



REPUBLIC OF ALBANIA
-COMPETITION AUTHORITY -
Competition Commission

No.____ Prot.

Dated : 17/ 02 / 2009

DECISION

No. 105, dated 24.03.2009

On

**“Some recommendations and measures for the re-establishment of competition
in the obligatory insurance market for the product internal TPL”**

The Competition Authority, in its meeting held on 24.03.2009, with the participation of:

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

Discussed the following issue :

Subject: The in-depth investigation report in the obligatory insurance market for the product internal TPL.

Legal basis : Article 24, letter “d”, and Article 70, paragraph 2 of Law No. 9121, dated 28.07.2003, titled “On the Protection of Competition”.

The Competition Commission, pursuant to Decision No. 45, dated 19.01.2007 “On the launching of in-depth investigation in the obligatory insurance market for the product internal TPL”, and upon review of the In-depth Investigation Report in the Obligatory Insurance Market for the Product Internal TPL, prepared by the Working Group,

NOTED THAT:

1. The undertakings under investigation:

- The Company “Siguracioni Shqiptar”, sh.a. (Sigal),
- The Company “Siguria e Madhe” sh.a. (Sigma),

- The Company InterAlbanian sh.a.,
- The Company Atlantik sh.a.,
- The Company Intersig sh.a.’
- The Company “Albsiguracione” (Albsig),
- The Company Eurosig ShA (formerly called “Dukagjini”)

The abovementioned parties, under the act of foundation dated 16.01.2006, have created a joint venture, the Agency for Vehicle Insurance (AVI), for trading the obligatory insurance police interior TPL.

The Agency for Vehicle Insurance is a company registered with the Court of Tirana, through Decision 35162, dated 09.03.2006 and is licensed by the Insurance Supervision Authority, with License No. 4, dated 12.04.2006 "For the exercise activity as insurance agent." This company has initiated the exercise of its activity in June 2006.

The main goal of the company was marketing its product, interior TPL through a system on-line. This was one on the basis of the obligation stipulated in Decree No. 192 of 2005 “On the criteria and procedures for licensing of insurance agents, and rules on the monitoring of their activities. ”

In December 2006 have begun exercising the activity of trading obligatory insurance products through systems on-line insurance companies themselves. In March 2007 the Agency for Vehicle Insurance has finally stopped its actual activity, although continues to be registered in court and licensed by the AMF.

2. Relevant market

- a. **Product market:** The trading of the obligatory insurance police for holders of motorized vehicles, internal TPL.

Internal TPL is a contract with 1 year term, the form and content of which is approved by the Minister of Finance. This product enters the class of compulsory insurance is unique in its kind, so there is no substitute.

- b. **Geographical market:** The territory of Albania.

3. Market shares

- 3.1. For the year 2006, eight insurance companies exert their activity at the same market level (market upstream), each of them owning as follows: Sigal (27.34%); Sigma (18.40); Atlantik (11.39%); Intersig (8%); InterAlbanian (7.05%); Albsig (5.95%); Eurosig (3.23%) dhe Insig (18.64%).

Given the number of companies operating in the market, we can say that the market appears as an oligopoly.

- 3.2. During the period March 2006-December 2006, the trading of internal TPL product (downstream market) has been operated in the only two agents: the

Agency for Vehicle Insurance and INSIG, with respective market shares: (82.78%) and (17:22%). The market has the characteristics of a duopoly. The trading of the product by these two companies is realized only through the on-line system.

The division of market between the two companies (the Agency for Vehicle Insurance and INSIG) enabled INSIG to expand its market share with this service.

