared to 2012. At the same time, the premium transferred to the reinsurance was 11.360 mil.euro or 15.61% of written gross premium, which shows growth by 19.07% if compared to 2012, while the share of reinsurance premium in the gross written premium remained almost at the same level as in the previous year (a slight increase for around 1 percentage point was made). Furthermore, the companies were approved to commission by the reinsurers in the amount of 1.634 mil.euro.

The share of reinsurers in the gross processed claims (without costs for processing and payment of claims) in 2013 was 2.240 mil.euro or 8.34% of gross processed claims at the market level, showing the reduction for 22.48% if compared to 2012 when it was 2.876 mil.euro.

Table 13. Share of reinsurers in the gross premium, processed claims and gross technical provisions on 31 December 2013

	2012	2013	Change 2013/2012 (%)
Written gross premium	66.922.021	72.774.509	8,75%
Premium transferred to reinsurance	9.540.929	11.360.307	19,07%
Commission approved by reinsurer	1.641.428	1.633.852	-0,46%
Gross processed claims (not including costs of processing and paying these claims)	26.876.274	26.862.749	-0,05%
Share of reinsurance in gross processed claims	2.890.024	2.240.293	-22,48%
Share of reinsurance in gross technical provisions	5.515.897	6.520.098	18,21%

8.3 PROFITABILITY

Net realized technical result

Net realized technical result 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 2013 this indicator for non-life insurance in Montenegro amounted to 0.68 (less than 1) and indicates that net realized technical loss was for 31.84% lower than the net realized technical premiums.

Table 22. Net realized technical result by insurance classes on 31 December 2013

Class of insurance	Net realized technical premiums	Net realized technical loss	Net realized technical result
Accident insurance	4.954.768	7.341.831	1,48
Health insurance	478.373	348.188	0,73
Motor vehicles insurance	3.181.119	2.792.785	0,88
Railborne vehicles insurance	57.663	-15.547	0,00
Aircraft insurance	15.319	36.354	2,37
Watercraft insurance	28.528	5.413	0,19
Insurance of goods in transport	-89.923	-22.478	1,30
Property insurance against fire and other risks	224.416	720.577	3,21
Other property insurance	715.786	674.353	0,94
Liability insurance for use of motor vehicles	24.679.585	11.592.999	0,47
Liability insurance for use of aircrafts	7.560	-1.238	0,00
Liability insurance for use of watercrafts	70.262	6.308	0,09
Liability insurance against general damage u	335.054	115.986	0,35
Credit insurance	142.444	102.877	0,72
Commercial guarantee insurance	15.705	-1.058	0,00
Financial loss insurance	20.429	0	0,00
Insurance of legal remedy costs	8	0	0,00
Travel insurance	302.808	253.974	0,84
Other non-life insurances	3.010	420	0,14
TOTAL	35.142.914	23.951.744	0,68

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 2013 generated by employing funds in insurance operations, investments, etc. Seven companies had positive net results and return on total assets and capital as of 31 December 2013. From the aspect of all companies in Montenegro there is a positive net result and return on total assets of 1.91% (2012 – 1.45%). Profitability of assets of life insurance companies at the end of 2013 amounted to 1.35%, whilst the profitability of assets of non-life insurance companies amounted to 2.15%. Montenegrin insurance companies also generated positive return on equity in the amount of 7.07% (2012 – 5.64%), which is a result of net profit generated at the insurance sector of Montenegro. Profitability of own capital (equity and reserves) of life insurance companies amounted to 3.76% and 9.18% with non-life insurance companies.

Table 23. **Profitability indicators on 31 December 2013**

	Assets (€)	Capital (€)	Net profit/loss (€)	ROA	ROE
TOTAL	156.240.554	42.261.520	2.989.198	1,91	7,07

8.4 LIQUIDITY

The liquidity ratio as of 31 December 2013 for insurance companies in Montenegro was 4.66, which indicates the sufficiency of liquid assets for settling short-term liabilities¹¹.

