



**MONTENEGRO
INSURANCE
SUPERVISION AGENCY**

REPORT ON INSURANCE MARKET IN MONTENEGRO for 2014

June, 2015

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I INTRODUCTION

The base for development of the Report on Insurance Market Situation in Montenegro 2014 was 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 other data submitted by insurance companies to the Insurance Supervision Agency.

The most significant events and trends at the Montenegrin insurance market in 2014 were as follows:

- After a constant growth of gross premium during the previous period, there was a slight decline of 0.49% in 2014, together with growth of gross life premiums (15.44%) and decline of gross non-life premiums (3.29%);
- Slight decline of 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;
- There was a positive net financial business result at the level of entire insurance market in the amount of 4.047 mil. euro (eight companies generated net income of 4.750 mil. € in 2014);
- Application of the new Rulebook on depositing and investing technical provisions and capital funds for insurance companies;
- 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;
- Development of the new Law on liquidation and bankruptcy of insurance companies, as well as working version of the Draft Law on amendments to the Law on Insurance;
- Development of new sale channel at the insurance market – bankassurance;
- Strengthening cooperation with financial system institutions, as well as with supervisory authorities in the region and with international insurance-related organizations;
- Alignment of the text of the negotiation position for the Negotiation Chapter 9 – Financial Services.

1.1 MACRO-ECONOMIC INDICATORS

According to the estimate of the Ministry of Finance of Montenegro, in 2014 the GDP increased for 1.5% and amounted to 3.425 billion euro. Budgetary deficit amounted to 107 million euro, i.e. 3.12 % GDP. The unemployment rate in Montenegro in 2014 amounted 18% and inflation rate amounted to – 0.7%.

The following Table illustrates the macro-economic indicators:

Table 1. Breakdown of macro-economic indicators 2005-2014

Indicators										
	2005.	2006.	2007.	2008.	2009.	2010.	2011.	2012.	2013.	2014. ¹
GDP (mil. €)	1.815	2.149	2.680	3.086	2.981	3.104	3.234	3.149	3.327	3.425
GDP per capita (€)	2.912	3.443	4.280	4.908	4.720	5.011	5.211	5.075	5.356	5.506
GDP growth rate (%)	4,2	8,6	10,7	6,9	-5,7	2,5	3,2	-2,5	3,3	1,5
Inflation (CPI)	2,5	2,8	4,2	7,1	3,4	0,5	2,8	4,1	2,2	-0,7
Population	623.300	624.200	626.200	628.800	631.500	619.400	620.600	620.029	621.000	622.000
No of unemployed persons	48.845	38.876	31.469	28.378	30.169	32.106	30.552	31.232	32.190	34.687
Number of employed persons	144.340	150.800	156.408	166.221	174.152	161.742	163.082	166.531	171.474	173.595
Average gross salary (€)	327	377	497	609	643	715	722	727	726	723
Average net salary (€)	213	246	338	416	463	479	484	487	479	477
Budgetary surplus/deficit (mil.€)	-45,55	74,24	176,96	15,17	-130,33	-112,24	-127,37	-162,7	-121,7	-107,0
Export (mil. €)	790,41	1.061,00	1.189,95	1.218,19	957,50	1.077,39	1.299,33	1.385,83	402,80	362,37
Import (mil. €)	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	1.733,41
Foreign trade balance (mil. €)	-318,12	-638,82	-1.133,99	-1.682,27	-992,64	-881,55	-840,80	-779,75	-1.330,10	-1.371,05

Source: Ministry of Finance of Montenegro and Monstat

¹ 2014 data are shown according to the estimates of the Ministry of Finance
Insurance Supervision Agency of Montenegro

II INSURANCE MARKET PARTICIPANTS

2.1 INSURANCE COMPANIES

During 2014 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. In November 2014, the Insurance Supervision Agency issued the approval for change of the insurance company's name Delta Generali osiguranje AD into Generali osiguranje Montenegro AD.

Table 2. Overview of insurance companies operationally active in Montenegro in 2014

Non-life insurance companies
Lovćen osiguranje AD
Sava Montenegro AD
Generali osiguranje Montenegro 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 2014 amounted to 52.086 mil. Euro, which presents a growth in comparison to 2013 by 4.56%². Foreign capital amounted to 39.252 mil. euro, with 75.36% share in the total share capital, and domestic capital amounted to 12.834 mil. euro, with share of 24.64%. The following insurance companies recorded growth of share capital value in 2014:

- Wiener Städtische Life Insurance AD Podgorica in the amount of 1,000,000.00€;
- Atlas Life AD Podgorica in the amount of 500,000.00€;
- Merkur Insurance AD Podgorica in the amount of 300,000.00 €;
- Lovcen Life Insurance AD in the amount of 320,000.00€ and
- Swiss Insurance in the amount of 153,846.87 €.

² Value of the total share capital of insurance companies on 31 December 2013 amounted to 49.812 mil.eura;

2.2 INSURANCE AGENTS AND BROKERS AND AGENCIES FOR ANCILLARY INSURANCE SERVICES

During 2014, the Insurance Supervision Agency issued, in accordance with the Insurance Law:

- 4 consents to banks for performance of agency in insurance;
- 55 authorizations to physical persons for performance of agency activities;
- 32 authorizations to physical persons for performance of brokerage activities.

At the end of 2014, Montenegrin insurance market had 18 companies performing agency in insurance (one company ceased with performing agency in insurance due to the voluntarily liquidation) and 1 entrepreneur – insurance agent, as well as 4 banks, while 6 insurance brokerage companies conducted brokerage operations in insurance.

Moreover, on 31 December 2014, 557 physical persons in Montenegro had authorizations for conduct of agency operations in insurance, while 177 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
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 2014 such companies entered into 115,136 insurance policies, which is for 27.26% less than in 2013 (155,059 policies) and generated written gross premium in the amount of 18.086 mil. €, or share of 24.97 % in the written gross premium of the Montenegrin insurance market (2013 – 19.027 million euro of written gross premium). Out of total gross written premium generated by insurance agents, 15.816 mil. euro related to the motor vehicle liability insurance (2013 – 16.567 million euro of gross premium from the motor vehicle liability insurance).

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

The gross written premium realized by banks that conduct insurance agency activities amounted to 130 thousand euro in 2014, which represents 0.19% of the total gross premium. During 2014 banks concluded 971 insurance policies, as follows: 426 of life insurance policies and 545 non-life insurance policies.

Table 5. 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 2014, brokerage companies of the Montenegrin insurance market entered into 1,984 insurance contracts (4.84 % less than in 2013, when mediating in conclusion of 2,085 contracts) and contracted gross premium in the amount of 4.511 mil. euro (2013 – gross premium of 6.878 mil.euro) with the share of 6.23% in the total written gross premium of the insurance market.

Table 6. 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 – 2014 is presented in the following Table:

Table 2. Total number of employees in the insurance sector 2008-2014

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

After the decline in the number of employees in the insurance sector in 2013, such figure increased in 2014 for 3.12 % and amounted to 760.

III INSURANCE MARKET INDICATORS

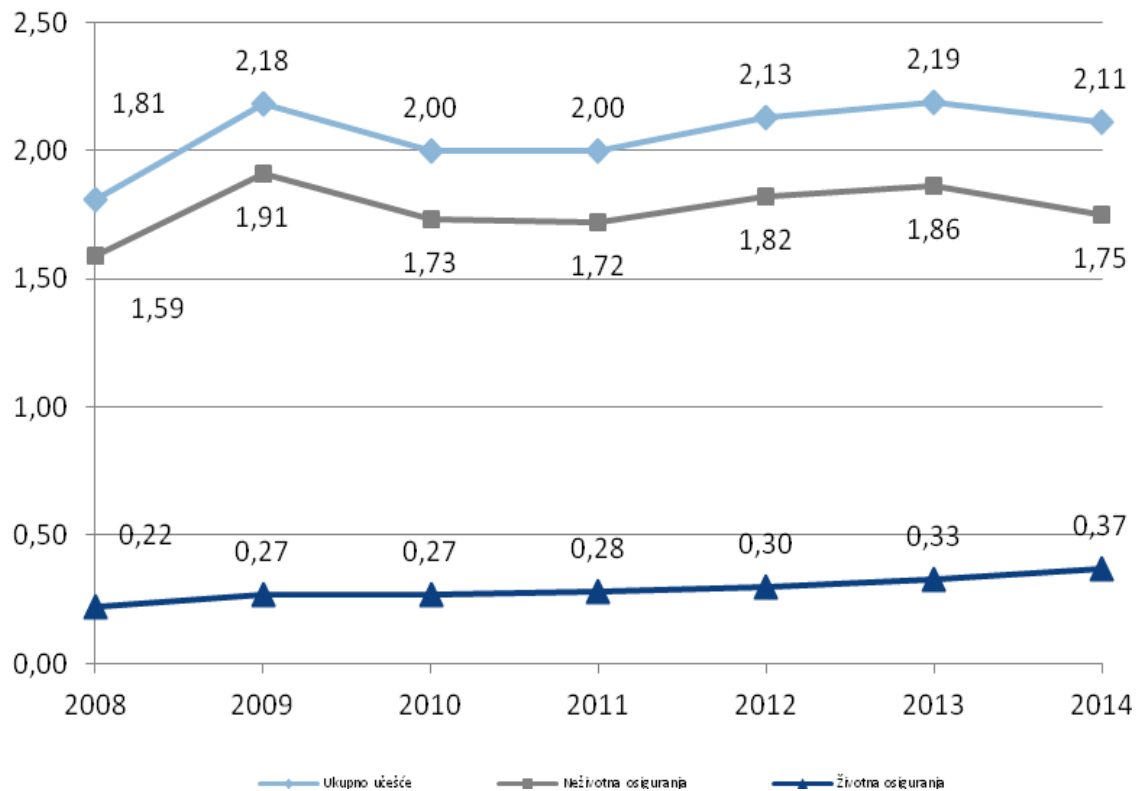
During 2014, the companies that conduct insurance activities on the Montenegrin market had the written gross premium in the amount of 72.417 million euro, which represents reduction of 0.49% in relation to 2013 when it amounted to 72.744 million euro.

