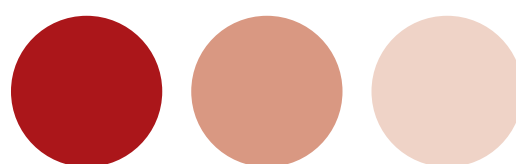


# 2013

ANNUAL REPORT







# 2013

annual report

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**Albanian Financial Supervisory Authority**

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## Chairperson's Statement

Dear Reader of 2013 Annual Report,

In 2013 it can be said that for the AFSA began a new cycle in the exercise of its functions of supervising and regulating the financial markets under supervision. AFSA is supervising and regulating markets showing high extension dynamics, with rapidly changing structures and increasingly more complex features. In 2013, the total assets in those markets reached the amount of ALL 73 billion (5.36% of GDP), or twice as much as the year before; the number of financial market operators increased; and the market structure changed.

The activity of investment funds-in both ALL and EUR-dominated the development of the financial markets due to their extension. Total assets under management reached the amount of ALL 50.3 billion, accounting for 69% of total assets in the financial markets under supervision. In less than two years of operation, the number of fund members increased to more than twice than in the previous year.



Enkeleda Shehi,  
Chairperson, Financial Supervisory Authority

Overall, the *insurance market* demonstrated a *situation similar to the one in 2012*, with the main issue still being the compulsory motor insurance market. As indicated in the *assessment conclusions made* by the FSAP Mission experts, the insurance market was involved in fierce competition, which was also reflected in the constant fluctuations of MTPL product selling premiums. The volume of gross written premiums shrank by about 4.6% from 2012, *while no changes were seen in the market structure*. With regard to the performance of the applied premium and risk premium, *in 53% of the period September 2011-March 2014 the tariffs were applied below the risk premium level*. Constant pricing below the risk premium level has significantly affected the insurers' liquidity and profitability, thus endangering their financial soundness and, in turn, the quality of the claim settlement process. The Authority has strengthened its regulatory requirements on the provisioning of compulsory motor insurance policies.

As I underlined in the 2012 Report, the Authority gave priority to the issues related to the Albanian Insurance Bureau (AIB) and, especially, the progress of the compensation fund financing, and the claims handled under that fund. The liabilities for unpaid claims settlement under the compensation fund rose significantly. In this respect, in addition to the high number of uninsured vehicles in circulation-which at the end of 2013 was estimated to be about 27% of registered vehicles-this issue was also affected by the payment delays and ineffective management by the AIB. For this reason, the AFSA in 2013 decided to set a much higher level of the compensation fund, and required the respective recognition of liabilities for pending claims.

A new development in the process of insurance market supervision was the inclusion for the first time of the AFSA in the colleges supervising the Austrian financial groups operating in Albania, because the Austrian-owned capital in the Albanian insurance market accounts for a significant share of 35%.

*The pension market, too, has shown a high extension pace*. Total net assets of private pension funds increased by about 57%, and the number of their members increased by 8% compared with one year before. However, the market extension rates have been inconsistent in the past two years because the market development was not supported with the appropriate tax incentives, as is the case in other (mainly European) markets.

Based on the above, the *Authority's regulatory and supervisory activity is being rearranged in*

order to be adapted to the quantitative increase in the activity of markets, increase of complexity and to the change in market risk profile. The transformations that the supervised markets are experiencing have shaped the AFSA medium-term strategy toward markets, work objectives, and AFSA administrative capacity building. The tasks set for all supervised markets aim at stabilizing them and promoting their development.

The package of **stabilization actions for the insurance market** has already been adopted; the actions include: immediate restoration of the compensation fund financing, by requiring that insurance companies fund any unpaid liabilities, and the setting of requirements for holding and funding a cash reserve in an escrow account that may only be used for claims payment. *Long-term actions are related to promoting the development of the insurance market* through the introduction of requirements on the insurance of liability in various professional services or the insurance against catastrophes, the appropriate tax treatment of products, and the application of risk-based supervision.

In the **private pension fund market**, the objectives are related to the strengthening of AFSA supervision capacities and institutional strengthening as preconditions for the implementation of the pension second-pillar reform and for encouraging the development of the third pillar.

In the case of **investment funds**, transparency and communication of information to investors need to be further improved, and risk management rules need strengthening on the basis of EU directives and international standards. The current period is held as conducive to promote the development of capital markets in Albania, so that the investor need for a variety of products in this market is matched with a suitable supply of such products.

An important challenge remains the strengthening of the Authority's administrative capacity, which would lead to increased effectiveness of the supervisory and regulatory processes, implementation of risk-based supervision, promotion of market development, and improvement of consumer protection.

I hope that readers will find this Report a useful source of information and education.

Sincerely,

The image shows a handwritten signature in black ink. The signature is written in a cursive style and appears to read 'Enkeleda Shkurti'. The first name 'Enkeleda' is written in a larger, more prominent script, while the last name 'Shkurti' is written in a smaller, more compact script to its right.

Chairperson



## Mission, Objectives & Fundamental Functions

The Financial Supervisory Authority (AFSA) was established pursuant to Law No. 9572 of 3 July 2006 “On the Financial Supervisory Authority”, as an independent public legal institution reporting to the Parliament of Albania.

The AFSA is an integrated supervisory and regulatory authority of the financial markets of insurance, securities and private voluntary pensions in Albania, which are hereinafter referred to as the “supervised financial markets”.

### Our Mission

AFSA mission is to contribute to promoting stability and secure development in the supervised financial markets.

### Objectives

In the context of performing its legally sanctioned functions and responsibilities, the AFSA is guided by the following objectives:

- Protect consumers’ interests;
- Promote supervised financial market transparency and reliability;
- Ensure legal compliance.

### AFSA Main Functions

AFSA main functions are the regulation and supervision of:

- Insurance market and its activity, including all insurance, reinsurance and brokerage activities and related operations;
- Securities market and its activities, including the securities-investment-related activities of persons operating in this market;
- Voluntary pension market and its activities, including all voluntary pension insurance activities provided by entities that have been licensed to operate in this market;
- Other non-banking financial activities in accordance with the provisions of the relevant special laws.

## AFSA Board

AFSA Board is its governing and decision-making body. All Board members are appointed by the Parliament of Albania for a five-year term. AFSA Board composition in 2013 is shown below:



▪ Enkeleda SHEHI	Chairperson	Parliament Decision no. 10 of 16 February 2012
▪ Mati PEPA	Deputy Chairperson	Parliament Decision no. 11 of 16 February 2012
▪ Enkela IDRIZI	Deputy Chairperson	Parliament Decision no. 124 of 13 September 2011
▪ Miranda RAMAJ	Member	Parliament Decision no. 148 of 22 December 2011
▪ Riçard MARKU	Member	Parliament Decision no. 149 of 22 December 2011
▪ Kestrin KATRO	Member	Parliament Decision no. 123 of 13 September 2011
▪ Astrit HADO	Member	Parliament Decision no. 122 of 13 September 2011





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# Chapter 1

## Performance of supervised financial markets

### 1.1 Financial Stability

Overall, the financial markets supervised by the AFSA maintained the same level of activity in 2013 both in terms of pursuit of business and in terms of the number of operators. The rapid dynamics of extension continues to be seen in the investment fund and the voluntary private pension markets. The main reason for this extension is due to the fact that these markets began their development in the last two or three years and are still in their expansion phase. On the other hand, the insurance market shrank, mainly due to the compulsory motor insurance price liberalization. This process led to price fluctuations in the market, with a falling trend in the past two years, from the companies' efforts to retain their market share. Combined with the limited market extension to other insurance products, this led to the general shrinkage of the market.

An analysis of the performance of the supervised markets shows that their risk profile has a relatively low impact on the financial system. Therefore, in the current state of development, the financial markets supervised by the AFSA **cannot turn into serious systemic risks for the financial system as a whole**.

Nevertheless, the ASFA, as the authority supervising and regulating the financial markets of insurance, securities and private voluntary pensions, contributes to the promotion of financial stability. This is due to the already proven fact that the financial system is the cornerstone of a modern economy and extensively affects the overall development of the economy. The lessons learnt from the various financial crises have led to increased emphasis on the process of regulating and supervising this sector and focusing the attention not only on the good performance of the individual financial institutions but also the promotion of the financial stability of the markets as a whole, increased coordination of domestic and foreign regulators' actions, and the strengthening of supervision and regulation standards in line with the best international practices.

If insurance, voluntary private pension fund or securities markets are well developed they turn into important elements of an effective and sound financial system. They serve as a solid basis for capital formation and economic growth and prosperity through their contribution to the expansion and deepening of the financial system in the country.

Despite their early stage of development, the financial markets supervised by the AFSA are important to the Albanian financial system, and because of this the key word in the financial system for a medium-term period will be their *stabilization*.

*Stabilization* of the supervised financial markets means a package of measures to be taken by AFSA in the medium-term period (2014-2016) aiming at developing the financial markets, expanding the range of financial products, educating and protecting consumers, supporting the financial reforms, and increasing the effectiveness of market supervision and regulation.



This package of stabilization measures was discussed and consulted on with the joint expert team from the **World Bank (WB)** and the **International Monetary Fund (IMF)** under the **Financial Sector Assessment Program (FSAP)** in October-November 2013. After assessing the AFSA activity, in cooperation with the Authority, the Mission set a series of objectives which were materialized in several key lines of action, aiming at supporting medium-term development and achieving the stabilization that AFSA aims for the supervised markets:

- **Strengthen AFSA independence**, especially its operational and financial independence, as an indispensable condition for improving the effectiveness of the regulatory and supervisory process.
- **Improve the functioning of the insurance market** by setting well-designed standards in relation to the minimum reserves, liquidity, risk-based supervision or the taking of measures with a longer-term impact, such as development of programs for the insurance of liability in various services and risks against natural catastrophes.
- **Protect consumers**, by setting measures that increase the transparency and streamline information disclosure to customers by financial institutions. In addition, consumer protection is intended to be ensured by *promoting sound competition* in the financial market, which means the provision of products at a reasonable cost to customers, without harming or endangering the continuation of those products and the benefits customers expect of the financial institutions, such as claims payment by insurance companies, real return on investment in funds, or receipt of pension benefits from private pension funds.
- **Exercise of consolidated supervision**, which implies a new stage in the process of supervision of financial institutions by combining the supervision powers of AFSA and Bank of Albania (BoA) on banks and investment funds. This requires a fortified cooperation, with the goal to supervise more effectively market and liquidity risks.
- **Promote the development of the third pension pillar**, and build the second pillar as part of the pension reform. In this respect, AFSA has a significant role, which implies strengthened supervisory capacities in order to ensure prudent supervision of the pension funds and their stability.

The whole *stabilization* strategy is naturally being implemented by AFSA not through segregated efforts, but in close cooperation with other institutions, especially with WB and IMF and the Bank of Albania (BoA), the Albanian Deposit Insurance Agency (ADIA) and the Ministry of Finance (MoF) in the framework of the Financial Stability Advisory Group (FSAG).

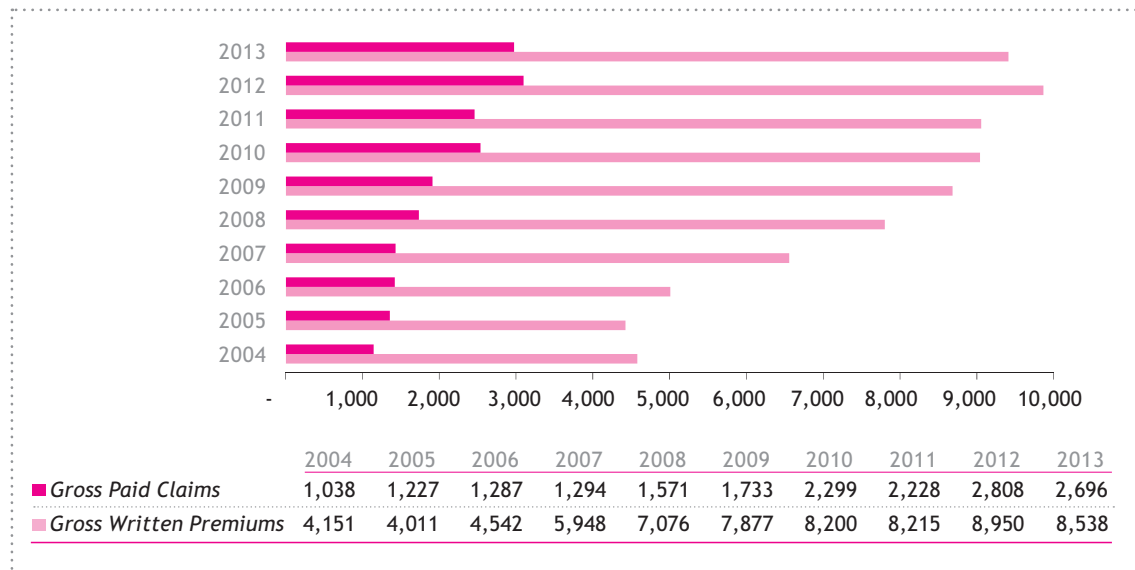
Following an assessment of the AFSA-supervised financial market risk impact on the financial sector as a whole, the AFSA developed an insurance-market-focused crisis

management strategy in 2013. The development of that strategic document fulfilled the commitment taken by AFSA in the framework of FSAG for developing a strategic plan as part of a national plan for coordinating institutional actions in potential crisis situations that could affect the financial markets.

## 1.2 Insurance Market

Albanian is characterized by a relatively small insurance market in terms of the number of insurance companies operating therein and the total volume of its gross written premiums. In 2013 the number of companies operating as insurers remained the same, but their activity shrank. Gross written premiums in 2013 were ALL 8.54 billion, falling by nearly 4.61% compared<sup>1</sup> with 2012.

**Graph 1: Gross written premiums and gross claims payment performance** *(million ALL)*



Note: <sup>1</sup> The comparative figures are from the 2012 insurance company audited reports.



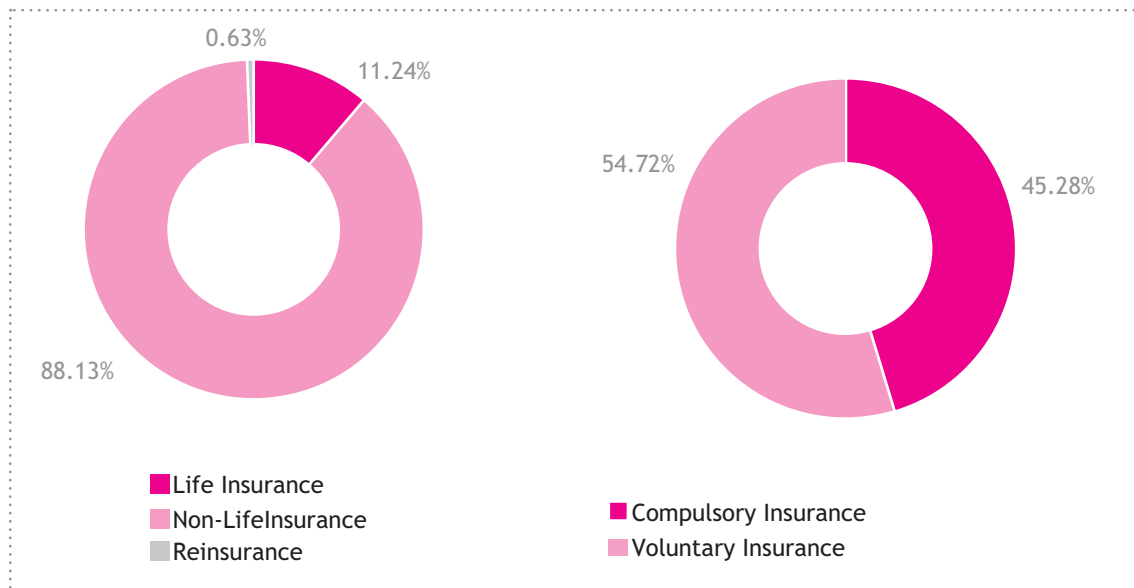
**Table 1: Insurance companies licensed, by insurance product, 2009-2013**

(number)

Description	2009	2010	2011	2012	2013
Non-Life Insurance <sup>2</sup>	7	7	7	8	8
Life Insurance	2	2	2	2	2
Mixed (Life and Non-Life) <sup>3</sup>	1	1	1	1	1

In terms of its structure, the market remained oriented towards Non-Life insurance, which brought in about 88.13% of the total volume of gross written premiums in this market. Life insurance accounted for 11.24% of the total volume of gross written premiums. In 2013, voluntary insurance accounted for 54.72% of total gross written premiums in the insurance market, and compulsory insurance 45.28%.

**Graph 2: Insurance Market Structure, 2013**



Even in 2013 the shrinking of the insurance market was mainly influenced by the compulsory motor insurance drop dynamics.

Note: <sup>2</sup> One of the insurance companies also carries on reinsurance business. (SIGAL Uniqa Group Austria sh.a.)  
<sup>3</sup> INSIG sh.a. - The only entirely Government-owned company, which has operated for more than 20 years in the Albanian market, carries on business in both Non-Life and Life insurance classes.

**Table 2: Gross written premiums, and annual change, 2011-2013**

Type	Gross Written Premiums						Change (in %)	
	(million ALL)			(thousand EUR) <sup>4</sup>			(ALL)	
	2011	2012	2013	2011	2012	2013	2012/2011	2013/2012
Life	941	880	960	6,707	6,329	6,844	-6.48	9.08
Non-Life	7,256	8,042	7,524	51,717	57,837	53,643	10.83	-6.44
Reinsurance	18	28	54	131	202	383	52.91	91.12
<b>Total</b>	<b>8,215</b>	<b>8,950</b>	<b>8,538</b>	<b>58,555</b>	<b>64,369</b>	<b>60,870</b>	<b>8.94</b>	<b>-4.61</b>

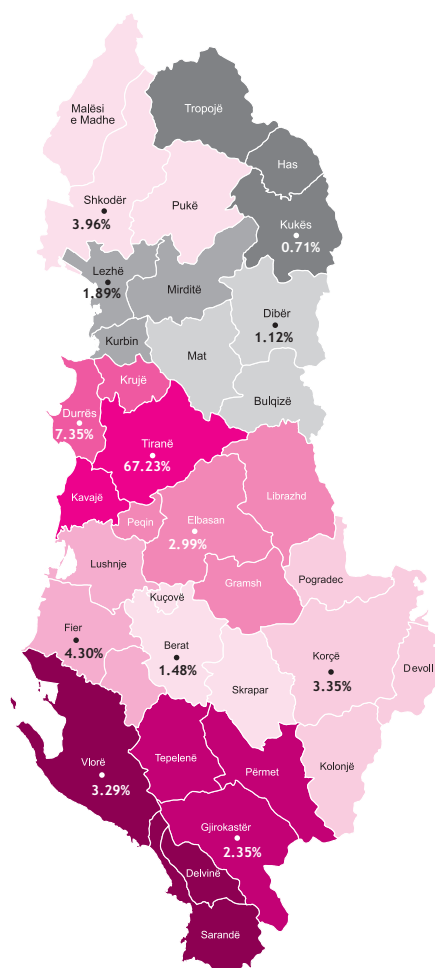
## Insurance Geographic Distribution

A look at geographic distribution of gross written premiums shows that the insurance market is concentrated in the bigger prefectures.

An important indicator of this market is the premium per capita, which in 2013 was about ALL 2,929 per capita, or ALL 272 less than in the previous year.

Regarding the premium per capita by prefecture, Tirana Prefecture is ranked first with ALL 7,233 per capita, followed by Gjirokastra with ALL 2,705 per capita, then Durres Prefecture with ALL 2,265 and Vlora Prefecture with ALL 1,525 per capita.

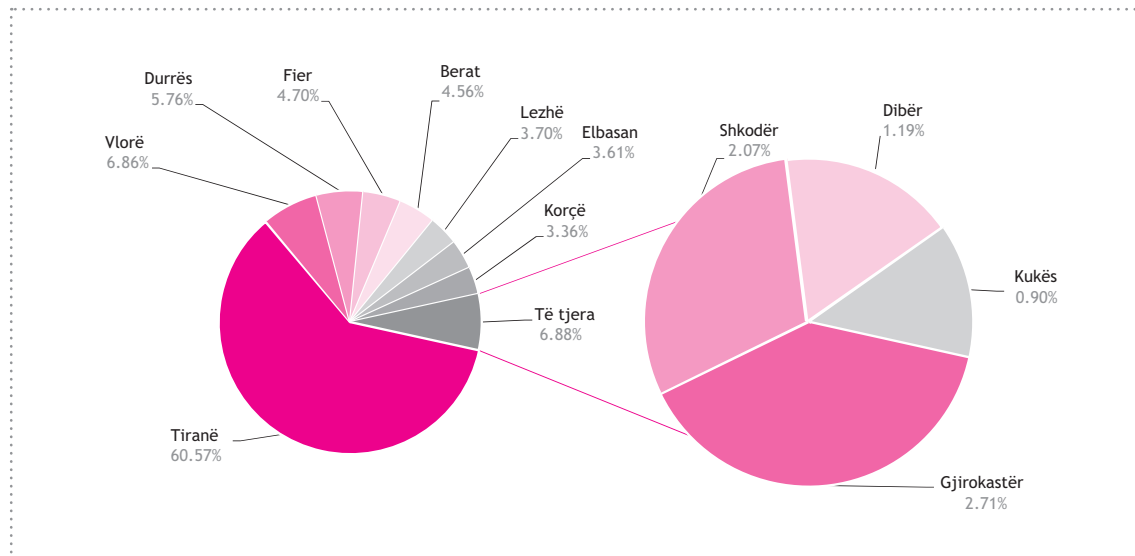
**Distribution of the insurance premiums by prefecture**



Note: <sup>4</sup> Average annual Euro exchange rate is based on Bank of Albania website, www.bankofalbania.org (2011, 1 EUR = 140.30; 2012, 1 EUR = 139.04; 2013, 1 EUR = 140.26 ALL).



**Graph 3: Paid claims by prefecture**



## Financial Analysis

Pursuant to the current regulatory framework, the AFSA continued to supervise and analyze the insurance market in 2013, evaluating the financial position, results and technical indicators of insurance companies. The AFSA constantly monitored the compliance with the statutory guarantee<sup>5</sup> fund requirements and investment requirements.

Insurance companies must own a guarantee fund invested in “earmarked deposits” at commercial banks, with a maturity term no longer than 1 year, and Treasury Bills. The total guarantee fund for the market was ALL 4.70 billion as of 31.12.2013. The insurance market was well-capitalized, which is illustrated by the capital adequacy ratio of 114.10%, thus facilitating the coping with a relatively difficult year characterized by volatile technical results.

**Note:** <sup>5</sup> The Guarantee Fund means an amount of cash (the amount of which is specified in Article 98 of Law no. 9267 of 29 July 2004) deposited by insurance or reinsurance companies in a specific bank account with the same name, in one of the banks in the territory of the Republic of Albania, where the company has its own main seat, obligatory to be disposed by the insurer from the moment of starting the activity and on.

**Table 3: Structure and dynamics of assets and liabilities on the insurance market<sup>6</sup>**

<i>Item</i>	<i>31.12.2011</i>	<i>31.12.2012</i>	<i>31.12.2013</i>
<i>structure (in %)</i>			
Deposits	45.90	41.38	37.81
Land and buildings	9.32	9.56	9.25
Shares and participation	13.65	12.90	12.11
Treasury Bills	4.89	6.44	7.41
Receivables	8.66	10.02	10.21
Other assets	17.58	19.70	23.22
<b>Total Assets</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>
Gross technical provisions	39.44	40.14	41.23
Other liabilities	7.79	9.72	13.38
Equity	52.77	50.14	45.39
<b>Total Liabilities and Equity</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>
<i>dynamics (in %) previous year = 100</i>			
<i>Item</i>	<i>31.12.2011</i>	<i>31.12.2012</i>	<i>31.12.2013</i>
Deposits	96.94	96.43	97.94
Land and buildings	97.82	109.80	103.69
Shares and participation	157.41	101.10	100.60
Treasury Bills	107.04	140.90	123.24
Receivables	110.03	123.82	109.22
Other assets	116.07	119.86	126.32
<b>Total Assets</b>	<b>107.37</b>	<b>106.98</b>	<b>107.18</b>
Gross technical provisions	123.76	108.89	110.08
Other liabilities	103.76	133.42	147.61
Equity	98.16	101.65	97.03
<b>Total Liabilities and Equity</b>	<b>107.37</b>	<b>106.98</b>	<b>107.18</b>

Note: <sup>6</sup> The balance sheet information in the table covers both Non-Life and Life insurance companies. Insurance companies prepare their financial statements in accordance with the International Financial Reporting Standards (IFRSs) and the AFSA legal basis.





