



**REPUBLIC OF ALBANIA**  
**-COMPETITION AUTHORITY -**  
**Competition Commission**

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**DECISION**

**No. 49, Dated 21.03.2007**

**On**  
**Recommendations for the amendment of some normative**  
**acts issued in relation to the insurance sector**

The Competition Authority , in its meeting held on 21.03.2007, with the participaton of:

- |                           |                 |
|---------------------------|-----------------|
| ▪ Ms. Lindita Milo (Lati) | Chairwoman      |
| ▪ Mrt. Lush Përpali       | Deputy chairman |
| ▪ Ms. Servete Gruda       | Member          |
| ▪ Mr. Koço Broka          | Member          |

Discussed the following issue :

Subject : Limitation of competition as a result of some administrative barriers applied through bylaws related to compulsory insurance of motorized vehicles.

Legal basis : Law No. 9121, dated 28.07.2003, titled “On Protection of Competition”, Article 24, letters “d” and “f”.

Upon review of the Report prepared by the Work Group, dated 09.03.2007, the report of the Secretary General attached to the former report, the hearing of the parties subjected to investigation, a consulting session with the Authority of Financial Supervision, and the review of related documentation

**NOTED THAT:**

1. The market of compulsory insurance, at the level of the trading of Border Policy Insurance, presents itself as a market with one retail seller. The UDSA sales the insurance policy on behalf of eight insurance companies, specifically: Sigal, Sigma, Atlantik, Intersig, Interalbanian, Albsig, Eurosig and Insig.
2. The distribution of income from the sale of Border Policy Insurance is done by ordinance of the Minister of Finance, and based on the TPL market share that each company occupies in the compulsory insurance market during the preceding financial year.
3. The insurance market it is not completely liberalized. The bylaws issued by the Minister of Finance, establish the minimal and maximal limit of compulsory insurance prime, as well as other elements related to the sale and administration of compulsory insurance policy.
4. The contracted agent UDSA, responsible to provide this service, sales the compulsory border insurance with the same price.
5. The bylaws issued by the Minister of Finance "On sales and administration of Border Policy Insurances by Albanian Insurance Bureau, which:
  - Formalize an agreement, which purpose and effect is the limitation of competition;
  - Empower the Albanian Insurance Bureau to sign contracts with only one agent;
  - Cause the concentration of this market at the sale/trading level;

are beyond the competencies established by Law No. 8729, dated 18.1.2001, titled "On some additions and amendments of the Law No. 7641, dated 1.12.1992, titled "On the approval with amendments of Decree No. 295, dated 15.9.1992 "On compulsory insurance held by owners of motorized vehicles for third parties' liabilities", and the Statute for the functioning of the Albanian Insurance Bureau.

6. The offering of sale services for Border Policy has been distorted because of the implementation of Ordinance No. 14, dated 6.5.2005 "On the sale and administration of Border Insurance Policy by the Albanian Insurance Bureau", issued by the Minister of Finance. This ordinance is not in compliance with Law No. 8729, dated 18.1.2001, titled "On some additions and amendments of Law No.7641, dated 1.12.1992 "On approval with amendemets of the Decree No. 295, dated 15.9.1992 "On cumpulsory insurance of owners of motorized vehicles for third parties' liability", as well as the statute of the Albanian Insurance Bureau.
7. This legal divergence, has continued with the issuance of a nominal act issued by the Minister of Finance, No. 3188/5, dated 23.6.2005, for the

approval of the regulation “On the administration of the production, emission and sale of Border Insurance Policy”.

8. Ordinance No. 25, dated 26.6.2006, issued by the Minister of Finance, has provided for some partial amendments of the Ordinance No. 14, dated 6.5.2005, “On the sale and administration of Border Insurance Policy by the Albanian Insurance Bureau”, but still, the market of production and trading of the border insurance policy, continues to be constituted by a sole agent.

**FOR THESE REASONS:**

The Competition Authority, pursuant to Article 24, letters “d” and “f”, of Law No.9121, dated 28.07.2003, titled “On Protection of Competition”,

**RECOMMENDS:**

**A. To the Minister of Finance:**

1. Complete abolition of Ordinance No. 14, dated 6.5.2005, “On sale and administration of border police by the Albanian Insurance Bureau”, issued by the the Ministry of Finance, as well as other related ordinances issued in the support of the former, and that are related to the distribution of income from the sale of border policy.
2. Abolition of Ordinance No. 25, dated 26.6.2006, “On some amendments of the Ordinance of the Ministry of Finance No.14, dated 6.5.2005, “On sale and administration of border insurance policies by the Albanian Insurance Bureau”.
3. The procedures for issuance and administration of compulsory insurance policy, which is competence of the Albanian Insurance Burea, should be supervised by the Authority of Financial Supervision.
3. Review of Law No. 7641, dated 01.12.1992, “On approval with adequate amendments of the Decree No.295, dated 15.09.1992. “On compulsory insurance of Owners of Motoric Vehicles, for Third Parties’ liabilities”, that aim the liberalization of market, with the aim to make it more competitive. The changes will focus on:

Abolishment of Articles 7 and 10 of the “Regulation On Some Additions to the Regulation 622/1, dated 15.2.1992, titled “On compulsory insurance of Holders of Motoric Vehicles for third parties’ liabilities””, by which [articles] the Minister of Finance is granted the right to issue the periodical ordinance “On the approval of compulsory insurance prime of Owners of Motoric Vehicles for Third Parties’ liabilities”, a right which is in breach of Law No. 9121, dated 28.07.2003, titled “On Protection of Competition”.

5. Review of Law No.9267, dated 29.07.2004 “For the activity of insurance, re-insurance and intermediation for insurance and re-insurance,” by introducing a legal obligation, according to which any company, within a given time limit, but no longer than one year, should provide for the installation of an on-line system.

#### **B. To the Authority of Financial Supervision**

In order to avoid informality in the insurance market, the responsible Authority for the supervision of the insurance market should perform the following:

- a) Create a complete package of rules with direct impact on financial supervision, using the best experience of banking supervision sector, in accordance with the Law 9121, dated 28.7.2003, titled “On Protection of Competition”.
- b) Regulate the sale of compulsory insurance policies through the application of controls and standards, as well as by implementing sanctions when the rules are breached.

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The Secretary of the Competition Authority is in charge to communicate this decision to the Ministry of Finance and to the Authority of Financial Supervision.

This decision enters into effect immediately.

This Decision was proclaimed today, on 21.03.2007, in Tirana

#### **COMPETITION COMMISSION**

**Lush Përpali**  
(\_\_\_\_\_) **Deputy Chairman**

**Servete Gruda**  
(\_\_\_\_\_) **Member**

**Koço Broka**  
(\_\_\_\_\_) **Member**

**Lindita Milo (Lati)**

**CHAIRWOMAN**