3.1. GROSS WRITTEN PREMIUM SHARE IN GDP

After positive trends in 2012 and 2013, indicator of gross written premium share in GDP recorded slight decline in 2014 by 0.08 percentage points and amounted to 2.11%.

This indicator recorded growth in 2014 in terms of gross life-insurance premiums and amounted to 0.37% (2013 – 0.33%). Nevertheless, in terms of the non-life written gross premium, this indicator had a decline and amounted to 1.75 % (2013 – 1.86%).

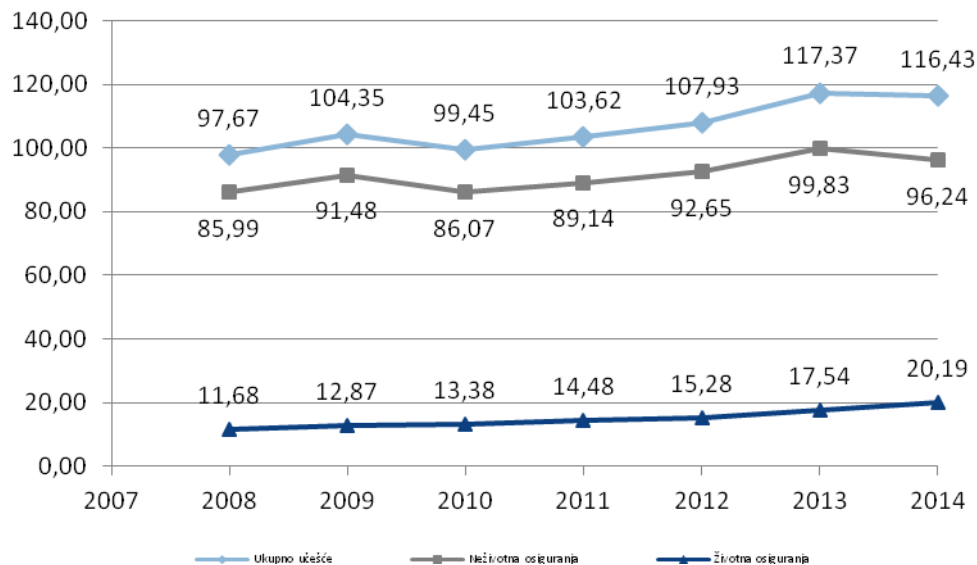
Figure 1. Share of the gross written premium in GDP 2008 – 2014



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 -2014 (€)



Written gross premium per capita in Montenegro in 2014 amounted to 116.43 euro, which still remains significantly below the average of EU member countries in 2013 (around 1,929 euro³). This indicator also realized growth in terms of gross life insurance premium and amounted to 20.19 euro of premium per capita, whilst the gross non-life insurance premium realized decline and amounted to 96.24 euro.

3.3 INSURANCE MARKET CONCENTRATION IN MONTENEGRO

The level of concentration of insurance market is established by Herfindahl-Hirschman index (HHI)⁴, 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).

³ Source: Swiss Re

⁴ 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 2014, the value of HHI for the Montenegrin insurance market ranged within the limits of concentrated market (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 of reduction in the index value, which indicates the increase of competition level i.e. the reduction of market concentration and in 2014 it amounted to 2,041.14.

Table 3. **Herfindahl-Hirschman index for 2012- 2014**

Name of the company	2012.			2013			2014		
	Gross premium	Share (%)	HHI	Gross premium	Share (%)	HHI	Gross premium	Share (%)	HHI
Lovćen osiguranje AD	27.284.656	40,77	1.662,26	28.309.977	38,90	1.513,28	26.467.435	36,55	1.335,81
Lovćen životna osiguranja AD	1.411.886	2,11	4,45	1.285.496	1,77	3,12	1.184.980	1,64	2,68
Sava Montenegro AD	10.875.443	16,25	264,09	11.156.214	15,33	235,00	11.468.544	15,84	250,81
Grawe osiguranje AD	4.685.915	7,00	49,03	4.615.070	6,34	40,22	4.642.592	6,41	41,10
Swiss osiguranje AD	2.015.348	3,01	9,07	1.946.069	2,67	7,15	2.040.160	2,82	7,94
Generali osiguranje Montenegro AD	9.480.044	14,17	200,67	10.252.482	14,09	198,47	10.059.506	13,89	192,96
Unika životno osiguranje AD	1.574.606	2,35	5,54	1.617.719	2,22	4,94	1.900.204	2,62	6,89
Unika neživotno osiguranje AD	7.792.127	11,64	135,57	10.233.662	14,06	197,74	9.825.321	13,57	184,08
Merkur osiguranje AD	969.726	1,45	2,10	1.801.634	2,48	6,13	2.090.656	2,89	8,33
Atlas Life AD	181.922	0,27	0,07	349.348	0,48	0,23	424.994	0,59	0,34
Wiener Städtische životno osiguranje AD	650.347	0,97	0,94	1.206.839	1,66	2,75	2.312.475	3,19	10,20
Total	66.922.021	100	2.333,80	72.774.509	100	2.209,04	72.416.868	100	2.041,14

Lovćen osiguranje continues to generate the largest share in the market, despite the constant reduction during the previous period, and in 2014 it amounted to 36.55%, which was a reduction for 2.35 percentage points in relation to 2013 when it amounted to 38.90 % (27.285 mil. euro).

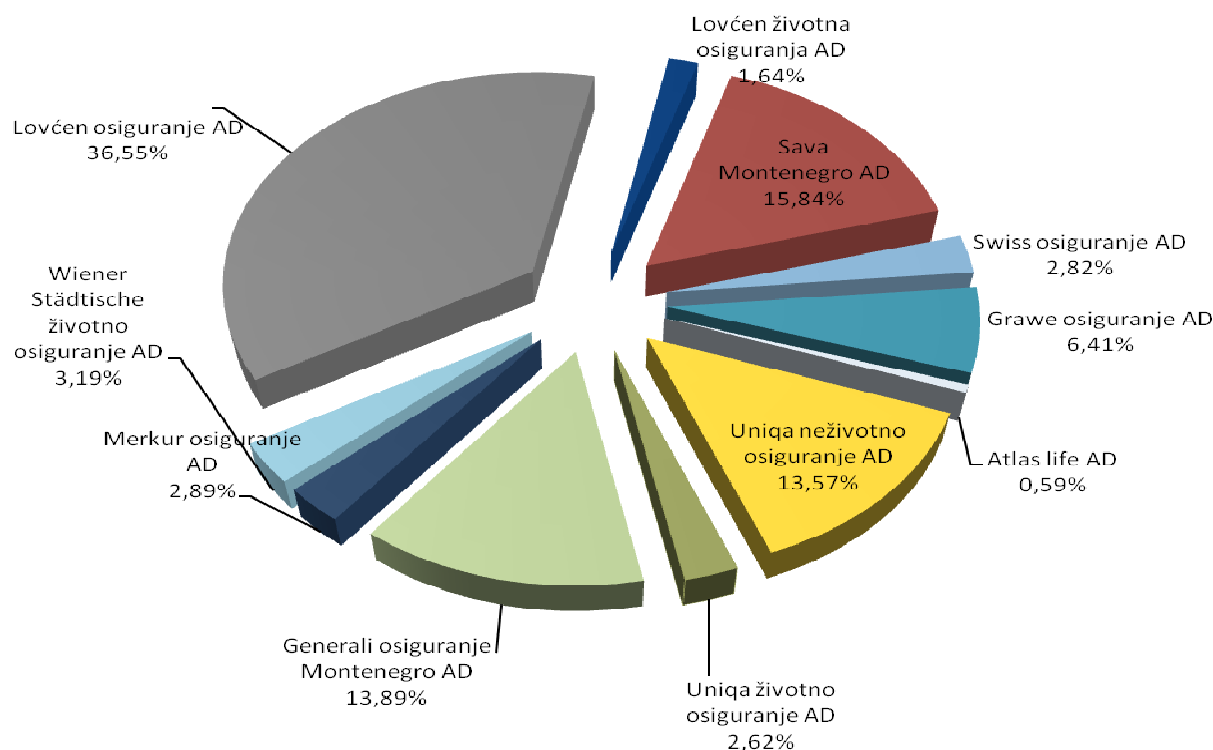
Market share of two companies with the greatest written gross premium (Lovćen and Sava Montenegro) in 2014 amounted to 52.39 % (37.936 mil. euro) which is a decline in relation to 2013 for 1.84 percentage points, when it amounted to 54.23 % (39.466 mil. Euro).

Three companies with the biggest written gross premium were Lovćen, Sava Montenegro and Generali osiguranje Montenegro. Market share of these three companies in the observed period amounted to 66.28% (47.995 mil. euro), which is a decline by 2.04 percentage points in relation to 2013 when it amounted to 68.32% (49.719 mil. euro).

