



Pursuant to Article 35, paragraph 1, subparagraph 1.1, of the Law No. 03/L-209 on the Central Bank of the Republic of Kosovo (Official Gazette of the Republic of Kosovo, No. 77/16 August 2010), and Article 4, paragraph 3 of the Law No. 05/L-045 on Insurances (Official Gazette of the Republic of Kosovo / No. 38/24 December 2015), the Board of the Central Bank of the Republic of Kosovo, at its meeting held on 30 January 2020, approved the following:

REGULATION ON THE MANAGEMENT OF COMMISSIONS AND OPERATING EXPENSES OF INSURERS

Article 1

Purpose and scope

1. This Regulation sets out the criteria and restrictions for managing the commissions and expenses for non-life insurers.
2. This Regulation shall apply to all non-life insurers licensed by the CBK operating in the Republic of Kosovo.

Article 2

Definitions

All terms used in this Regulation shall have the same meaning as those defined in Article 3 of the Law No. 05/L-045 on Insurances and Article 2 of the Law No. 04/L-018 on Compulsory Motor Liability Insurance.

Article 3

General limitations

1. Insurers licensed to operate in the non-life insurance sector in the Republic of Kosovo may not incur costs that exceed the limitations within the reporting period specified in Article 7 of this Regulation.
2. Notwithstanding the limitations set forth in this regulation, insurers must ensure that at all times they have sufficient means to pay for the damages and treat them with the highest priority.

Article 4

Limitation of expenses related to commissions paid to Compulsory Motor Liability Insurance intermediaries

1. Insurers may apply a commission (including all other expenses) for insurance intermediaries with regard to the compulsory motor liability insurance product, up to a maximum of 8% of the gross written premium excluding VAT after returns and cancellations from compulsory motor liability insurance.

2. In cases of return and cancellation of policies, the commission paid for the remainder of the policy must also be reimbursed. Termination, cancellation and replacement of compulsory motor liability insurance policy must be done in accordance with the relevant CBK Instruction.
3. The request for reimbursement of the insurance premium should be made only for and on behalf of the insured by the respective insurer.
4. The insurers may in no case apply commissions for the employees of the insurer who are responsible for the sale of insurance products.
5. The transfer of the payment of commissions and intermediaries' expenses for compulsory motor liability insurance provided for in Article 3 of this regulation shall be made only by bank transfer from the bank account dedicated to the sale of compulsory motor liability insurance specified in Article 5 of this Regulation.

Article 5

Keeping funds in the bank account

1. The insurers are obliged to keep only one bank account, in which they will keep the funds collected from the sale of compulsory motor liability insurance.
2. Insurers must at all times provide sufficient funds for the payment of damages and the financing of the Compensation Fund and other expenses.
3. Except for the payment of damages, Compensation Fund, payment of intermediaries' commissions and the part of operating expenses, the account referred to in paragraph 1 of this Article may not in any way be debited for other purposes without the prior approval of the CBK (for other purposes means all investments, as stipulated by the Regulation on assets for covering technical provisions).

Article 6

Overall limitation of administrative expenses

1. The Non-Life insurers cannot in any case create expenses that exceed 24% of the gross written premium from all categories of non-life insurances.
2. For the purpose of this Regulation, the following group of expenses are considered as overall administrative expenses:
 - 2.1 Expenses of commission for brokers and other sale expenses;
 - 2.2 Expenses for the staff;
 - 2.3 Expenses for services and deliveries from suppliers and third parties;
 - 2.4 Expenses for depreciation and commissioning of accounts receivable from insurance
 - 2.5 Expenses for KIB and other expenses related to the gross written premium;
 - 2.6 Expenses of representation, advertising and promotion that do not exceed 3% of the gross written premium without VAT;
 - 2.7 In cases when the insurer is not prohibited by any other measure, the sponsoring expenses that must not exceed 1% of the gross written premium without VAT.

3. Expenses of obtaining insurance will be recognized at the moment of occurrence in relation to the gross written premium and the same shall not be capitalized as deferred expenses
4. During calculation of the insurer's overall expenses in relation to the gross written premium, the following expenses are exempted:
 - 4.1 Financial expenses related to investment cost, expenses for bank credit interest, expenses related to bank services and other financial expenses.
 - 4.2 Expenses resulting from the loss of value, amortization and depreciation of financial, non-financial, tangible and non-tangible assets, with the exception of the provisioning of accounts receivable resulting from insurance activity
5. Expenses of advertisement and promotion are considered expenses that are made through various forms of information, such as: television, radio, newspapers, magazines, direct advertising, Internet, posters, flyers, billboards, transit advertising and other similar.
6. Expenses of advertising/marketing will be recognized as such and can be capitalized only if they meet the following criteria:
 - 6.1 When advertising expenses have the primary purpose of generating sales from policyholders, through which can be shown that those expenses responded to the purpose of advertising in specific manner.

Article 7

Reporting of Insurers to CBK

1. Insurers, on a quarterly basis, are obliged until the last day of the following month, to electronically report to CBK the following information:
 - 1.1 The completed form with the data required under Annex 1 of this Regulation.
 - 1.2 Report of gross written premiums of compulsory motor liability insurance for the previous quarter together with the calculation of commission and other expenses referred to in Article 3 of this Regulation.
 - 1.3 The detailed report of payment of damages from compulsory motor liability insurance including payment for compensation fund.
 - 1.4 The detailed report on the sale of voluntary insurance together with the calculation of commission and other relative expenses
2. Reporting period on a quarterly basis includes the calculation of the data together with the limitations set forth in this Regulation as follows:
 - 2.1 first quarter, data from 1 January to 31 March of the reporting year
 - 2.2 second quarter, data from 1 January to 30 June of the reporting year
 - 2.3 third quarter, data from 1 January to 30 September of the reporting year
 - 2.4 Fourth quarter, data from 1 January to 31 December of the reporting year.

3. On a monthly basis, until the last day of the month, insurers are required to report to the CBK all bank transactions related to written premiums, damages paid, expenses and other transactions of the period.

Article 8

Enforcement, remedies and civil penalties

Violation of the provisions of this regulation shall be subject to administrative measures and penalties as set forth in Law No. 03/L-209 on the Central Bank and the Law 05/L-045 on Insurances.

Article 9

Adjusting the policies

All non-life insurers are required, within a period of three months, to adjust all their internal policies and procedures regarding expenses with the requirements and limitations of this regulation.

Article 10

Repeal

With the entry into force of this Regulation, the Regulation for Sale of Compulsory Motor Liability Insurance and Management of Insurers' Expenses dated 29 December 2016 is repealed.

Article 11

Entry into force

This Regulation shall enter into force fifteen (15) days from the date of its approval.

Flamur Mrasori

Chairperson of the Board of the Central Bank of the Republic of Kosovo