



Pursuant to the authority given under Section 17.b of Law on Central Bank of the Republic of Kosovo and Section 3.3 of the UNMIK Regulation No. 2001/25 dated 5 October 2001 on Licensing, Supervision and Regulation of Insurance Companies and Insurance Intermediaries,

For the purpose of execution of Section 6 of UNMIK Regulation No. 2001/25, Governing Board of the Central Bank of the Republic of Kosovo, at the meeting held on 25 September 2008 adopts the following:

## **Rule 3 on Amending Rule on Compulsory Third Party Liability Motor Vehicle Insurance**

### **Section 1 General Terms and Regulation**

#### **1.1. Legal Authority**

This rule shall regulate the Third Party Liability Motor Vehicle Insurance, (hereinafter referred to as “CTPL” insurance), which is provided by Section 6 of UNMIK Regulation No.2001/25 on Licensing, Supervision and Regulation of Insurance Companies and Insurance Intermediaries (hereinafter referred to as the “Insurance Regulation).

This Rule is based on Section 3.3 of the Insurance Regulation granting authority to the CBK to prescribe needed rules, orders and guidelines governing the conduct of insurance in general and, particularly, on Section 6 of the Insurance Regulation which empowers the CBAK to establish rules concerning common policy conditions and premium requirements for the provision of compulsory insurance especially dealing with CTPL insurance.

#### **1.2. Scope and Purposes of this Rule**

This Rule shall apply to all insurance companies providing CTPL motor vehicle insurance.

The purposes of this present Rule are:

To establish requirements, terms and conditions in a policy providing for CTPL insurance.

To establish requirements for the conduct of business of insurance companies dealing with CTPL insurance.

To organize and establish the Guarantee Fund for claims covered by the requirements of CTPL insurance.

To establish standards adopted by the CBK in ensuring that premium rates for CTPL motor vehicle insurance are fair, adequate and non-discriminatory.

To prescribe other matters applicable to providing the business of CTPL insurance.

### **1.3 CBK Responsibilities**

CBK shall define the conditions and methods of business for companies dealing with compulsory insurance and will provide supervision of such activity.

Insurance companies, before applying, should submit in approval to CBK the CTPL insurance policy conditions and insurance premium. Prior approval of policy forms and rates by the CBAK is required consistent with the provisions of Section 58.1 of the Insurance Regulation. All policy forms and rates, including CTPL insurance, shall be approved by the CBK prior to their use.

A CTPL policy can only be issued through the “on-line” system and payment of premium for a CTPL policy must be done through banking payment system.

It is prohibited to issue a CTPL policy outside of the “on-line” system or receive payment of premium for a CTPL policy in other forms than the banking payment system.

### **1.4 Insurance Requirement**

The owners or registered users of motor vehicles, to which the provision of this rule concerning compulsory insurance applies, must have valid compulsory insurance contracts with a Kosovo licensed insurance company.

CTPL insurance shall be compulsory for owners and users of motor vehicles destined for the transport of persons and things, trailers as well as working vehicles and tractors, which according to registration regulations have to obtain a traffic license.

This insurance shall not be compulsory for KFOR. For motor vehicles with prefix of UN, EU, OSCE and CD (Diplomatic) license plates are recognized as having TPL insurance coverage and must have proof of a valid insurance policy.

A contract of compulsory insurance for a minimum coverage period of one (1) year shall be concluded before the motor vehicle enters in traffic and shall be renewed for the period the vehicle is in use. However, in the case of transfer of ownership of a motor vehicle, a contract Compulsory insurance may be conducted for a period less than (1) year to coincide with the vehicle registration expire date.

In the event of dissolution of any insurance company engaged in CTPL insurance, the owners or registered users of the insured motor vehicles, referred to in paragraph one of this Sub-section, shall conclude replacement CTPL insurance contracts with other insurance companies. They shall conclude contracts with these insurance companies within eight days from the time the dissolution or winding up of the insurance company that issued the CTPL is announced in the media.

An insurance company licensed and engaged in CTPL insurance may not refuse any application for insurance and is obliged to conclude CTPL insurance contracts on the basis of announced insurance conditions and premium.

If the insurance company realizes that the owner ceased to comply with the obligations required in the insurance contract and therefore the contract ceased to be valid, the insurance company shall advise the traffic control authority who shall divest the vehicle owner of registration number plates.