An assessment of the financial position of insurance companies for 31.12.2013 showed the following:

Compared with 31.12.2012, insurance market assets increased by ALL 1.49 billion (7.18%), a relatively high increase compared with the previous years. The rise in the market assets was reflected in a rise in liquid investment such as deposits in credit institutions and T-Bills, receivables, advance payments and accrued income and reinsurer technical provisions. Investment in deposits with credit institutions and T-Bills dominated insurance company assets at 45.22%.

Insurance market equity fell by 2.97% compared with 31.12.2012 due to the considerable level of carried forward losses, the losses in the current period and increased other liabilities. The rise in other liabilities by 47.61% or ALL 958 million compared with 31.12.2012 resulted from the rise in contracts and other relations between insurers and reinsurers. Gross technical provisions as of 31.12.2013 increased by 10.08% or ALL 838 million compared with 31.12.2012.

**Table 4: Insurance market data**

(million ALL)

<i>Period</i>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>
<b>Total assets</b>	<b>16,227</b>	<b>18,039</b>	<b>19,368</b>	<b>20,720</b>	<b>22,209</b>
Life	2,919	2,473	2,884	3,207	3,788
Non-Life	13,308	15,556	16,484	17,513	18,421
<b>Total Investment</b>	<b>10,830</b>	<b>11,855</b>	<b>12,839</b>	<b>14,209</b>	<b>14,672</b>
Life	2,101	1,832	1,992	1,996	2,812
Non-Life	8,729	10,023	10,847	12,213	11,860
<b>Gross technical provisions</b>	<b>6,229</b>	<b>6,171</b>	<b>7,638</b>	<b>8,317</b>	<b>9,155</b>
Life	361	644	853	942	1,175
Non-Life	5,868	5,527	6,785	7,375	7,980
<b>Total Equity</b>	<b>8,546</b>	<b>10,413</b>	<b>10,221</b>	<b>10,389</b>	<b>10,081</b>
Life	1,754	1,764	1,791	1,899	2,195
Non-Life	6,792	8,649	8,430	8,490	7,886
<b>Total Subscribed Capital</b>	<b>5,787</b>	<b>6,684</b>	<b>7,607</b>	<b>8,617</b>	<b>9,022</b>
Life	1,097	1,278	1,283	1,284	1,351
Non-Life	4,690	5,406	6,324	7,333	7,671
<b>Total Foreign Investment</b>	<b>1,985</b>	<b>3,587</b>	<b>3,472</b>	<b>3,597</b>	<b>3,435</b>
Life	355	347	380	398	458
Non-Life	1,630	3,240	3,092	3,199	2,977
<b>Net Earned Premiums</b>	<b>6,092</b>	<b>6,680</b>	<b>6,792</b>	<b>6,736</b>	<b>6,101</b>
Life	496	636	819	823	890
Non-Life	5,596	6,044	5,973	5,913	5,211

The early warning indicator system has shown the following:

**Net Retention Ratio** in the Albanian Non-Life insurance market was 67.45%. This ratio plummeted compared with the previous periods due to the relations and contracts between insurers and reinsurers; more specifically the quota share reinsurance agreements of significant values for foreign capital insurance companies.

**Combined Ratio** in 2013 had an increasing trend, from 92.05% to 129.81%, which reflects the losses from operational activities in the Non-Life market. The rise in this ratio resulted from both the increased expense ratio and the increased net claims ratio.

**Net Claims Ratio** in the Albanian Non-Life Insurance market was 49.87%. The factor affecting the rise in this ratio include the increased level of provisions for pending claims, with a direct impact on the increased level of net expenses for unpaid claims, and the decreased net earned premiums. The fall in the gross written premiums in the Non-Life market, which resulted mainly from the application of lower compulsory insurance tariffs, and the increased ceding to reinsurance from some of the foreign capital companies affected the descend in the net earned premiums.

**The Expense Ratio**, which was 79.94%, had a rising trend in 2013 and exceeded the internationally set norms. The biggest share of expenses was taken by operating expenses of the Non-Life segment at 69.11%.

The factors contributing to the increased level of this ratio in the Non-Life insurance market include the increased amount of total expenses and reduced net written premiums compared with the previous period.

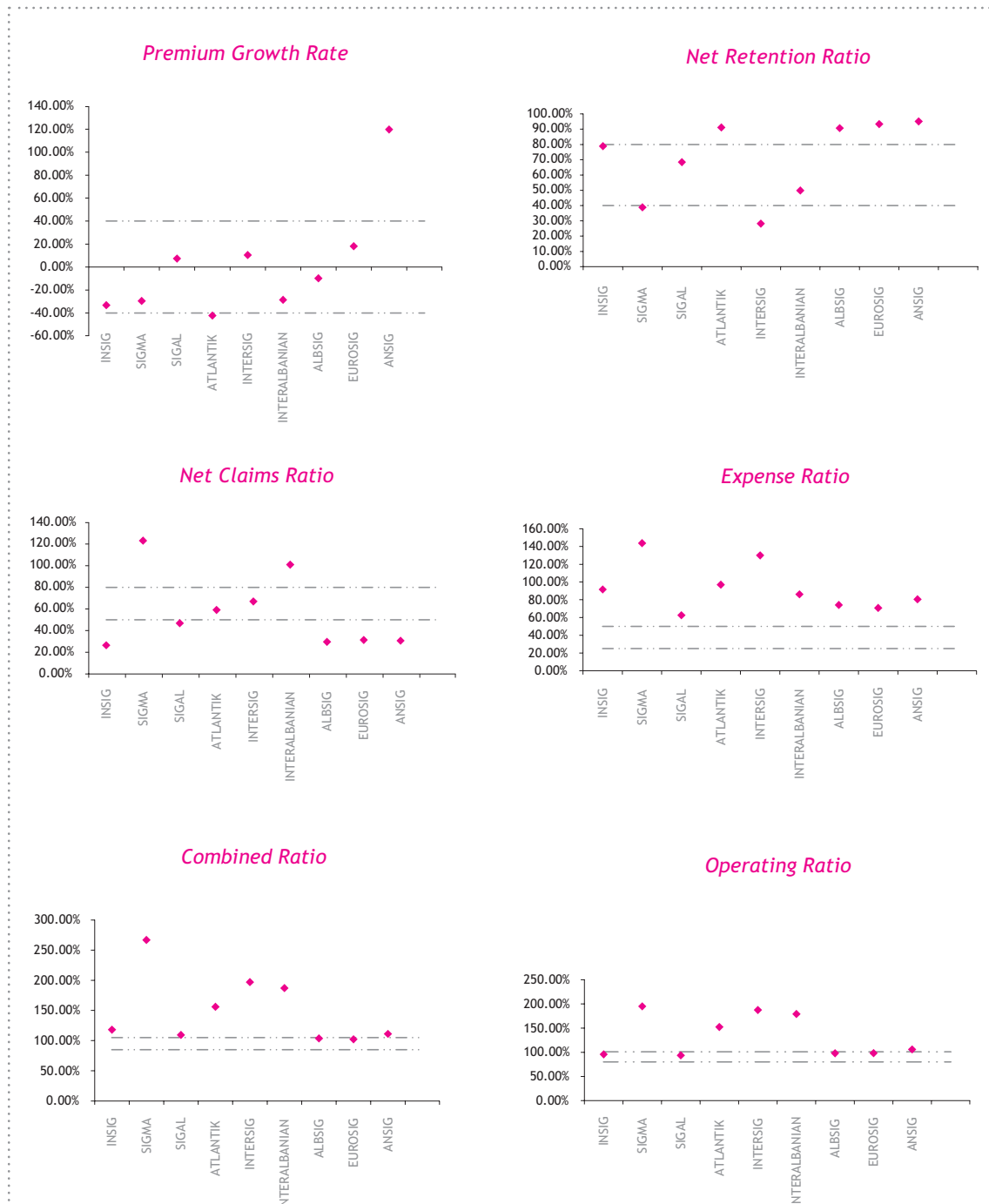
**Table 5: IRIS tests for the Non-Life insurance market**

(%)

Ratio	31.12.2011	31.12.2012	31.12.2013	Limit	
				MIN	MAX
Premium growth rate	- 1.06	10.94	-6.10	-40	40
Net retention ratio	81.61	76.89	67.45	40	80
Net claims ratio	42.97	34.27	49.87	50	80
Expense ratio	73.98	62.78	79.94	25	50
Combined ratio	116.96	97.05	129.81	85	105
Investment income ratio	7.67	6.37	10.81	4	8
Operational ratio	107.50	88.76	117.49	n/a	100
Capital ratio	57.00	55.30	43.76	20	50
Technical provisions ratio	66.78	73.43	52.31	10	30
Solvency ratio	333.30	346.00	290.05	150	300



**Graph 4: IRIS 2013 indicators (for Non-Life insurance companies)**



Given the dynamics of early warning indicators in the past years, it can be noted that, while within the allowed limits, the **premium growth rate** has shown a falling trend. The drop in the gross written premiums in the Non-Life insurance market by 6.10% and in the net earned premiums resulted mainly from the fall in the motor insurance product prices.

**The capital to technical provisions ratio** in the Non-Life market plummeted last year. It was 43.67% as of 31.12.2013 compared with 55.30% as of 31.12.2012.

The fall in net earned premiums contributed to the rise in the investment income ratio, net claims ratio and expense ratio.

### **Inspections in insurance companies**

Throughout 2013, the AFSA conducted 26 on-site inspections in Life and Non-Life insurance companies, of which 13 inspections were carried out of insurance company agents and 13 other inspections of insurance companies.

Inspections in insurance companies included issues related to verifying financial statement elements, reviewing company internal policies and procedures pertaining to insurance underwriting, and risk bearing limits, specified by type of insured product, analyzing liabilities that insurance companies underwrote in the closed financial year, reinsurance, and reinsurers' payments. In addition, the inspections verified the calculation of reinsurers' reserves, the effectiveness internal controls and the security of information systems.

In the context of consumer protection, and in order to ensure their fair and due treatment, the inspections also verified the procedures followed for the handling of unpaid and pending claims (including claims under court proceedings and rejected claims), claims adjustment, management and provisioning practices.

The following issues were found during the inspections in insurance companies:

- Inaccurate insurance company reporting on the electronic register of insurance claims in relation to compulsory motor insurance health claims in court proceedings;
- Management of underwritten risks by insurance companies;
- Unfair and untimely treatment of policy-holders;
- Close links financial transactions;
- Internal controls of the companies, including information system security.

The AFSA stays in constant touch with insurance companies, and forwards them the relevant inspection findings and recommendations through the inspection report, which is



sent to the insurance companies in the form of a Management Letter, where it also sets the deadlines for the implementation of the recommendations laid down in the report.

After the findings, the AFSA takes measures in the form of both Board decisions and individual letters sent to insurance companies; such measures consisted of:

- Elimination of violations of the obligation for accurate and detailed reporting;
- Compliance with the claims handling deadlines;
- Elimination of violations in relation to ungrounded rejection of claim applications;
- Completion of any lacks in the claim case documentation in order to achieve an expedited compensation of the damaged parties.

Implementation of those measures resulted in improvements in the areas of underwritten risk management, accurate reporting of claims in court proceedings on the insurance company claim registration database, and reduction of close links financial transactions.

The AFSA carried out nine planned inspections and four unplanned ones of insurance agents in 2013. The scope of those inspections consisted of on-site verification of TPL insurance policies sold and reported on the AFSA online sales system, including data on bank transactions of compulsory motor insurance policies sold and reported to AFSA under the Project on the integration of registration of policies sold through the banking system. Bank transactions for TPL insurance policies are verified constantly by AFSA, checking insurance agents and commercial banks where those transactions take place.

The inspections of insurance agents displayed issues related to inaccurate and untimely reporting of compulsory motor insurance policies on the online sales register, incorrect AFSA reporting codes and bank transaction codes in the hard copies of TPL insurance policies.

In the framework of cooperation with the Bank of Albania and the supervision and regulation of financial markets, AFSA and BoA carried out three joint thematic inspections in several commercial banks in 2013. The objective of those on-site inspections was to identify the aggregate exposure of insurance companies for credit guarantee insurance products, verify blocked deposits, loans taken out by insurance companies from commercial banks, and the collateral secured by them.

The joint inspections found issues related to inaccurate reporting to the AFSA in terms of data on fire and other auxiliary risk insurance policies, the beneficiary being banks. More specifically:

- Issues related to the insured amount, reporting a value smaller than the value specified in the hard copy of the insurance policy;

- Insurance contract coverage period;
- Serial numbers of insurance policies and the value of insurance premiums.

Based on the above, AFSA instructed insurance companies to take action to eliminate the specific violations.

### Technical Provisions

In the framework of financial analysis, the AFSA assesses whether the technical provisions are adequate and are in line with the level of risk undertaken by the companies. The adequacy of technical provisions is assessed in accordance with the legal basis in power and any noncompliance with this obligation is a violation of risk management rules.

The market performance of technical provisions has shown an increasing trend over time. The biggest share in terms of exercised activity is held by gross technical provisions of Non-Life companies, which also reflects the structure of the insurance market in Albania.

#### Technical Provisions

A technical provision is a sum calculated on the basis of an expectation and in accordance with the set actuarial methods, which is kept by an insurer in order to cover the liabilities stemming from insurance contracts.

#### Technical provisions include:

- Provisions for unearned premiums;
- Provisions for bonuses and rebates;
- Provisions for claims;
- Other technical provisions.

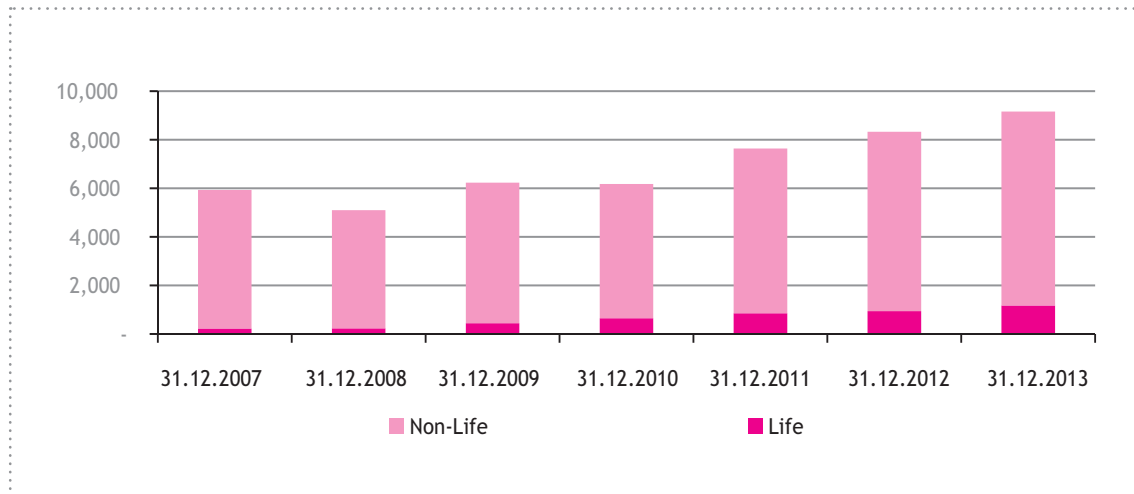
Mathematical provisions must be held by insurance companies operating in the Life insurance market. In addition, mathematical provisions are kept by Non-Life insurance companies for those products under which premiums are accumulated in the form of savings or assets used to cover risks in future years under long-term insurance contracts.

Other technical provisions are established in reference to expected liabilities and risks for such large potential claims such as: insurance of nuclear liability, pharmaceutical products, earthquakes, floods, and provisions for other risks that are not included in any of the abovementioned provisions.



**Graph 5: Gross technical provisions**

(million ALL)

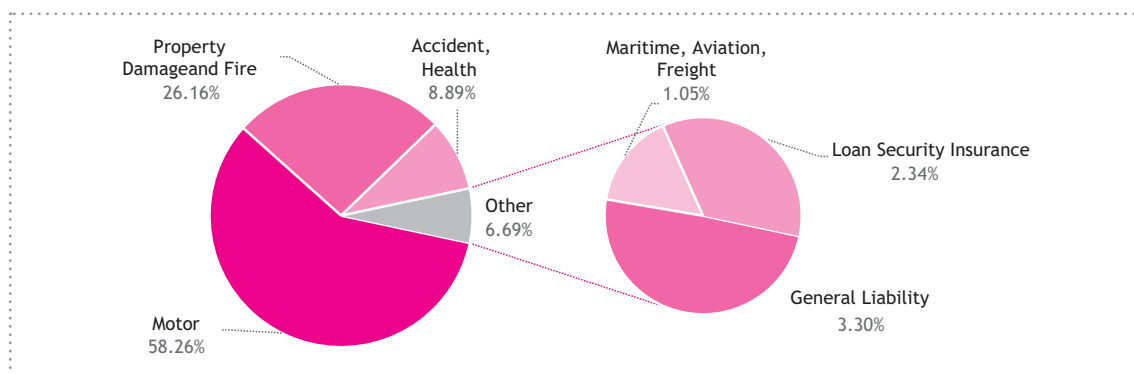


Market data, which are shown in the graph above, illustrate an increasing trend of the claims and premiums technical provision indicator, also reflecting the constant efforts the Authority has made for improving this indicator. The AFSA has constantly given recommendations for improving the technical provision indicator. Those recommendations were based on the analysis of insurance company data, the on-site inspection findings, and the information received from third parties (courts, in the case of claims in court proceedings) in relation to the liabilities and risks insurance companies are exposed to.

### Compulsory Motor Insurance

Even though the Non-Life insurance market marked an annual fall of 6.47% in gross written premiums in 2013, motor insurance continued to account for the largest weight in the market. It brought in the largest share of revenues-59.27% of total gross written premiums of Non-Life insurance.

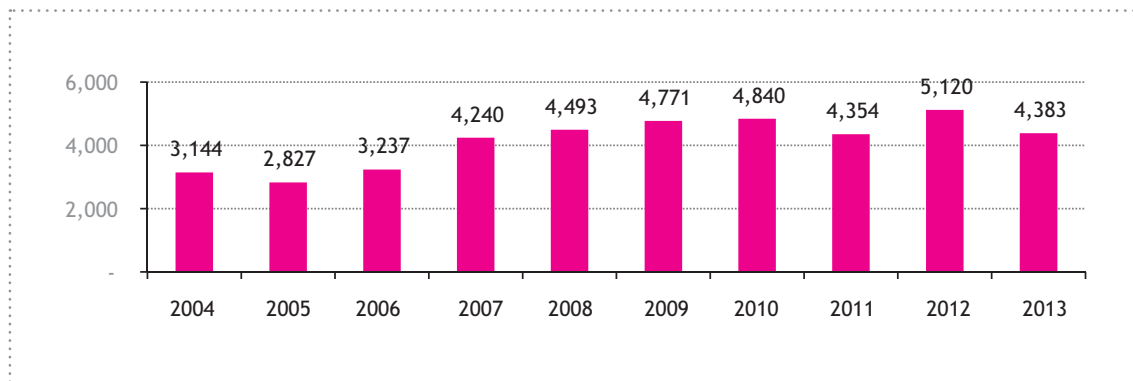
**Graph 6: Non-Life market structure, gross written premiums, 2013**



In 2013, gross written premiums reached the amount of ALL 4.38 billion, compared with ALL 5.12 billion in 2012. The drop of 14.39% in motor insurance premiums mainly came from the domestic MTPL product.

**Graph 7: Gross written premiums, motor insurance, 2004-2013**

(million ALL)



### Liberalisation of Compulsory MTPL Insurance

In cooperation with the World Bank, the AFSA implemented the Project on liberalisation of compulsory MTPL insurance, which enabled the transition to more effective tariffing in the calculation of compulsory motor insurance premiums, which is risk-based.

#### The fundamental goals of the Strategy for developing the compulsory motor insurance market are to:

- Ensure risk-based pricing of compulsory motor insurance;
- Build accurate mechanisms for data collection;
- Reduce fraud by building the appropriate mechanisms to combat it;
- Build insurers' capacities for managing their accounts;
- Minimize the number of uninsured persons.

### AFSA has considered the liberalisation of compulsory motor insurance as premature

However, regardless the initiated project, the market was liberalised at a delicate moment, when not all the players were prepared. The liberalisation was going to be made with the WB cooperation and assistance, after the necessary infrastructure was in place. The AFSA views on the stages of the process were not taken into account. What the AFSA wanted to avoid, by proposing a gradual liberalisation process proceeded by the regulatory and technological infrastructure, was the frequent fluctuation of prices and especially the application of low prices for market share purposes. By not taking into consideration the views of the AFSA the executive and legislative went on with an expedited process of liberalisation, which resulted exactly in the aftermath that this market has experienced in the past two years.

Given the current situation, with the applied insurance tariffs fluctuating frequently and falling below the normal levels in relation to the risks characterising those products, the AFSA has emphasized the need to apply the Bonus-Malus system.

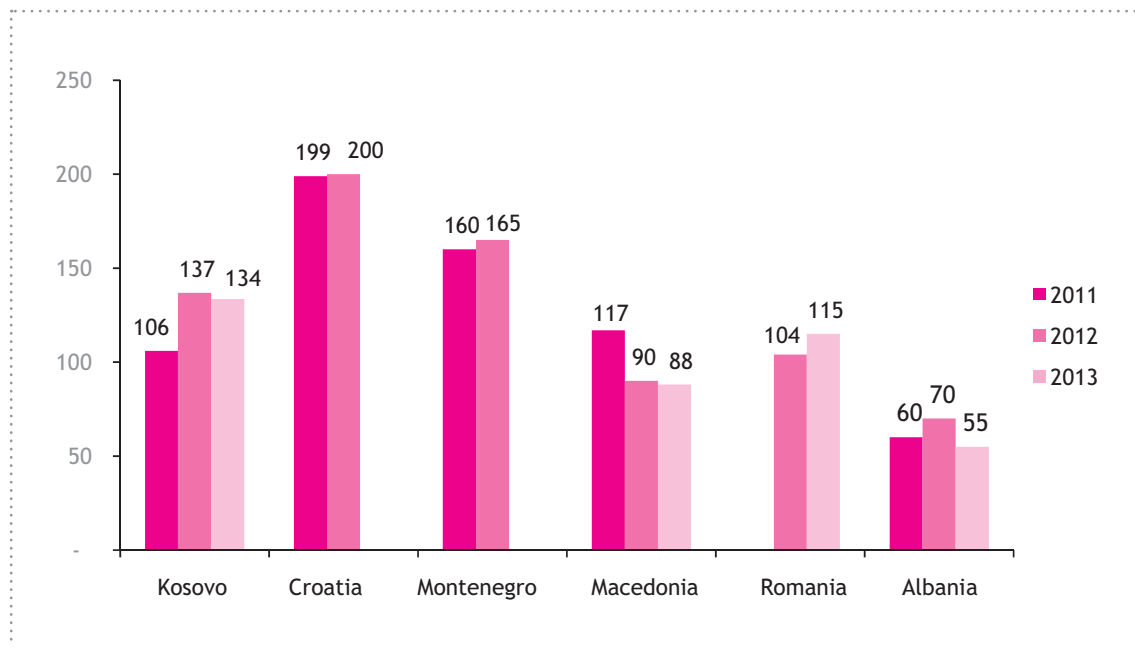




A comparison of average compulsory motor insurance premium with other countries in the region shows that Albania has the lowest premium in the region.

**Graph 8: Average compulsory motor insurance premium<sup>7</sup>**

(EUR)



## Claims

In 2013 insurance companies paid out ALL 2.70 billion in claims-about 3.97% less than in 2012. Most of gross claims paid were related to compulsory motor insurance with ALL 2.21 billion (81.51% of total claims).

