



**REPUBLIC OF ALBANIA
COMPETITION AUTHORITY**

Press release

On Competition Commission's decision to establish the terms and obligations to the insurance undertakings and to re-establish competition in the market of Compulsory third party liability insurance of motor vehicles

The Competition Commission, on the meeting of 30.07.2014, analyzed the report of the in-depth investigation on the market of Compulsory third party liability insurance of motor vehicles "and claims of the undertakings operating in the insurance market participant in the hearing sessions held on 22 and 23 July 2014 and / or filed to the Competition Authority.

After preliminary investigation and monitoring process, Competition Commission with Decision No. 310, of 03.31.2014 decided to open the procedure for in-depth investigation Compulsory third party liability insurance of motor vehicles that operate in this market.

Necessary inspections are conducted at the premises of the undertakings under investigation to collect facts and data necessary for the investigation process. They also gathered administered information from all insurance undertakings and their agents, Star Broker and other licensed brokers, Albanian Insurance Bureau (AIB) as well as Albanian Financial Supervisory Authority AFSA in the quality of the regulatory body in this market.

Investigative procedures showed that the behavior of the undertakings operating in the relevant market during the period under investigation is inconsistent with the principles of free and effective competition in the market, because the determination of insurance tariffs and market shares must be done individually and between independent undertakings under investigation

Insurance undertakings presented their commitments under Article 45/2 of the law by confirming that it has begun testing process, an individualized system of compulsory insurance 'Bonus Malus' and this test will end on 22 August 2014 to become functional for the market.

Insurance undertakings statement is that the payment of damages will be done by the undertakings in which the vehicle is ensured, which is provided by the Law 10076 of 12.02.2009 " Compulsory third party liability insurance of motor vehicles " competing not only by offered

tariff but also by the payment of damages to the insured product, which is also the main goal of any risk purchase from the insurer to the insured party.

The Competition Commission has consistently assessed the behavior of block insurance undertakings, as a result of rise and lack of consumer choice for insurance undertaking in objection with the principles of free and effective competition in the market. Competition Commission with decisions no. 50 of 21.3.2007 and decision no. 246, of 09.10.2012 regarding the fines against insurance undertakings and some recommendations to the Albanian Financial Supervisory Authority (the Competition Commission decisions no. 28, of 23.12.2005, no. 49, of 21.03.2007, no. 247, of 10.09.2012 "on some recommendations to the Albanian Financial Supervisory Authority to market of Compulsory third party liability insurance of motor vehicles.

In conclusion, in pursuance of the purpose of the law "On Competition Protection" on determining the behavior of undertakings to ensure fair and effective competition in the market, Competition Commission finds it reasonable that the behavior of undertakings in the market is in objection with market principles of free and effective competition in the market, increasing to same extent the rate for a three-day period trade of MTPL prim product, and also using the system of concentrated trade through Star Broker to maintain market shares. Based on Article 45/2 of the law, the Competition Commission said the conditions and obligations for all undertakings under investigation as an instrument to restore free and effective competition in the market of Compulsory third party liability insurance of motor vehicles, on having a real effect on the intervention in the market.

The Competition Commission took the decision with obligations and measures under Article 45/2 of the law by requiring to insurance undertakings to meet conditions and obligations within 90 days from the receipt of this decision as follows:

- a) the introduction of Bonus-Malus program for individualized system of compulsory insurance based on the data of the insured vehicle, damage history and location;
- b) the offer of the insurance undertakings at the request of the insured party. The System offered by the broker undertakings and insurance agents should appear in real time logos of all the insurance undertakings with which agent or broker have trading agreements;
- c) To implement the statutory provision for payment of damages by the direct insurer;
- d) To enter into agreements with more than one insurance broker undertaking according to criteria set by the Albanian Financial Supervisory Authority regarding the online system of compulsory insurance and banking system for payments under the legislation in force;
- e) Printing and marketing the insurance policies with the logo of each undertaking.

The failure to comply these conditions and obligations under Article 45/2 of the law, as a result will bring fine setting for serious infringements of up to 10 per cent of turnover under article 74, paragraph 1, letter c of the Law.

The Competition Commission decided also to recommend to the Albanian Financial Supervisory Authority some measures on the market of Compulsory third party liability insurance of motor vehicles, in terms of ensuring the efficient functioning of competition between insurance undertakings by taking the measures as follows:

1.1. Through the approval of some legal acts, make applicable the legal provision for dealing with the damage from the direct insurer, under the provisions of Law 10076, of 12.02.2009, "Compulsory third party liability insurance of motor vehicles", specifying that "insurers may enter into agreements between them, according to which the request for compensation relating to damage caused by the use of a motor vehicle to another motor vehicle, may be treated by the direct insurer to the owner of the damaged motor vehicle".

1.2. Not unify the prim risk for the calculation of technical provisions for all undertakings but to approve table based on individualized risk analysis by portfolio insurance, characteristics and structure of insurance products, after applying prim risk by insurance undertakings.

1.3. To inform the Competition Authority periodically on the operation of Bonus-Malus project to the full realization of the project for the identification of prim risk according to background of the damage of the insured party, drivers age, residence and motor power of the vehicle etc.

1.4. Cooperate with the Competition Authority within the project with World Bank assistance for the review of the regulatory framework for MTPL insurance products with particular emphasis on techniques for calculating the provisions damages of MTPL insurance products.

1.5. Publish financial data and report of the insurance undertakings to enable fair competition in the insurance market based on the Guideline "On the rules of publishing data of insurance undertakings and brokers, under the frame of transparency to the public and consumer protection"