### **1.5 Subject of Compulsory TPL Motor Vehicle Insurance**

The owner or registered user of a motor vehicle and/or trailer is obliged to conclude a CTPL insurance contract against third party liability for damage caused to third parties for death, bodily injury, impairment of health or damage or destruction to property that arise out of, or in connection with the use of the motor vehicle.

CTPL insurance shall also include liability for losses caused by a trailer connected to the motor vehicle or has become disconnected from it during the use.

Damage caused by the use of a motor vehicle includes also the damage caused to third parties by objects falling from the motor vehicle or trailer.

CTPL insurance does not cover any damage to property, which the owner or registered user of the motor vehicle transports, unless the property serves for the personal use of passengers.

CTPL insurance does not cover damage or liability for damage as a result of acts of nature, direct consequences of disorder, agreements without consent, effects of radiation and other events of similar nature.

CTPL insurance covers the policyholder of the vehicle and any person who, with the permission of the policyholder operates and uses the motor vehicle or the person who operates and uses the motor vehicle with the permission of the person who was authorized by the policyholder to operate and use the motor vehicle.

CTPL insurance covers the territory of Kosovo

### **1.6 Transfer of Ownership**

When ownership of the insured vehicle is transferred to a new keeper the existing certificate of insurance ceases to have effect from the lawful transfer of title and cancellation of registration. The insured person under the cancelled policy may apply to the insurance issuer for the proportional part of the unearned premium if no indemnity has been paid from this insurance.

### **1.7 Evidence of Insurance**

A driver shall keep the insurance policy or any other evidence (“sticker”, “ID Insurance Card”) on taking out insurance when using the motor vehicle in traffic and shall present it to the traffic police or the official delegated by the police.

In case of an accident the driver shall present the personal data and relevant information of the CTPL insurance to all participants in traffic accident that might be entitled to the compensation of damage arising from the accident, based on CTPL insurance.

### **1.8 Category of “Third Person”**

The following has no right to claim and are not entitled to indemnity on the basis of a CTPL insurance, i.e., does not have the status of “Third Person”:

- a. The responsible driver of a motor vehicle.
- b. The person who takes part in the unlawful seizure of a vehicle that has been damaged while operating and using the unlawfully seized vehicle.
- c. The owner, co-owner and other registered users of a vehicle in the event of damage to their property.

## **Section 2 Insurance Sums – Limitation of Insurance Cover**

The liability of an insurance company arising from CTPL insurance shall be limited by the compulsory minimum sum insured being in force at the date of loss occurrence, unless a higher sum insured is agreed in the insurance contract.

The compulsory maximum sum insured per insurable event, respectively compulsory aggregate maximum sums, which must be contracted to the TPL insurance, are:

- a. In case of death, bodily injury and affected health per event;

- per person for buses and motor vehicles carrying dangerous goods EURO 100,000

Aggregate for buses and motor vehicles carrying dangerous goods EURO 1,000,000

- per person for all other motor vehicles EURO 100,000

Aggregate for all other motor vehicles EURO 300,000

- b. In case of damage to property;

- per claim for buses and motor vehicles carrying dangerous good EURO 100,000

Aggregate for buses and motor vehicles carrying dangerous good EURO 200,000

- per claim for other motor vehicles EURO 50,000

Aggregate for other motor vehicles EURO 100,000

In case of accident involving several motor vehicles, the total insured sums of CTPL insurance of the vehicles engaged in the same accident will be applied.

If there are several claimants and total indemnity exceeds the above-mentioned minimum insured sums, the rights of the claimants towards insurance company shall be reduced proportionately.

The retirement and disability pension fund, the health insurance fund and insurance companies dealing with (compulsory and voluntary) health, pension or similar types of life, health, accident, disability or property insurance that are suffered to pay benefits in accordance with their respective pension, compensation or insurance contracts are entitled to submit their recourse claims only after settling of all claims arising from respective insured case.

CTPL insurance maximum sums under paragraph 1 shall be, when needed, determined and changed by the CBAK.

### **Section 3**

#### **Insurance of Owners and Registered Users of Motor Vehicle Against Liability for Damage Caused To Third Parties**

##### **3.1. Damage to Third Parties**

Damaged third parties are entitled to submit indemnity claims directly to insurance companies.