4. The evaluation of competition

- 4.1 The insurance market is a regulated market. The Agency for Financial Monitoring is the specific regulator of the insurance market.
- 4.2 The trading of internal TPL product only through the joint venture Agency for Vehicle Insurance during the period June-December 2006, has brought changes in the structure of the insurance market at the level of the trading of this product, and has affected the level of competition in the market. This concentration of trading in a single agent, significantly reduced the number of competitors in the market of trading of internal TPL product.
- 4.3 The informatization of the network system (the system on-line) at the Agency for Vehicle Insurance, as a result of the obligation deriving from legal acts and the fragility of the Agency for Financial Monitoring to oversee the market, enabled the strengthening of control of this market, formerly almost being an informal market, by the specific regulator, i.e. of the Agency for Financial Monitoring.
- 4.4 The insurance companies downplayed abuse of the sale of the insurance policy by, increasing the collected income of the risk prime, as well as improving the quality of customer service to deal with damages.
- 4.5 The Agency for Vehicle Insurance has not acted as an independent market agent. The trading of the product in such a way that it was concentrated only on the Agency for Vehicle Insurance, facilitated the coordination of behavior among insurance companies with regard to making important decisions.
- 4.6 The insurance companies, through the narrow TPL market division, forced consumers to buy insurance at a designated supplier, thus by limiting them the possibility of choice, which causes the reduction of the quality of services.
- 4.7 The by-laws issued by the Finance Minister, during the period under investigation, determined the minimum and maximum limit of the clean prime of mandatory insurance and other elements related to the sale and management of insurance policies. The Minister of Finance Ordinance No. 12, dated 18.04.2006 "On approval of pure insurance prime for obligatory

insurance of holders of motorized vehicles for third party liability " – under paragraph 2 defines a margin of 20-25% for expenditures that would add to the pure prime. This means that the companies should not have implemented the same price for the product TPL, whereas in fact the trading of insurance policies from the Agency for Vehicle Insurance was made with the same price.

- 4.8 The Agency for Vehicle Insurance has been operating in the market for short-term a period of (June-December 2006) as the sole agent for on-line trading of the TPL product. Currently, the Agency for Vehicle Insurance, de jure owns a license to exercise activities as an agent, but de facto is not present in the market since December 2006.

FOR THESE REASONS:

The Competition Commission, pursuant to Article 24, letters “d” and “f”, and Article 70, paragraph 2, of the Law No.9121, dated 28.07.2003, titled “On the Protection of Competition”,

DECIDED:

To recommend to the Insurance Monitoring Agency the following measures:

1. To notify the Competition Authority for each draft normative act that could have implications on competition in the market.
2. To require the opinion of the Authority for any changes regarding the structure of the insurance market, which can bring consequences for competition.

This decision enters into effect immediately.

THE COMPETITION COMMISSION

Lush Perpali

Servete Gruda

Rezana Konomi

Koço Broka

(_____)

(_____)

(_____)

(_____)

Deputy Chairman

Member

Member

Member

Lindita Milo (Lati)

CHAIRWOMAN

Arguments to support the vote against Decision No. 105, dated 03. 2009, “On some recommendations and measures for the re-establishment of competition in the obligatory insurance market-Internal TPL”

With regard to the aforementioned decision, I declare my vote against for the following reasons

1. The decision conveys an eclectic, evasive positioning such that it fails to reflect and neither complies with the positions expressed in the previous decisions made by the Commission, or the meetings and discussions of the Commission held on the dates: 19. 01. 2007 and 12. 03. 2009; in the information and Reports of the Working Groups: Information on Preliminary Investigation, January 2007; “On the Report of In-depth Investigation in the obligatory insurance market-Internal TPL”, dated 23. 02. 2009; the Report by the Secretary General, dated 23. 02. 2009; Decision No. 45, dated 19. 01. 2007 adopted by the Competition Commission, titled: “On the launching of In-depth Investigation in the obligatory insurance market – TPL product (internal TPL, Border Police, Green Card)”; the invitation delivered to the Insurance Companies to attend the hearing session held on February 2009; the notes verbal submitted to Mrs. Jozefina Topalli (Coba) – Speaker of Parliament, Mr. Fatos Beja-Head of the Parliamentary Commission for Legislation, Mr. Edmond Spaho - Head of the Parliamentary Commission for Economy; the internal correspondence with the Working Group and the Secretary General concerning the conduct of a regular procedure for the investigation on insurance companies, etc.
2. The decision-making does not address the issue of infringement of Law No. 1921, dated 28. 07. 2003, titled: “On the Protection of Competition” by the company ASA, which is being investigated, but only addresses some recommendations and measures for the re-establishment of competition in the obligatory insurance market-Internal TPL, that are submitted to the Financial Monitoring Authority. Personally, I support the opinion that the Competition Commission must state that ASA Company is being investigated pursuant to Article 4, paragraph 1, letters “a”, “b” and “c”, or Articles 10, 12 and 53 of Law No. 1921, dated 28. 07. 2003, titled: “On the Protection of Competition” (amended), in spite of the changes that have taken place in the activities of ASA Company and that result from the findings of the majority of the Working Group, and the evidence and facts provided.

24. 03. 2009

Koco Broka