8.5 CLAIMS INDICATORS

Timelines in settling claims

The total number of reported claims in 2013 increased for 5.36% and amounted to 33.651, while in 2012 amounted to 31.939. In 2013, insurance companies had a high level of timelines since 90.05% of total claims were processed.

Observed in respect to insurance groups, the timelines in processing claims in life insurance in 2013 amounted to 88.05%. Regarding the non-life insurance, the level of timelines in processing claims in 2013 amounted to 90.20%.

¹¹ 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 24. Timelines in processing claims by insurance classes for the insurance market on 31 December 2013

Insurance class	Number of processed claims	Total number of claims to be processed	Degree of timelines
Accident insurance	11.162	11.759	94,92
Health insurance	1.593	1.722	92,51
Motor vehicle insurance	3.488	3.796	91,89
Railborne vehicle insurance	2	3	66,67
Aircraft insurance	1	2	50,00
Watercraft insurance	10	10	100,00
Insurance of goods in transport	123	132	93,18
Property insurance against fire and other risks	334	404	82,67
Other property insurances	1.743	2.026	86,03
Liability insurance for use of motor vehicles	8.910	10.415	85,55
Liability insurance for use of aircrafts	0	1	0,00
Liability insurance for use of watercrafts	26	29	89,66
General damage liability insurance	566	655	86,41
Credit insurance	21	24	87,50
Commercial guarantee insurance	1	1	100,00
Financial loss insurance	0	0	-
Insurance of legal remedy costs	0	0	-
Travel insurance	254	324	78,40
Other non-life insurance	4	4	100,00
Total non-life insurance	28.238	31.307	90,20
Life insurance	1.595	1.645	96,96
Annuity insurance	12	12	100,00
Additional insurance	457	687	66,52
Other life insurances	0	0	-
Total life insurance	2.064	2.344	88,05
TOTAL	30.302	33.651	90,05

Claim ratio

Gross claim ratio of non-life insurance is calculated as the ratio between the sum of gross amount of processed claims and changes in technical provisions and the amount of realized insurance premium. When observing the non-life insurance companies in Montenegro as of 31 December 2013, 44.40% (at the end of 2012 – 45.81%) of the realized premium referred to the gross claim expenses.

Table 25. Gross loss ratio for non-life insurance on 31 December 2013

	Gross processed claims	Change in reserved claims	Realized insurance premium	Gross claim ratio (%)
Non-life insurance	26.397.776,01	-187.404,66	59.027.381,58	44,40

Net claim ratio for non-life insurance is calculated as the ratio between the 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 realized 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 2013, this indicator amounted to 49.75%, respectively 49.75% of the net realized insurance premium referred to the net claim expenses (incurred during the observed period).

Table 26. **Net claim ratio for non- life insurance on 31 December 2013**

	Net processed claims	Change in net reserved claims	Net realized premium	Net claim ratio (%)
Non-life insurance	24.532.274,06	-150.773,27	49.007.053,21	49,75

Expenses ratio

Expenses 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. At the end of 2013, this indicator for non-life insurance amounted to 44.88% on gross basis. Namely, costs of conducting insurance-related activities and other costs, contributions and reservations take 44.88% of the gross realized insurance premium as of 31 December 2013, 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 51.05% of net earned premium at the level of all insurance companies relate to costs arising from the insurance operations.

Table 27. **Share of insurance-related costs and other operating costs arising from insurance operations in the earned premium on 31 December 2013**

	Costs for conducting insurance and other operating costs	Realized premium	(%)
Gross expense ratio	26.493.926,87	59.027.381,58	44,88
Net expense ratio	25.016.559,87	49.007.053,21	51,05

Combined ratio

Combined ratio, as the sum of gross expense 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, on 31 December 2013, companies' expenses for life insurance on the basis of occurred claims, costs related to insurance operations and

other costs, contributions and reservations arising from business operations, take 89.29% of the realized insurance premium.