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 2014:

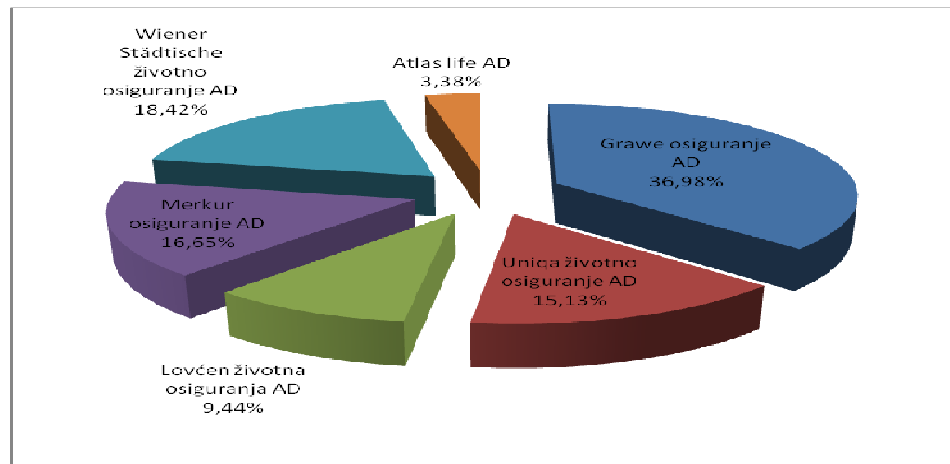
Figure 3. Market share of insurance companies in 2014 (%)



Observing the structure of market share of the life insurance companies, there was a change in distribution in relation to 2013. Namely, Grawe osiguranje remains to be the largest life insurance company with its market share of 36.98 % in the total life insurance premium (reduced in comparison to 2013 for 5.46 percentage points). However, at the end of 2014 the second insurance company in terms of market share was Wiener Städtische životno osiguranje with 18.42% (in 2013 it was on the 4th place with share of 11.10%), followed by Merkur osiguranje (16.65%), Uniqa životno osiguranje with its share of 15.13 %, Lovćen životna osiguranja with 9.44% and Atlas Life (3.38%). Regarding the life insurance companies, the highest growth of the gross written life insurance premium was achieved by Wiener Städtische životno osiguranje with 7.32 percentage points. The share of other life insurance companies, except Grawe osiguranja, remained at the almost same level.

The following figure shows the share of life insurance companies in the gross written life insurance premium in 2014:

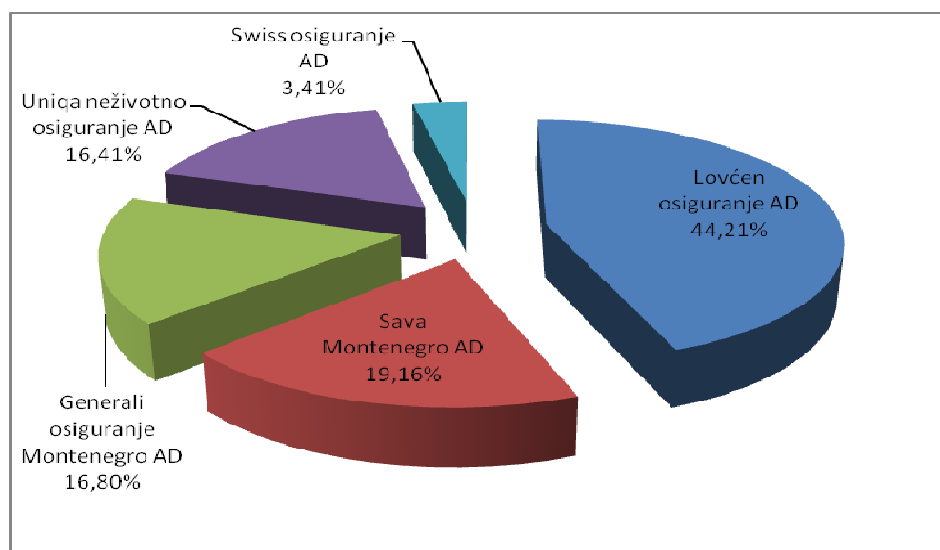
Figure 1. Share of companies in the gross written life insurance premium in 2014 (%)



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 44.21%, although reduced by 1.52 percentage points in relation to 2013. It is followed by Sava Montenegro with its share of 19.16%, Generali osiguranje with 16.80%, Unica neživotno osiguranje with 16.41% and Swiss osiguranje with 3.41%. Regarding the non-life insurance companies, the highest growth of gross written premium of non-life insurance was achieved by Sava Montenegro with 1.14 percentage points (in 2013 it amounted to 18.02%).

The following figure shows the share of non-life insurance companies in the gross written non-life insurance premium in 2014:

Figure 2. Share of companies in the gross written non-life insurance premium in 2014 (%)



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

Non-life insurances continued to dominate at the Montenegrin market in 2014, taking 82.66% of the total gross written premium. In the structure of the written gross premium in 2014, the share of life insurance increased from 14.94% in 2013 to 17.34% in 2014. Namely, in 2014, the share of life insurance premiums in the overall premium registered an increase for 2.40 percentage points, whilst the share of non-life insurance premiums made a decline for the same value.

Table 9. Structure of insurance premiums in 2013 and 2014

Insurance group	2013		2014		Index 2014/2013
	Premium(€)	Share(%)	Premium (€)	Share(%)	
Life insurance	10.876.106	14,94	12.555.901	17,34	115,44
Non-life insurance	61.898.403	85,06	59.860.966	82,66	96,71
TOTAL	72.774.509	100	72.416.868	100	99,51

Observed in relation to insurance groups, the total life insurance premium recorded growth of 15.44% in relation to 2013, whilst the total non-life insurance premium recorded decline of 3.29%.

Observing the period from 2008 until 2014, the non-life insurance premium was making an annual growth of average 2.08% due to reduction of premium of this insurance group in 2010 and afterwards in 2014. During the observed period the life insurance made a constant growth and grew with the average rate of 9.69%.

The following figure gives an overview of gross premium trend at the overall level and in respect to insurance groups in the period 2008- 2014:

Figure 3. Gross premium trend: life vs. non-life for the period 2008 – 2014

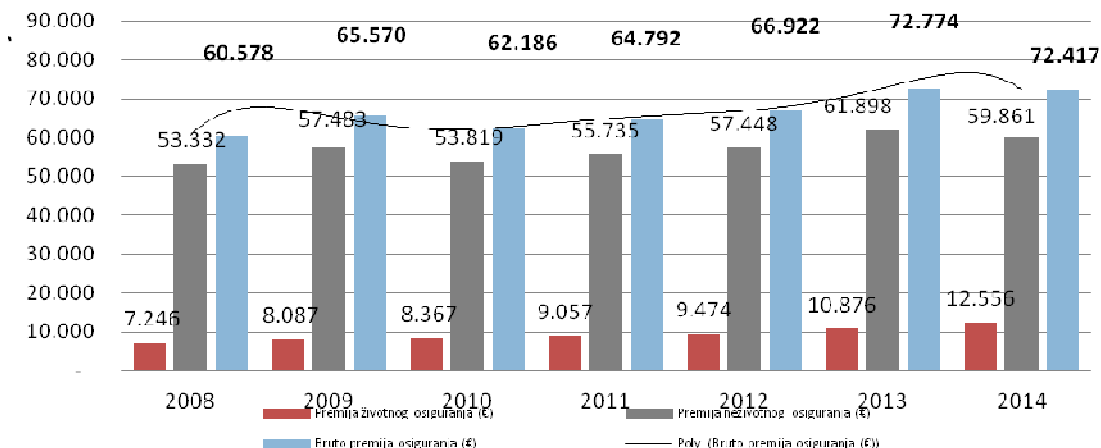
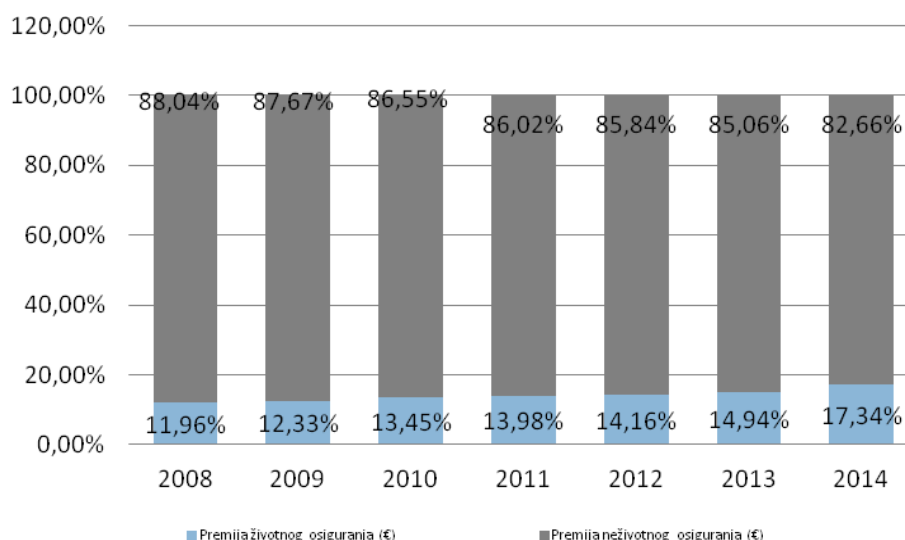


Figure 7. Structure of gross premium: life vs. non-life 2008-2014



3.5 GROSS WRITTEN INSURANCE PREMIUM BY INSURANCE CLASSES

Analyzing the structure of gross written premium in respect to insurance groups and class, it may be concluded that decrease of total gross written premium at the insurance market level resulted from the decrease of gross written non-life insurance premium by the absolute amount of 2,037,438 euro or by 3.29% in relation to 2013. At the same time, growth of the gross written life insurance premium by 15.14% or by 1,679,795 euro moderated decline of gross written premium at the level of the entire market which amounted to 357,643 euro or 0.49%.

Regarding the non-life insurance classes, the decline of gross written premium of this group in relation to 2013 was mostly result of the decline of gross written premium in the class of other property insurances by the absolute amount of 1,573,538 euro or by 27.29%. Moreover, there was also a decline in the gross written premium with the insurance against fire and other risks by 487,449 euro or by 11.29%, as well as with the liability insurance of aircraft users by 455,352 euro or by 41.61%, kasko motor vehicle insurance by 346,320 euro (6.86%), motor vehicle liability insurance by 244,343 euro (0.74%) and watercraft insurance by 145,723 euro or 35.70%. At the same time there was increase of gross written premium with the accident insurance by the absolute amount of 826,118 euro or by 10.15%, as well as with the health insurance by 147,931 euro (17.94%).