If a claimant submits an indemnity claim directly to an insurance company, the insurer may not present in response to such claim the objections, which it could make on the basis of law, insurance contract and CTPL insurance policy conditions to the insured person, because of the insured's failure to abide by law or contract, loss of insurance cover and other conditions.

An insurance company that has indemnified a claimant without being obliged to pay by law or insurance contract and CTPL policy conditions, shall subrogate the claimant, in relation to the insured or any other person responsible, for damage up to the amount of paid indemnity, interest and expenses.

##### **3.2. Vehicles Registered Outside of Kosovo**

Any person entering the territory of Kosova driving a Vehicle Registered Outside of Kosovo must have a valid international document of TPL insurance from those countries where bilateral insurance agreements (Memorandums of Understanding) have been established or proof of having Kosovo domestic insurance policy, covering damage to at least the amount referred to in Section 2 of this rule.

The document of insurance, referred to in Paragraph 1 of this Section, shall also be required for motor vehicles carried into Kosova, unless it is not going to be used there.

##### **3.3. Border Insurance**

Any person, who does not have proof of insurance, referred to in Section 3.2 Paragraph 1. of this rule, must purchase a CTPL border insurance valid for the territory of Kosovo from a local licensed and authorized insurance company.

CTPL border insurance can only be sold by the pool arrangement that has been approved by the CBK. It is prohibited for any insurance company to individually sell CTPL border insurance.

Supervision of fulfillment of foreign registered motor vehicle's drivers obligations under this Section shall be carried out by the police.

#### **3.4. Claims Caused by Use of Foreign-registered Vehicles**

Any person who has been damaged by the use of foreign-registered vehicles for which there was a valid international insurance document or proof of existence of CTPL border insurance, may submit the indemnity claim to CSO (Claim Servicing Organization) - independent specialized organization for handling such claims, set up by CBAK under provisions provided in the "Uniform Agreement" of the Council of Bureaux (CB).

Handling of claims mentioned in Paragraph 1, is exclusively the responsibility of CSO, to which these kind of insurance cases have to be reported. Contrary to this, any lawsuit presented by the damaged party against an insured person or insurer will be deemed to be untimely.

CSO, for the purpose of indemnification, should be obliged to deal with the claim within the period of 60 days, starting from the day of the completion of all proofs and relevant documentation, referring to liability and damage.

### **Section 4 Guarantee Fund**

#### **4.1 General Provisions**

The Guarantee Fund shall be funded by the contributions paid by insurance companies in accordance with this Rule. The money or fund constituting the Guarantee Fund shall be deposited and maintained in a commercial bank duly licensed by the CBK.

Guarantee Fund should be used towards paying indemnity for:

- a. Damage/loss caused by using a motor vehicle for which a compulsory insurance contract has not been concluded pursuant to this rule;
- b. Damage/loss caused by using a foreign-registered vehicle whose owner or user does not possess valid international insurance or border insurance;
- c. Damage/loss because of death, bodily injury or impairment of health, caused by the use of an unidentified motor vehicle;
- d. Damage/loss caused by using a motor vehicle for which a compulsory insurance contract has been concluded with an insurance company undergoing bankruptcy proceedings.
- e. Damage/loss caused by unauthorized use of a motor vehicle by a person.

f. Damage/loss caused by use of a motor vehicle for which CTPL insurance cover is not in accordance with CTPL minimum insurance cover, required by law regulation or rule in Kosovo, at date of accident.

Damage/loss caused by foreign motorists to victims in Kosovo that are handled by the CSO and which the Guarantee Fund may claim reimbursement from the Council of Bureaux members.

#### **4.2 Establishment of Fund**

The Insurance Companies that provide CTPL insurance are required to establish the Guarantee Fund.

Insurance companies should enable the functions of the Guarantee Fund towards settling the liabilities referred to in Section 4.1 of this rule and covering that fund's operating costs, by allocating from the CTPL premiums and amounts collected on the basis of recourse claims.

Guarantee Fund will be managed by a Managing Board, which is made up of one representative from each insurance company providing CTPL insurance and a claims expert appointed by the Managing Board. Membership to the Managing Board is subject to prior approval by the CBAK.

#### **4.3 Financial Statement**

A statement of revenue and expenditure as well as an operating report shall be compiled concerning the operation and management of the Guarantee Fund.