Table 14. **Combined ratio as of 31 December 2013**

	Gross	Net
Claim ratio	44,40	49,75
Expense ratio	44,88	51,05
Combined ratio	89,29	100,80

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 2013, the activities that commenced in 2012 continued, which relate to harmonization of organization and business operations with the Law on Compulsory Traffic Insurance and Amendments to the Law on Insurance, as well as adoption of enabling regulations needed for operations of the Association, as follows:

- a) Proposal of the new Articles of Association;
- b) Rulebook on liquidation of claims to the Guarantee Fund;

- c) Rulebook on criteria for determining the amount of contributions to the Guarantee Fund,
- d) Proposal on Conditions for third party liability insurance of owners or users of motor vehicles and trailers, as approved by the Insurance Supervision Agency;
- e) Proposal on Conditions and Tariffs for compulsory third party liability insurance of owners or users of watercrafts, together with the draft Conditions as approved by the Insurance Supervision Agency;
- f) Proposal on Conditions and Tariffs for compulsory third party liability insurance of owners or users of aircrafts, together with the draft Conditions as approved by the Insurance Supervision Agency;
- g) Proposal on Conditions and Tariffs for accident insurance of passenger in traffic against accident, together with the draft Conditions as approved by the Insurance Supervision Agency.
- h) Decision on adoption of amendments to the Tariffs for motor vehicle liability insurance which relate to commissions for performing insurance agency and brokerage, which were approved by the Insurance Supervision Agency.

9.2 Calculation of Guarantee Fund profit in 2012

The Guarantee Fund has a special importance in the Association, which is resembled in 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. For the purpose of Guarantee Fund operations, insurance companies that provide compulsory insurance allocate funds on the basis of sold insurance policies. 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.

In 2013 the Association had on its disposal the Guarantee Fund funds in the amount of 1,943,777 euro. During 2013, the Association paid claims in the amount of 941,569 euro, whereof damages abroad amounted to 97,461 euro and damages in country 844,107 euro.

Out of total number of claims to be processed in 2013 (6557claims –220 claims were transferred from 2012, 298 claims were reported in 2013 and 39 claims were reactivated) the Association processed 374 claims, whereof 145 requests for payment of claims were rejected and 229 claims were paid.

XII 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



DELTA GENERALI OSIGURANJE AD

Address: Kralja Nikole 27a/VI, 81 000 Podgorica

Telephone: +382 20 444 800

Fax: +382 20 444 810

e-mail: kontakt@deltagenerali.me

Web: www.deltagenerali.me

Class of insurance: non-life insurance

Number of employees: 76

GRAWE OSIGURANJE AD

Address: Bul. Ivana Crnojevica 62/1, 81 000 Podgorica

Telephone: +382 20 210 790

Fax: +382 20 210 963

e-mail: maja.pavlicic@grawe.at

Web: www.grawe.me



Class of insurance: life insurance

Number of employees: 14

LOVČEN OSIGURANJE AD

Address: 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: 301

LOVĆEN ŽIVOTNA OSIGURANJA AD

Address: 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: 13



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: 9

SAVA MONTENEGRO AD

Address: Rimski trg 70, 81 000 Podgorica

Telephone: +382 20 234 036

Fax: +382 20 234 008



Akcionarsko društvo za osiguranje

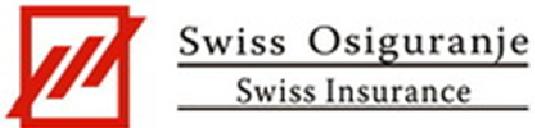
Član Sava Re Grupe

e-mail: info@sava.co.me

Web: www.sava.co.me

Class of insurance: non-life insurance

Number of employees: 152



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: 30

UNIQA NEŽIVOTNO OSIGURANJE AD

Addressa Bul. Sv. Petra Cetinjskog 1a/4, 81 000 Podgorica

Telephone: +382 20 444 700

Fax: +382 20 244 340

e-mail: info@uniqa.co.me

Web: www.uniqa.co.me



Class of insurance: non-life insurance

Number of employees: 89

UNIQA ŽIVOTNO OSIGURANJE AD

Address: Bul. Sv. Petra Cetinjskog 1a/4, 81 000 Podgorica

Telephone: +382 20 444 700



Fax: +382 20 244 340

e-mail: info@uniga.co.me

Web: www.uniga.co.me

Class of insurance: life insurance

Number of employees: 34