Regarding the life insurance classes, the most significant growth was recorded with the insurance of life by 17.10% or by 1,624,246 euro.

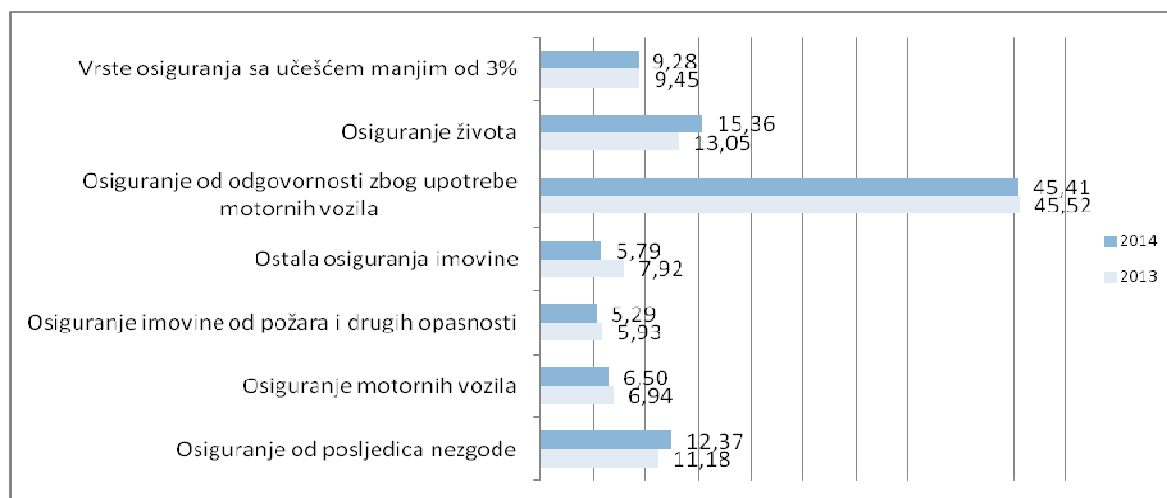
Table 10. Structure of insurance portfolio by insurance classes in 2013 and 2014

Class of insurance	2013		2014		Index
	Amount(€)	Share (%)	Amount (€)	Share(%)	2014/2013
Accident insurance	8.135.269	11,18	8.961.387	12,37	110,15
Health insurance	824.804	1,13	972.736	1,34	117,94
Motor vehicle insurance	5.052.060	6,94	4.705.740	6,50	93,14
Railborne vehicles insurance	183.744	0,25	181.079	0,25	98,55
Aircraft insurance	495.033	0,68	583.886	0,81	117,95
Watercraft insurance	408.159	0,56	262.436	0,36	64,30
Insurance of goods in transport	396.157	0,54	401.578	0,55	101,37
Property insurance against fire and other risks	4.316.663	5,93	3.829.214	5,29	88,71
Other property insurances	5.765.647	7,92	4.192.110	5,79	72,71
Liability insurance of users of motor vehicles	33.129.497	45,52	32.885.154	45,41	99,26
Liability insurance of aircraft users	1.094.423	1,50	639.071	0,88	58,39
Liability insurance of watercraft users	233.808	0,32	218.563	0,30	93,48
General damages liability	1.160.308	1,59	1.196.624	1,65	103,13
Other non-life insurance	702.831	0,97	831.390	1,15	118,29
Total non-life insurance	61.898.403	85,06	59.860.965	82,66	96,71
Life insurance	9.499.848	13,05	11.124.094	15,36	117,10
Annuity insurance	49.230	0,07	40.275	0,06	81,81
Additional insurance along with life insurance	1.313.963	1,81	1.380.907	1,91	105,09
Other life insurances	13.065	0,02	10.626	0,01	81,33
Total life insurance	10.876.106	14,94	12.555.901	17,34	115,44
TOTAL	72.774.509	100	72.416.867	100	99,51

Regarding the structure of the market gross written premium in 2014, 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 60.77%, which represents a growth for 2.19 percentage points (in 2013 these two classes amounted to 58.58%). 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. These insurance classes participate with 90.72%, which represents a slight increase in relation to 2013 when these 6 classes participated with 90.55% (motor vehicle liability insurance with 45.41%, life insurance with 15.36%, insurance against accident with 12.37%, property insurances with 11.08% and kasko motor vehicle insurance with 6.50%). The above shows a high concentration on a very small number of insurance classes. Despite the high concentration on few classes, the fact that the most common insurances on the market are still compulsory traffic insurances with the level of 47.13% indicate that Montenegrin insurance market is still at a relatively low level of development.

Gross premium of motor vehicle insurance which includes motor vehicle liability insurance and motor own damage (kasko) insurance in 2014 amounted to 37,591 mil. euro and represented 51.91% of gross written premium at the market level (in 2013 the gross written premium amounted to 38,182 mil. euro and represented 52.47% of the market gross written premium).

Figure 8. Structure of gross written insurance premium by insurance classes in 2013 and 2014 (%)⁵



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 2014 amounted to 12.556 mil. euro, which represents an increase of 15.44% in relation to 2013 when it amounted to 10.876 mil. euro. The number of life insured persons in 2014 amounted to 54.865, which is a growth of 11.58% in comparison to 2013.

Table 11. Number of insured persons in 2013 and 2014

	Total number of insured persons		
	2013	2014	Change 14/13 in %
TOTAL	49.169	54.865	11,58

During 2014 the life insurance companies contracted 8,388 new contracts, cancelled 6,799 policies and reduced 3,313 policies. Number of new life insurance policies in 2014

⁵ 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.

is lower for 51.69% in comparison to 2013 when the companies contracted 17,364 new policies. Number of active life insurance policies at the end of 2014 amounted to 47,706.

Table 11. Gross life insurance premium by insurance classes in 2013 and 2014

Insurance class	2013		2014		Index 2014/2013
	Amount (€)	Share (%)	Amount (€)	Share(%)	
Life insurance	9.499.848	87,35	11.124.094	88,60	117,10
Annuity insurance	49.230	0,45	40.275	0,32	81,81
Additional insurance along with life insurance	1.313.963	12,08	1.380.907	11,00	105,09
Other life insurances	13.065	0,12	10.626	0,08	81,33
Total life insurance	10.876.106	100,00	12.555.901	100,00	115,44

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 2014 underwrote 11.124 mil. euro gross premium and contributed with 88.60% in the total life insurance premium. This class of life insurance recorded growth of 17.10% in relation to 2013 (9.499 mil. euro). Significant share in the gross written life insurance premium was made by additional insurance along with life insurance with 11% and 1.381mil. euro of gross written premium.

3.7 COMPULSORY TRAFFIC INSURANCE⁶

The total compulsory premium in 2014 amounted to 34.127 mil. euro which is decrease by 1.81% in relation to 2013 when it amounted to 34.757 mil. euro. Decline in compulsory insurance is a result of decrease 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 increased by 28.26% or by 85 thousand euro in relation to 2013 (299,313 euro). In 2014, the share of gross premium of compulsory traffic insurance in the gross premium of non-life insurance amounted to 57.01%, but 47.13% in the total written gross premium. Five companies conduct compulsory insurance business in Montenegro.

⁶ Defined by the Law on compulsory traffic insurance („Official Gazette of MN“, no 44/12)

Table 13. Compulsory traffic insurance premium by classes in 2014

Compulsory traffic insurance	Premium (€)	Share (%)
Insurance of passengers in public traffic	383.903	1,12
Liability insurance for motor vehicle use	32.885.154	96,36
Liability insurance for aircraft use	639.071	1,87
Liability insurance for watercraft use	218.563	0,64
TOTAL	34.126.691	100

Under the structure of compulsory insurance premium, the highest share was made by the motor vehicle liability insurance, which takes 96.36%. Motor vehicle liability insurance premium in 2014 amounted to 32.129 mil. euro and made a decrease in relation to 2013 for 0.74% when it amounted to 33.129 mil.euro. Two non-life insurance companies recorded decline in gross written premium of the motor vehicle liability insurance (Lovćen by 9.16% and Generali by 0.98%), while three companies recorded growth of gross written premium for this insurance class (Sava Montenegro by 9.40%, Uniqa by 4.51% and Swiss by 3,35%).

Table 14. Share of gross written premium of motor vehicle liability (MVL) in 2014 by insurance companies

	MVL gross written premium(€)	Share (%)
Lovćen osiguranje	11.174.133	33,98
Sava Montenegro	7.362.142	22,39
Generali osiguranje Montenegro	6.722.500	20,44
Uniqa neživotno osiguranje	6.438.975	19,58
Swiss osiguranje	1.187.404	3,61
TOTAL	32.885.154	100

IV ASSETS STRUCTURE

The value of total asset for all insurance companies, as of 31 December 2014, was 168.944 mil. Euro, which accounts for the increase of 8.13% if compared to the value of total assets as of 31 December 2013. The structure of the share that main asset forms have in the overall assets did not significantly change since the end of 2013. Namely, the most significant assets category continues to be “the long-term financial funds” with its share of 49.97%. It is followed by the category “short-term financial investments” with its share of 19.24% and “short-term receivables” having 12.47%.

