

08 Annex - Competition policy

**32. DECISION ON APPROVAL OF THE CONCENTRATION
OF UNDERTAKINGS RESULTING FROM THE ACQUISITION
OF CONTROL BY THE DELTA GENERALI INSURANCE**



Montenegro

Competition Protection Administration

No: 01 – 79/10-08

Podgorica, 8 April 2009

Pursuant to Article 196, paragraph 1 of the Law on General Administrative Procedure (Official Gazette of the Republic of Montenegro 60/03), and Article 30, paragraph 1, item 3 in conjunction with Articles 23 and 25 of the Law on Protection of Competition (Official Gazette of the Republic of Montenegro 69/05), and Article 3 of the Law on Amendments to the Law on Protection of Competition (Official Gazette of the Republic of Montenegro 37/07), and in conjunction with Article 2 of the Decree on amendments to the Decree on internal organization and method of work of state administration Official Gazette of Montenegro 06/07), deciding on the Application for approval of concentration submitted by Delta Generali Insurance, an insurance joint stock company, with the registered office at Milentije Popovica 7b, Belgrade, registered with the Agency for Economic Registers of the Republic of Serbia, under registration number 17198319, through their attorney, Goran Darmanovic, from Podgorica, Blaza Jovanovica 5, the Competition Protection Agency hereby adopts the following

DECISION

The concentration of undertakings resulting from the acquisition of control by the Delta Generali Insurance, an insurance joint stock company, through their purchase of 51% of shares of the DC Holding limited liability company, is declared to be acceptable.

Statement of Reasons

In accordance with Article 25 of the Law on Protection of Competition, the Delta Generali Insurance submitted, on 4 December 2008, the Application for approval of concentration, supplemented on 20 January, 5 March, and 7 April 2009, to the Competition Protection Administration, which is the implementer of this Law. Pursuant to Article 28 of this Law, the data from the Application for concentration approval were published in the Official Gazette of Montenegro 18/09, on 11 March 2009.

Subject of the concentration

In terms of Article 23 of the Law on Protection of Competition, and on the basis of the Framework Contract concluded between Delta Generali Insurance a.d.o.¹, Hemslade Trading Limited d.o.o.², and Celebic d.o.o., and on the basis of the Share Sale Contract concluded between Delta Generali Insurance a.d.o. and Hemslade Trading Limited d.o.o., the Delta Generali Insurance intends, by implementing the concentration in question, to acquire 51% of shares in the DC Holding.

DC Holding d.o.o. was founded on 11 December 2007, and it was established by joint investment of Hemslade Trading Limited d.o.o. and Celebic d.o.o.

¹ Joint stock company.

² Limited liability company.

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In accordance with the Montenegrin legislation, DC Holding d.o.o. founded Delta Life joint stock company, which deals with life insurance, and Delta Osiguranje joint stock company, which deals with non-life insurance.

Hemslade Trading Limited d.o.o. has 70% of shares in DC Holding d.o.o., while Celebic d.o.o. has 30%.

Based on the Framework Contract concluded between Delta Generali Insurance a.d.o., Hemslade Trading Limited d.o.o., and Celebi d.o.o., Delta Generali Insurance a.d.o. intends to buy 45.5% of shares of Hemslade trading Limited d.o.o. and 4.5% of shares of Celebic d.o.o., and to complete the share capital increase so that the initial capital of DC Holding will amount to EUR 4,000,000.

Parties to the concentration

Delta Generali Insurance is an insurance joint stock company, which is organized in accordance with the legislation of the Republic of Serbia. The registered office is at Milentije Popovica 7b, Belgrade. It is registered with the Agency for Economic Registers of the Republic of Serbia, under registration number 17198319; the code of activity is 66030 – other types of insurance.

DC Holding is a limited liability company, with the registered office at Kralja Nikole 27a, PC Celebic, Podgorica, Montenegro. It is registered with the Central Register of the Commercial Court in Podgorica, under registration number 5-0433942/001; the code of activity is 74150 - holding operations.

Hemslade Trading Limited is a limited liability company, registered with the Department of Registrar of Companies and Official Receiver (Bankruptcies Section) of the Ministry of Commerce, Industry and Tourism in Nicosia, under registration number HE 43226. The company's basic activity is trade.

Celebic is a limited liability company, with the registered office at Kralja Nikole 27, TC Celebic, Podgorica. It is registered at the Central Register of the Commercial Court in Podgorica, under registration number 5-0049154/011; the code of activity is 45210 – rough-in works and specialized works.

On February 27 2009, Delta Life a.d.³ changed its name into Delta Generali Life Insurance a.d., with the registered office at Kralja Nikole 27, TC Celebic, Podgorica. It is registered with the Central Registry of the Commercial Court in Podgorica, under registration number 4-0008604/003; the code of activity is 66010 – life insurance.

On February 27 2009, Delta Osiguranje a.d. changed its name into Delta Generali Insurance a.d., with the registered office at Kralja Nikole 27, TC Celebic, Podgorica. It is registered at the Central Register of the Commercial Court in Podgorica, under registration number 4-0008623/004; the code of activity is 66030 – other types of insurance.