#### **4.4 Contributions to the Guarantee Fund and Surplus Revenue**

Every insurance company providing for CTPL insurance shall contribute to the Guarantee Fund the amount of 100,000 Euros on the first day of the fourth (4th) month following the date of its license. In addition, on or before the first fifteen (15) days of every month starting in the fifth (5th) month following the date of its license, all insurance companies providing for CTPL insurance shall contribute 1% of the gross premium on CTPL insurance policies issued and renewed during the immediately previous month. The managing board shall regularly review the adequacy of the contributions and shall recommend other rates or bases of contribution that they consider reasonable for the approval of the CBK.

It shall be the responsibility of the managing board to assess and collect contributions to the Guarantee Fund. The managing board shall be empowered to charge overdue interest, which rates must be uniform for all insurance companies, for delayed or delinquent payments to the Guarantee Fund. In the collection of contributions to the Guarantee Fund, the managing board may request enforcement action from the CBAK. Breaches or delinquencies in the payment of the prescribed contributions constitute a ground for suspension or revocation of a license and the imposition of civil penalties authorized under the Insurance Regulation.

Any surplus revenue in the Guarantee Fund shall be carried over in the next accounting year and shall be taken into account when the board determines and sets the contribution rate for the succeeding accounting year(s). The fixing of the contributions shall be determined by managing board and shall become effective only after written approval of the CBAK.

#### **4.5 Insurance Company Responsibility**

No insurance company shall be directly responsible for the Guarantee Fund's commitments to damaged third parties. The CBK is not responsible for any liability of the Guarantee Fund.

#### **4.6 Damages Caused by Use of Uninsured Motor Vehicles**

In the case of any damage caused by using or operating a motor vehicle, in which the owner is bound but has not concluded a CTPL insurance contract, the indemnity shall be paid in the same amount and under the same conditions as if a CTPL insurance contract had been concluded.

Once the indemnity is paid, it may be recovered from the owner or registered user of the motor vehicle who has not insured the motor vehicle involved on the basis of a recourse claim.

#### **4.7 Damages Caused by Use of Unidentified Motor Vehicles**

The indemnity for any damage/loss because of death, bodily injury or impairment of health caused by the use of an unidentified motor vehicle shall be paid up to the amount to which the liability of any insurance company in connection with damage/loss caused by using a motor vehicles is limited under this rule.

If the motor vehicle that has caused damage is identified, after the indemnity has been paid, the indemnity may be recovered on the bases of a recourse claim from the insurance company with which the CTPL insurance has been concluded.

#### **4.8 Insurance Company Bankruptcy**

Any damage caused by using a motor vehicle for which a CTPL insurance policy has been made with an insurance company subjected to bankruptcy proceedings, shall be indemnified from Guarantee Fund to the extent that the person's property has not been indemnified by the bankruptcy estate.

#### **4.9 Injured party rights**

An injured party, to whom damage was caused by vehicle in circumstances that gave rights for indemnity in accordance with Section 4.1, is entitled to submit indemnity demand directly to Guarantee Fund, which has also a status of legal person.

CBK shall entrust organization and administrative-technical services of the Guarantee Fund to the Insurance Association of Kosovo, while the processing of such cases to a specialized CTPL insurance claims handling organization.



#### **4.10 Rights of recourse of foreign citizens, pension and health funds and insurance Companies**

Foreigners shall be entitled to be indemnified from the Guarantee Fund if their country recognizes and allows the same right to foreigners to be indemnified from a similar guarantee fund in their country.

The retirement and disability pension funds, the health insurance fund and insurance companies dealing with (compulsory or voluntary) health, pension and similar types of insurances life, health, accident, disability and property insurance, are not entitled to be indemnified or apply for a recourse claim from the Guarantee Fund.

### **Section 5 Claim Settlement**

#### **5.1 Settlement**

Indemnity claims of third parties based on a CTPL Insurance in accordance with provisions of this Rule, including recourse from the Guarantee Fund have to be settled within the period of 10 days of the submission of necessary proofs and relevant documentation required by the insurance company or the Guarantee Fund referring to the claimed indemnity for death, bodily injury or property damage.

The Guarantee Fund or an insurance company that fails to make a settlement of a valid claim within a period of ten (10) days as prescribed above shall pay a late payment penalty equal to 20 % yearly interest calculated from the date when the claim was reported until the date when indemnity was paid or settled.

