



Based on Article 35, paragraph 1, subparagraph 1.1 of Law No. 03/L-209 on Central Bank of the Republic of Kosovo (Official Gazette of the Republic of Kosovo, no. 77 / 16 August 2010), Article 4, paragraph 3 of the Law No. 05/L-045 on Insurances (Official Gazette of the Republic Kosovo, no. 38 / 24 December 2015), and Article 42 of the Law on Compulsory Motor Liability Insurance, the Board of the Central Bank of the Republic of Kosovo, in its meeting held on 29 December 2016, approved the following:

REGULATION FOR SALE OF COMPULSORY MOTOR LIABILITY INSURANCE AND MANAGEMENT OF INSURERS' EXPENSES

Article 1

Purpose and scope

1. This Regulation defines the criteria and method of selling compulsory motor liability insurance, as well as the restrictions of management expenses from Insurers.
2. This Regulation shall apply to all Insurers licensed by the CBK and which operate in the Republic of Kosovo.

Article 2

Definitions

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

Article 3

Commissions and expenses for brokers

1. Insurers may apply a commission (including all other expenses) for insurance brokers in terms of product of compulsory motor liability insurance up to a maximum of 10% of its sale. In any case, commissions and expenses of points of sale of compulsory motor liability insurance shall not be higher than 12% of the premium paid after deduction of VAT.
2. In cases of return and annulment of policies, the commission paid for the rest of the policy shall be returned.

3. Payment of commissions for brokers of compulsory motor liability insurance shall be done at the end of each month, based on their sales. Transfer of payment for commissions and expenses for brokers of compulsory motor liability insurance, provided in Article 3 of this Regulation, shall be done only via bank transfer, from the bank account dedicated for the sale of compulsory motor liability insurance, as defined in Article 4 of this Regulation.

Article 4

Keeping the means in bank account

1. Each insurer is obliged to hold only one bank account, in which he will keep the means collected from the sale of compulsory motor liability insurance.
2. From the sold premium of the compulsory motor liability insurance, Insurers are obliged to hold at least 65% of means in the bank account referred to in paragraph 1 of this Article, means which will be used only for payment of damages, including the Compensation Fund and commissions for brokers. The rest of maximum 35% can be transferred to other bank accounts of Insurer to cover its operating expenses.
3. If the funds held in the abovementioned bank account are not sufficient to cover the payment of damages and Compensation Fund within time limits, then the Insurer shall add additional funds to this bank account from its other bank accounts.
4. Besides the payment of damages, Compensation Fund, payment of commissions to brokers and the part for operating expenses, the account referred to in paragraph 1 of this Article shall in no way be debited for other purposes without prior approval of the CBK (“for other purposes” means all investment, as defined by Regulation on assets to cover technical provisions).

Article 5

Reporting of Insurers and brokers to the CBK

1. Each insurer, on a monthly basis, is obliged to submit electronically to the CBK until the 5th of the following month the following information:
 - a) The bank account of the sale of compulsory motor liability insurance for the previous month;
 - b) Detailed report of payment for damages from the bank account of the sale of compulsory motor liability insurance;
 - c) Detailed report of the sale of compulsory motor liability insurance, with calculation of commissions and expenses under Article 3 of this Regulation.