## Albanian Insurance Bureau (AIB)

In 2013 AFSA continued to constantly monitor the fulfilment of financial obligations of AIB.

Note: <sup>7</sup> The data are from the website [www.xprimm.com](http://www.xprimm.com)

### Albanian Insurance Bureau

AIB is a non-for-profit legal person, which had nine insurance companies as its members as of the end of 2013. The Bureau is the national representative on the Council of Bureaux (International Association of National Motor Insurers' Bureaux) and is responsible for all the obligations deriving from membership in the Green Card system.

The Bureau has the task to carry out the functions, obligations and powers stemming from the provisions of Law no. 10076 of 12 February 2009 "On Compulsory Insurance in the Transport Sector", Law no. 9267 of 29 July 2004 "On the Activity of Insurance, Re-insurance and Intermediation in Insurance and Reinsurance", the Internal Rules of the Council of Bureaux and its Statute.

In the context of AIB supervision and in order to protect consumer interests, the Authority gave priority to monitoring the obligations of insurance companies toward the Bureau under the AIB Compensation Fund and the payment of claims under that Fund.

### Compensation Fund

The purpose of establishing and maintaining the CF is to pay out property and non-property damages related to damages that have been caused in the territory of the Republic of Albania in the course of using an uninsured or unidentified vehicle and in those cases where an insurance company has gone bankrupt or has been winded up. The fund is established by:

- Annual contributions from insurance companies operating in the market of compulsory motor insurance (funded proportionately to gross written premiums for this type of insurance in the previous year);
- Collections in the form of reimbursement of damages to the Bureau from liable persons;
- Fines imposed on vehicle owners who have not concluded compulsory insurance policies;
- Other sources that are not prohibited by law.

Based on the data from various years, the Compensation Fund has risen significantly due to the numerous accidents caused by uninsured vehicles. At the end of 2013 the number of uninsured vehicles<sup>8</sup> was 120,027, or 26.9% of the total number of registered vehicles.

Note: <sup>8</sup> According to the data of Directorate General of Road Transportation Services.



In 2013 AIB was inspected twice by AFSA. The first inspection was an unplanned thematic one which was related to the verification of the payment of a health claim that was subject of the Compensation Fund. The other inspection was a full planned one, which covered the period 2012-2013.

The goal of the planned inspection was to verify the procedures of:

- Handling unpaid claims, pending claims at CF and unpaid claims for which there was a final court ruling;
- Following up on subrogation claims and their collection;
- Handling unpaid Green Card claims for vehicles bearing foreign licence plates which are involved in accidents in Albania, and reimbursement of their payment;
- Compliance with legal obligations in relation to claims under Border Policies.

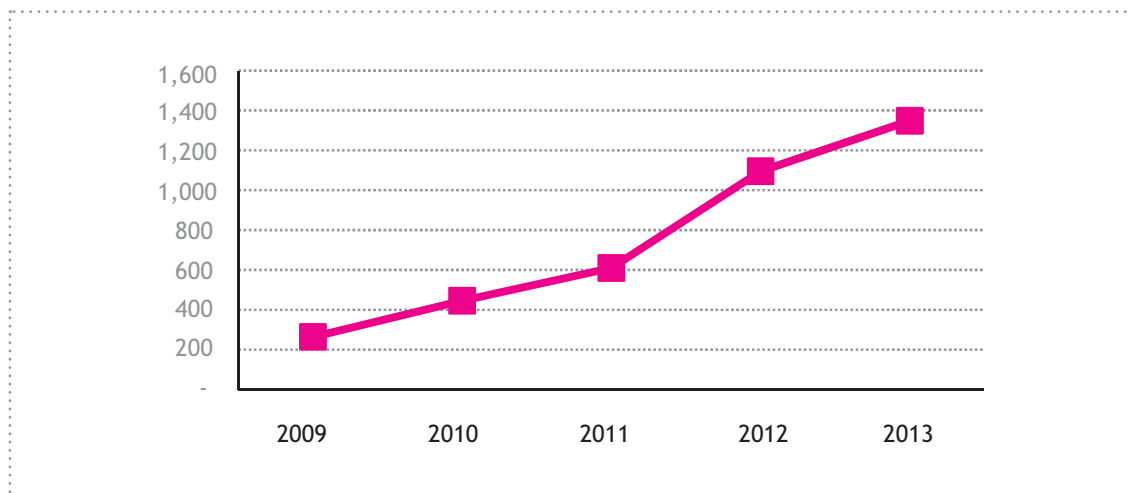
The planned inspection found issues in relation to delays in the payment of claims by insurance companies beyond statutory deadlines, which refers to claims in relation to the Compensation Fund and the Green Card Fund, and failure to follow the right turn of the claims to be paid as per the year of accident, since first claims from 2013 were paid, while earlier claims remained unpaid. For these claims were also delays in filing subrogation claims against parties causing accidents who were not insured on the day of the accident. The inspection also found considerable inadequacies in the payment of the subrogation claims, even for those claims which the court issued a winning decision.

Another issue determined by the planned inspection was related to the incorrect handling of Border Policy claims in noncompliance with the legal framework in force, under which those claims have to be handled by the responsible insurance company issuing the insurance contract and not by AIB. The on-site verification of the cases for those claims showed that AIB had proceeded to handle those claims following the same procedure as that of Compensation Fund claims, while they should have been handled by the insurance companies themselves and been reported to the Authority like the rest of cases when claims are paid by insurance companies.

The following graph shows the total of obligations for claims payment under the Compensation Fund, for 2009-2013.

**Graph 9: Obligations under the Compensation Fund, 2009-2013**

(million ALL)



Pursuant to Article 45 of Law no. 10076 of 12 February 2009 “On Compulsory Insurance in the Transport Sector”, AFSA approves, with proposal from AIB, the amount of the Compensation Fund on annually basis. The Compensation Fund for 2013 was approved at ALL 265,000,000. Even though the Fund was paid by insurance companies in 2013, the obligations under it are still at a considerable amount. The obligations referred to above, which were subject of the Compensation Fund as of 31.12.2013, are intended to be fully settled in 2014-2016, by following their order paying the earliest insurance events, while the insurance events after that date are going to be funded by another fund.

The AFSA constantly monitored the fulfilment of AIB obligations under the Uniform Agreement and Internal Regulations of the Council of Bureaux. The Council of Bureaux took a decision to monitor the Albanian Insurance Bureau in October 2013. On 7 November 2013, the AFSA attended an official meeting at the Council of Bureaux in Brussels to clarify the technical details on the cases determined in the monitoring decision concerning the Albanian Insurance Bureau. The Council of Bureaux asked for compliance with the financial requirements addressed to AIB, requirements which were complied with by the end of December 2013.

#### **Gross technical provisions for compulsory motor insurance**

Gross technical provisions for MTPL held the highest specific weight in the total amount of technical provisions in the Non-Life market. This indicator increased on an annual basis, reaching 74% as of 30.09.2013 from 66% in 31.12.2012.



**Table 6: Technical provisions for compulsory insurance**

(million ALL)

<i>Item</i>	<i>31.12.2012</i>	<i>31.12.2013</i>
Gross technical provisions - MTPL	4,903	5,546
Gross technical provisions - Non-Life	7,375	7,980

**Table 7: Gross technical provision structure for compulsory insurance**

(%)

<i>Item</i>	<i>2011</i>	<i>2012</i>	<i>2013</i>
Gross technical provisions - MTPL claims	62	56	52
Gross technical provisions - MTPL unearned premiums	38	44	48
Gross technical provisions - MTPL	100	100	100

### **National Compulsory Motor Insurance Database Centre**

Maintaining the service infrastructure and enriching the IT systems with new elements have always been among the technological goals of AFSA, in the context of contributing to more effective market supervision and analysis. Thus, in the framework of the cooperation with the World Bank and the Road Ahead for Albanian TPL Market Project, the electronic sales register was fully integrated into the banking system by the National Centre of Compulsory Motor Insurance Data in 2013. As a testing phase the integration began in the last month of 2012, but which later spread out mainly throughout 2013. By compulsorily including the payment transaction in the insurance policies it is possible to develop and control the motor insurance market and set standards on the financial transactions starting with the issuance of compulsory motor insurance policies.

**National Compulsory Motor Insurance Database Centre** at AFSA, consists of

- The Online Electronic Register of Compulsory Motor Insurance, which is a reporting platform that is used to identify TPL, Green Card and Border Insurance policies in real time.
- Compulsory Motor Insurance Claim Register, which is a reporting platform for claims covered by compulsory motor insurance. To facilitate the implementation of the third phase of the Project, which is the establishment of the Bonus-Malus System, the Claims Register contains historical claims data since 1 January 2006.

In addition, AFSA IT systems are in constant interaction with the systems at insurance companies in order to check their compliance with the supervision manual requirements on insurance market IT systems.

### Information Management System

cmf ALBANIA AMF In-Reg Sovereign

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AMF In-Reg Sovereign allows you to manage communications with all regulated institutions, and acts as a comprehensive repository for all firm submissions, their profiles, approval information and generated reports.

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The recommended minimum computer requirements for using AMF In-Reg Sovereign are:

- Microsoft Internet Explorer version 7 or above.
- For viewing your forms in PDF (and printing where signatures are required) you will need a PDF viewer, such as Adobe Acrobat Reader (version 8.0 or above).
- Forms can be exported as spreadsheets. For this you will need Microsoft Excel 2003 or above (the viewer application for Excel will also work).
- A connection to a printer so you can print out hard copies of forms.
- We also recommend that your screen resolution is at least 1024x768 or higher for optimal display.

AFSA and insurance companies operating in the market have constant access at the AMF In-Reg system which consists of a web-based reporting platform, through which operators from supervised entities report the required data to the Authority electronically online.

In 2013 AFSA clarified the method of operation and worked on designing new parts of the system. Thus, the reporting formats for the supervised entities were completed, and new analytical reports were designed on the basis of the data submitted to the system by the companies.



## Licensing in the Insurance Market

The insurance market developments as a significant part of the supervised financial markets has made this an attractive market for new professions and investments. In 2013 AFSA continued with the licensing and training of insurance intermediaries: brokers and agents; and licensing of claim adjusters.

### Insurance Intermediation

In 2013 the AFSA approved a new licence in brokerage, and the addition of insurance classes in the licence of an already licensed company. The number of individual brokers increased from ten at the end of 2012 to 13 at the end of 2013.

**Table 8: Data on licenced insurance brokers**

(number)

<i>Broker's Status</i>	<i>Licensees at end of 2012</i>	<i>New licences in 2013</i>	<i>Licence renewals in 2013</i>	<i>Expiry of licence period in 2013</i>	<i>Licensees<sup>9</sup> at end of 2013</i>
<i>Brokerage companies</i>	7	1		-	8
<i>Individual brokers</i>	10	4	3	4	13

Pursuant to the regulatory legal framework, the brokerage business may be carried on by a brokerage company, while legal persons brokers operate on behalf and for brokerage companies. The following table shows a classification of brokerage companies by the type of licence:

**Table 9: Brokerage companies, by insurance product**

(number)

	<i>2009</i>	<i>2010</i>	<i>2011</i>	<i>2012</i>	<i>2013</i>
<i>Non-Life brokerage companies</i>	3	7	5	5	5
<i>Life and Non-Life brokerage companies</i>	-	-	-	1	2
<i>Non-Life and reinsurance brokerage companies</i>	1	1	1	1	1
<b>Total</b>	<b>4</b>	<b>8</b>	<b>6</b>	<b>7</b>	<b>8</b>

**Note:** <sup>9</sup> In 2013 a brokerage company and three individual brokers expanded their brokerage business and received a new licence for insurance classes that had not been included in their previous licences. The expansion of business did not change the number of market operators. The total number of licensed brokers at the end of 2013 is calculated as the number of licensed brokers at the end of 2012 plus new licences in 2013 plus licence renewals in 2013 less the number of licences expiring in 2013.

The business of brokerage companies consists of intermediation of such Life and Non-Life insurance products as *travel health insurance, offer and contract security, CASCO insurance, TPL, Green Card, border insurance, fuel insurance, insurance against fire, CAR insurance and Life insurance "Today for Future", etc.*

The reports from brokerage companies in relation to statistical data on their business show that at the end of 2013 the total amount of gross written premiums in the insurance market that was sold through brokerage was about 7.2% of the total premiums in the market.

### Insurance agents

In 2013 natural persons continued to be licensed as Non-Life insurance agents acting on behalf of two insurance companies: Sigal Uniqa Group Austria sh.a. and Insig sh.a.

**Table 10: Data on licensed agents**

(number)

<i>Agent's Status</i>	<i>Licensees at end of 2012</i>	<i>Licence renewals in 2013</i>	<i>New licences in 2013</i>	<i>Expiry of license period in 2013</i>	<i>Revoked licences 2013</i>	<i>Licensees<sup>10</sup> at end of 2013</i>
<i>Legal entities</i>	3	-	-	-	-	3
<i>Natural persons</i>	279	13	33	9	1	315

### Claim Adjusters

In 2013, AFSA licenced seven additional claim adjusters, and renewed three existing licences.

Note:

<sup>10</sup> The total number of licensed agents at the end of 2013 is calculated as the number of licensed agents at the end of 2012 plus new licences and licence renewals in 2013 less the number of licences expiring in 2013 as well as licence revocations.





**Table 11: Data on licensed claim adjustors, by type of licence and status** (number)

<i>Claim adjustors</i>	<i>Licenses at end of 2012</i>	<i>New licenses 2013</i>	<i>Licence renewals in 2013</i>	<i>Expiry of license period in 2013</i>	<i>Licenses in 2013</i>
<i>By claim adjustor's status</i>					
Independent	17	7	1	5	20
Employed	41		2	19	24
Inactive licences	7		-	2	5
<i>By type of licence</i>					
Material claims	5	2	-	1	6
Health claims	5	3	-	2	6
Material and health claims	55	2	3	23	37
<b>Total licensed claim adjustors</b>	<b>65</b>	<b>7</b>	<b>3</b>	<b>26</b>	<b>49</b>

### Professional examinations for insurance-related professions

One of the licensing requirements for the insurance professions is the successful passing of knowledge tests in the relevant professional and legal areas. The purpose of the examinations was to put an emphasis on the applicants' professionalism. The examination commissions include reputable and experienced representatives from the academia and the market.

Based on the regulatory requirements, five tests were organized in 2013, with the participation of 35 applicants for claim adjustors or insurance brokers. The participants in the tests also included professionals who had applied for renewal of existing licences. The testing programmes included requirements on the knowledge of the legal basis and technical issues adapted in case studies according to the issues requiring solutions by the market.

### Reinsurance

In 2013 insurance companies underwrote risks pertaining to voluntary insurance and compulsory motor insurance for vehicles both in the territory of the Republic of Albania and in other member countries of the Green Card system, as well as liabilities of the dealers of petroleum, gas and their by-products. In the case of special insurance portfolios, the companies transferred the risk in order to mitigate any financial implications of large claims. This transfer was made through coinsurance, ceding whole insurance portfolio to reinsurers, and choosing facultative reinsurance under individual contracts.

### Facultative Reinsurance

Facultative reinsurance is the transfer of a portion of a specific insured risk from an insurance company to a reinsurance company under a specific reinsurance contract.

In 2013 there was a rise by 9% in the market gross written premiums in the Life insurance, compared with 2012. Non-Life gross written premiums accounted for 89% of the market gross written premiums.

Pursuant to regulatory requirements, insurance companies report their reinsurance program to the Authority. Based on its supervisory function, AFSA monitors the performance of those programmes and any specific concluded contracts, with the aim to

ensure the constant financial stability in relation to the standards of risk retention by those reinsurance companies and the criteria related to the quality of reinsurers.

Reinsurance agreements on Non-Life insurance portfolios were both of Excess-of-Loss type and of Quota-Share and Surplus type. Reinsurance of Life insurance portfolios was done through proportional reinsurance agreements of the Surplus type and Quota Share type.

Ceded premiums in 2013 were:

- For over ALL 2.49 million (29.42% of gross written premiums) in total for the insurance market;
- For ALL 2.44 million (32.48% of gross written premiums) for Non-Life insurance;
- For ALL 54.51 million (5.63% of gross written premiums) for Life insurance.

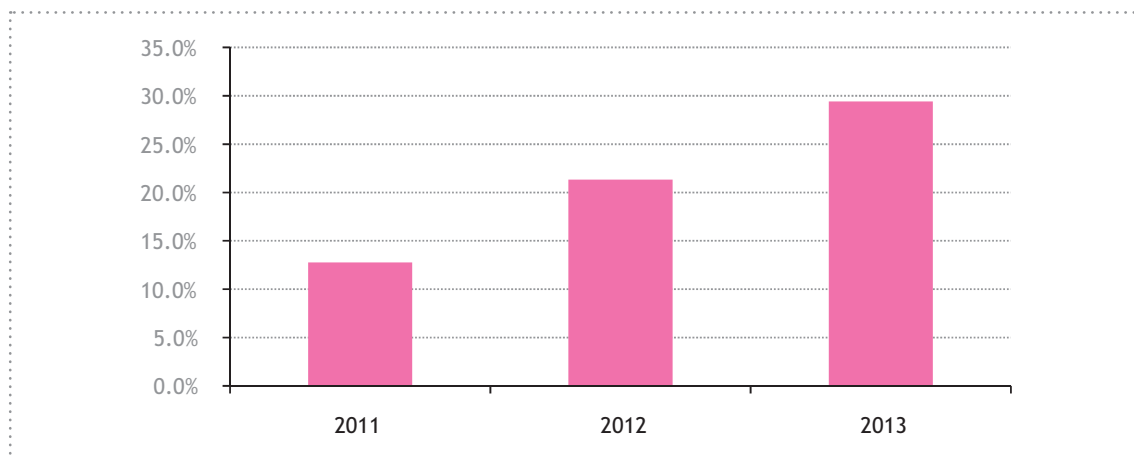
In 2013 ceding to reinsurance rose compared with 2012:

- At market level, ALL 591.48 million, or 23.71%;
- For Non-Life insurance, ALL 575.31 million, or 23.57%;
- For Life insurance, ALL 16.16 million, or 29.65%.

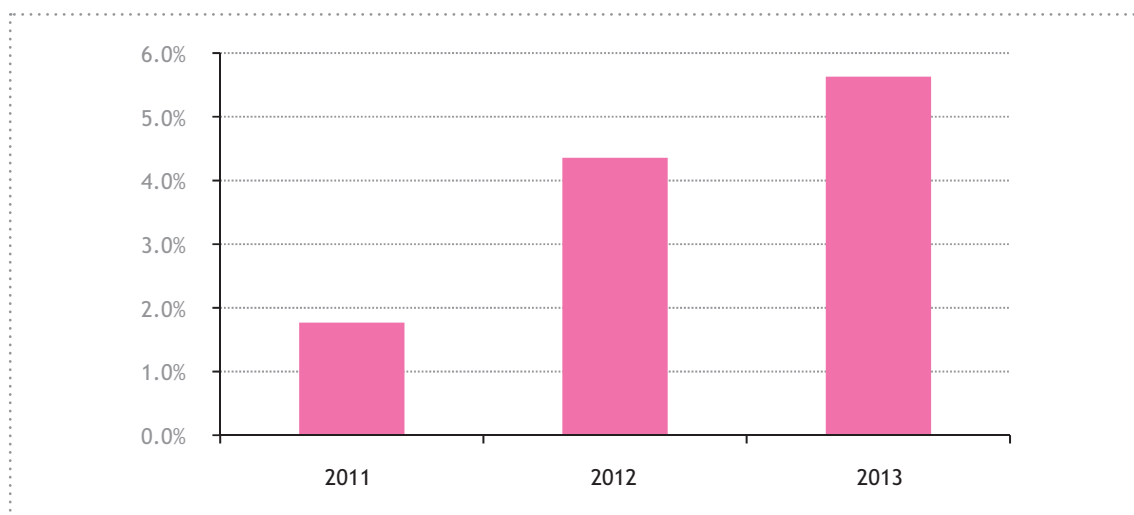


The performance of the ratio of premiums ceded to reinsurance over gross written premiums in 2011-2013 is shown below:

**Graph 10: Premium ceded to reinsurance/gross written premiums, total market** (%)

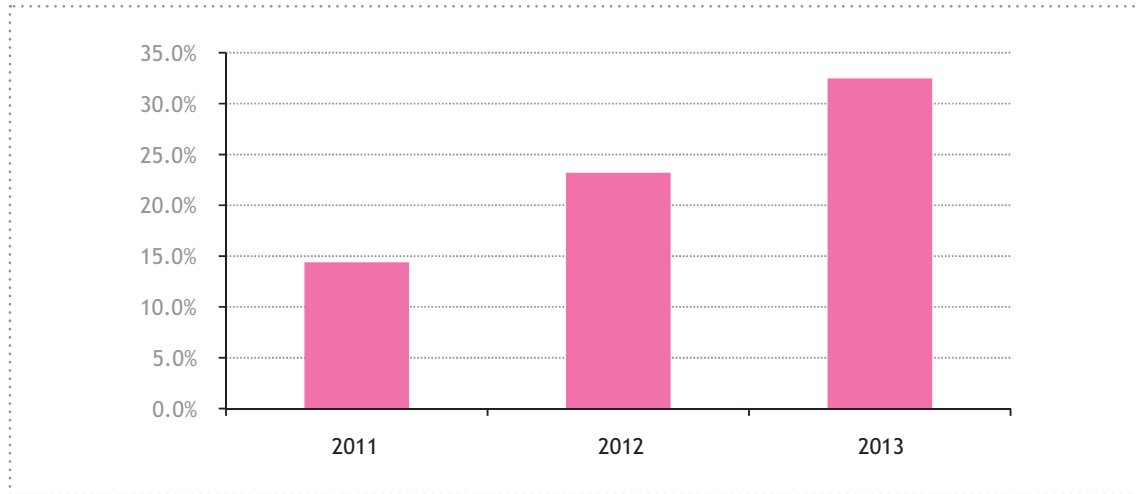


**Graph 11: Premium ceded to reinsurance/gross written premiums, Life** (%)



**Graph 12: Premium ceded to reinsurance/gross written premiums, Non-Life**

(%)



Major participants in the reinsurance programmes included VIG Re, Munich Re, Hannover Re, Swiss Re, Partner Re, Scor, Lloyd's Syndicates, etc. In the case of Life insurance, the only reinsurance company involved in the programme was Scor Global Life. More than 90% of reinsurance partners of insurance companies had a Standard & Poor's rating of above BB-, with 50% of them with a rating of above A.



## 1.3 Securities Market

### Investment Funds

The market of collective investment undertakings experienced a significant increase in 2013. Two investment funds operate in this market: Raiffeisen Prestigj Investment Fund, which was licensed on 31.12.2011, and Raiffeisen Invest Euro Investment Fund, which was licensed on 26.09.2012; both funds are managed by Raiffeisen Invest. The investment funds that AFSA has licensed so far provide an investment return by maintaining the required level of capital and liquidity.

An analysis of the data on the investment fund market as of 31.12.2013 shows that their net asset value was about ALL 50.33 billion, with an increase of ALL 34.32 billion or 214.40% more than in 31.12.2012.

This market is mainly dominated by investment in government bonds, which accounted for 83.97% of the fund assets. Investment in government bonds only increased by 268.71% compared with 31.12.2012. The number of unit-holders investing in investment funds was 28,442 as of 31.12.2013, with 99.96% of them being individual investors.

**Table 12: Number of investment funds and unit-holders, 31.12.2013**

Description	No.	Net asset value (million ALL)	In %
Number of investment fund management companies	1		
Number of investment funds	2		
<b>Number of fund members</b>	<b>28,422</b>	<b>50,328.54</b>	<b>100.00</b>
Individuals	28,417	50,308.93	99.96
Legal entities	5	19.61	0.04

**Table 13: Investment fund unit indicators**

(ALL)

Description	Initial net asset value per unit	Net asset value per unit 31.12.2012	Net asset value per unit 31.12.2013
Raiffeisen Prestigj	1,000 <sup>11</sup>	1,061.72	1,147.69
Raiffeisen Invest EURO <sup>12</sup>	14,000 <sup>13</sup>	14,069.20	14,537.91

Note:

<sup>11</sup> Initial value as of 31.03.2012.