#### **5.2 Claims Forms and Reports**

Insurance companies are obliged to issue European accident report forms together with the requirements in the CTPL insurance policies.

Persons involved in a traffic accident must fill in; sign and exchange “European Accident Report Form”, if the police or another competent authority has not made a report of accident. The abovementioned accident report form (correctly filled in and signed) may be used as proof for CTPL insurance claims proceedings.

### **Section 6 Penalty Provisions**

#### **6.1 Penalty resulting in fines**

An insurance company shall be subject to a monetary fine of 2,500 – to 10,000 EURO for the following offences:

- a. Failure to apply the CTPL insurance policy condition and premium presented and approved by CBK;
- b. Failure to pay contributions to the Guarantee Fund in accordance with Section 4 of this Rule and following UNMIK regulations;

- c. Failure to conclude the compulsory insurance, referred to in Section 1.3;
- d. Failure to announce in media that it is not willing to offer supplementary insurance cover, referred to Section 7.1 paragraph 3 of this Rule and
- e. Failure to provide statistics and other data in the manner specified by CBK.

The person responsible in the insurance company shall be subject to a monetary fine of 500 to 2,500 EURO for the offences specified to in Paragraph 1 of this Section.

## **6.2 Fines and Penalties against Registered Owners of Motor Vehicles**

The individual registered owner or registered user of a motor vehicle shall be subject to a monetary fine in accordance with applicable laws or regulations if he fails to take out prescribed CTPL before using the vehicle in traffic.

In case of the juristic person that is the registered owner or registered user of a motor vehicle, the monetary fine as determined by applicable laws or regulations mentioned above, shall be imposed against the juridical person and/or the responsible individuals in that legal person.

## **6.3 Driver of the Motor Vehicle**

The driver of the motor vehicle shall be subject to a monetary fine in accordance with applicable laws or regulations if he fails to present a CTPL insurance evidence or European accident report form to the traffic police on request.

# **Section 7**

## **Transitional and Final Provisions**

### **7.1 Supplementary Insurance**

Insurance companies that have issued compulsory CTPL insurance of which coverage continues after this Rule is entered into force, shall offer to their insured supplementary insurance cover for the unexpired period of insurance in accordance with the requirements of this Rule.

At the same time, it is the obligation of insured owners and registered users of motor vehicles to obtain this supplementary insurance coverage from their insurers.

If an insurance company is not willing to offer above-mentioned supplementary insurance cover to their insured, the insurance company is obliged to announce that in the media.

## **Section 8**

### **Standards and Premium Calculation Structure of Compulsory Motor Vehicle Third Party Liability (CMTPL)**

#### **8.1 Objectives of this Section**

Insurance companies licensed by CBK will establish premium rates for CMTPL insurance. In the event of establishing rates they have to comply with standards, in order for the premiums to be fair for insurers, adequate for insurance companies and non-discriminatory in risk selection.

1. Fair premium implies that the premium shall not be higher than the coverage of the policy holder provided in the insurance policy.
2. Adequate premium implies that the established premium is sufficient to cover losses and the insurers' expenses, so that the level of premium offers security and adequate protection for policy holders in relation to damages it causes to third parties.
3. Non-discriminatory premium implies in cases of exposure towards same risks, in the significance of losses and expenses, different premiums should not be determined.

#### **8.2 Premium Calculation Structure**

The basis for calculating the premium for CMTPL insurance shall be insurance risk, based on the legal act issued by CBK.

Insurance companies shall determine premiums based on the insurance risk, general conditions of the policy, the technical basis used in the case of calculating the premium, as well as, the actuarial evaluation performed by a certified Actuary.

#### **8.3 Premium Approval for Compulsory Insurance from CBK**

The premium for CMTPL insurance proposed by the insurance company will be subject to prior approval by CBK.

In the case of applying for CMTPL insurance premium approval in CBK, the insurance company shall submit:

- a) General policy conditions,
- b) Technical basis used in the case of calculating the premium and
- c) Basis of actuary premium calculation minimum for the shortest from three years.

Insurance companies have the right to apply twice during one calendar year for changes in premium; in December and in June. CBAK shall decide within a period of 30 days for an approval or refusal of premium rates for compulsory insurance of TPL.

**Section 9**  
**Entry into Force**

The present Rule shall enter into force on 1 October 2008.

Hashim Rexhepi  
Governor