Table 15. Structure of assets of insurance companies on 31 December 2013 and on 31 December 2014

	2013		2014		Index 2014/2013
	Amount (€)	Share(%)	Amount (€)	Share(%)	
Intangible assets	576.266	0,37	527.831	0,31	91,59
Real estates, plants and equipment directly related to the conducts of insurance activities	11.403.098	7,30	12.279.827	7,27	107,69
Long-term financial investments	69.605.138	44,55	84.422.955	49,97	121,29
Short-term financial investments	34.895.640	22,33	32.497.301	19,24	93,13
Cash funds	3.447.295	2,21	1.949.370	1,15	56,55
Short-term receivables	20.623.663	13,20	21.070.967	12,47	102,17
Share of reinsurers in technical provisions	6.520.098	4,17	6.278.151	3,72	96,29
Prepayments and accrued income	8.957.864	5,73	9.707.196	5,75	108,37
Other	211.491	0,14	210.160	0,12	99,37
TOTAL	156.240.554	100	168.943.758	100	108,13

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 84.423 mil. euro at the end of 2014. This category recorded growth of 21.29% or in the total amount of 14.817.817 euro in relation to 2013, mostly due to the increase of investments into Montenegrin bonds by insurance companies. Insurance companies invested 63.249 mil. euro into the Montenegrin bonds (state securities whose due date is longer than 365 days in the amount of 60.018 mil. euro), which is for 54.49% higher than investments in 2013 (40.939 mil. euro). The value of total investments into the long term securities issued by Montenegro represents 71.09% of the total category “long-term financial investments”.

Furthermore, growth of total assets was also contributed by the growth of the category “prepayments and accrued income” for 8.37% or for 749,332 euro in relation to 2013. Growth of this category was mostly generated by its growth with one insurance company (for 417,065) which relates to the increase of accrued interests. At the end of 2014, growth was also recorded with the category “real estates, plants and equipment directly related to conduct of insurance activities” for 7.69% or for the total amount of 876,729 euro due to the increase of this category with one insurance company (purchase of business premises). In addition to these categories, there was also a growth of the category “short-term receivables” for 2.17% or for the total amount of 447,304 euro.

Table 16. Share of Insurance companies in total assets of insurance sector on 31 December 2013 and 31 December 2014 (%)

	2013	2014	Change in PP
Lovćen osiguranje	32,28%	31,07%	-1,21%
Lovćen životna osiguranja	3,83%	3,36%	-0,46%
Sava Montenegro osiguranje	15,14%	14,34%	-0,80%
Swiss osiguranje	3,10%	2,96%	-0,14%
Grawe osiguranje	17,29%	18,53%	1,24%
Atlas life	0,85%	1,08%	0,23%
Uniqa neživotno osiguranje	9,33%	8,27%	-1,06%
Uniqa životno osiguranje	3,61%	4,00%	0,39%
Generali osiguranje Montenegro	10,81%	11,02%	0,21%
Merkur osiguranje	2,33%	2,73%	0,41%
Wiener Städtische životno osiguranje	1,44%	2,63%	1,19%
TOTAL	100,00%	100	-

Considering the share of certain insurance companies in the total assets of insurance sector, it can be noted that Lovćen osiguranje continues to have the largest share of 31.07%, followed by Grawe osiguranje with 18.53% and Sava Montenegro with 14.34%. If compared to 2013, Lovćen osiguranje recorded a decline of its share in total assets at the insurance market level by 1.21 percentage points, but the share recorded growth with Grawe insurance for 1.24 percentage points and Wiener Städtische životno osiguranje for 1.19 percentage points.

V STRUCTURE OF LIABILITIES

Value of total liabilities for all insurance companies in Montenegro, as of 31 December 2014, was 168.944 mil. euro, which represents an increase of 8.13% if compared to the value of total liabilities on 31 December 2013, when it was 156.241 mil. euro.

Table 17. Structure of liabilities of insurance companies on 31 December 2013 and 31 December 2014

Liabilities	2013		2014		Index 2014/2013 ¹
	Amount (€)	Share (%)	Amount (€)	Share (%)	
Capital and reserves	42.261.520	27,05	47.544.777	28,14	112,50
Reservations	93.441.818	59,81	96.826.113	57,31	103,62
Short-term liabilities	16.027.203	10,26	12.781.303	7,57	79,75
Long-term liabilities	3.332.709	2,13	10.843.364	6,42	325,36
Passive prepayments and accrued incomes	1.177.304	0,75	948.203	0,56	80,54
TOTAL	156.240.554	100	168.943.759	100	108,13

Value of the category “long-term liabilities” increased in relation to 2013 for 225.36% or for 7.511 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 10.000 mil. euro).

Growth of the category “capital and reserves” of insurance companies in 2014 for 12.50% or for 5.283 mil.euro is a result of positive financial result achieved in 2013, which amounted to 2.989 mil.euro and in 2014, which amounted to 4.047 mil. euro, as well as of increase of share capital by five insurance companies in the amount of 2.274 mil. euro.

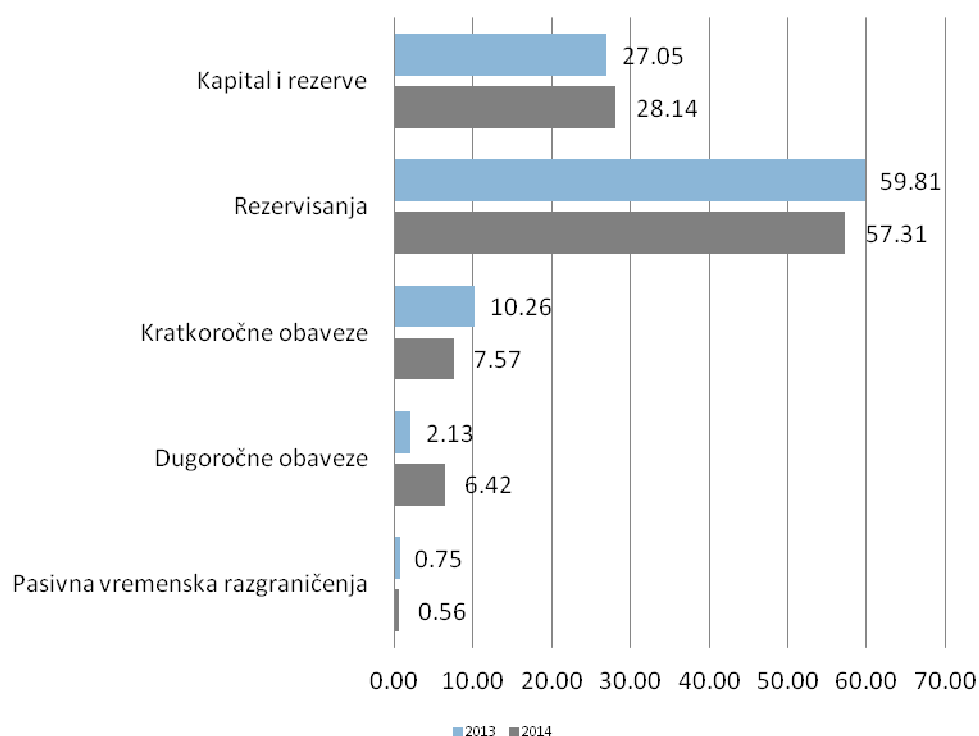
The category “reservations”, which includes gross of technical provisions of the insurance companies and other reservations needed for pensions, jubilee award, severances, bad deals, etc, recorded growth by 3.62% (for 3.384 mil. euro)⁷ in relation to 2013.

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 20.25% or by 3.246 mil. euro. Reduction in this category was mostly influenced by the reduction of short-term liabilities of financing of one insurance company by 7 million euro, as well as by reduction of short-term liabilities of another company by 1 million euro.

Passive prepayments and accrued incomes were reduced for 19.46% or for 229 thousand euro.

⁷ 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 2013 and 31 December 2014 (%)



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 95.885 mil. euro as of 31 December 2014, which represents increase of 3.46% compared to 31 December 2013.

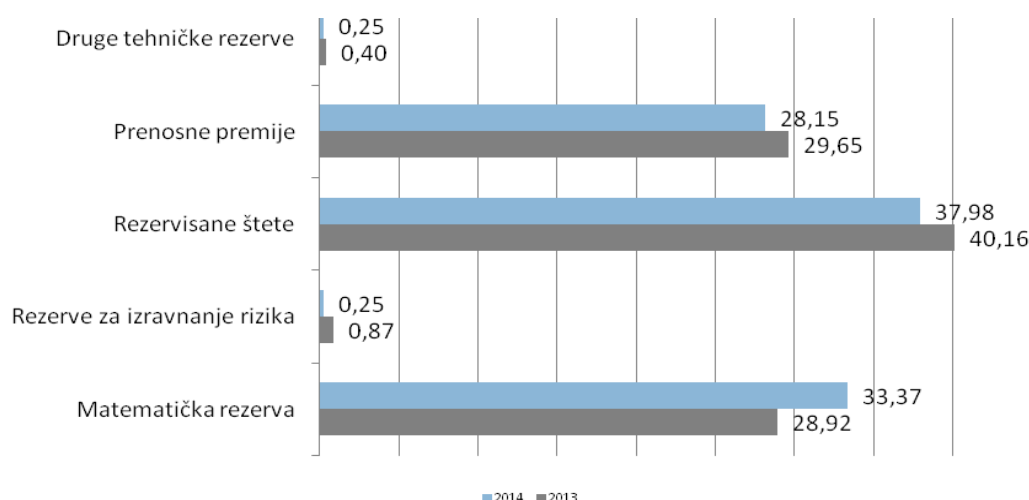
Table 18. Structure of technical provisions of insurance companies on 31 December 2013 and 31 December 2014

	2013		2014		Index 2014/2013
	Amount (€)	Share (%)	Amount (€)	Share (%)	
Outstanding claims	37.219.000	40,16	36.413.167	37,98	97,83
Mathematical reserve	26.799.535	28,92	32.000.721	33,37	119,41
Unearned premiums	27.482.947	29,65	26.991.323	28,15	98,21
Reserve for equalization of risks	807.243	0,87	241.770	0,25	29,95
Other technical provisions	367.773	0,40	238.312	0,25	64,80
TOTAL	92.676.497	100	95.885.293	100	103,46

At the end of 2014 the insurance companies allocated the highest amount of funds for the reserved claims, which amounted to 36.413 mil. euro or 37.98% of total technical provisions. It should be pointed out that at the end of 2014 there was a change in the order of certain classes of technical reserves in respect to its share in the total technical provisions at the market level, thus the reserved claims are followed by mathematical reserves. The value of mathematical reserves on 31 December 2014 amounted to 32.001 million euro, which represents 33.37% of total technical provisions. It is followed by unearned premiums in the amount of 26.991 mil. euro, which contribute with 28.15% to the total technical provisions.