<sup>12</sup> Raiffeisen Invest EURO amounts were translated with the exchange rate of ALL 140 to the Euro.

<sup>13</sup> Initial value as of 22.11.2012.

**Table 14: Detailed indicators of investment fund assets**

Description	31.12.2012 million ALL	31.12.2013 million ALL	Change in %	Share in total value in %	
				31.12.2012	31.12.2013
<b>Fund net assets</b>	<b>16,007.90</b>	<b>50,328.54</b>	<b>214.40</b>		
<b>Total fund assets</b>	<b>16,061.31</b>	<b>50,506.80</b>	<b>214.46</b>	<b>100.00</b>	<b>100.00</b>
<i>of which:</i>					
Government bonds	11,502.27	42,410.25	268.71	71.61	83.97
Treasury Bills	2,074.59	4,639.99	123.66	12.92	9.19
Cash	2,138.10	2,582.67	20.79	13.31	5.11
Other assets	346.35	873.90	152.32	2.16	1.73
<b>Total fund liabilities</b>	<b>53.42</b>	<b>178.25</b>	<b>233.71</b>	<b>0.33</b>	<b>0.35</b>

### Government Securities Retail Market

The retail market of Government securities in 2013 was dominated by transactions in short-term instruments (T-Bills) at 53.52% and long-term instruments (bonds) at 46.48%. With regard to the number of transactions, 96.10% of all transactions in the retail market of Government securities were in T-Bills.

Transactions under “Purchases on the primary market” and “Payment of nominal value at maturity” dominated the Government securities retail market in 2013. Their respective shares of the total volume were 64.82% and 23.71%.

Individual investors dominated over institutional investors, performing 99.37% of all transactions in the Government securities retail market.



**Table 15: Government Securities Retail Market**

Type of Transaction	Nominal value (million ALL)		Change (in %)
	2012	2013	'13/'12-1
<b>A Purchases in the primary market</b>	<b>19,991</b>	<b>46,342</b>	<b>131.82</b>
<i>Individuals</i>	10,896	8,310	(23.73)
<i>Legal entities</i>	9,095	38,031	318.18
<b>B Sales from financial intermediary portfolio</b>	<b>7,066</b>	<b>5,217</b>	<b>(26.17)</b>
<i>Individuals</i>	5,873	4,912	(16.36)
<i>Legal entities</i>	1,193	305	(74.45)
<b>C Purchases from individuals prior to maturity</b>	<b>5,663</b>	<b>2,876</b>	<b>(49.21)</b>
<i>Individuals</i>	5,021	2,442	(51.37)
<i>Legal entities</i>	642	435	(32.33)
<b>D Pledging Government securities as collateral</b>	<b>97</b>	<b>105</b>	<b>7.23</b>
<i>Individuals</i>	54	78	44.21
<i>Legal entities</i>	43	26	(39.16)
<b>E Payment of nominal value at maturity</b>	<b>12,578</b>	<b>16,955</b>	<b>34.79</b>
<i>Individuals</i>	11,041	14,696	33.10
<i>Legal entities</i>	1,537	2,258	46.93

In 2013 AFSA began operating its electronic reporting system-AMF In-Reg-for the licensed companies operating in the Government securities retail market. The system aims at computerising the reporting process in the Government securities retail market, increasing the effectiveness and ensuring the security and reliability of their analysis.

The electronic reporting forms on the activities in the Government securities market were tested by the entities and also by AFSA until December 2013 AFSA intends to fully extend the use of this system to generating reports on the market in 2014.

## **Government Securities Retail Market (GSRM) Platform**

In 2013 the GSRM Platform continued to function and perform its role, ensuring increased transparency in the quotes and transactions on the Government securities retail market. Ten operators licensed by AFSA to trade in Government securities operate in the market. In the context of better protecting investor interests, AFSA monitors the activity of those operators and takes care that the information is up to date and in real time. The Platform also includes an historical database which assists all the persons who need such data for personal, statistical or academic reasons.

The GSRM Platform provides complete up-to-date information to the public and institutional investors on the daily demand and supply in the Government debt securities retail market.

Upon the first ever issue of the Government ten-year bond in October 2013, the transactions related to that issue were recorded on the GSRM system, following an adjustment to the reporting forms.

In 2013 the GSRM Platform was clicked 11,594 times, accounting for 4% of all visits to AFSA official website.

## **Capital Market**

As the regulator and supervisor of the capital market, AFSA has constantly advocated for this market and its role in the development of the economy.

The capital market is still undeveloped. Tirana Stock Exchange-entirely owned by the Government as its sole shareholder-possesses all the structures of a joint-stock company, but it has not started to trade in any securities and no companies are listed on it.

Given the current capital market conditions, in 2013 AFSA, in cooperation with experts selected by USAID FSVC, took the initiative to develop a strategy for capital market development. The strategy contains medium-term and long-term directions for potential developments in the capital market. The following were taken into consideration in the development of the strategy:

- Assessment of the current legal and regulatory environment;
- Relevant stakeholder assessments;
- Priorities and potential issues in the development of the capital market.

The strategy clarifies that the implementation of its components requires Government and private stakeholder support, as essential elements in the development of a capital market.





In the absence of a regulated market, shares continue to be traded among shareholders by means of recording ownership changes in the joint-stock companies registers. On the other hand, some joint-stock companies have registered their shares with the Share Registration Centre, which is a company specialized in keeping the share register. By the end of 2013, 101 companies had registered with that Centre, while the number of traded shares as a portion of registered shares was very low, with only 0.16% of total shares being traded.

### Licensing activity in the securities market

A novelty in respect of licensing in the securities market in 2013 was the approval of the first licence in securities investment advisory services.

Under the current legislation, an investment advisor works on behalf of and for an advisory/brokerage company. The profession of investment advisors requires more specific experience relative to the profession of brokers. The regulatory framework developed by AFSA clearly stipulates that an investment advisor applicant must, in addition to other requirements, meet one of the following conditions:

- Complete a post-university course in financial investments or financial analysis for at least one year; or
- Have professional experience in Albania or abroad for at least three years in the area of securities advisory services.

At the end of 2013, 13 brokerage companies, 18 individual brokers employed by brokerage companies, one licensed broker's agent, eight securities custodians and one share registrar were operating in the securities market.

The most active part of the securities market is the Albanian Government securities retail market. Operators in this market mainly include banks that have been licensed by AFSA.

**Advisory business** includes constant counselling for profit-making purposes or the offer of such services.

It includes the following services:

- providing advice regarding securities and trading in securities, public offers, acquisition of control shares, creation of portfolios, and other similar operations;
- organizing purchase, sale or exchange of securities through brokerage companies;
- carrying out studies, preparations, oversight and implementation of investment plans;
- preparing the documentation required by the Securities Law and legalizing it.

**Table 16: Entities licensed to operate in the securities market***(number)*

<i>Entities</i>	<i>2010</i>	<i>2011</i>	<i>2012</i>	<i>2013</i>
Brokerage companies	12	13	13	13
Individual brokers in brokerage companies	16	17	18	18
Custodians of Republic of Albania Government securities	7	8	8	8
Share registrars	1	1	1	1
Securities investment advisory company	0	0	0	1
Securities investment advisor	0	0	0	1

### Approval of the private offer of bonds

In 2013, AFSA approved the respective prospectuses for four bond issues with private offer by two companies, at the amount of ALL 1,360 million.

#### Private Offering of Bonds

Under Law no. 9879 of 21 February 2008 "On Securities", a private offer of securities is the issuance in which the offer to subscribe securities has been extended only to institutional investors, issuer's shareholders or employees and up to 100 external investors, who address the issuer directly. The issuing company has to prepare a prospectus and submit it to any potential investors only after it the prospectus has been approved by AFSA.

### Inspections at collective investment undertakings

Collective investment undertakings are developing rapidly and manage considerable amounts of assets. These reasons have been significant determinants in the setting of AFSA priorities in relation to the onsite inspection at the management company and its depositary. The inspection focused on three key areas:

- Effective supervision of the company operations, focusing on its investment policies, investment type selection and approval procedures, functioning of automated systems that the management company uses to calculate the net assets of the investment funds and method of calculating the unit price, pay-out of members withdrawing from the investment fund, the method of calculating the paid amount and the unit price applied at pay-out;
- Transparency to investors, focusing on the management of collective investment funds, structuring and division of internal company functions, methods and



conditions applied to the selling of investor units by the management company, and customer grievance procedures;

- Compliance with the legal requirements on money laundering and financing of terrorism, focusing on the internal rules, guidelines or procedures that are related to money laundering, the various audits conducted by the internal auditors of the company and their recorded conclusions, reporting of suspicious transactions and transactions in cash as per the legislation in power.

The findings of the inspections were communicated to the collective investment undertaking management company and its depositary in the wrap-up meeting with their management.

Based on the findings AFSA gave relevant recommendations, which are related to transparency to investors, the determination of the value of collective investment undertaking assets and the calculation of the net value of assets per unit or share, by reconciling the investment fund net asset value and share price for the investment fund on a daily basis.

## **1.4 Private Voluntary Pension Market**

The number of private voluntary pension market operators did not change in 2013. Three voluntary pension funds operated in this market, managed by three different management companies: Raiffeisen Invest sh.a. managing Raiffeisen Voluntary Pension Fund, Sigal Life Uniqa Group Austria sh.a. managing Sigal Voluntary Pension Fund, and SiCRED sh.a. managing SiCRED Voluntary Pension Fund.

An assessment of private voluntary pension market shows that at the end of 2013 the amount of total managed assets was ALL 436.03 million, with an increase of about ALL 152.44 million (53.75%).

The number of pension fund members was 7,887 at the end of 2013, marking a rise of 8.32% compared with the end of 2012.

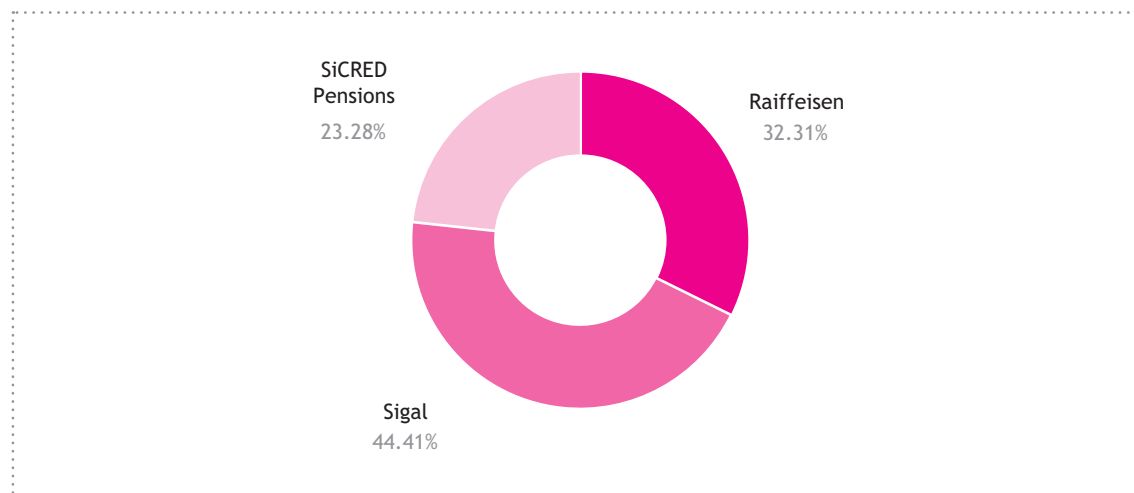
**Table 17: Pension Fund Indicators**

Description	Amount (million ALL)		Change (in %)
	2012	2013	2013/2012
PF net assets	283.01	434.82	53.64

**Table 18: Net assets and number of members, by pension fund, 31.12.2013**

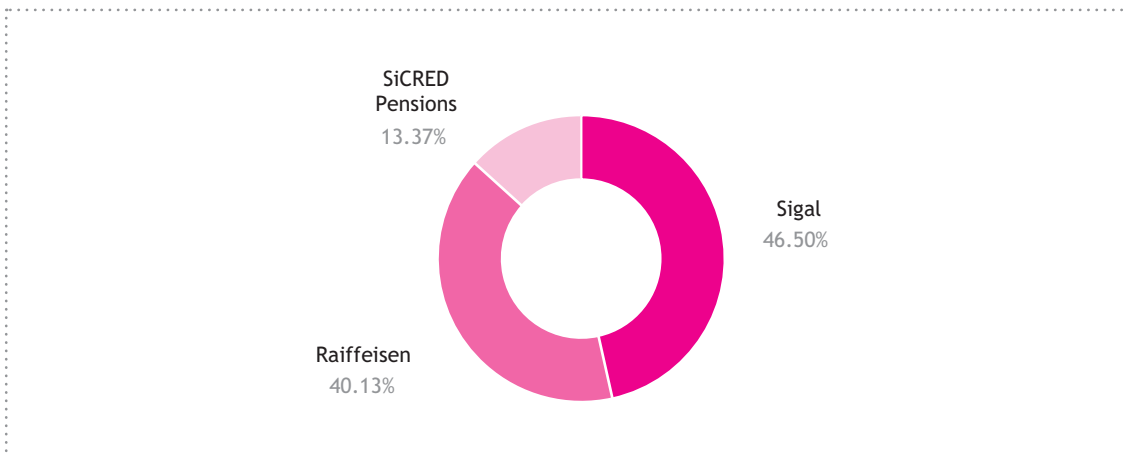
Pension Fund	Number of PF members	Net Assets (million ALL)
SIGAL	3,503	202.19
RAIFFEISEN	2,548	174.49
SiCRED PENSION	1,836	58.14
<b>TOTAL</b>	<b>7,887</b>	<b>434.82</b>

**Graph 13: Market shares in terms of number of pension fund members, 31.12.2013**





**Graph 14: Market shares in terms of pension fund net asset value, 31.12.2013**



Pension fund assets have been invested in Republic of Albania Treasury Bonds and bank deposits. Total investment at 31.12.2013 was ALL 421.68 million, marking an increase of 53.13% compared with end of 2012.

**Table 19: Pension fund market investment amount**

*(million ALL)*

Year	2011	2012	2013
Total PF investment	152.91	275.38	421.68

Articles 88-91 of Law no. 10197 of 10 December 2009 “On Voluntary Pension Funds” provide for tax incentives for contributors as members of private voluntary pension funds. So far private voluntary pension funds have not managed to attract many members because the tax incentives provided for in the Voluntary Pension Funds Law are not entirely implemented by the tax legislation.

## 1.5 Corrective and Administrative Measures

The legislation governing the activity of the financial entities that are supervised by AFSA and the Law on the Financial Supervisory Authority provide for corrective and administrative measures aiming at preventing and eliminating any violations on a timely fashion, enabling the disruption of any actions contrary to the law, the protection of consumers and the strengthening of AFSA role.

AFSA escalated the preventive and corrective measures several times in 2013. On other occasions AFSA requested acceptable plans on the prevention of problems. Such plans included detailed steps to address any found issues within specified time-limits. In the case of companies operating in the insurance market, in 2013 AFSA Board took a total of 16 decisions on administrative measures based on the findings of the financial indicator assessment and the onsite inspections carried out by the Authority. Compared with 2012 there was an increase in the number of corrective and preventive measures against insurance companies, which indicates an increased degree of AFSA intervention in the context of preventing and eliminating violations in a very short period of time.

**Table 20: Administrative measures imposed by AFSA, 2013**

(number)

Market	Administrative measure					
	Order to eliminate noncompliance	Financial action plans	Capital increase order	Order to stop transactions	Recommendation to supervisory board	Licence revocation
Insurance Market	16	2	2	1	1	
Pension Market	1		1			
Securities Market	3					1

In 2013, AFSA Board took four decisions on administrative measures against operators in the securities market. Three of those decisions ordered correction of noncompliance. The other decision, which was taken in November 2013, revoked the licence of Easy Trade Consulting sh.p.k. to operate as a securities broker's agent.

In 2013 AFSA Board took a decision on companies operating in the private voluntary pension market, providing for measures to eliminate noncompliance and increase capital.



No new measures were appealed against at Tirana District Court in 2013; therefore, all court proceedings were related to measures from previous years. Four court cases were decided in 2013, three of which for AFSA.

In one of the cases, in which a Board decision imposing a fine was appealed, the Court dismissed the case because the company withdrew its appeal, and AFSA Board decision was executed.

In another case, in which the Board had decided to revoke a licence to operate as insurance claim adjuster, Tirana District Court decided to dismiss the case because the complainant did not show interest in proceeding with it. The case had previously been returned for re-adjudication by the Court of Appeal.

In the third case, Tirana District Court and the Court of Appeal dismissed the lawsuit application filed by an insurance company. The company had appealed against a fine that AFSA Board had imposed.

The case decided against AFSA was related to an appeal against its Board decision to impose a fine on an insurance company. The fine had been imposed because the company had failed to submit to AFSA detailed information in compliance with the time-limits, form and list specified in the provisions of Regulation no. 10 of 8 February 2007 "On the list of annual and periodic statutory reporting documents for insurance and reinsurance companies." Tirana District Court and the Court of Appeal decided for the complainant and repealed AFSA Board decision. AFSA submitted an appeal to the Supreme Court, which decided to dismiss it.

**Table 21: Court cases related to AFSA administrative measures, as of 31.12.2013** *(number)*

Total	Completed	Pending
14	4	10

## Chapter 2

# Regulation of supervised financial markets

### 2.1 AFSA Board Activity

In the context of performing its functions, AFSA Board conducted 13 meetings and took 135 decisions in 2013. The following table shows the number of AFSA Board decisions grouped by type of decision:

**Table 22: Classification of AFSA Board decisions, by type of decision**

<i>Type of decision</i>	<i>Number</i>
Decisions on companies operating in the insurance market	95
Decisions on companies operating in the securities market	7
Decisions on companies operating in the private voluntary pension market	2
Decisions imposing administrative and corrective measures on supervised entities	21
Decisions on AFSA regulatory framework	10
<b>Total number of decisions</b>	<b>135</b>

### 2.2 Regulatory Activity

In the context of further improving the regulatory framework, AFSA finalized and submitted the following draft laws to the Ministry of Finance in 2013:

- Draft Law on Insurance and Reinsurance, and
- Draft Law amending Law no. 9572 of 3 July 2006 “On the Financial Supervisory Authority”.

In addition, in 2013 the AFSA worked with WB experts' assistance for amending Law no. 10197 of 10 December 2009 “On Voluntary Pension Funds” in order to approximate it with EU Directives and EU Progress Report recommendations.

#### *Draft Law on Insurance and Reinsurance*

In 2013 AFSA worked to reflect the recommendations from the Council of Ministers and the Ministry of Justice and the suggestions from IMF and WB in the Draft Law on Insurance and Reinsurance. In addition, following the recommendations left by the FSAP mission in November-December 2013, which underlined the importance of applying risk-based supervision, implying changes to the current supervision philosophy, AFSA revised the Draft Law on Insurance and Reinsurance, which was submitted to the Ministry of Finance.





The purpose of the Draft Law is to strengthen and develop the Albanian insurance industry by putting the emphasis on ensuring effective protection of consumer interests.

The Draft Law lays down the principles and specifies the activities and procedures in relation to the establishment, organization, management, operation and supervision of insurance, reinsurance and intermediation businesses, so that the insurance market functions in a safe, stable and transparent environment, and in order to protect the rights and interests of consumers involved in an insurance contract. The development of the Draft Law is also in line with AFSA goal to further increase compliance with and observance of IAIS Insurance Core Principles (ICPs).

#### *Amending Law no. 10197 of 10 December 2009 “On Voluntary Pension Funds”*

In 2013, the AFSA, in cooperation with WB experts, worked on amendments to Law no. 10197 of 10 December 2009 “On Voluntary Pension Funds.” The legal amendments aim at approximating it with the EU Directives, the IOPS private pension supervision principles and the OECD Guidelines.

As a result of several months of work, AFSA managed to finalize the first draft of the Bill and is now working on reflecting stakeholder comments and suggestions.

### **Regulations in the area of insurance**

In the context of legal regulation of the insurance market, in 2013 AFSA developed and adopted Guideline no.45 of 24 April 2013 “On the criteria, procedures and time-limits for renewing professional licences/authorizations in the insurance market”. The purpose of the Guideline was to lay down the criteria, procedures and time-limits for renewing licences/authorizations for all professionals in the insurance market (agents, brokers, claim adjustors, actuaries) possessing a licence/authorization with a specified validity period and applying for its renewal.

In addition, in the context of more effective supervision of the market and its operators, the following regulations were amended:

- Regulation no. 2 of 29 January 2010 “**On Albanian Insurance Bureau reporting and supervision standards**”. The amendments were adopted with the purpose of improving the supervision of insurance companies and the Bureau by further regulating their periodic reporting.
- Regulation no. 9 of 8 February 2007 “**On the basis, accounting methods and ways of keeping non-life insurance technical provisions**”. The adopted amendments aimed at regulating the database with the information that must be reported to AFSA and be taken into consideration in the calculation of technical provisions.

- Regulation no. 6 of 8 February 2007 **“On the rules, methods and conditions for company insurance reporting to AFSA”**. The amendments introduced additional documents to be submitted to the Authority by insurance companies.
- Regulation no. 18 of 27 March 2008 **“On the organization of claim adjustor examinations”**. The purpose of the amendments is to improve the method and procedure of organizing insurance claim adjustor examinations.
- Regulation no. 110 of 28 July 2011 **“On setting the level of technical provisions for compulsory motor insurance”**. The amendments were made in cooperation with WB experts, also reflecting compulsory motor insurance market analysis in terms of the method of calculating insurance premiums for compulsory motor insurance, and introducing additional actuarial elements in their assessment in order to improve the current practice. Amendments to Regulation no. 110 of 28 July 2011 aim at preventing frequent changes to the tariffs applied in the MTPL insurance market.

### Regulations in the area of private voluntary pensions

In order to further approximate the legal framework in force with EU Directives, AFSA adopted Regulation no. 112 of 25 November 2013 **“On prospectus approval fees”**, the purpose of which is to specify the service fees applied to the approval of prospectuses for public and private offers and the approval of investment fund and voluntary pension fund prospectuses.

## 2.3 Approximation with EU Directives on the markets

One of the main goals for the Authority since its establishment has been the development and adoption of regulatory and supervisory legislation in the area of the supervised financial services that would enable further development of the market and consumer protection. This completed legal framework aims at the approximation with the international standards in the context of meeting the commitments of the institution and Albania for the implementation of the Stabilization and Association Agreement with EU.

The AFSA coordinates Chapter 9 “Financial Services” in the framework of Progress Report of European Commission on Albania. In cooperation with the Bank of Albania, the current developments are clearly reported in terms of legal framework approximation, implementation activities, developments and reforms in the financial sector in relation to the markets supervised by AFSA. In 2013 the AFSA prepared and submitted information to the European Commission (EC) in the framework of the periodic meetings between Albania and EU, such as the fourth meeting of the EU-Albania Stabilization and Association Committee in March 2013 and the meeting of the EU-Albania Subcommittee on Internal Market and Competition in April 2013.



On 16 October 2013 the EC published its Progress Report on Albania, which described the progress made by Albania from October 2012 till September 2013. Chapter 9 “Financial Services” of the Report positively evaluated some of the progress in the non-banking financial area in relation to the AFSA activity.

#### **European Commission - Albania 2013 Progress Report**

##### ***(Chapter 9- Financial Services)***

*In the area of **securities markets and investment** services, the AFSA took measures to strengthen supervision and management of securities market and collective investment undertakings.*

##### ***Conclusion***

*There has been some progress in financial services, in the field of banking. Additional efforts are needed to align legislation with the acquis in the areas of insurance and occupational pensions, financial market infrastructure and securities market and investment services. Supervisory capacity needs to be strengthened. Overall, preparations are moderately advanced.*

#### **Alignment of the regulatory framework with EU legislation and international standards**

The alignment of the regulatory framework with the international standards in the area of the supervised financial markets continued to be in the focus of the Authority in 2013. A number of projects aiming at full harmonization of the Albanian legislation with the EU Directives and international standards were finalized last year.