Article 6
Managing overall expenses and prepayments

1. Insurers can make overall expenses in cash up to a maximum of 35% of total premium received in cash, from all classes of insurance. The limit of 35% will be calculated in the following expenses:
 - a) Expenses of commission for brokers,
 - b) Expenses of representation, advertising and promotion
 - c) Expenses of leasing offices, in addition to sales from the compulsory motor liability insurance,
 - d) Expenses of wages (with exception to brokers and any person who is closely related to the broker by marriage or kin up to the second level) and salaries and other costs related to staff,
 - e) Expenses of sponsorship
 - f) Utilities (electricity, water, waste, etc.)
 - g) Other expenses paid in cash
2. The limit set out in paragraph 1 of this Article is calculated on the basis of revenue received in cash from the gross written premiums and payment of expenses paid in cash.
3. Insurers can make expenses of representation, advertising and economic promotion up to a maximum of 3% of gross written premium received from the sale of all classes of insurance.
4. 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.
5. Expenses of advertising/marketing will be recognized as such and can be capitalized only if they meet the following criteria:
 - a) 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.
 - b) The Insurer must be able to document the relationship between advertising expenses and revenue from the sale of insurance products, by specifying the name of the policyholder and advertising that incurred the sale of product.
6. When advertising activity results in expected revenues in the future that exceed the expected costs in the future for collecting revenues from the sale, the Insurer must be able to demonstrate the correlation between the product or service and marketing expenses based on verifiable data and historical models.
7. Insurers in no way shall allow advances to insurance brokers or someone else.

Article 7
Enforcement, remedial measures and civil penalties

1. CBK may impose, proportionally to the violations, administrative measures against an insurer who does not precisely comply with requirements of this Regulation.
1. If CBK examinations ascertain violation of Article 3 of this Regulation or excess, in any way, of the commission for brokers by 10% and with expenses by 12%, the CBK may apply measures stipulated in Article 124, paragraph 1 and 2, subparagraph 2.3 “prohibits the issuance of new policies of insurance or prohibits the renewal of existing policies” and subparagraph 2.4 “imposes restrictions on activity” and Article 126, paragraph 1, subparagraph 1.1 “requires the insurer, broker or insurance claims handler to remove certain person from his position”.
2. In case of repeated similar violation of Article 3 of this Regulation, the CBK may take additional measures as provided by Articles 124, 125 and 126 of the Law on Insurances;
3. If the CBK examinations ascertain violation of Article 4 of this Regulation, or the requirements set out in this Article are not implemented, the CKB in addition to the measures under Articles 124, 125 and 126 of the Law No. 05/L-045 on Insurances, may take the following measures:
 - a) In case of violation for the first time, imposes a fine up to 15,000 euro to the company, a fine to the CEO in the amount of 1,500 euro and orders the immediate return of means;
 - b) In case of violation for the second time, it imposes a fine up to 30,000 euro to the company, a fine to the CEO in the amount of 3,000 euro and orders the immediate return of means;
 - c) In case of violation for the third time, imposes a fine up to 50,000 euro, orders the immediate return of the means and may apply Article 126, paragraph 1, subparagraph 1.1 “requires the insurer, broker or insurance claims handler to remove certain person from his/her position”.
4. In case of failure to implement the reporting requirements under Article 5 of this Regulation, CBK in addition to measures under Articles 124, 125 and 126 of the Law No. 05/L-045 on Insurances, may take the following measures:
 - a) Impose a fine of 200 euro for each day of delay to report;
 - b) If the delay is repeated for the reporting period for the second time, it will be imposed a fine of 350 euro for each day of delay;
 - c) If the delay is repeated for the reporting period for the third time, it will be imposed a fine of 500 euro for each day of delay.
 - d) In the event of continuous delays even after the third time, measures will be taken in accordance with Article 126, paragraph 1, subparagraph 1.1 of the Law on Insurances which “requires from the insurer, broker or insurance claims handler to remove certain person from his/her position”.

5. In case of failure to implement the requirements of Article 6 of this Regulation, CBK in addition to the measures under Articles 124, 125 and 126 of Law No. 05/L-045 on Insurances, may take the following measures:
- a) If the CBK examinations and analyses ascertain excess of limits set out in Article 6 of this Regulation, the company can be fined up to 25,000 euro and CEO can be fined up to 2,500 euro.
 - b) In case of repeated violations, the CBK may impose fines to the company up to 50,000 euro, and may take measures referred to in Article 126, paragraph 1, subparagraph 1.1 of the Law on Insurances which “requires from the insurer, broker or insurance claims handler to remove certain person from his/her position”.

Article 8
Entry into force

This Regulation shall enter into force on 4 January 2017.

Chairman of the Board of Central Bank of Kosovo

Prof. Dr. Bedri Peci