Observing the value of certain technical provisions, the highest growth was made by mathematical reserves of 19.41% or for 5.201 mil. euro in relation to the previous year, which is a result of growth of life insurance premium during previous years and portfolio increase of life insurance companies. Out of six companies providing life insurance at the Montenegrin market, five of them increased mathematical reserves in the total amount of 5.904 mil. euro. At the same time, at the end of 2014 there was a decline of other classes of technical provisions. Namely, the value of reserved claims was reduced by 2.17% or for 806 thousand euro in relation to the end of 2013. Reduction in reserved claims is a result of its reduction with the largest Montenegrin company (during 2014 this company paid several “large” claims that were reserved at the end of 2013, which mostly impacted the reduction in reserved claims). Moreover, there was a decrease of value of risk equalization reserves for 70.05% or for 565 thousand euro in relation to 2013 mostly since one insurance company ceased to allocate funds for this class of provisions (the value of risk equalization reserves at the end of 2013 amounted to 402 thousand euro).

Figure 10. Structure of technical provisions of insurance companies on 31 December 2013 and 31 December 2014 (%)



If observed in respect to insurance groups, the **gross technical provisions** on the 31 December 2014 at the level of all non-life insurance companies amounted to 62.533 mil.euro, while the **net technical provisions** under this group amounted to 56.696 mil.euro, which indicates that the share of reinsurers amounted to 9.33% (or 5.837 mil.euro). The value of gross technical provisions for non-life insurances was reduced in relation to the end of 2013 for 3.23% or for 2.089 mil.euro (64.623 mil.euro). Moreover, the value of net technical provisions of this insurance group was reduced for 3.07%, or for 1.797 mil.euro (58.494 mil.euro). **Gross technical provisions** at the level of life insurance companies amounted to 33.352 mil.euro, while the **net technical provisions** of this group amounted to 32.911 mil.euro. This indicates that the share of reinsurers in the gross technical provisions of life insurance amounted to 1.32% (or 441 thousand euro). The value of gross technical provisions of life insurance increased in relation to the end of 2013 for 18.88%, or for 5,298 mil.euro (28.054 mil.euro). Moreover, the value of net technical provisions of this group increased for 18.97%, or for 5.248 mil.euro (27.663 mil.euro). This indicates that the growth of technical provisions at the level of the entire insurance industry was influenced by the growth of life insurance technical provisions.

Table 4. Gross and net technical provisions in respect to insurance groups on 31 December 2014 (€)

Insurance group	Net technical provisions		Gross technical provisions	
	Amount (€)	Share(%)	Amount (€)	Share (%)
Life insurance	32.910.730	36,73	33.351.891	34,78
Non-life insurance	56.696.412	63,27	62.533.403	65,22
TOTAL	89.607.142	100	95.885.294	100

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.

Application of the new Rulebook on depositing and investing technical provision funds and guarantee reserve funds of insurance companies, which defines types of placements of reserve funds and restrictions concerning investments into stipulated asset types, started on 1 January 2014. The new bylaw ensures higher alignment with solutions envisaged by the Law on Insurance from 201, as well as with the EU directives that regulate this matter. The following has, *inter alia*, been introduced:

- *principle of safety, yield and marketability of assets* that the insurance companies are obliged to follow when selecting the type of assets and amount of investment;
- *principle of gross presentation of assets categories for coverage of technical provisions, with separation of asset types intended for coverage of technical provisions and for coverage of mathematical reserves;*
- *closer conditions for investments into real estate, which are: that real estate have to generate revenue, that there is no burden over real estate and that their value is to be determined in accordance with international accounting standards;*
- new types of assets that could be used as coverage for technical provisions have been prescribed, such as: share of reinsurer in technical provisions; advance payments and loans granted to policyholders up to the amount of surrender value and receivables from policyholders on the basis of premium not older than 60 days (this form is permitted for coverage of 1/3 of capital);

- more strict criteria for standing evaluation of debt securities of foreign legal entities (Standard & Poor's or Fitch-IBCA, the previous rulebook at least BBB and Moody's with at least sa A2, previous rulebook at least Baa3).

The analysis of placement of gross technical reserve funds at the level of insurance market indicate that at the end of 2014 insurance companies out of total gross technical reserve funds deposited and invested 95,885,293 euro (100%) into *stipulated asset forms*, while 95,714,948 euro of total gross technical reserve funds (99.82%) were placed by application of *total and individual restrictions stipulated by the Rulebook*.

Life insurance companies placed 33,351,891 euro of gross technical provisions (or 100% of total gross technical provisions for life insurance) into *stipulated asset forms*, while the amount of 33,181,547 euro of net technical reserves of life insurance (99.49%) were placed into *stipulated asset forms including the restrictions stipulated by the Rulebook*, therefore the full coverage of technical provisions of this group required funds in the amount of 170,345 euro. During the observed period the insurance companies, engaged in non-life insurance invested and deposited gross technical provision funds in the amount of 62,533,402 € (100% of the total gross technical provisions of non-life insurance) in compliance with the *stipulated asset forms* and with application of the restrictions *stipulated by the Rulebook* (100%).

The analysis of the structure of total technical provision funds deposited and invested into prescribed asset forms and in accordance with restrictions, of 31 December 2014, indicate that the highest share of 60.43% (2013- 44.20%) was made by investments into state bonds (Eurobonds, old savings bonds, Labor Fund bonds, etc...), which amounted to 57.837 mil. euro. Namely, companies that provide life insurance invested 27.330 mil. euro into state bonds out of total gross technical reserve funds, while the non-life insurance companies invested into this form of assets the amount of 30.507 mil. euro. Bank deposits, as the permitted form of technical reserve investments, achieved share of 21.50% or 20.578 mil. euro (life insurances deposited funds in the amount of 5.145 mil euro into banks, while the non-life insurances deposited the amount of 15.433 mil. euro), investment real estate recorded 8.47% or 8.106 mil. euro, shares made 2.26% or 2.167 mil. euro, share of reinsurers in the technical provisions amounted to 6.26% or 5.991 mi. euro, while the cash accounted for 1.036 mil.euro and contributed with 1.08%.

Figure 11. Structure of deposited and invested gross technical provision funds of life insurance in line with restrictions stipulated by the Rulebook on 31 December 2014 (%)

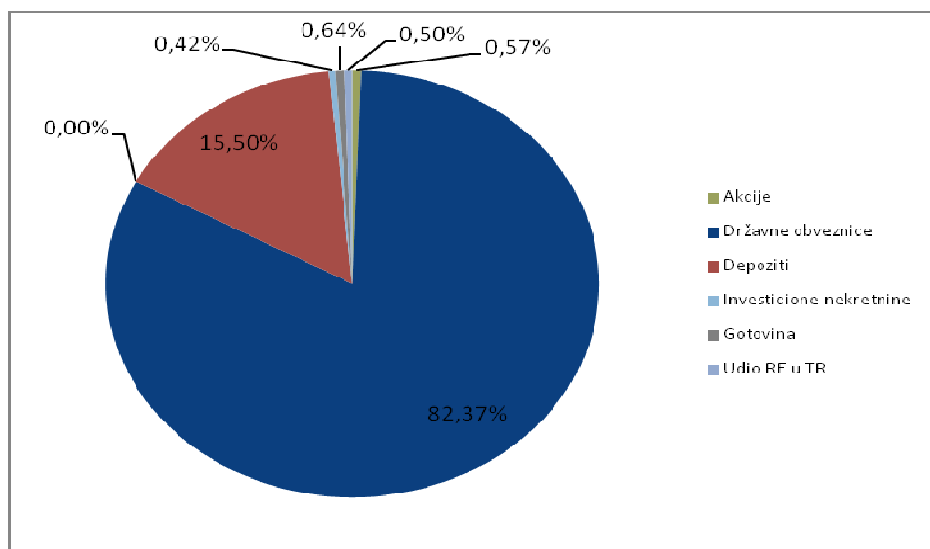


Figure 12. Structure of deposited and invested gross technical provision funds for non-life insurance in line with restrictions stipulated by the Rulebook as of 31 December 2013 (%)