##### ***Completed projects***

- Amendments to Law no. 9572 of 3 July 2006 “On the Financial Supervisory Authority” were developed based on the international core principles and standards (ICPs 1 and 2) of IAIS a member of which AFSA is;
- The Draft Law on Insurance and Reinsurance was developed so as to be approximated with the Solvency I European regulatory framework: Directives 73/239/EEC, 73/240/EEC, 87/344/EEC, 87/343/EEC, 88/357/EEC, 92/49/EEC, 2002/13/EC, 98/78/EC, 2002/92/EC, 2005/68/EC, 2002/83/EC, 2001/17/EC and 84/641/EEC.

During 2013 and still ongoing, the AFSA is working on:

- Amendments to Law no. 10197 of 10 December 2009 “On Voluntary Pension Funds”, in line with Directive 2003/41/EC of the European Parliament and of the Council of 3 June 2003 on the activities and supervision of institutions for occupational retirement provision. The Draft Law is going to also be approximated with Directive 98/49/EC, Directive 2006/54/EC, Directive 2008/94/EC, Directive 2002/83/EC, Directive 2004/39/EC, Directive 2009/65/EC, and with IOPS and OECD principles.
- Development of amendments to Law no. 10076 of 12 February 2009 “On Compulsory Insurance in the Transport Sector”, in line with Directive 2009/103/EC of the European Parliament and of the Council of 16 September 2009 relating to insurance against civil liability in respect of the use of motor vehicles, and the enforcement of the obligation to insure against such liability.

#### **The Solvency II Directive (Directive 2009/138/EC)**

On 2 October 2013 the EC proposed a second quick regulation of the Solvency II Directive, to postpone the effective date of this Directive to 1 January 2016.

In October 2013 EIOPA published the Guidelines on preparing for Solvency II. The purpose of the Guidelines is to guarantee that the national competent authorities ensure that insurance undertakings and groups take active steps for sustainable and coordinative implementation of the key elements of Solvency II, covering the following areas:

- Governance systems;
- Preliminary assessment of the risks undertaken by the undertakings;
- Disclosures;
- Preliminary application of internal models.

A plenary vote was held in the European Parliament on 21 November 2013 to change and finalize the implementation and transposition dates for the Solvency II Directive. The Parliament approved the 31 January 2015 as the transposition date and 1 January 2016 as the implementation date.



### **The Omnibus II Directive**

On 13 November 2013 an agreement between the European Parliament, EU and European Council on the "Omnibus II" Directive was reached.

The so-called Omnibus II Directive will complement the Solvency II Directive and the Regulation establishing the European Insurance and Occupational Pensions Authority (Regulation (EU) No 1094/2010), thus establishing a modern regulatory and supervisory risk-based framework on the insurance industry.

The Directive is called Omnibus II because it followed a previous directive, known as the Omnibus I Directive, which introduced technical amendments to 11 various directives in order to clarify the powers of European Supervisory Authorities. Due to technical reasons, however, those amendments did not cover the Solvency II Directive on the insurance sector, for which the competent supervisory authority is the European Insurance and Occupational Pensions Authority (EIOPA), nor did they cover the Prospectus Directive (Directive 2003/71/EC), for which the competent supervisory authority is the European Security and Market Authority (ESMA).

The Omnibus II Directive contains a series of changes to the Solvency II Directive and the Prospectus Directive. Those changes include the specification of special tasks for EIOPA and ESMA. In particular, the Draft Directive clarifies EIOPA's role in ensuring the harmonisation of technical approaches to the calculation of technical provisions and capital requirements. It also contains a package of measures for ensuring clarity in the treatment of insurance products with long-term guarantees in order to reduce the effects of artificial fluctuations.

### **The UCITS Directive (Directive 2009/65/EC)**

The EC approved the proposal for Directive UCITS V on 3 July 2012. The proposal focused on adding and improving the rules on deposits, payments and bonuses, sanctions, and mainly aims at ensuring the alignment of the UCITS Directive with the AIFMD Directive (Directive 2011/61/EU).

The European Parliament voted on the content of the Draft Directive UCITS V on 3 July 2013. A number of debatable proposals that had been put forward by the EP Economic and Monetary Affairs Committee (ECON) on 24 April 2013 were not taken into consideration.

The European Parliament will soon begin negotiations on the exact content of the proposed UCITS V Directive with the European Council and EC.

### **Insurance Mediation Directive (IMD) (Directive 2002/92/EC)**

In July 2012, EC approved a proposal for revising the IMD 2 Directive. The Commission proposed to extend the scope of IMD2 to entities selling insurance products, especially insurance companies, and to include additional rules on disclosures and rules on a higher standard of sales for investment insurance products such as those specified in MiFID. The proposal is currently being discussed at the European Parliament and Council.

## Chapter 3 Governance and Consumer Protection

### 3.1 Governance and Market Behaviour

In 2013, the Authority approved changes or reappointments in the composition of the Supervisory Boards of two insurance companies, and approved appointments to governing bodies of one insurance company and of the Executive Director of AIB.

**Graph 15: The current governing structure of insurance companies**



**Table 23: Insurance company governance statistics**

	2007	2008	2009	2010	2011	2012	2013
Average number of shareholders	6.0	4.5	4.2	4.4	4.2	3.7	3.6
Average number of supervisory board members	5.0	3.6	3.4	3.6	4.0	4.2	4.1
Average number of supervisory board members who are not shareholders	2.0	2.8	2.7	3.1	3.5	3.7	3.6
Number of executive directors with qualified holding over 10%	3.0	3.0	2.0	2.0	3.0	3.0	3.0

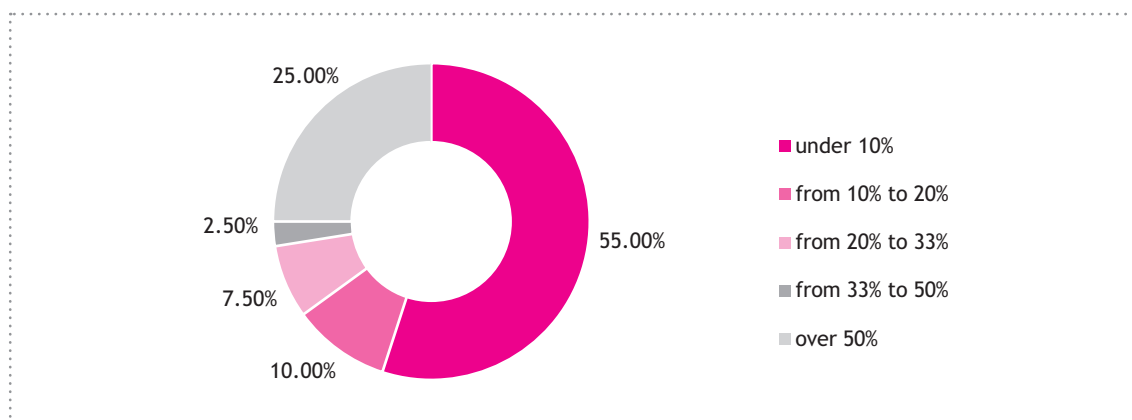


**Table 24: Data in insurance company shareholders**

<i>Description</i>	<i>Number</i>
Insurance companies	11
Total shareholders	40
<i>Classification of shareholders by capital ownership:</i>	
under 10%	22
from 10% to 20%	4
from 20% to 33 %	3
from 33% to 50%	1
over 50%	10
<i>Classification of shareholders by country of origin:</i>	
Foreign shareholders	3
Domestic shareholders	37
<i>Classification of shareholders by status:</i>	
Individual shareholders	31
Company shareholders	8
Government shareholder	1

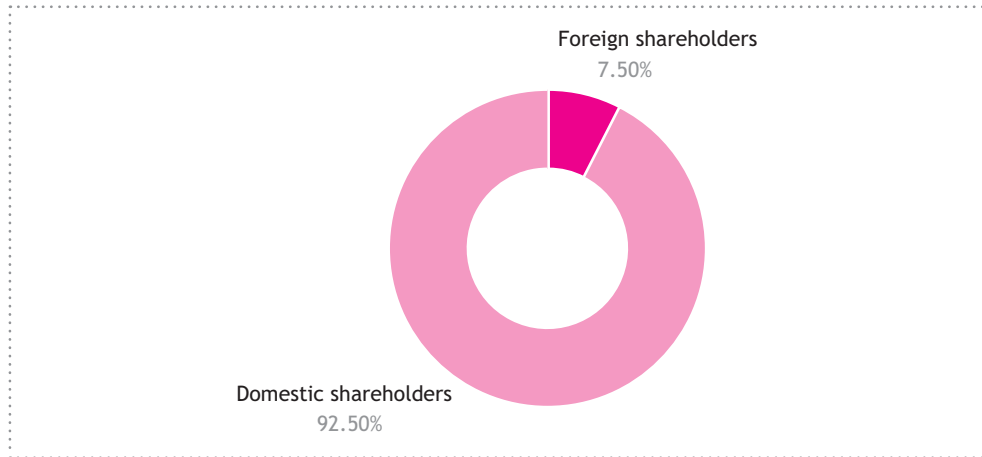
**Graph 16: Shareholder data, by qualifying holding**

(%)



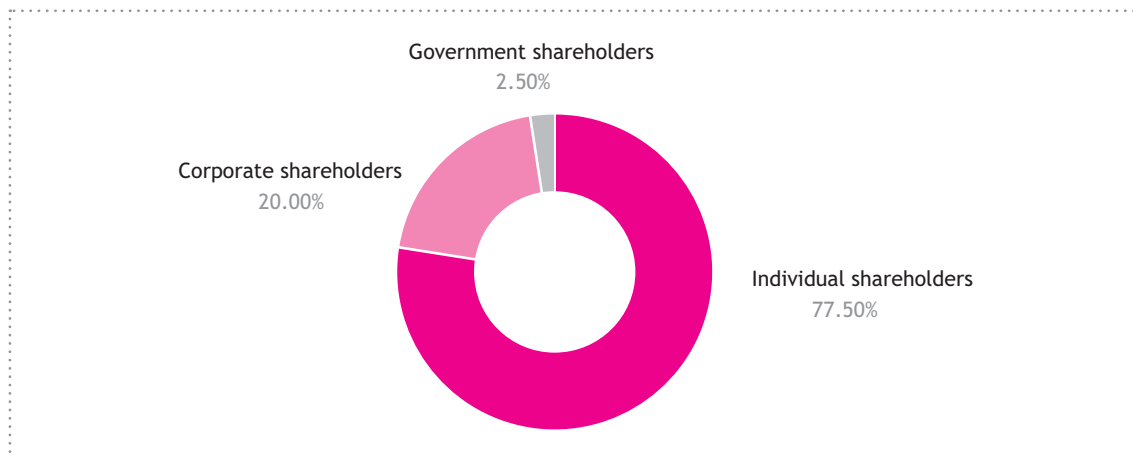
**Graph 17: Shareholder data, by country of origin**

(%)



**Graph 18: Shareholder data, by status**

(%)



### Foreign capital in insurance companies

There were no changes in terms of the number of foreign shareholders owning shares in Albanian insurance companies in 2013. The following operate in the Albanian insurance market:

- Vienna Insurance Group AG Wiener Versicherung Gruppe, with its head office in Vienna, Austria;
- Uniqa International Beteiligungs –Verwaltungs GmbH, with its head office in Vienna, Austria;
- Albanian-American Enterprise Fund.





## Approval of statutory changes to insurance companies

AFSA approved the following insurance company applications for changes to their articles of association in 2013:

- Approval of new articles of association in observance of legal amendments, and approval of amendments to the articles of association, for two insurance companies;
- Approval of amendments to articles of association resulting from increased share capital for three insurance companies;
- Approval of amendments to articles of association resulting from changes to shareholding structure for two insurance companies.

**Table 25: Data on approvals of articles of association changes** *(number of companies)*

<i>Reason for Statute Amendment</i>	<i>2008</i>	<i>2009</i>	<i>2010</i>	<i>2011</i>	<i>2012</i>	<i>2013</i>
New statute and other changes	2	2	2	6	6	2
Capital increase	9	4	2	4	4	3
Changes in the shareholder structure	2	2	5	3	2	2

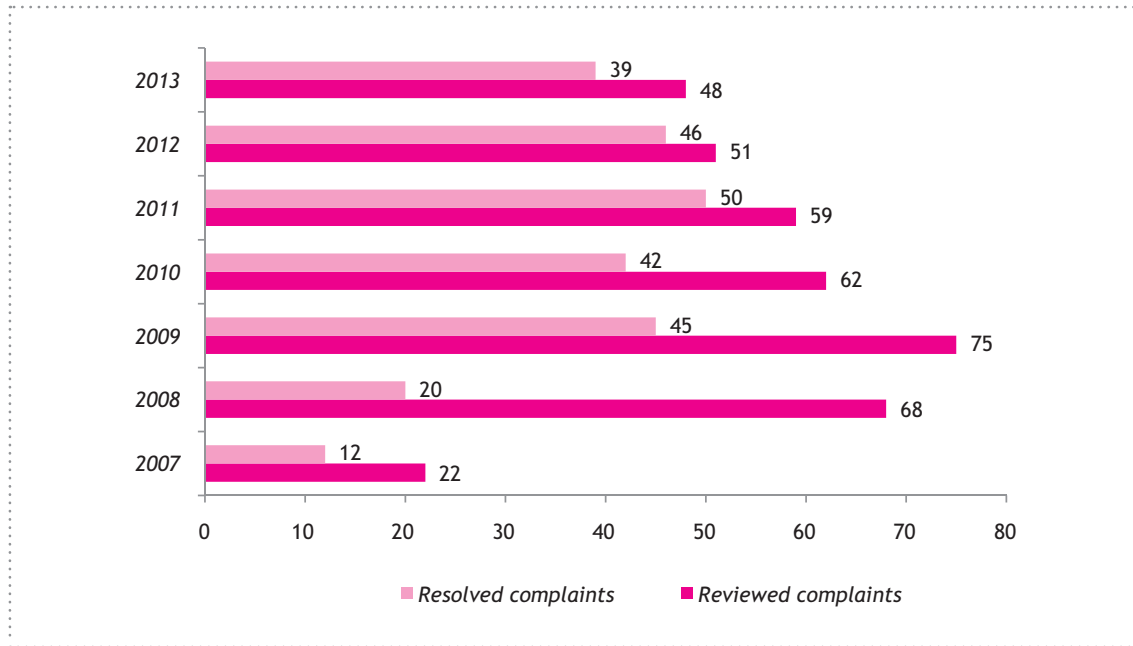
## 3.2 Consumer Protection and Education

A very important goal for the AFSA is to protect consumers in the financial markets supervised by AFSA. In order to achieve this goal, the Authority has a specialised unit that deals with the issues facing consumers, in compliance with the legal regulatory framework in power.

In 2013 the Authority handled 48 complaints, which were mainly related to issues about payment of insurance claims resulting from compulsory insurance contracts, and requests of interpretation. 11 complaints were interpretations of insurance contracts, and 36 ones were related to the claim handling system. In 2013 there was only one complaint related to the pension fund and collective investment undertaking management company.

**Graph 19: Complaints and resolutions, 2007-2013**

(number)



AFSA uses various forms of consumer communications and information, the constant perfecting of which is aimed at encouraging and increasing consumers' trust in AFSA role.

#### **AFSA Mechanisms for Ensuring Transparency, Effective Public Communications and Financial Literacy**

- Consumer Helpline. This system includes the landline communication number (355 4 2257 557), the consumer helpline toll-free number (0800 6969), the free SMS contact number (355 694060671) and the email address (konsumatori@amf.gov.al);
- AFSA website (www.amf.gov.al) constantly gives information on the up-to-date legal basis on the supervised markets and news on the Authority Board decision-making;
- The website gives information on the entities operating in the supervised markets, covering both their form of organization and executive staff;
- Special sections in the website provide consumer educational information and updates on the latest developments in the countries in the region regarding the markets, through a monthly newsletter.



## Chapter 4

# Transparency and Institutional Cooperation

### 4.1 Transparency and Public Relations

The public was provided with extensive information on the supervised financial markets in 2013. The printed media, mainly those with large circulation, regularly covered AFSA activity. The most reported topics included public sensitivity to compulsory motor insurance prices and the overall development of the insurance market; information on private voluntary pensions; and the performance of the securities market. This was covered in over 140 presentations on daily newspapers and about 30 appearances on national and regional television networks.

Special attention was also paid to the Authority Chairperson's communications with the market, stakeholders and the general public in the context of presenting the strategies for AFSA development. AFSA organized several meetings with insurance company managers, focusing on the performance of the compulsory motor insurance market, tariffs and claim payment. A number of actions for the future performance of the market were put forward during the meetings. The efforts for the implementation of the Bonus-Malus system and the technical progress on the introduction of the risk-based tariffing were covered both in the meetings and subsequently on the media.

In March 2013, following the joint work with WB experts, specific proposals to amend the laws, regulations and guidelines governing the private voluntary pensions in Albania were prepared. The entire regulatory framework is going to be aligned with the changes in the European legislation of the recent years, and their implementation in the specific conditions of the Albanian voluntary pension market. This process was extensively covered in a special television programme on the topic.

The completion of the compulsory insurance liberalisation project in April 2013, which was implemented with WB support, was extensively covered on the printed media and the national and local television networks. The media coverage included both news reports and special programmes on the process. The media and the public were introduced to the improvements that the new scheme is going to bring about, and how it will also affect the promotion of safer driving.

In addition to media communication, AFSA also uses a variety of forms and methods to achieve the most effective communication possible with the public. It includes communication

#### AFSA Publications

- Annual Report
- Supervision Report
- Insurance Geography
- Official Bulletin
- Brochures on supervised markets

#### AFSA Electronic Publications

- Monthly newsletter
- Insurance Market Statistical Bulletin
- Securities Market Statistical Bulletin
- Private Supplementary Pension Market Statistical Bulletin

through the official website, monthly informational newsletters for the three supervised markets, annual publications, brochures, etc.

Special attention was paid to AFSA website ([www.amf.gov.al](http://www.amf.gov.al)) in 2013, enriching it with useful up-to-date information on the latest market developments. Such information is of great use to both insurance companies and the users of their services.

The website is in two languages, Albanian and English, thus also benefiting foreign investors or researchers as a source of information on the structure and development of the financial markets of insurance, pensions and securities in Albania. AFSA official website also publishes information on all AFSA Board decisions. There were 288,538 clicks on AFSA website in 2013, with over 90% of them in relation to the news posted on the homepage, periodic announcements and statistical newsletters.

## 4.2 Institutional Cooperation

### Cooperation with domestic institutions

Increased cooperation with various economic and financial regulators has been in the focus of the processes promoting the sound growth of financial markets. Based on this view, AFSA closely cooperated with other economic institutions in Albania, the region and beyond in the context of developing and regulating the markets of insurance, securities and private voluntary pensions.

In the context of strengthening the insurance market, more specifically that of compulsory motor insurance, AFSA closely worked with the **Ministry of Interior, the Ministry of Public Works and Transportation and the Directorate General of Road Transportation Service**. Also thanks to the memorandum of understanding, the cooperation enables compulsory insurance law enforcement, accurate identification of vehicles circulating in the Republic of Albania and provision of those vehicles with the required legal documentation.

In the framework of the compulsory motor insurance market liberalisation, AFSA provided the **Competition Authority** with all the requested information in order to help with the investigation into the insurance market.

In 2013 AFSA continued to be in constant contact with the **Ministry of European Integration**, which is the institution coordinating all the efforts in Albania towards European integration. In its reports AFSA described the progress made in the area of legislative and implementation activities within the timeframes laid down in the National SAA Implementation Plan, and the concordance with the Acquis of the legal acts adopted



in the area of non-banking financial market.

In 2013 AFSA continued its work under the processes initiated by the Ministry of European Integration with regard to the online inter-institutional system to specify *Acquis communautaire* that is related to the markets supervised by the Authority. In addition, the legal actions under the National SAA Implementation Plan 2012-2015 continued to be reflected in the online system.

Experts from the **Directorate General of Money Laundering Prevention** trained AFSA supervision experts in relation to the Authority's legal responsibilities and its specific role in the fight against money laundering and financing of terrorism in the institutions that are subject to the relevant legislation. This further deepened the cooperation between AFSA and that institution.

In addition, in its onsite inspection programme in 2013 AFSA cooperated with the Directorate General of Money Laundering Prevention in the case of one of the supervised entities and included for the first time some issues that were related to the verification of the compliance with the legal provisions common to both institutions.

## European Cooperation

A very important portion of the international cooperation with AFSA in 2013 continued to be the cooperation with EU Member States and EU regulators.

AFSA signed a Memorandum of Understanding with 23 European regulators operating in securities markets, specifically in relation to alternative investment funds in July 2013. The signing of the MoU was coordinated by **ESMA** pursuant to EU Directives. The bilateral agreements with each counterpart regulator aim at ensuring cooperation in terms of consultations and information exchange in relation to supervising Alternative Investment Fund Management Entities. They also specify the scope of cooperation, the procedures to be followed in the case of cross-border visits, the rules of information confidentiality, etc. While the activities of such funds are not developed in Albania, yet, the signing of the agreements is considered as a significant step towards increasing supervisory cooperation between AFSA and EU Member States.

In the framework of EU Technical Assistance and Information Exchange Programme (**TAIEX**) in 2013 AFSA was assisted by an expertise mission on the approximation of EU directives in relation to compulsory motor insurance. The purpose of the mission was to assist the Authority in the process of amending the Law "On Compulsory Insurance in the Transport Sector", in order to achieve full approximation with the EU legislation.

The main areas in which AFSA is going to be supported with expertise by the TAIEX instrument are related to legislation approximation, further increasing public awareness of the private voluntary pension system, the establishment of a central Securities Depository, insurance group supervision, and risk-based supervision of private pension funds.

### Membership in International Organizations

AFSA has been a member of the **International Association of Insurance Supervisors** (IAIS) since 2001. In 2013 it continued to actively participate in IAIS. AFSA Chairperson is a member of the Financial Inclusion Subcommittee, which especially promotes developing markets and economies in relation to the implementation of the Insurance Fundamental Principles in support of the regulation and supervision of insurance markets and other special forms of insurance.

#### Key Activities in Cooperation with IAIS

- IAIS Working Subcommittee meeting, March;
- Financial Inclusion Subcommittee meeting, April;
- Seminar “Key supervisory issues”, April;
- Seminar “Insurer flexibility in a changing world”, April;
- Seminar “Application of risk management techniques and understanding internal risks in insurance”, October;
- 2013 Annual Conference “Building sustainable insurance supervision in a changing world”, October.

AFSA is a full member of the **International Organization of Securities Commissions** (IOSCO), and signed IOSCO’s Multilateral Memorandum in 2009. AFSA is also an active participant in IOSCO European Regional Committee (ERC) and Growth and Emerging Markets Committee (GEM).

#### Key Activities in Cooperation with IOSCO

- Meeting of the European Regional Committee, March, June;
- Training programme “Regulatory issues”, May;
- 2013 Annual Meeting “Connecting global finance”, September;
- Working committee meetings, October;
- Seminar “Corporate governance issues related to securities companies and the sanctions for abuse of markets”, October;
- Seminar “Trading book issues and market infrastructure”, November.



AFSA has been a member of the **International Organization of Pension Supervisors** (IOPS) since 2006.

AFSA participation in those activities consists of engagement in the preparation of policy and research papers. In 2013 AFSA gave inputs to several research papers prepared by IOPS, and was involved in the improvement of the policy paper on Good Practices for Governance of Pension Supervisory Authorities.

#### **Key Activities in Cooperation with IOPS**

- Executive and technical committee meetings, March.
- Experience exchange - Macedonia, the Czech Republic “Pension supervision” in the region, March;
- Executive and technical committee meetings, June;
- World Forum “Pensions in Asia - global lessons”, November;
- Annual General Meeting and adoption of the paper “Good practices for governance of pension supervisory authorities”, November.

#### **Cooperation with International Financial Institutions and Donors**

Effective cooperation and relations with international financial institutions and donors continued to help implement strategic projects and AFSA institutional capacity building.

