

Interview of CBK Governor, Mr. Fehmi Mehmeti for iSigurimet

Mr. Mehmeti, you have announced measures to reduce the number of unregistered vehicles, what measures will the CBK apply specifically?

Governor Mehmeti: As we have informed before, the CBK has sent a letter to the relevant institutions in order to resolve the issue of uninsured vehicles and was continuously committed to immediate treatment of this issue. These vehicles circulating on the roads of the Republic of Kosovo, endanger every day the traffic and lives of the citizens of Kosovo. The injured parties in these cases are the victims who suffer traffic accidents, as well as the people causing these accidents, who in the event of an accident do not have the contracted liability insurance for damages caused to third parties. In this regard, after the establishment of the institutions, the CBK is waiting for concrete actions by the relevant institutions to address the issue of uninsured vehicles. At the same time, the CBK is evaluating the current legal framework and in full compliance with applicable law, through bylaws to find an adequate solution in order to reduce the number of these vehicles, which in addition to endangering the lives of citizens and financial damages to Insurers, also cause damage to the state budget of Kosovo.

When will you start with such measures and how will you coordinate with other relevant institutions?

Governor Mehmeti: After the assessments of the legal framework in force, as well as ensuring full compliance with the legal framework, the CBK will take its actions through bylaws, in order to reduce the number of these vehicles. We also expect greater commitment from state institutions and concrete actions on their part to eliminate and reduce the very large number of these vehicles.

Insurance companies suffer damages due to the uninsured vehicles What problems does such a large number of unregistered vehicles cause to Kosovo?

Governor Mehmeti: As you are aware, the insurance sector over the years has not had satisfactory performance. Among other things, such a performance has been influenced by several factors, including the damage caused by uninsured vehicles circulating in the territory of the Republic of Kosovo. A problematic issue and a matter of concern is the fact that out of the total amount of damages paid during 2019, 48.0 million euros (42.8 million euros in 2018) were damages paid by insurers, while 7.1 million euros (5.4 million euros in 2018) were damages paid by KIB, of which 4.4 million euros are damages paid by the Compensation Fund, namely the Fund that pays for uninsured vehicle damages. So, on the one hand, the Insurers do not receive any premium from these vehicles that circulate on the roads of Kosovo, while only during 2019 they have paid 4.4 million euros on behalf of these damages.

Where does Kosovo stand compared to other countries of the region in this regard?

Governor Mehmeti: Based on the available data and the methods used in the processing of this data, it can be estimated that the percentage of uninsured vehicles in Kosovo is somewhere around 20 percent, or translated into numbers, about 40-60 thousand vehicles circulating without insurance. If we make a comparative analysis with the data of the countries of the region, it turns out that Kosovo has the highest number of uninsured vehicles and as a result this number of vehicles that cause accidents, greatly burden the Compensation Fund which is managed by KIB and to which payments are made by insurers who operate in the Republic of Kosovo. In 2019 alone, the amount of damages paid by the Compensation Fund resulting from uninsured and unidentified vehicles amounted to 4.4 million euros.

According to estimates, Albania has about 15% of uninsured vehicles, Montenegro 5%, Serbia 2%, Croatia 1.6% and Slovenia 0.3%.

Does such a large number of unregistered vehicles pose a problem in terms of Kosovo's membership in the Green Card system?

Governor Mehmeti: The CBK has been consistently committed to finding a solution that would enable Kosovo to become a member of the Council of Bureaux, and we have worked together with other institutions in the country to find a modality that would allow us to overcome the challenges of membership. While we will continue our efforts, we must also improve some key internal aspects that hinder Kosovo's membership in the Green Card system. So far, several requirements and preconditions have been met before the commencement of application procedures for membership in the Council of Bureaux, such as: Approval of the Law on Compulsory Motor Liability Insurance; Establishment of the Kosovo Insurance Bureau and the Insurance Information Center; and the Guarantee Fund of 4 million euros. However, one of the main problems in this regard continues to be the large number of unregistered vehicles which continue to circulate in Kosovo. According to the latest available data and based on the methods used in processing this data, it can be estimated that the percentage of uninsured vehicles in Kosovo is up to 20%, or if we translate it into numbers, about 40- 60 thousand vehicles which circulate without having insurance. So, reducing the number of uninsured vehicles, which today is estimated to be over 20% is also one of the main conditions for membership in the Council of Bureaux, and with this high level of uninsured vehicles, even in case of fulfillment of other conditions, membership in this institution is still problematic.

Insurance companies are complaining about the large number of traffic accidents with minor damages. Are there any suspicions of misuse by irresponsible drivers in this regard?

Governor Mehmeti: The CBK continuously monitors financial institutions and insurers through off-site and on-site supervision, and so far the CBK has not encountered and is not aware of any such practices and cases. However, in case of identification of these cases, insurers and anyone else must apply to the competent authorities to follow the prescribed legal procedures against potential abusers.

How do you assess the performance of insurance companies and has the removal of the extra tax of 5 percent by the Parliament last year had any effect?

Governor Mehmeti: The amendment to the Law on Corporate Income Tax was passed in the Parliament during 2019 and in the field of insurance this related to the changing of the tax base from the turnover tax of 5% to the regular profit tax of 10%. Given that these amendment to the Law on Corporate Income Tax had entered into force during the second half of 2019, their implementation and effect has not been immediate as a result of technical processes, instructions and other necessary procedures in implementation of this Law. Upon receiving financial data from insurers for the first quarter of 2020 we can provide a more accurate assessment of the effect of legal changes on the performance of insurers.