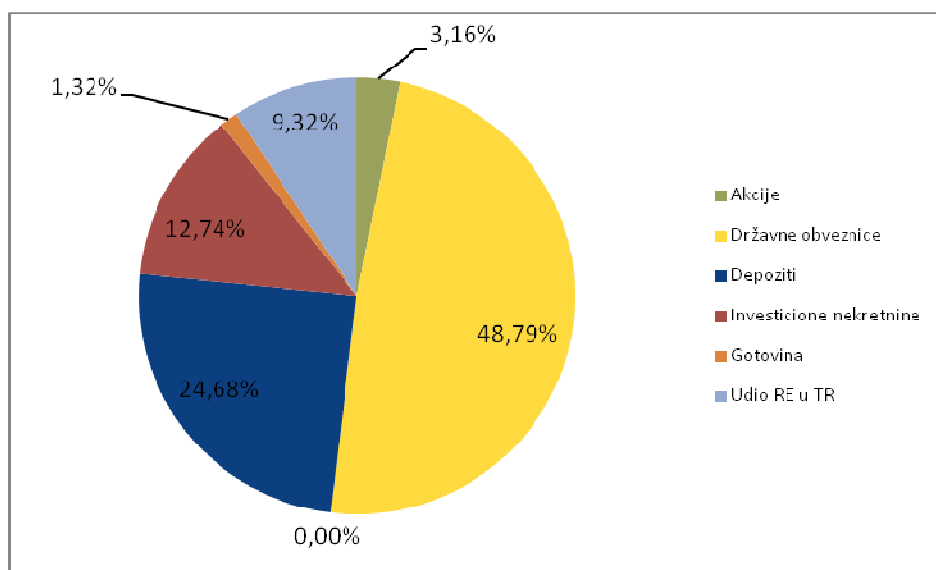
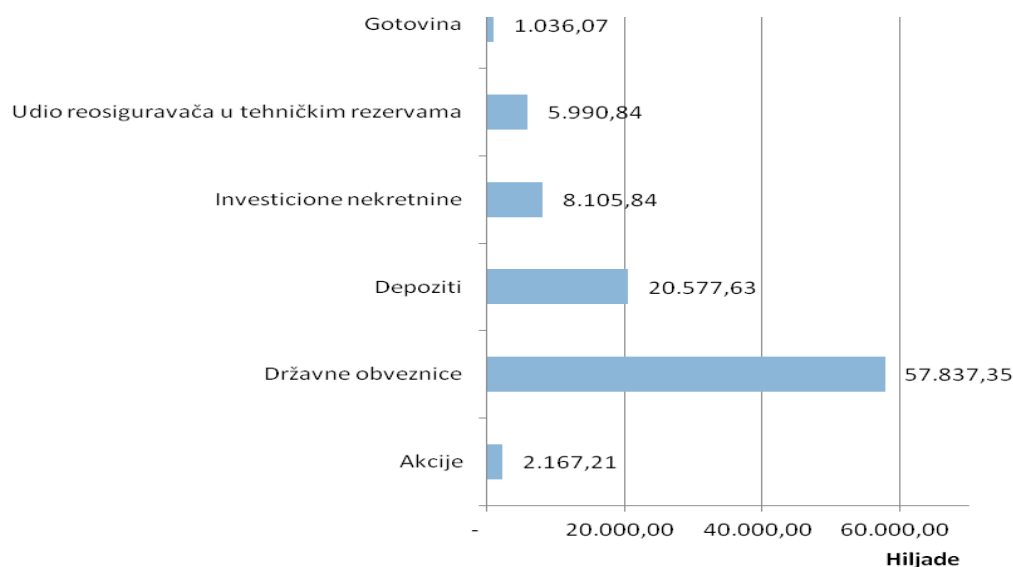


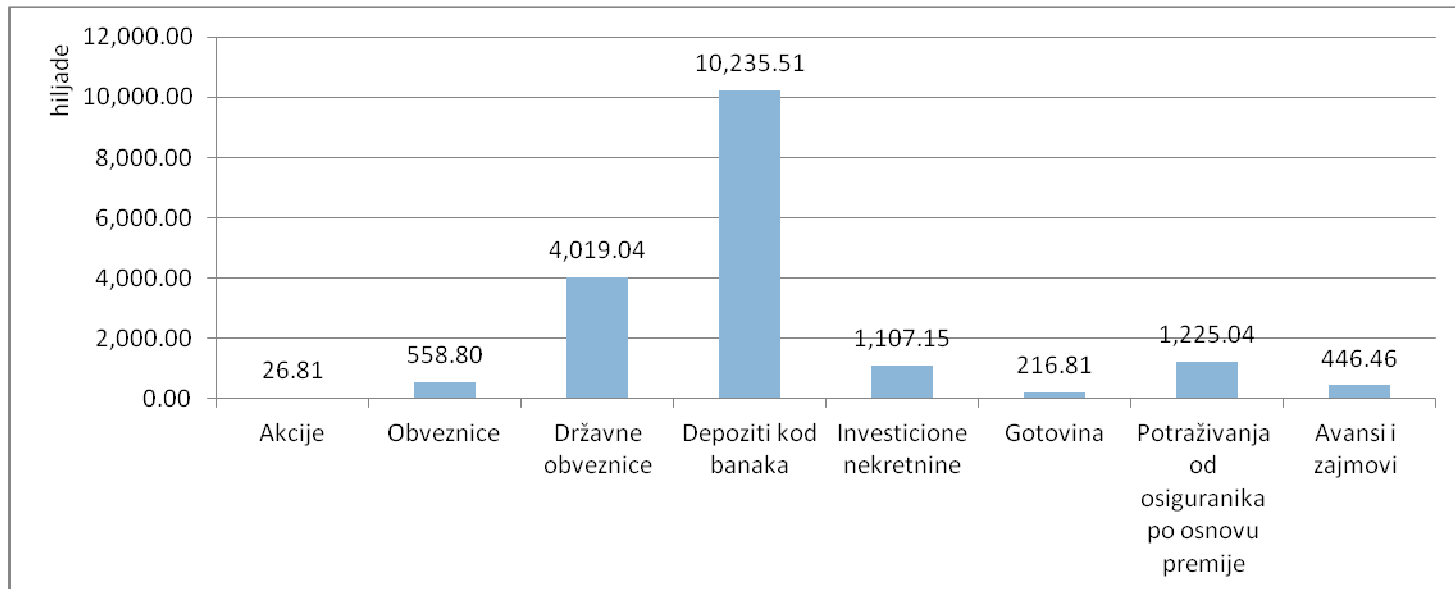
Figure 13. Structure of deposited and invested gross technical provision funds at the market level in line with restrictions stipulated by the Rulebook as of 31 December 2014 (Euro)



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 funds and guarantee reserve funds of insurance companies, companies are obliged, in addition to gross technical provisions, to deposit and invest at least 1/3 of capital funds into prescribed forms of assets and in accordance with the restrictions. At the end of 2014, Montenegrin insurance companies invested 45.01% of total capital funds at the market level, or 17.836 mil euro. Regarding the structure of deposited and invested capital funds, it can be noticed that the highest share of 57.39% had bank deposits, which amounted to 10.236 mil. euro, followed by the state bonds with their share of 22.53% or the amount of 4.019 mil. euro. Receivables from policyholders on the basis of premium not older than 60 days, as the new form for investment of capital funds, recorded share of 6.87% or 1,225 mil.euro. The investment real estate had the share of 6.21% or 1.107 mil. euro, bonds issued by another country were 3.13% or the amount of 559 thousand euro, advanced payments and loans provided to policyholders together up to the surrender value on the basis of life insurance contract (also a new form of assets) were 2,50% or 446 thousand euro, and cash was 1.22% or the amount of 217 thousand euro.

Figure 14. Structure of invested and deposited capital funds at the market level on 31 December 2014 (THOUS.€)



VII FINANCIAL OPERATING RESULTS

Insurance sector in 2014 continued with the trend that had commenced in 2011 and achieved the net positive result in the amount of 4.047 mil. euro.

Out of eleven insurance companies that were operating in 2014, eight companies generated profit in the total amount of 4.750 mil.euro, while remaining three insurance companies made loss in the total amount of 704 thousand euro.

Grawe osiguranje, Sava Montenegro, Generali osiguranje Montenegro, Lovćen životna osiguranja, Uniqa životno osiguranje, Lovćen osiguranje, Swiss osiguranje and Merkur osiguranje had positive operating results in 2014.

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 2014 all insurance companies at the Montenegrin insurance market 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 ratio between the capital and solvency margin for the entire insurance sector in Montenegro was 248.32%, which indicates that all companies were solvent on 31 December 2014. Namely, the calculated solvency margin at the level of all insurance companies at the end of 2014 was 15.958 mil.euro, while the capital amounted to 39.628 mil.euro.

Table 20. Solvency of insurance companies on 31 December 2013 and 31 December 2014

	Solvency margin (€)	Capital (€)	Ratio between capital and solvency margin (%)
Total for 2013	16.353.288	35.196.828	215,23
Total for 2014	15.958.301	39.628.189	248,32
Index of changes	102,48	88,82	-

Observed in relation to the insurance groups, the calculated solvency margin for life insurance companies at the end of 2014 amounted to 2.263 mil. euro and the capital amounted to 16.637 mil. euro. Ratio between the capital and the solvency margin for this insurance group amounted to 735.2%. The calculated solvency margin at the level of non-life insurance companies at the end of 2014 amounted to 13.695 mil. euro and the capital amounted to 22.991 mil. euro, which indicates that the ratio between the capital and solvency margin for this insurance margin amounted to 167.88%.

Table 21. Solvency by insurance groups on 31 December 2014

	Solvency margin (€)	Capital (€)	Ratio between capital and solvency margin (%)
TOTAL for 2014	15.958.301	39.628.189	248,32
Life insurance	2.263.219	16.637.438	735,12
Non-life insurance	13.695.081	22.990.751	167,88

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 72.417 mil.euro in 2014, which represents a slight decline for 0.49% if compared to 2013. At the same time, the premium transferred to the reinsurance was 10.690 mil.euro or 14.76% of the written gross premium, which shows a reduction by 5.90% if compared to 2013, while the share of reinsurance premium in the gross written premium remained almost at the same level as in the previous year (a slight decrease of share for around 1 percentage point was made -15.61%). During 2014 the companies were approved to commission by the reinsurers in the amount of 1.781mil.euro.

The share of reinsurers in the gross processed claims (without costs for processing and payment of claims) in 2014 was 3.119 mil.euro or 10.22% of gross processed claims at the market level, showing the increase for 39.22% if compared to 2013 when it was 2.240 mil.euro.