**The Financial Services Voluntary Corps (FSVC)** has been one of the important support organizations in the past and continues to be one of the main partners for AFSA in terms of the technical assistance it has provided our institution in the past few years.

In 2013 FSVC supported the project on the development of the Strategy for the Development of the Securities Market in Albania. The Project aims at assessing the current legal and regulatory framework; determining the current level of development, and the major factors impacting it; and identifying any potential barriers and potentials for further developing this market. The drafting of the Securities Market Development Strategy is important in the current stage of development in the country.

### Main institutional cooperation activities

**CESEE** – “Regional Central, Eastern and Southeast European Initiative on Insurance Market Supervision”

- 5<sup>th</sup> meeting - Focus on separation of Life and Non-Life insurance, financial intermediation costs, enforceability of supervisory authority decisions, Sarajevo, May;
- 6<sup>th</sup> meeting - Focus on insurance contracts, and the role of external auditors, Budva, October.

### USAID/FSVC

- Workshop “Risk-based Supervision”, January;
- Drafting the Securities Market Development Strategy, February;
- Drafting the Crisis Management and Resolution Strategy, June.

### WB

- Workshop on the actuarial aspects of compulsory motor insurance in Albania, February;
- Experience exchange “Experience in MTPL and Green Card insurance”, Turkey, Italy, February-March;
- Workshop “Completion of the Compulsory MTPL Insurance Liberalisation Project”, April.

The **World Bank** remains an important strategic partner in the context of fulfilling AFSA fundamental mission. So, with **World Bank First Initiative Programme** support the Authority completed the Project on liberalisation of compulsory MTPL insurance in 2013. The Project, which had started in 2011, aimed at determining the supervision strategy and compulsory MTPL insurance pricing in Albania. The Project also included the development of a strategy for the management of the number of uninsured persons and the establishment of a database against insurance fraud in the future. AFSA and World Bank experts presented to representatives from insurance companies their proposals for the options of risk-based pricing of compulsory motor insurance premiums in the Albanian market integrating the Bonus-Malus approach.

In January-March 2013, the **WB International Development Agency** implemented the project on aligning the legislation on private voluntary pensions with EU Directives and OECD Principles. The need for the full alignment of the legislation also results from the commitments that AFSA has undertaken in the process of EU integration. The project also contributed to the unification of third-pillar practices and processes, paving the way for the building of the supervisory infrastructure. The project presented a set of recommendations for improving such regulation aspects as investment policies for pension fund assets,





taxation of such funds, the methods of designing occupational pension funds, etc. AFSA is working to materialize the recommendations into legislative proposals.

### **Regional cooperation**

For years now the **Austrian Financial Market Authority (FMA)** has been a very important partner for AFSA in the consolidation of the supervised financial markets. The Director for Financial Market Supervision at the FMA, Mr. Peter Braumüller, who is also a member of EIOPA Management Board and Chair of the Executive Committee of the International Association of Insurance Supervisors (IAIS), conducted a working visit to AFSA premises. The meeting covered topics that were related to the latest developments in the area of legislation and supervision of respective insurance markets, and the identification of areas in need of further strengthening of relations between both institutions. The meeting contributed to the continuity of joint supervision of Austrian insurance groups with a dominant presence in the Albanian insurance market. AFSA Supervision Department experts also attended the meeting of the Supervision College for UNIOA Insurance Group (UIG). The meeting helped make a risk assessment for UNIOA under the relevant regulators, focusing on specific risk categories, such as macroeconomic risk, legal risk, sovereign risk, etc. This cooperation is going to be extended to all Austrian insurance companies operating in Albania.

In 2013 the cooperation contacts with the **Central Bank of the Republic of Kosovo (BOK)** were extended to the discussion of the joint strategies and projects for further development. The reason for this is that Albanian insurance companies have a significant presence in the Kosova's market. During their official visit to AFSA the BOK Delegation, headed by its Deputy Governor, discussed issues related to the supervision and regulation of the respective markets and other specific topics such as the insurance bureaux. Such meetings contribute to further promotion of cooperation between both institutions, and exchange of information and professional experience.

AFSA has had close cooperation with the **Macedonian Insurance Supervision Agency (ISA)**. The Memorandum of Understanding between both institutions, which has been in place for years, has had a positive impact on the efficiency of the supervision and regulation of the insurance industry in both countries, also in the context of Albanian insurance companies operating in the territory of Macedonia.

In the private voluntary pension market AFSA also cooperated with the **Agency for Supervision of Fully Funded Pension Insurance in Macedonia (MAPAS)**. The Memorandum of Understanding on Technical Cooperation that was signed with that Agency last year provides for exchange of experience of both institutions in the area of private voluntary pension market supervision and regulation and the legal framework governing it. A high level delegation from AFSA visited MAPAS in March 2013. In the meetings, both managers and experts exchanged the experience they had gained in the

area of private pensions and the relevant legislation, the activity of pension funds, and the mechanisms supervising those funds, etc.

In the framework of the Regional Initiative for the Supervision of the Insurance Market in Central, East and Southeast Europe (**CESEE**), AFSA participated actively in two meetings. In 2013 the fifth and sixth meetings of the Initiative took place in Sarajevo and Budva, respectively. The fifth meeting, which took place at the Insurance Agency of Bosnia-Herzegovina in May 2013, focused on the topics of establishing an effective supervisory structure, exchange of experience in the area of alternative insurance grievance mechanisms, Life and Non-Life insurance products, experience with Solvency I and issues related to Solvency II, etc.

The sixth meeting was hosted by the Austrian FMA in cooperation with the Montenegrin Insurance Supervisory Agency (ISA) in October 2013. The topics discussed in the meeting included issues related to the specific requirements to be complied with by insurance companies, the fight against money laundering, the role of insurance supervisors and the role of external auditors in insurance. The participants in the meeting underlined the importance that supervisory authorities should pay to the approval of insurance company managers, focusing on the requirement for them to be more qualified and of a higher moral standing.

The CESEE initiative is considered as a successful one, based on the ongoing interest and active participation from the countries in the region by investing and encouraging the spirit of effective cooperation on shared issues encountered in the regulation of insurance markets in the region.

The cooperation with homologue institutions in the area of pensions was materialised with meetings with senior officials from the **Czech National Bank (CNB)** and private pension funds. The programme was implemented with WB support under the Project on the exchange of experience in the area of private voluntary pensions. Key discussion topics were related to the design of a pension system reform in line with European Union rules.

The cooperation with the **Insurance Association of Turkey, the Turkish Motor Insurers' Bureau and the Insurance Information Centre of Turkey** was materialised with high-level official meetings and visits in 2013. The programme was implemented with WB support under the Project for the Liberalisation of Compulsory Motor Insurance in Albania. Turkey has a developed motor insurance market, and embarked upon the liberalisation of compulsory motor insurance prices a long time ago. The experience of Turkish specialised institutions was of great value to AFSA in such aspects as design of compulsory motor insurance management database, monitoring of compulsory motor insurance tariff system, the role of actuaries in the calculation of claims reserve, the Guarantee Fund role, the activity of the Green Card Bureau, the role of insurance arbitration offices, etc.

## Chapter 5

# Internal Organization



### 5.1 Financial Statements

#### Auditing

AFSA annual financial statements have been audited by statutory auditors since 2007, although the Law does not require such an audit. In general, the certified auditor's reports state that: "...The financial statements give a fair presentation, in all material aspects, of AFSA financial position and financial performance."

The internal audit function was carried out by an auditing expert holding a certificate as a Public Sector Internal Auditor and reporting to AFSA Chairperson and Board. The Internal Audit Unit performed all its planned tasks in 2013. Based on the audit findings in 2013, 28 recommendations were given to the audited units and submitted to AFSA Board. Chairperson's Orders were issued on all the recommendations made by the Internal Audit, and more than 93% of them were implemented.

#### Budget

AFSA has self-financed its operations entirely since 2009. Total revenues in 2013 were ALL 139.72 million, 1.97% less than in 2012. Almost all the revenues (ALL 139.42 million) came from the fees paid by the supervised entities, with the rest coming from fines and bank interest.

The main contribution to the operational revenues came from revenues from insurance operators' fees (86.48% of total revenues). The level of revenues from those fees was about 10.35% less than in 2012 due to the decrease in the volume of gross written premiums in that market.

**Table 26: Source of AFSA Funds**

(thousand ALL)

<i>Item</i>	<i>Amount</i>
<b>1. Operating Revenues</b>	<b>139,420</b>
1.1 Revenues from insurance market	120,841
1.1.1 Revenues from insurance company contributions	119,176
1.1.2 Revenues from licencing in insurance market	1,665
1.2 Revenues from securities and investment fund market	18,384
1.3 Revenues from contributions of private voluntary pension fund management companies	195
<b>2. Revenues from fines and bank interest</b>	<b>306</b>
<b>Total (1+2)</b>	<b>139,726</b>

**Table 27: Use of AFSA funds***(thousand ALL)*

<i>Item</i>	<i>Amount</i>
<b>1. Operating expenses</b>	<b>110,430</b>
1.1 Salaries, bonuses, social insurance	70,888
1.2 Operational expenses	39,542
<b>2. Investment</b>	<b>3,446</b>
2.1 Purchase of computer hardware and software	3,025
2.2 Purchase of other fixed tangible assets	56
2.3 Other (archive expenses)	365
<b>3. Funds carried forward to future periods</b>	<b>25,850</b>
<b>Total (1+2+3)</b>	<b>139,726</b>

Total used revenues in 2013 were ALL 113.87 million, almost the same as the previous year (0.53% more). Operating expenses were the main use of revenues in AFSA, with 96.97% of total expenses. In 2013 they were executed at the amount of ALL 113.87 million, or 0.52% more than in 2012. The investment expenses in 2013 were executed at the amount of ALL 3.44 million, or 16.95% more than in 2012.

In 2013, pursuant to the Council of Ministers' Decree no. 366 of 24 April 2013 "On transferring the management of some premises from the Financial Supervisory Authority to the Ministry of Finance for the benefit of the Gaming Supervision Unit, AFSA" vacated a portion of its premises, where its archives were located. This resulted in a fall by about ALL 16.5 million in AFSA's fixed tangible assets, which together with the adjustments to the depreciation fund, is recorded in the 2013 financial statements<sup>15</sup>.

AFSA adapted a part of its other buildings for hosting its archives, making an investment of ALL 365,000.

Under its investment plan AFSA also developed and implemented the 2013 procurement plan which contained five procurement cases, with the rest of the needs being covered by small-value procurement cases. All the planned procurement procedures were executed.

Note: <sup>15</sup> Annex D: Independent auditor's report on AFSA activity.



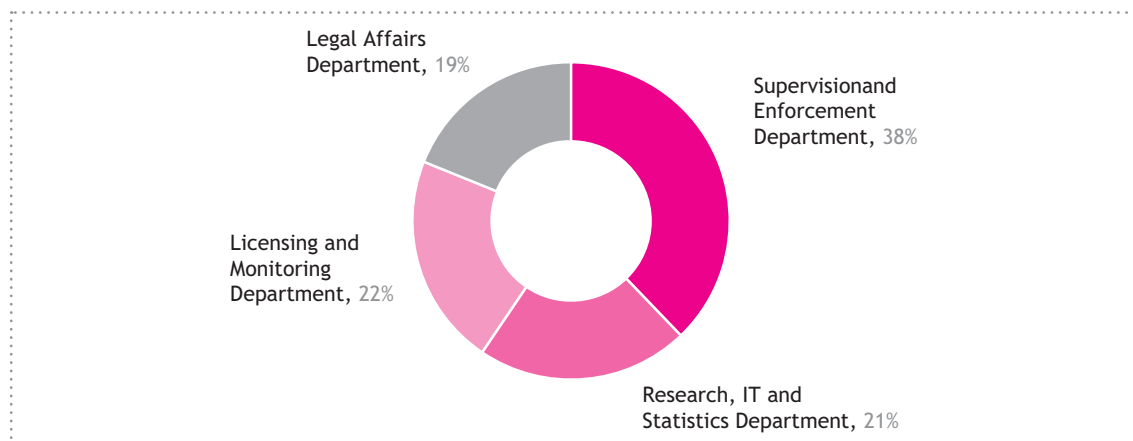
## 5.2. Organizational Structure and Staff Training

AFSA operates under the staffing structure adopted by the Albanian Parliament Decision no. 98 of 30 April 2007 “On the Approval of the Structure and Staffing of the Financial Supervisory Authority”, following an Authority Board proposal. It has 58 employees. At the end of 2013, the occupancy rate of the AFSA approved staffing structure was 87%.

The number of AFSA staff that were appointed to units performing core functions, such as licensing, regulating, and supervising, accounted for 80% of the total number in 2013. This also included senior management staff. The remaining 20% of the staff was engaged in support functions that facilitate the day-to-day functioning of AFSA.

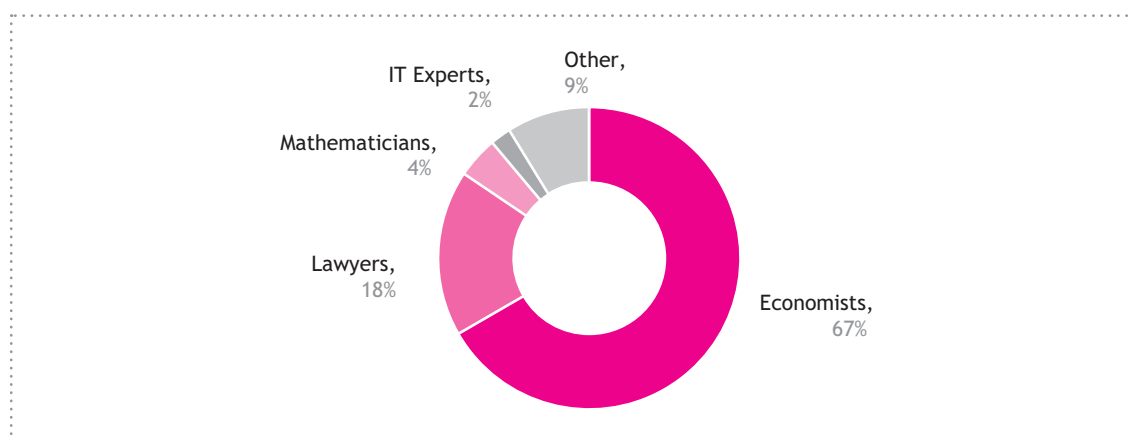
**Graph 20: AFSA core function staff structure, by unit**

(%)



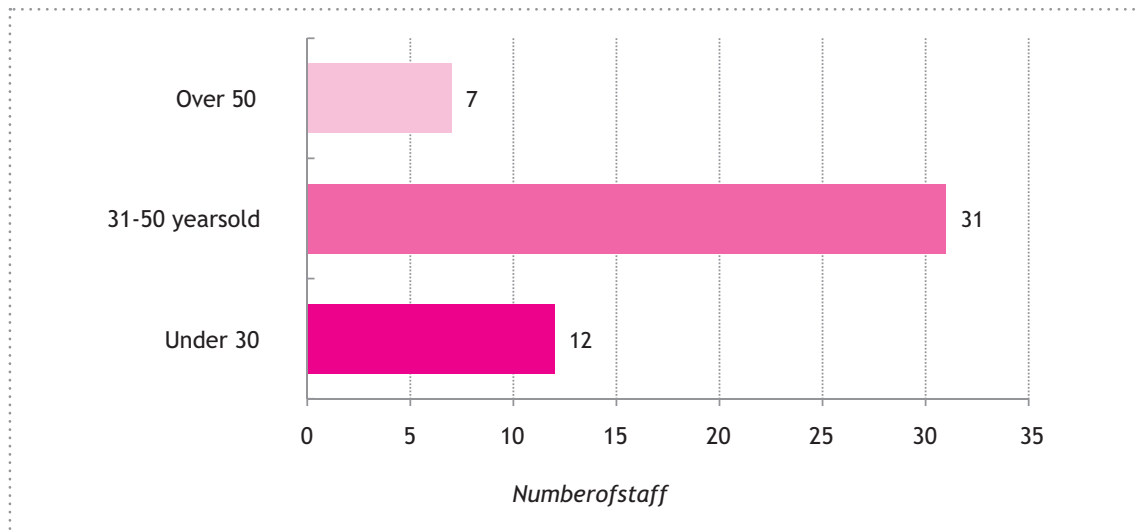
**Graph 21: AFSA staff structure, by profession**

(%)

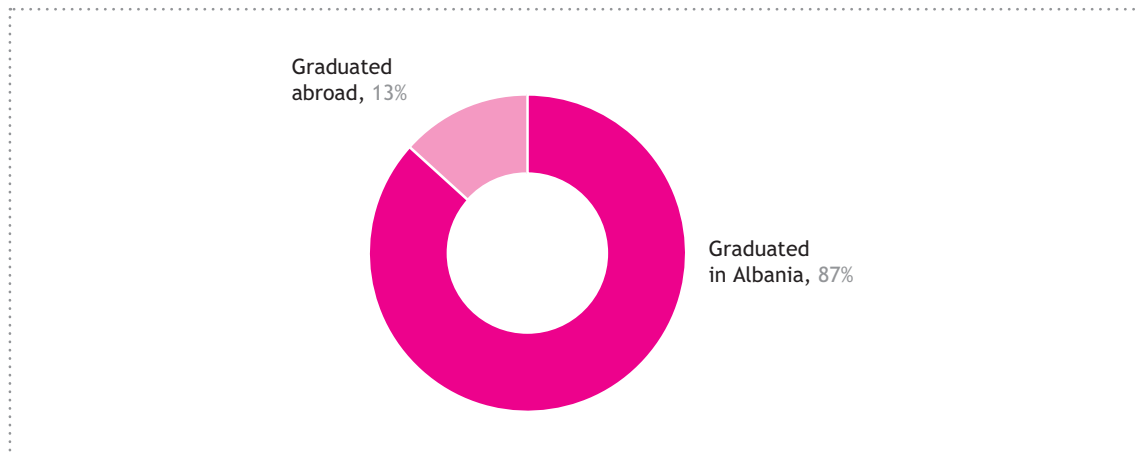


Given the developments in the domestic financial non-banking market and the supervisory and regulatory challenges, especially in the context of the global financial crisis, the World Bank and the European Commission have constantly put the emphasis on AFSA human capacity building. The recommendations in the FSAP mission reports and EC 2013 progress report point to ensuring a flexible organizational structure that is suitable with the development trends in the supervised market by attracting, keeping and training capable employees with personal integrity. Based on the recommendations, AFSA prepared and submitted a package of the required legal amendments with the goal to increase its operational independence.

**Graph 22: AFSA staff structure, by age-group** (number)



**Graph 23: Technical staff structure, by degree** (%)





AFSA continued to take care to maintain optimal ratios in the structure of its employees, based on their characteristics, including their education and age in 2013. Special attention was paid to employing young graduates with high educational attainment level, in order to enrich the professional environment with new expertise and help further develop the Authority's work. In addition, having an average staff age of 39 for several years has resulted in the best combination of qualities of various generations and has ensured constant transfer of knowledge and experience.

### **Human Resources Policies**

The development of AFSA human resources contributes to the building of staff professional capacities in line with the Authority mission and strategic goals. In 2013 attention focused on:

- Encouraging and motivating employees;
- Constantly training staff;
- Employing increasingly high-quality human resources.

The supplementary occupational plan for the AFSA staff was first designed and implemented in 2013; it is a mechanism that aims at increasing staff motivation and allowing for better performance of institutional tasks and objectives. In addition, economic assistance and differentiated performance bonuses were applied under a human resource promotional and motivational policy.

The total number of AFSA staff increased by one in 2013 as a result of hiring four new employees and dismissing three employees at their request. Based on the FSAP mission recommendations and the EC 2013 progress report, the package of required legal amendments which was prepared and submitted by AFSA contains provisions that aim at strengthening the financial independence of the Authority so that it does not only attract but also retain skilled staff with moral integrity.

### **Vocational Training**

In order to raise the professional skills, the efforts for specialising staff in accordance with their profiles were generally maintained in 2013. About 70% of the technical staff attended training events, combining their personal interest in professional development with the institutional objectives to train employees.

A large number of trainings in 2013 were mainly related to the insurance market and especially to compulsory motor insurance, which is the most dynamic part of that market. For instance, AFSA with World Bank support organized the training on the actuarial aspects of compulsory motor insurance in Albania. The participants in the training included experts from the actuarial area, including from underwriting departments and claims handling in

insurance companies. The training presented new methods for calculating risk premiums in compulsory insurance contracts. Other important events and trainings continued in 2013.

AFSA used the online FSI Connect training programme for the third consecutive year. By making use of five user positions of this online programme, the intention is to provide new knowledge and in-depth understanding for employees across levels of AFSA staff in relation to insurance supervision.

#### Main training topics in 2013

- Capital markets and new financial instruments;
- International Financial Reporting Standards;
- Assessment of internal models in the insurance market: quantitative and qualitative approaches;
- Developments regarding the Pension Law and supervision;
- Main principles of insurance supervision;
- Prevention and detection of insurance fraud;
- Consumer protection in the insurance market;
- EU legislation in the area of financial services.

### 5.3 AFSA Regulatory Framework

In 2013 AFSA worked on amending Law no. 9572 of 3 July 2006 **“On the Financial Supervisory Authority”**.

The Bill was drafted by AFSA in cooperation with the FSVC expert team, also taking into consideration the recommendations and comments made by the World Bank in its Aides Memoire over time, the European Commission in its Progress Reports on Albania, the IMF in its evaluation report on the establishment of structures and strengthening of fight against the laundering of the proceeds of illegal activities and the financing of terrorism, as well as the international criteria and principles developed by IAIS, IOPS and IOSCO.

The main driving force behind the amendments was the establishment of the legal conditions to observe the initially recognized AFSA independence, provide for the necessary statutory mechanisms protecting AFSA independence in the future, and strengthening the institutional accountability.

Pursuant to the FSAP November-December 2013 mission recommendations, the Authority submitted to the Ministry of Finance the final **Bill amending Law no. 9572**





**of 3 July 2006 “On the Financial Supervisory Authority”**. In addition to that, AFSA also proposed amendments to Law no. 152/2013 **“On Civil Servants”**, and Law no. 9584 of 17 July 2006 **“On Salaries”**. The proposals were based on the IMF and WB recommendation.

#### **FSAP Mission Recommendations**

The FSAP Mission recommended amending and adoption by the Parliament of the AFSA Law, as a package together with amending the Civil Servant Law and the Law on Salaries, Bonus Payments and Structures in Independent Constitutional Institutions and Other Independent Institutions Specifically Established by Laws. The **recommendation** on the legislative package **aims at strengthening the operational and financial independence of the Authority**. According to the recommendations, those Laws should be amended to:

- repeal the legal provisions requiring that AFSA organizational structure be approved by the Parliament;
- exempt AFSA from the government employee compensation and benefit structure, so that it is able to attract and retain staff with adequate technical experience;
- give AFSA Board members and AFSA staff sufficient legal protection in the exercise of their functions and powers in good faith.

In the context of regulating the overall administrative activity of the Authority in 2013, AFSA Board took Decision no. 12 of 30 January 2013 approving the **Regulation on drafting, monitoring, approving and executing the Financial Supervisory Authority budget**. The purpose of the Regulation is to improve the revenue and expenditure planning process, provide for better monitoring of the revenue collection process, and improve the use of revenues.

Pursuant to AFSA commitment to protect personal data during their processing, in line with the recommendation issued by the Personal Data Protection Commissioner, **Regulation no. 93 of 25 September 2013 “On the protection, processing, maintenance and security of personal data”** was drafted and adopted by the Board. The purpose of the regulation is to lay down the organizational and technical procedures, personal data protection measures and data protection security, maintenance and management measures to be observed by AFSA structures. The Regulation was developed pursuant to the provisions of Law no. 9887 of 10 March 2008 “On Personal Data Protection”, and the laws and regulations governing the organization and operation of AFSA. It is part of the internal rules of the Financial Supervisory Authority, adopted by Board Decision no. 7 of 30 August 2007.