Legal basis for the concentration

On 14 November 2008, the Competition Protection Administration, which is the competent law enforcement body, was submitted the copy of the Framework Contract concluded between Delta Generali Insurance a.d.o., Hemslade Trading Limited d.o.o., and Celebic d.o.o., and the copy of the Share Sale Contract concluded between Delta Generali Insurance a.d.o. and Hemslade Trading Limited d.o.o..

The Application was drafted in full compliance with the Instruction on the form and content of the request for the issuance of concentration approval (Official Gazette of the Republic of Montenegro 77/05), and it represents a quality documentary and analytical basis for the adoption of the Decision pertaining to its approval. This is so because, upon the assessment of the concentration effects and based on the criteria referred to in Article 29 of the Law on Protection of Competition, it can be established that this concentration does not prevent, restrict or distort the competition within the Montenegrin market.

³ Joint stock company.

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According to the applicant's assessment, this concentration does not prevent, restrict or distort the competition within the Montenegrin market, especially in terms of creating or strengthening a dominant position on the market.

In terms of Article 25 of the Law on Protection of Competition, the submission of the Application for approval of the concentration was mandatory because the total joint income of the undertakings in the concentration exceeds EUR 3,000,000 on the domestic market and EUR 15,000,000 on the world market.

Relevant market

According to the applicant's statements, the relevant geographic market is the market of Montenegro, while the relevant market of products and services is insurance services market.

In this particular case, insurance services market is divided into life insurance services and non-life insurance services.

The ownership structure of the DC Holding prior to the concentration implementation was as follows:

Company members	Deposit (in EUR)	Percent
Hemslade	1,750,000	70%
Celebic	750,000	30%
Total:	2,500,000	100%

The ownership structure of the DC Holding upon the implementation of the concentration and the completion of the share capital increase will be as follows:

Company members	Deposit (in EUR)	Percent
Delta Generali Insurance	2,040,000	51%
Hemslade	980,000	24,5%
Celebic	980,000	24,5%
Total:	4,000,000	100%

Based on the data submitted by the Insurance Supervision Agency, in their letter no.04-47/2-09, dated 5 February 2009, the state on the insurance market in Montenegro is as follows:

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Ord. No.	Insurance company	Gross premium (in EUR)	Life insurance gross premium (in EUR)	Non-life insurance gross premium (in EUR)	Share percentage in total gross premium (%)	Share percentage in life insurance gross premium (%)	Share percentage in non-life insurance gross premium (%)
1	Lovcen insurance A.D.	27,106,011	975,256	26,130,755	61.27	18.01	67.30
2	Montenegro insurance A.D.	8,575,382,64		8,575,382,64	19.38		22.09
3	Magnat insurance A.D.	1,719,819,60		1,719,819,60	3.89		4.43
4	Swiss insurance A.D.	1,554,896,31		1,554,896,31	3.51		4.00
5	Grawe insurance A.D.	3,943,455,33	3,943,455,33		8.91	72.84	
6	Atlas Life A.D.	50,035,08	50,035,08		0.11	0.92	
8	Uniqa life insurance A.D.	422,909,69	422,909,69		0.96	7.81	
9	Uniqa non-life insurance A.D.	89,121		89,121	0.20		0.23
10	Delta Life A.D.	22,122,19	22,122,19		0.05	0.41	
11	Delta insurance A.D.	755,198,49		755,198,49	1.71		1.95
	TOTAL	44,238,951,33	5,413,778,29	38,825,173,04	100	100	100

According to further data, the relation of life and non-life insurance in the total insurance gross premium in Montenegro, for the first nine months of 2008, was as follows:

- Non-life insurance - 88.96 %
- Life insurance - 11.04 %

Concentration effects

The applicant estimates that, in terms of interests of the undertakings in the concentration, the Montenegrin insurance market will experience strong growth in the several following years, which is the basic reason for the joint investment.

Also, the applicant believes that the intended concentration will significantly improve the competition at the Montenegrin insurance market and promote economic efficiency.

In terms of interests of the insurance consumers, the concentration will provide lower insurance premiums through increased competition on the insurance market, which, in turn, will improve the quality of insurance services on the relevant market.

The applicants intend to expand the product assortment of life and non-life insurance with non-standard insurance and reinsurance products, so that the product offer will be adjusted to the consumer needs.

Considering that DC Holding, which manages Delta Generali Life Insurance a.d. and Delta Generali Insurance a.d., has the market share of 2.36% on the Montenegrin insurance market, it follows that the concentration in question will not lead to a significant change on the relevant market. Therefore, it was decided as stated in the wording of the Decision.

LEGAL REMEDY: This Decision shall be final, and an administrative action before the Administrative Court of Montenegro may be brought within 30 days following the date of its receipt.

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- Attorney Goran Darmanovic, and
- Archive

ACTING DIRECTOR

Zoran Perisic