Table 22. Share of reinsurers in the gross premium, processed claims and gross technical provisions on 31 December 2014

	2013	2014	Change(%)
Written gross premium	72.774.509	72.416.868	-0,49%
Premium transferred to reinsurance	11.360.307	10.689.866	-5,90%
Commission approved by reinsurers	1.633.852	1.781.131	9,01%
Gross processed claims (not including costs of processing and paying these claims)	26.862.749	30.524.265	13,63%
Share of reinsurance in gross processed claims	2.240.293	3.119.001	39,22%
Share of reinsurance in gross technical provisions	6.502.690	6.267.001	-3,62%

8.3 PROFITABILITY

Net realized technical result

Net realized technical result, as the assessment 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, indicates whether the established tariff system is sufficient for settling future obligations in terms of claims and other obligations of companies. On 31 December 2014 this indicator for non-life insurance in Montenegro amounted to 0.68 (less than 1) and indicates that net realized technical loss was for 32.44% lower than the net realized technical premiums. This means that the established tariff system of premiums for majority of non-life insurance classes is sufficient to cover liabilities arising from the insurance contract.

Table 23. Net realized technical result by insurance classes on 31 December 2014

Class of insurance	Realized technical premium in self-retention	Realized loss in self-retention	Realized technical result in self-retention
Accident insurance	5.878.833	7.144.203	1,22
Health insurance	578.575	521.646	0,90
Motor vehicle insurance	2.935.273	3.064.683	1,04
Railborne vehicle insurance	47.359	-1.511	0,00
Aircraft insurance	37.811	-9.711	0,00
Watercraft insurance	22.470	10	0,00
Insurance of goods in transport	-16.565	4.798	1,30
Property insurance against fire and other risks	542.392	547.338	1,01
Other property insurances	1.098.815	834.524	0,76
Liability insurance for use of motor vehicles	25.109.228	12.872.840	0,51
Liability insurance for use of aircrafts	15.729	8.383	0,53
Liability insurance for use of watercrafts	64.980	7.182	0,11
Liability insurance against general damage	339.860	86.420	0,25
Credit insurance	90.685	30.329	0,33
Commercial guarantee insurance	14.225	2.132	0,15
Financial loss insurance	31.632	549	0,02
Insurance of legal remedy costs	206	0	0,00
Travel insurance	359.202	-6.952	0,00
Other non-life insurances	23.378	8.916	0,38
TOTAL	37.174.088	25.115.780	0,68

Profitability of assets and equity

Eight companies recorded positive net results and return on equity and capital on 31 December 2014. RoA – return on assets, as a ratio of net results and total assets, represents a measure of return on total assets in 2014 generated by employing funds in insurance operations, investments, etc. From the aspect of all insurance companies there is a positive net result and thereby the return on total assets of 2.40% (2013 – 1.91%). Profitability of assets of life insurance companies at the end of 2014 amounted to 3.03% (2013 - 1.35%), whilst the profitability of assets of non-life insurance companies amounted to 2.09% (2013 - 2.15%). ROE – return on equity, as a ratio between net result and capital (own funds) of insurance companies represents a measure of return on own funds. Furthermore, the positive return on equity in the amount of 8.51% (2013 – 7.07%) was generated in 2014 at the level of the entire insurance sector. Profitability of own capital (equity and reserves) of life insurance companies amounted to 8.42% (2013 – 3.76%) and 8.57% (2013 – 9.18%) with non-life insurance companies.

Table 24. Profitability indicators on 31 December 2014

	Assets (€)	Capital (€)	Net profit/loss (€)	ROA	ROE
TOTAL	168.943.756	47.544.777	4.046.752	2,40	8,51
Life insurance	54.624.479	19.675.299	1.656.990	3,03	8,42
Non-life insurance	114.319.277	27.869.478	2.389.762	2,09	8,57

8.4 LIQUIDITY

The liquidity ratio as of 31 December 2014 for insurance companies in Montenegro was 8.31, which indicates the sufficiency of liquid assets for settling short-term liabilities⁸.

8.5 CLAIMS INDICATORS

Timelines in settling claims

The total number of reported claims in 2014 increased for 12.45% and amounted to 37.842, while in 2013 amounted to 33.651. There was a high level of timelines at the level of the insurance industry since 92.26% of total claims were processed, which is better than in 2013 when 90.05% of claims had been processed.

Observed in respect to insurance groups, the timelines in processing claims in life insurance in 2014 was at a high level and amounted to 93.52% (2013 – 88.05%). 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 92.14% (2013 – 90.20%).

⁸ 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 25. Timelines in processing claims by insurance classes for the insurance market on 31 December 2014

Insurance class	Number of processed claims	Total number of claims	% timeliness
Accident insurance	11.320	11.989	94,42
Health insurance	2.820	3.055	92,31
Motor vehicle insurance	3.307	3.540	93,42
Railborne vehicle insurance	4	4	100,00
Aircraft insurance	1	1	100,00
Watercraft insurance	1	1	100,00
Insurance of goods in transport	163	163	100,00
Property insurance against fire and other risks	354	394	89,85
Other property insurances	2.016	2.315	87,08
Liability insurance for use of motor vehicle	10.955	12.071	90,75
Liability insurance for use of aircraft	85	92	92,39
Liability insurance for use of watercraft	19	20	95,00
General damage liability insurance	417	468	89,10
Credit insurance	25	25	100,00
Commercial guarantee insurance	7	7	100,00
Financial loss insurance	8	10	80,00
Insurance of legal remedy costs	0	0	-
Travel insurance	327	388	84,28
Other non-life insurances	12	13	92,31
Total non-life insurance	31.841	34.556	92,14
Life insurance	2.470	2.528	97,71
Annuity insurance	21	21	100,00
Additional insurance	582	737	78,97
Other life insurances	0	0	-
Total life insurance	3.073	3.286	93,52
TOTAL	34.914	37.842	92,26

Claim ratio

Gross claim ratio of non-life insurance is indicator that represents the ratio between the gross occurred claims (claim expenses – 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 2014, 44.40% of the realized premium, same as in 2013, referred to the gross claim expenses.

Table 26. Gross loss ratio for non-life insurance on 31 December 2014

	Gross processed claims	Gross earned premium	Gross claim ratio
Non-life insurance	26.745.410	60.235.132	44,40

Net claim ratio for non-life insurance is calculated as the ratio between the sum of net occurred 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 2014, this indicator amounted to 49.14% (2013 – 49.75%), respectively 49.14% of the net earned insurance premium referred to the net claim expenses (incurred during the observed period).

Table 27. Net claim ratio for non- life insurance on 31 December 2014

	Net processed claims	Net earned premium	Net claim ratio
Non-life insurance	24.784.509	50.433.454	49,14

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 43.77% (2013 - 44.88%) at the end of 2014. Namely, insurance-related costs take 43.77% 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 49.11% (2013 - 51.05%) of the net earned premium at the level of all insurance companies relate to costs arising from the insurance operations.

Table 28. Expense ratio for non-life insurance on 31 December 2014

	Costs for conducting insurance and other operating costs	Earned premium	%
Gross expense ratio	26.361.949	60.235.132	43,77
Net expense ratio	24.767.798	50.433.454	49,11

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 2013, 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 88.17% or 98.25% of the earned insurance premium (2013 – gross combined ratio amounted to 89.29%, whilst the net combined ratio amounted to 100.80%)

Table 29. Combined ratio as of 31 December 2014

	Gross	Net
Claim ratio	44,40%	49,14%
Expense ratio	43,77%	49,11%
Combined ratio	88,17%	98,25%

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 2014

During 2014, the activities were implemented on adoption of secondary legislation required for operations of the Association and in accordance with the Law on Compulsory Traffic Insurance, which are as follows:

- a) New Rulebook on arbitration together with decision on selection and appointment of the arbitration members of the Association – National Bureau;
- b) Decision on amendments to the MVL premium tariff system;
- c) MVL tariffs were harmonized with the provisions of the Law on Compulsory Traffic Insurance;
- d) The Activity Plan was determined for implementation of the second phase of the Bureau's Information System; decision was issued on the manner to finance upgrading of the Information System;
- e) Proposal on the GFAO contribution for 2015 was made.

Moreover, as a part of its regular activities, the Decision was made on acceptance of the Opinion issued by the authorized auditor regarding the Annual Financial Report of the national Bureau, as well as the Decision on adoption of the Annual Financial Report of the Association for 2013. The Decision was also made on adoption of the Operational Plan of the Bureau for 2015. Reselection and appointment of the executive director of the Association – National Bureau, Mr. Saban Boris, was completed at the beginning of 2014.

9.2 Calculation of the Guarantee Fund profit in 2014

The Guarantee Fund has a special importance within the Association and insurance companies engaged in compulsory insurance activities allocate funds for its operations from the sold insurance policies. The purpose of such funds is payment of damages caused by the use of unknown or uninsured vehicles, aircrafts, watercrafts or other means of transport, as well as damages caused by these means of transport if insured with the insurance companies whose operating license was revoked or if bankruptcy or liquidation proceeding was initiated against such company. In addition to stated damages, the funds of the

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.

The Guarantee Fund funds that the Association had on its disposal in 2014 amounted to 1,729,098.62 €. During 2014, the Association paid claims in the amount of 928,921€, whereof damages abroad amounted to 135,189 € and damages in country 793,732 €.

During the reporting period, out of total number of claims to be processed (615 claims – whereof 186 claims were transferred from 2013, 384 claims were reported in 2014 and 45 claims were reactivated) the Association processed 466 claims, whereof 164 requests for payment of claims were rejected and 302 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: 12



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: 69

GRAWE OSIGURANJE AD

Address: ul. Novaka Miloševa 6/II, 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: 12



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: 301

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@lovcentzivot.me

Web: www.lovcentzivot.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: 10

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

Insurance Supervision Agency of Montenegro



Akcionarsko društvo za osiguranje

Član Sava Re Grupe

Class of insurance: non-life insurance

Number of employees: 156



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: 30

UNIQA NEŽIVOTNO 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@uniqa.co.me

Web: www.uniqa.co.me

Class of insurance: non-life insurance

Number of employees: 124



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@uniqa.co.me

Web: www.uniqa.co.me

Class of insurance: life insurance

Number of employees: 24

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: 8