## 5.4 Information Technology

AFSA Information Technology (IT) has been in constant development in line with the National Digitalisation Strategy, as an inseparable part of the whole institutional developments. Its scope is to develop, maintain and improve the IT structure.

In 2013 the main ICT systems continued to function constantly, ensuring support for such basic functions of the Authority as supervision and regulation. AFSA IT systems also ensured coordination of its work with other institutions with which it cooperates to exchange information. Another goal was to extend and enhance the internal services installed at AFSA.

The project on documentation management and collection of AFSA Board meeting materials was implemented in 2013.

In addition to the functional tasks closely related to the functions of supervision, inspection and regulation, AFSA IT systems have had the following tasks since 2013:

- Constant maintenance and improvement of the technical infrastructure of the National Centre of Compulsory Motor Insurance Data (Online Electronic Register of Compulsory Motor Insurance Sales, Claims Register, adjustments to apply the Bonus-Malus strategy and system);
- Maintenance and improvement of the infrastructure for the inter-institutional services AFSA provides;
- Preparation and further configuration of the internal infrastructure of AFSA services;
- Monitoring and updating AFSA official website;
- Extension and maintenance of internet access and exchange of AFSA data in the framework of increased use of IT systems;
- Development and implementation of security programmes, preserving AFSA information confidentiality, integrity and reliability.

In 2013 a quality investment in AFSA server hardware was designed, since it is the core of its IT systems that is closely related to market development and strengthening. The project will be implemented in the first quarter of 2014. It will apply the latest hyper technology generation in all its components. This improvement in internal activities ensures constant management at hardware, application, database and security level, in order to achieve one of AFSA main goals: better serve consumers in the supervised markets.



## Future Challenges and Projects: 2014-2016

Achievements so far have established a suitable basis for setting some of the important lines of development in the medium-term period (2014-2016), pertaining to:

- Strengthening AFSA independence and accountability;
- Improving the quality and effectiveness of supervise financial market supervision and regulation;
- Promoting supervised financial market development and stability.

**The fundamental goal for AFSA institutional development remains the strengthening of its independence and accountability.** In the context of achieving this goal AFSA has submitted to the Government the legislative package on **strengthening AFSA independence, especially in financial terms**, and introducing new provisions that will serve as a **mechanism safeguarding independence** in the future.

The first step in the achievement of the goal to **enhance supervision and regulation quality and effectiveness is the stabilization of the supervised financial markets.** This means the taking of measures for strengthening the financial stability of supervised entities, mainly in the insurance market, which also contribute to the strengthening of overall market stability, and increased consumer awareness of investment risk. In 2014 the measures will mainly focus on:

- Improving the management of the Compensation Fund;
- Funding arrears of the Compensation Fund;
- Improving the practices for the creation of MTPL reserves and their funding;
- Developing and implementing a strategy for educating the clients of collective investment undertakings and private pension funds.

Based on the importance of financial stability and the recommendations under the special action plans developed by the Financial Stability Advisory Group, AFSA, with FSVC support and BaFin experts<sup>16</sup>, has designed a special action plan on extraordinary situations as part of a broader plan to coordinate actions with the Ministry of Finance, Bank of Albania and Albanian Deposit Insurance Agency in potential crisis situations.

A core element of this document is the **establishment of a guarantee fund for the Non-Life insurance market**, because of the correlation between certain products and insurers' solvency, in order to cover the Non-Life insurers' liabilities in times of crises. First an assessment will be made whether it is appropriate to establish a compulsory motor insurance guarantee fund, since this is the most significant class of insurance with the strongest correlation with Non-Life insurance company performance.

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Note: <sup>16</sup> Bundesanstalt für Finanzdienstleistungsaufsicht – Federal Financial Supervisory Authority of Germany.

**Promotion of supervised financial market development** implies the taking of measures leading to increased product supply in the markets; approximation with international supervision standards or extension of risk-based supervision methodology to other markets. As a result, AFSA, in cooperation with the market operators, is making efforts for:

- Increasing the range of compulsory insurance of professional liability;
- Providing tax treatment of services in the insurance and private pension markets in line with international best practices;
- Capacity building for the supervision of AML/CFT;
- Improving the assessment of prospectuses.

In the longer run, work is being made on the securities market development strategy. *Given the current situation of the Albanian capital market, the strategy notes that there is only one solution for the development of this market.* Therefore, **a participatory approach should be adopted**, taking into consideration all stakeholders and **an inter-institutional coordination task force should be established** to facilitate the implementation of the strategy. The strategy includes several specific recommendations on promoting Tirana Stock Exchange, e.g. the establishment of the Government securities trading platform, allowing for subsidiaries to be listed on the Stock Exchange and, on that basis, amending the listing criteria, or the establishment of trading platforms for reselling private offer securities, etc.

**Enhancement of the legal and regulatory framework** by drafting or amending laws and regulations: the aim remains to increase the degree of approximation with EU directives and international financial supervision standards and principles. In 2014 AFSA work is going to focus on:

- Adoption of legal amendment package on AFSA, Civil Service and salary structures in independent institutions in order to increase the independence of the regulatory authority and the relevant regulatory framework;
- Adoption of the new Law on Insurance and Reinsurance and the relevant regulatory framework, which implies the development and adoption of 53 regulatory documents;
- Adoption of amendments to the Law on pensions and collective investment undertakings;
- Adoption of amendments to the Law on Mandatory Insurance in the Transport Sector.

**Risk-based supervision** of insurance companies, and extension of the methodology to the securities and pension markets. Upon entry into force of the Insurance Law, AFSA is



going to have the appropriate legal framework to commence the gradual implementation of risk-based supervision, in line with FSAP recommendations.

**Management Information System.** The main goal is for AFSA to extend the electronic reporting platform to other segments of the financial markets under AFSA supervision, more specifically to the pension and securities markets. It should be noted that this system is already the core of reporting and supervising the insurance market and in the longer run it is going to be the only reporting platforms for the entities supervised by AFSA. In strategic terms, the system offers assurances for the implementation of Solvency II reporting packages, when EC requires full compliance with its Directive.<sup>17</sup>

**Design of an early warning system for the insurance market.** AFSA is working to design a unique early warning system for the securities market, through which high-risk areas for insurers will be identified, in addition to identifying and avoiding issues before they become real. Such a system is in place only in some consolidated regulators, and is also part of the crisis prevention strategy that AFSA has also consulted with the Financial Stability Advisory Group.

**Technological development in support of the supervisory activity** consists of:

- Making changes to the Sales Register in order to enable automatic display of key vehicle data, vehicle owner data and risk classification at sale agents as well, and accessing in real time vehicle and owner data and basic elements of the Bonus-Malus certificate for each insurance policy and each driver;
- Displaying through the Insurance Company Service Portal of the real-time search results to be verified by such partner institutions as the Directorate General of State Police, thanks to the integration of verification of policy validity on the online verification system in the “eGjopa” operations centres, and the basic elements of the Bonus-Malus Certificate, which enables the classification of risk.

**Effectively regulate the compulsory motor insurance market.** Immediate statutory revocation of the fixed tariff regime in the MTPL insurance market is a challenge to the effective regulation of that market. Thus AFSA is mainly focusing on the following lines of action:

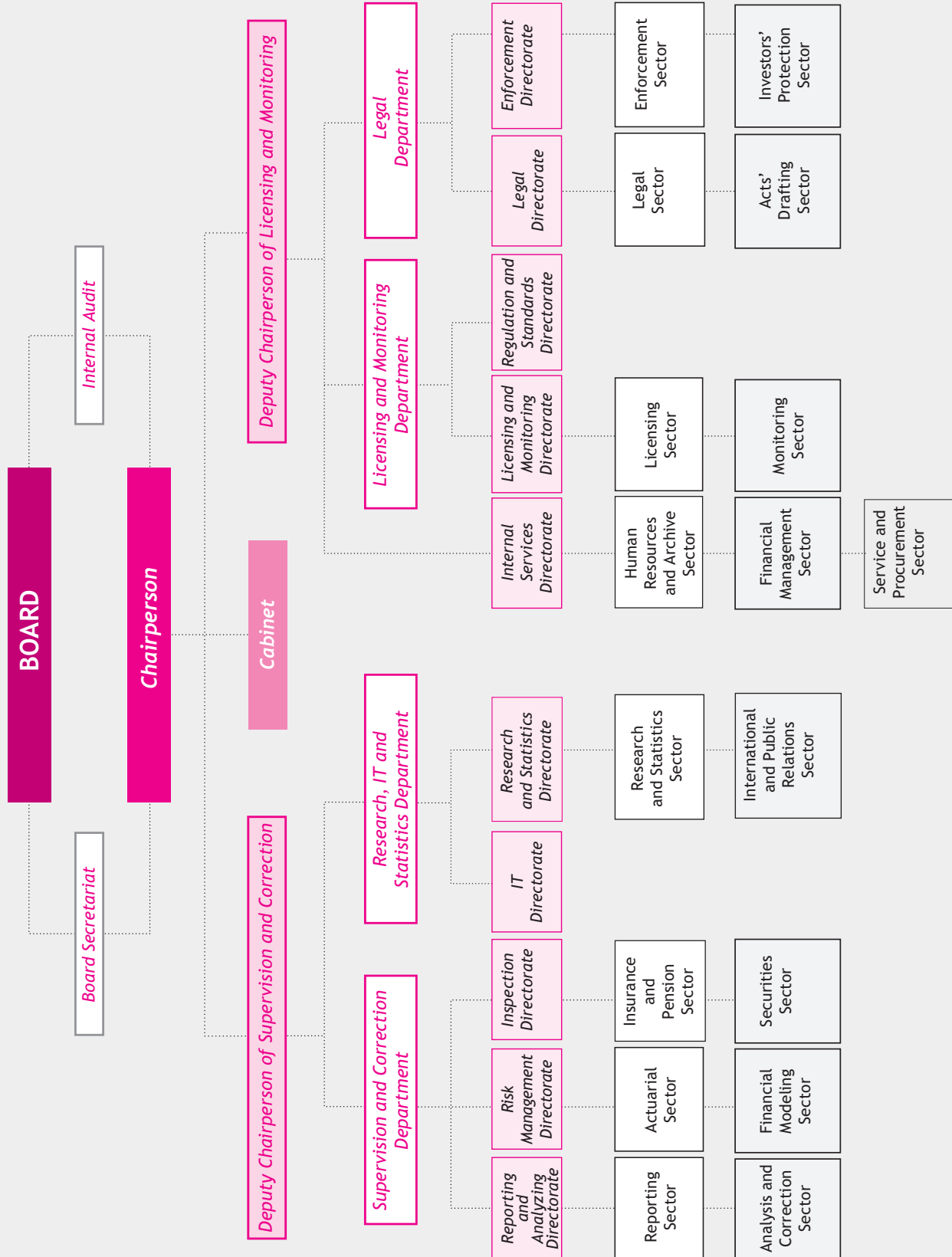
- Develop processes towards risk-based pricing of compulsory motor insurance products;
- Approximate the current legal framework on the compulsory motor insurance with EU Directives;
- Increase actuarial capacities in the context of prudential provisioning and risk-based tariffing;

**Note:** <sup>17</sup> Similar modern systems exist in a handful of countries, with the financial regulator in England being the first one to implement a similar system.

- Develop the IT systems to support the risk-based tariffing and prudential provisioning process.

The shift towards a sustainable compulsory motor insurance system cannot be made immediately and smoothly. Insurers should build a specific database, therefore for both AFSA and the insurers a critical condition is the enhancement of their IT systems and the development and retention of their staff. Albanian insurers should gradually move toward a balanced system, where prices are set sustainably and in such a way as to encourage safe driving.

# APPENDIX A AFSA Structure



## APPENDIC B

### List of Supervised Institutions

#### INSURANCE MARKET

	1. INSIG sh.a.	2. SIGMA Vienna Insurance Group sh.a.	3. SIGAL Uniqa Group Austria sh.a.	4. ATLANTIK sh.a.
<b>CEO</b>	<b>Tomor KALAJA</b>	<b>Qemal DISHA</b>	<b>Arni PONARI</b>	<b>Dritan ÇELAJ</b>
<b>Scope of Activity</b>	Life & non-life insurance	Non-life insurance	Non-life insurance, reinsurance	Non-life insurance
<b>Type of Ownership</b>	Government-owned	Foreign and domestic capital	Foreign and domestic capital	Domestic capital
<b>Office address</b>	ABA Center, Rruga "Papa Gjon Pali II", kati i gjashtë, zyra nr. 600, Tiranë	Rr "Komuna e Parisit", Kutia Postare Nr. 1714, Tiranë	Bul. "Zogu I", Nr. 1, Kutia Postare Nr. 2387, Tiranë	Rr. "Themistokli Gërmenji", 3/1, Tiranë
<b>Tel./Fax</b>	+355 42 223 838	+355 42 258 254/ 253	+355 42 233 308/ 253 407/408/ +355 42 250 220	+355 42 230 506 +355 42 235 088
<b>Website</b>	<a href="http://www.insig.com.al">www.insig.com.al</a>	<a href="http://www.sigma-al.com">www.sigma-al.com</a>	<a href="http://www.sigal.com.al">www.sigal.com.al</a>	<a href="http://www.atlantik.com.al">www.atlantik.com.al</a>
<b>Email</b>	<a href="mailto:info@insig.com.al">info@insig.com.al</a>	<a href="mailto:info@sigma-al.com">info@sigma-al.com</a>	<a href="mailto:info@sigal.com.al">info@sigal.com.al</a>	<a href="mailto:atlantik@atlantik.com.al">atlantik@atlantik.com.al</a>
<b>License number/date</b>	No. 03 and 04, of 08.06.2000	No. 01, of 03.02.1999	No. 02, dt. 23.06.1999 and No. 06, dt. 03.02.2006	No 5, of 13.04.2001
<b>License Duration</b>	Unlimited	Unlimited	Unlimited	Unlimited
	<b>5. INTERSIG Vienna Insurance Group sh.a.</b>	<b>6. EUROSIG sh.a.</b>	<b>7. INTERALBANIAN Vienna Insurance Group sh.a.</b>	<b>8. ALBSIG sh.a.</b>
<b>CEO</b>	<b>Gentian SULA</b>	<b>Muhamrem BARDHOZI</b>	<b>Bardhyl MINXHOZI</b>	<b>Natasha DHOQINA</b>
<b>Scope of Activity</b>	Non-life insurance	Non-life insurance	Non-life insurance	Non-life insurance
<b>Type of Ownership</b>	Foreign and domestic capital	Domestic capital	Foreign and domestic capital	Domestic capital
<b>Office address</b>	Rr. "Ismail Qemali", Ndërtesa Samos Tower, kati 2, Kutia Postare 8292, Tiranë	Rr. "Papa Gjon Pali II", vila Nr. 5, Tiranë	Rr. "Sulejman Delvina", Zayed Business Center, Kutia Postare Nr. 277/1, Tiranë	Rr. "George W. Bush", Nr. 10, Tiranë
<b>Tel./Fax</b>	+355 42 270 576/577	+355 42 238 899/999, +355 42 223 841	+355 42 229 578 +355 42 229 511,	+355 42 254 770 +355 42 254 664
<b>Website</b>	<a href="http://www.intersig.al">www.intersig.al</a>	<a href="http://www.eurosig.al">www.eurosig.al</a>	<a href="http://www.interalbanian.com">www.interalbanian.com</a>	<a href="http://www.albsig.com.al">www.albsig.com.al</a>
<b>Email</b>	<a href="mailto:info@intersig.al">info@intersig.al</a>	<a href="mailto:info@eurosig.al">info@eurosig.al</a>	<a href="mailto:info@interalbanian.com">info@interalbanian.com</a>	<a href="mailto:info@albsig.com.al">info@albsig.com.al</a>
<b>License number/date</b>	No. 6 of 13.09.2001	No. 7 of 8.07.2004	No. 9 of 19.07.2004	No. 10 of 19.07.2004
<b>License Duration</b>	Unlimited	Unlimited	Unlimited	Unlimited



	<b>9. ANSIG sh.a.</b>	<b>10. SICRED sh.a.</b>	<b>11. SIGAL-LIFE Uniq Group Austria sh.a.</b>	<b>12. MAI sh.a.</b>
<b>CEO</b>	<b>Edlir RUKA</b>	<b>Genc KOXHAI</b>	<b>Edvin HOXHAI</b>	<b>Elnar GASHI</b>
<b>Scope of Activity</b>	Non-life insurance	Life insurance	Life insurance	Insurance brokers and reinsurance
<b>Type of Ownership</b>	Domestic capital	Domestic capital	Foreign and domestic capital	Foreign capital
<b>Office address</b>	Rr. "Donika Kastrioti", Vila 9/1 (Rr. 4 Shkurti), Tiranë	Rr. "Jul Varibova", përballë Top-Channel, Tiranë	Bul. "Zogu I", Nr 1, Tiranë	Rr. "Ismail Qemali", pallati Gener 2 (Valle Verde), Kati III, zyra 4, Tiranë
<b>Tel./Fax</b>	+355 42 263 490/445/486	+355 42 237 549 +355 42 237 530	+355 42 253 407/ 408 +355 42 233 308	+355 42 500 514
<b>Website</b>	<a href="http://www.ansig.al">www.ansig.al</a>	<a href="http://www.sicred.com.al">www.sicred.com.al</a>	<a href="http://www.sigal.com.al">www.sigal.com.al</a>	<a href="http://www.mai-cee.com">www.mai-cee.com</a>
<b>Email</b>		<a href="mailto:contact@sicred.com.al">contact@sicred.com.al</a>	<a href="mailto:infolife@sigal.com.al">infolife@sigal.com.al</a>	<a href="mailto:einar.gashi@mai-cee.com">einar.gashi@mai-cee.com</a>
<b>License number/date</b>	No. 12 of 22.06.2012	No. 8 of 26.07.2004	No. 11 of 28.07.2004	No. 1 of 11.09.2008
<b>License Duration</b>	Unlimited	Unlimited	Unlimited	Unlimited
	<b>13. 3B BROKER sh.a.</b>	<b>14. DEVON sh.a.</b>	<b>15. ALL - SIG sh.a.</b>	<b>16. A-EJA INSURANCE BROKER sh.a.</b>
<b>CEO</b>	<b>Bashkim KRYEZIU</b>	<b>Valbona CARCANI</b>	<b>Rezarta ZHUKRI</b>	<b>Anila QENDRO</b>
<b>Scope of Activity</b>	Non-Life Insurance Brokerage	Non-Life Insurance Brokerage	Non-Life Insurance Brokerage	Non-Life Insurance Brokerage
<b>Type of Ownership</b>	Domestic capital	Domestic capital	Domestic capital	Domestic capital
<b>Office address</b>	Rr. "Mustafa Matohiti", pallati 7, shk. 2, ap.8, Tiranë	Bul. "Bajram Curri", Rr. "Asdreni", pallati 4, shk. 1, ap1, Tiranë	Rr. "Abdyl Frasherit", pallati De Rada, Tiranë	Rr. "Pjetër Bogdani", Pall 20, kat 1, Tiranë
<b>Tel./Fax</b>	+355 42 248 768/42 248 756	+355 42 379 925, +355 69 20 58424	+355 42 257 903 / 42 238 018,	+355 42 249 952 +355 42 227 307
<b>Website</b>				
<b>Email</b>	<a href="mailto:info@3bbroker.al">info@3bbroker.al</a>	<a href="mailto:valbona_carcani@yahoo.com">valbona_carcani@yahoo.com</a>	<a href="mailto:allsigbroker@gmail.com">allsigbroker@gmail.com</a>	<a href="mailto:a.qendro@a-ejainsurance.com">a.qendro@a-ejainsurance.com</a>
<b>License number/date</b>	No. 2 of 26.03.2009	Nr. 3 of 10.12.2009	No. 5 of 19.03.2010	No. 7 of 21.05.2010
<b>License Duration</b>	Unlimited	Unlimited	Unlimited	Unlimited

<b>CEO</b>	<b>Përparim ISUFI</b>	<b>17. SMART Brokers sh.a.</b>	<b>19. STAR BROKER sh.a.</b>	<b>Arben SIMAKU</b>
<b>Scope of Activity</b>	Life and Non-Life Insurance Brokerage	<b>18. WWP Ndërmjetës në sigurime sh.a.</b>	<b>Arbian KELMENDI</b>	Non-Life Insurance Brokerage
<b>Type of Ownership</b>	Foreign capital			Domestic capital
<b>Office address</b>	Bul. "Dëshmorët e Kombit", Kullat Binjake, kati 2, Tiranë			Rr. Nikolla Tupe, Pall. 1/1, Tiranë
<b>Tel./Fax</b>	+355 42 269 435			+355 69 40 37 001
<b>Website</b>				
<b>Email</b>	<a href="mailto:p.isufi@gmail.com">p.isufi@gmail.com</a>			<a href="mailto:arben.simaku@gmail.com">arben.simaku@gmail.com</a>
<b>License number/date</b>	No. 9 of 18.01.2012			Nr. 11dt. 23.05.2013
<b>License Duration</b>	Unlimited			Unlimited

## SECURITIES MARKET

<b>CEO</b>	<b>Christian CANACARIS</b>	<b>1. RAIFFEISEN BANK sh.a.</b>	<b>2. BANKA KOMBËTARE TREGTARE sh.a.</b>	<b>3. INTESA SAN PAOLO Bank Albania sh.a.</b>
<b>Scope of Activity</b>	Broker of Republic of Albania Government securities on the Exchange and on the retail market, and custodian of Republic of Albania Government securities			
<b>Type of Ownership</b>	Foreign capital			
<b>Office address</b>	European Trade Center, Bul. "Bajram Curri", Tiranë			
<b>Tel./Fax</b>	+355 42 381 381 / +355 42 275 599			
<b>Website</b>	<a href="http://www.raiffeisen.al">www.raiffeisen.al</a>			<a href="http://www.intesanpaolobank.al">www.intesanpaolobank.al</a>
<b>Email</b>	<a href="mailto:info@raiffeisen.al">info@raiffeisen.al</a>			<a href="mailto:opinion@intesanpaolobank.al">opinion@intesanpaolobank.al</a>
<b>License number/date</b>	No. 3 of 25.06.2009 No. 6 of 29.09.2010			No. 6 of 25.06.2009 No. 2 of 21.05.2010
<b>License Duration</b>	Unlimited			Unlimited

<b>CEO</b>	<b>4. ALPHA BANK - Tirana sh.a.</b>	<b>5. BANKA CREDINS sh.a.</b>	<b>6. BANKA E TIRANËS sh.a.</b>
<b>Scope of Activity</b>	<b>Periklis DROUGKAS</b> Broker of Republic of Albania Government securities on the Exchange and on the retail market, and custodian of Republic of Albania Government securities	<b>Artan SANTO</b> Broker of Republic of Albania Government securities on the Exchange and on the retail market, and custodian of Republic of Albania Government securities and corporate and local government bonds	Broker of Republic of Albania Government securities on the Exchange and on the retail market, and custodian of Republic of Albania Government securities.
<b>Type of Ownership</b>	Foreign capital	Foreign capital	Foreign capital
<b>Office address</b>	"Rruga e Kavajës", G-KOM Business Center, Tiranë	Rr. "Ismail Qemali", Nr. 21, Tiranë	Rr. "Ibrahim Rugova", Tiranë
<b>Tel./Fax</b>	+355 42 233 550	+355 42 234 096, +355 42 222 916	+355 42 269 616/617/429, +355 42 269 707
<b>Website</b>	<a href="http://www.alphabank.al">www.alphabank.al</a>	<a href="http://www.bankacredins.com">www.bankacredins.com</a>	<a href="http://www.tiranabank.al">www.tiranabank.al</a>
<b>Email</b>	<a href="mailto:qualityassurance.albania@alpha.gr">qualityassurance.albania@alpha.gr</a>	<a href="mailto:info@bankacredins.com">info@bankacredins.com</a>	<a href="mailto:info@tiranabank.net">info@tiranabank.net</a>
<b>License number/date</b>	No. 7 of 25.06.2009 No. 3 of 28.06.2010	No. 8 of 25.06.2009 No. 4 of 30.08.2010 No. 1 of 13.12.2011	No. 1 of 21.05.2010 No. 1 of 21.05.2010
<b>License Duration</b>	Unlimited	Unlimited	Unlimited
<b>CEO</b>	<b>7. BANKA SOCIETE GENERALE ALBANIA sh.a.</b>	<b>8. BANKA NDERKOMBËTARE TRECTARE sh.a.</b>	<b>9. FIRST INVESTMENT BANK sh.a.</b>
<b>Scope of Activity</b>	<b>Hubert DE SAINT JEAN</b> Broker of Republic of Albania Government securities on the Exchange and on the retail market, and custodian of Republic of Albania Government securities	<b>Gideon Van Den BROEK</b> Brokerage company for Albanian Government securities on the exchange.	<b>Bozhidar TODOROV</b> Broker of Republic of Albania Government securities on the Exchange and on the retail market, and custodian of Republic of Albania Government securities
<b>Type of Ownership</b>	Foreign and domestic capital	Foreign capital	Foreign capital
<b>Office address</b>	Bul. "Dëshmorët e Kombit", Kulla Binjake I, Tiranë	Rr. "Murat Toptani", kati VII , pranë Gjergji Center, Tiranë	Bul. "Dëshmorët e Kombit", Twin Towers Nr. 2 Kati i 14 & 15, Tiranë
<b>Tel./Fax</b>	+355 42 280 442/3 +355 42 280 441	+ 355 42 256 254 + 355 42 235 409	+355 42 276 702/3 +355 42 280 210
<b>Website</b>	<a href="http://www.societegenerale.al">www.societegenerale.al</a>	<a href="http://www.icbank-albania.com">www.icbank-albania.com</a>	<a href="http://www.fibank.com">www.fibank.com</a>
<b>Email</b>	<a href="mailto:sgalb.info@socgen.com">sgalb.info@socgen.com</a>	<a href="mailto:enquiry@icbank-albania.com">enquiry@icbank-albania.com</a>	
<b>License number/date</b>	No. 5 of 25.06.2009 No. 8 of 13.12.2011 No. 5/1 of 21.03.2012	No. 11 of 25.06.2009	No. 12 of 29.09.2010 No. 5 of 29.09.2010
<b>License Duration</b>	Unlimited	Unlimited	Unlimited

	10. POSTA SHQIPTARE sh.a.	11. KAPITAL INVEST sh.a.	12. TRIUMF GROUP sh.a.
<b>CEO</b>	<b>Arqile GOREA</b>	<b>Lirim MUHARREMI</b>	<b>Mirela ANGJELI</b>
<b>Scope of Activity</b>	Brokerage company for Albanian Government securities (T-bills) on the retail market	Brokerage company for Albanian Government securities on the exchange and on the retail market	Brokerage company for Albanian Government securities on the exchange.
<b>Type of Ownership</b>	Government-owned	Foreign and domestic capital	Domestic capital
<b>Office address</b>	Rr. "Reshit Collaku", nr. 4, Tiranë	Bul. "Dëshmorët e Kombit", Twin Towers Nr. 2 Kati i 11, Tiranë	Rr. "M. Gjolllesha", Kulla 2, ap. 13, Tiranë
<b>Tel./Fax</b>	+ 355 42 222 315 + 355 42 266 559	+355 42 280 202	+355 68 20 58 275 +355 42 256 081
<b>Website</b>	<a href="http://www.postashqiptare.al">www.postashqiptare.al</a>		
<b>Email</b>	<a href="mailto:posta@postashqiptare.al">posta@postashqiptare.al</a>		
<b>Licence number/date</b>	No. 10 of 25.06.2009	No. 9 of 25.06.2009	No. 2 of 25.06.2009
<b>License Duration</b>	Unlimited	Unlimited	Unlimited
	<b>13. AKSIONER INTERNATIONAL SECURITIES BROKERAGE sh.a.</b>	<b>14. BURSA E TIRANËS sh.a.</b>	<b>15. QENDRA E REGJISTRIMIT TË AKSIONEVE sh.a.</b>
<b>CEO</b>	<b>Alma HASANAJ</b>	<b>Anila FURERAJ</b>	<b>Genard KASTRATI</b>
<b>Scope of Activity</b>	Securities brokerage company in trading in securities on customers' orders on the licensed market in the Republic of Albania, and stock broker on behalf of Saxo Bank	Organized securities market	Corporate share registry
<b>Type of Ownership</b>	Foreign capital	Government-owned	Government-owned
<b>Office address</b>	Rr. "Qemal Stafa", pall. 31, njësia tregtare 2, nr. 20, Tiranë	Rr. "Dora D'Isτρια", Nr. 2, Kutia Postare 274/1, Tiranë	Rr. "George W. Bush", Nr. 13, Kutia Postare 7424, Tiranë
<b>Tel./Fax</b>	+355 44 400 600	+355 42 265 058	+355 42 233 442, +355 42 233 425
<b>Website</b>	<a href="http://www.aksioner.com">www.aksioner.com</a>	<a href="http://www.tse.com.al">www.tse.com.al</a>	<a href="http://www.qra.al">www.qra.al</a>
<b>Email</b>	<a href="mailto:info@aksioner.com">info@aksioner.com</a>	<a href="mailto:tseinfo@abcom-al.com">tseinfo@abcom-al.com</a>	<a href="mailto:info@qra.al">info@qra.al</a>
<b>License number/date</b>	No. 13 of 28.04.2011 BD. No. 64 of 28.04.2011	of 13.07.2007	of 05.11.2002
<b>License Duration</b>	Unlimited	Unlimited	Unlimited

<b>16. APIA WEALTH MANAGEMENT ALBANIA sh. a.</b>	
<b>Director</b>	<b>Aleksandër PRIFTI</b>
<b>Scope of Activity</b>	Investment Advisory Company on securities
<b>Type of Ownership</b>	Domestic capital
<b>Office address</b>	Rr. "Sheshi "Italia", Sheraton, at R. T. B7" Tirana
<b>Tel./Fax</b>	
<b>Website</b>	
<b>Email</b>	
<b>Licence number/date</b>	No. 1 date 16.07.2013
<b>License Duration</b>	Unlimited
	<b>FONDI I INVESTIMIT RAIFFEISEN PRESTIGJ (Ref. FI-B1)</b>
	Under the management of "Raiffeisen Invest-shoqëri administruese e fondeve të pensionit dhe sipërmarrjeve të investimeve kolektive" sh.a.
	<b>FONDI I INVESTIMIT "RAIFFEISEN INVEST EURO" (Ref. FI-B2)</b>
	Under the management of "Raiffeisen Invest-shoqëri administruese e fondeve të pensionit dhe sipërmarrjeve të investimeve kolektive" sh.a.

## PRIVATE VOLUNTARY PENSION MARKET

	<b>1. Raiffeisen Invest - Shoqëri administruese e fondeve të pensionit dhe sipërmarrjeve të investimeve kolektive sh. a.</b>	<b>2. Shoqëri administruese e fondeve të pensionit SIGAL-LIFE Uniq Group Austria sh. a.</b>	<b>3. Shoqëri administruese e fondeve të pensionit SICRED sh. a.</b>
<b>General Managing Director</b>	<b>Resmi HIBRAJ</b>	<b>Naim HASA</b>	<b>Estela KOCI</b>
<b>Scope of Activity</b>	Voluntary pension fund and collective investment undertaking management company	Voluntary pension fund management company	Voluntary pension fund management company
<b>Type of Ownership</b>	Foreign capital	Foreign and domestic capital	Domestic capital
<b>Office address</b>	Rr. "Bajram Curri", ETC Kati 10, Tiranë.	Bul. "Zogu I", Tiranë	Rr. "Mustafa Matohiti", Nr. 4, Tiranë
<b>Tel./Fax</b>	+ 355 42 277 901 +355 42 277 905	+355 42 233 308 +355 42 250 220	+355 42 237 549 / 496 / 44 538 674
<b>Website</b>	<a href="http://www.raiffeisen-invest.al">www.raiffeisen-invest.al</a>	<a href="http://www.fppsigal.com.al">www.fppsigal.com.al</a>	<a href="http://www.sicred-pensions.com.al">www.sicred-pensions.com.al</a>
<b>Email</b>	<a href="mailto:invest@raiffeisen.al">invest@raiffeisen.al</a>	<a href="mailto:naimhasa@sigal.com.al">naimhasa@sigal.com.al</a>	<a href="mailto:ekoci@sicred.com.al">ekoci@sicred.com.al</a>
<b>License number/date</b>	No. 1 of 13.12.2011	No. 2 of 30.03.2011	No. 3 of 23.11.2011
<b>License Duration</b>	Unlimited	Unlimited	Unlimited

6. SOCIETE GENERALE ALBANIA sh.a.

5. BANKA E TIRANËS sh.a.

4. FIRST INVESTMENT Bank sh.a.

<b>Executive Director</b>	<b>Bozhidar TODOROV</b>	<b>Georgios CHARALAMPAKIS</b>	<b>Hubert de Saint Jean</b>
<b>Scope of Activity</b>	Depository of voluntary pension fund and collective investment undertaking assets	Voluntary pension fund asset depository	Voluntary pension fund asset depository
<b>Type of Ownership</b>	Foreign capital	Foreign capital	Private foreign and domestic capital
<b>Office address</b>	Bul. "Dëshmorët e Kombit", Twin Towers Nr. 2 Kati 114 & 15, Tiranë	Rr. "Ibrahim Rugova", Tiranë	Bul. "Dëshmorët e Kombit", Kulla Binjake I, Tiranë
<b>Tel./Fax</b>	+355 42 276 702/3 +355 42 280 210	+355 42 269 616/617/429 +355 42 269 707	+355 42 280 442/3 +355 42 280 441
<b>Website</b>	<a href="http://www.fjbank.com">www.fjbank.com</a>	<a href="http://www.tiranabank.al">www.tiranabank.al</a>	<a href="http://www.societegenerale.al">www.societegenerale.al</a>
<b>Email</b>		<a href="mailto:info@tiranabank.net">info@tiranabank.net</a>	<a href="mailto:info@socgen.com">info@socgen.com</a>
<b>License number/date</b>	No. 1 of 13.12.2011	No. 2 of 18.11.2010	No. 3 of 13.12.2011
<b>License Duration</b>	Unlimited	Unlimited	Unlimited
	<b>VOLUNTARY PENSION FUND RAIFFEISEN (Ref. FP 1)</b>	<b>VOLUNTARY PENSION FUND SIGNAL (Ref. FP 2)</b>	<b>VOLUNTARY PENSION FUND SICRED PENSIONS (Ref. FP 3)</b>
	Under the management of "Raiffeisen Invest-shoqëri administruese e fondeve të pensionit dhe sipërmarrjeve të investimeve kolektive" sh.a.	Under the management of "Shoqëria administruese e fondeve të SIGNAL-Life Uniqa Group Austria" sh.a.	Under the management of "Shoqëria administruese e fondeve të pensionit SICRED" sh.a.

# APPENDIX C

## Membership and Cooperation

### Agreements Concluded by AFSA



#### A. Membership in International Organizations of Regulators

	Year	Institution
International Organization of Securities Commissions (IOSCO)	1998	Securities Commission (now AFSA)
International Association of Insurance Supervisors (IAIS)	2001	Insurance Supervision Authority (now AFSA)
International Organization of Pension Supervisors (IOPS)	2006	AFSA

#### B. Agreements signed with foreign counterpart institutions

Capital Market Commission of Greece	1999	Securities Commission (now AFSA)
Quebec Securities Commission (Quebec Financial Market Authority)	2000	Securities Commission (now AFSA)
Securities and Exchange Commission of Italy	2002	Securities Commission (now AFSA)
Securities Market Agency of Slovenia	2003	Securities Commission (now AFSA)
Securities and Exchange Commission of Poland (now Financial Supervisory Authority of Poland)	2003	Securities Commission (now AFSA)
Capital Market Board of Turkey	2003	Securities Commission (now AFSA)
Kosovo Banking and Payment Authority (now the Central Bank of the Republic of Kosovo)	2004	Insurance Supervision Authority (now AFSA)
Financial Supervision Commission of Bulgaria	2005	Securities Commission (now AFSA)
National Securities Commission of Romania	2005	Securities Commission (now AFSA)
Securities and Exchange Commission of Macedonia	2005	Securities Commission (now AFSA)
Securities and Exchange Commission of Montenegro	2005	Securities Commission (now AFSA)
Securities Commission of Croatia (now the Financial Services Supervisory Agency of Croatia)	2005	Securities Commission (now AFSA)
Central Bank of the Republic of Kosovo	2008	AFSA
Austrian Ministry of Finance & Austrian Financial Market Authority	2009	AFSA
IOSCO Multilateral Memorandum of Understanding	2009	AFSA
Macedonian Insurance Supervision Agency (ISA)	2010	AFSA
Agency for Supervision of Fully Funded Pension Insurance of Macedonia (MAPAS)	2012	AFSA
European Security and Market Authority (ESMA)	2013	AFSA

#### C. Agreements Signed with Domestic Organizations

Tirana University Business School	2002	Securities Commission (now AFSA)
Institute of Statutory Auditors (IEKA)	2003	Securities Commission & Insurance
Bank of Albania	2005	Supervision Authority (now AFSA)
Competition Authority	2006	AFSA
Directorate General of Customs	2009	AFSA
Public Oversight Board	2010	AFSA
Ministry of Interior	2011	AFSA
Ministry for Public Works and Transport	2011	AFSA
Agreement in the framework of the Financial Stability Advisory Group (FSAG)	2012	AFSA
Directorate General of Road Transport	2012	AFSA

# **SHTOJCA D**

## **Certified External Auditor's Report and Financial Statements for the year ended at 31 December 2013**

### **Independent Registered Auditor's Report**

#### ***To the Board of the FINANCIAL SUPERVISORY AUTHORITY***

We have audited the accompanying financial statements of the Financial Supervisory Authority, comprising its balance sheet as of December 31, 2013 and the statement of revenues and expenses for the same year, as well as a summary of the accounting policies and other disclosures.

#### ***Management's Responsibility for the Financial Statements***

The Management is responsible for the preparation and fair presentation of the financial statements in compliance with the Accounting Manual on Economic Budgetary Classification, Chart of Accounts for Budget Institutions and Minister of Finance Instructions no. 14 of 28.12.2006 and no. 26 of 27.12.2007 and for the internal audit, which, to the extent specified by the Management, is necessary in order to enable the preparation of the financial statements without any material misstatement resulting from fraud or errors.

#### ***Registered Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the standards of the International Standards on Auditing. Those standards require that we comply with rules of ethics and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit includes carrying out auditing procedures aimed at obtaining evidence supporting the amounts and disclosures in the financial statements. The selection of audit procedures is subject to our judgment, which is based on assessment of risks of material misstatements resulting from mistakes or fraud. In the course of risk assessment, we have examined the internal control system that ensures the preparation and reliability of the financial statements, for the purpose of selecting appropriate audit procedures but not for the purpose of expressing an opinion as to the efficiency of the internal control system. The audit also included the examination of appropriateness of the accounting principles applied and the estimates made by the Management, and an assessment of the overall presentation of the financial statements.

We believe that the audit evidence we have obtained give us sufficient and appropriate grounds to express our opinion.





### **Opinion**

In our opinion, the financial statements present a true and fair view, in all material respects, of the financial position of the Financial Supervisory Authority as at 31 December 2013, and the results of its financial performance for 2013 in accordance with the effective accounting rules and policies on budgetary and similar institutions.

Tirana, Albania  
31 March 2014

  
REZARTA KOCOLLARI  
REZARTA KOCOLLARI  
NR. LICENSE 259  
Eksperte Kontabile e Regjistruar  
Adresa: Rr. Adem Seit Kruja, Nr.6/1, 1, 5.

**Balance sheet for the year ended at 31 December 2013 and 31 December 2012**

BALANCE SHEET ASSETS	Year ended at 31 December 2013	Year ended at 31 December 2012
<b>FIXED ASSETS</b>	<b>74,918,988</b>	<b>90,086,273</b>
<b>I. INTANGIBLE</b>		
Studies and research		
Concessions, patents, licences and similar rights		
Depreciation of fixed intangible assets (-)		
Expenses on increasing fixed intangible assets		
<b>II. FIXED TANGIBLE ASSETS</b>	<b>74,918,988</b>	<b>90,086,273</b>
Land		
Buildings and structures	50,708,505	66,821,105
Technical installations, machinery, equipment and working tools		
Vehicles	6,450,000	6,450,000
State reserves		
Livestock		
Economic inventory	43,466,180	50,400,168
Depreciation of fixed tangible assets	(25,705,697)	(33,585,000)
Expenses in progress on increasing fixed tangible assets		
<b>III. FINANCIAL ASSETS</b>		
Lending and sub-lending		
Participation in equity		
<b>CURRENT ASSETS</b>	<b>31,798,899</b>	<b>35,866,631</b>
<b>I. INVENTORY</b>	<b>6,543,017</b>	<b>4,411,854</b>
Supplies	3,962,589	1,851,596
Inventory items	2,580,428	2,560,258
Products, works and services in progress		
Products		
Goods		
Provisions for impairment of inventory (-)		
<b>II. Accounts receivable</b>	<b>20,748,667</b>	<b>22,898,818</b>
Suppliers from advances and partial payments		
Receivables and similar accounts	15,019,575	14,235,636
Personnel from advances, deficits and fines	229,092	163,182
Taxes to be paid		
Other debtors	5,500,000	8,500,000
Provisions for impairment (-)		



<b>III. FINANCIAL ACCOUNTS</b>	<b>4,507,215</b>	<b>8,555,959</b>
Bank accounts	4,507,215	8,555,959
Available funds in the Treasury		
Petty cash		
Bank guarantee		
<b>OTHER ASSETS</b>		
Translation differences (assets)		
Expenses to be accounted for in several periods		
Future period expenses		
<b>CURRENT PROFIT OR LOSS</b>		
<b>TOTAL ASSETS</b>	<b>106,717,887</b>	<b>125,952,904</b>

BALANCE SHEET LIABILITIES	Year ended at 31 December 2013	Year ended at 31 December 2012
<b>OWN FUNDS</b>	<b>66,700,524</b>	<b>83,182,536</b>
<b>I. OWN FUNDS</b>	66,700,524	83,182,536
Basic funds	66,700,524	83,182,536
Domestic capital grants		
Foreign capital grants		
Reserves from revaluation of fixed assets		
<b>II. OTHER OWN FUNDS</b>		
Reserves		
Allocation to investment out of current profit		
Revenues from sale of fixed assets		
<b>III. CARRIED-OVER PROFIT OR LOSS</b>		
<b>IV. EXTRAORDINARY SUBSIDIES</b>		
<b>V. PARTICIPATION OF INSTITUTION IN THIRD-PARTY INVESTMENT</b>		
<b>VI. PROVISIONS FOR RISKS AND EXPENSES</b>		
<b>LIABILITIES</b>		
<b>I. LONG-TERM DEBT</b>		
Domestic and similar borrowing		
Foreign borrowing		
<b>II. SHORT-TERM LIABILITIES</b>	<b>8,666,924</b>	<b>4,933,409</b>
Creditors (clients), partial advance payments		
Accounts payable related to suppliers	6,689,594	3,010,314
Accounts payable related to personnel	26,407	55,652
Tax liabilities	826,169	801,998
Taxes collected by national government on behalf of local government		
Government, natural disasters		
Other operations with the government (as a creditor)		
Social insurance	1,124,754	1,065,445
Health insurance		
Other creditors		
<b>OTHER ACCOUNTS</b>	<b>31,350,439</b>	<b>37,836,958</b>
Revenues to be recorded in future periods	31,350,439	37,836,958
Translation differences (liabilities)		
Revenues to be classified or adjusted		
Revenues collected prior to issuance of securities		
<b>CURRENT PROFIT OR LOSS</b>		
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>106,717,887</b>	<b>125,952,904</b>



**Revenues and expenses statement for the year ended at 31 December 2013  
and 31 December 2012**

CURRENT EXPENSES	Year ended at 31 December 2013	Year ended at 31 December 2012
<b>A. OPERATING EXPENSES (I-III)</b>	<b>111,744,334</b>	<b>113,080,193</b>
<b>I. Current outlays</b>	<b>113,717,705</b>	<b>113,166,023</b>
Salaries, bonuses and personnel	60,211,975	57,689,713
Salaries, permanent staff	49,476,882	48,767,557
Salaries, temporary staff	2,303,282	1,640,995
Bonuses	7,993,837	7,281,161
Other personnel expenses	437,974	
Social and health insurance contributions	10,675,885	7,377,074
Social and health insurance contributions	7,750,319	7,377,074
Voluntary pension fund contributions	2,925,566	
<b>Goods and other services</b>	<b>42,829,845</b>	<b>48,099,236</b>
Office and general supplies	1,278,174	1,682,571
Special supplies and services	721,200	482,200
Services provided by third parties	5,784,816	5,164,793
Transport expenses	1,966,175	898,853
Travel expenses	13,311,110	14,113,269
Ordinary maintenance expenses	828,096	814,164
Rent expenses		0
Expenses for legal compensation		2,956,479
Other operational expenses	18,940,274	21,986,908
<b>Subsidies</b>		
<b>II. Changes in inventory (+-)</b>	<b>(2,131,163)</b>	<b>-516,469</b>
<b>III. Depreciation allowances and provisions</b>		
Operating depreciation allowances		
Remaining value of decommissioned and sold fixed assets		
<b>B. FINANCIAL EXPENSES (I+II)</b>	<b>157,792</b>	<b>430,639</b>
Interest on Treasury Bills and direct loans		
Interest on long-term borrowing		
Foreign exchange expenses	157,792	430,639

<b>C. EXTRAORDINARY EXPENSES</b>		
Losses from allowed errors in previous periods		
Other extraordinary expenses		
<b>TOTAL EXPENSES</b>	<b>111,744,334</b>	<b>113,080,193</b>
<b>D. PROFIT OR LOSS ADJUSTMENT OPERATIONS</b>		
Cancelled securities		
Allocation of functional revenues to investment		
Transfer of revenues to the State Budget		
Transfer of unused revenues to the State Budget		
Transfer of revenues within the system		
Transfers for change of balance	2,131,163	516,469
Transfer to accrued debtors and similar		
<b>TOTAL OPERATIONS</b>	<b>113,875,497</b>	<b>113,596,662</b>
<b>OPERATING PROFIT OR LOSS</b>		
<b>TOTAL</b>	<b>113,875,497</b>	<b>113,596,662</b>



CURRENT REVENUES	Year ended at 31 December 2013	Year ended at 31 December 2012
<b>A. OPERATING REVENUES</b>	<b>113,869,514</b>	<b>113,596,662</b>
<b>I. NON-TAX REVENUES (a+b+c)</b>	<b>113,869,514</b>	<b>113,596,662</b>
<b>a) From enterprises and holdings</b>	<b>113,869,514</b>	<b>113,589,163</b>
From non-financial public and private entities		
From financial public and private entities	113,569,514	113,369,163
<b>b) Administrative services and secondary revenues</b>		
Revenues from claim assessment		
From sale of goods and services		
Fines and late payment interest, seizures and damages	300,000	220,000
<b>c) Other non-tax revenues</b>		<b>0</b>
<b>II. CURRENT GRANTS</b>		
<b>a) Domestic current grants</b>		
From the same level of government		
From other levels of government		
<b>B. FINANCIAL REVENUES</b>	<b>5,983</b>	<b>7,498</b>
From interest on domestic lending		
Deposit interest revenues	5,983	7,498
Revenues from foreign exchange		
<b>C. EXTRAORDINARY REVENUES</b>		
From closed operations and other strategic changes		
From allowed errors in previous periods		
Adjustments from previous years		
Other revenues		
<b>TOTAL REVENUES</b>	<b>113,875,497</b>	<b>113,596,662</b>
<b>D. PROFIT OR LOSS ADJUSTMENT OPERATIONS</b>		
Cancelled or prescribed expense order		
Transfer of balance changes		0
<b>TOTAL OPERATIONS</b>	<b>113,875,497</b>	<b>113,596,662</b>
<b>OPERATING PROFIT OR LOSS</b>		
<b>TOTAL</b>	<b>113,875,497</b>	<b>113,596,662</b>

