



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 and Article 8 of the Law No. 04/L-018 on Compulsory Motor Liability Insurance, the Board of the Central Bank of the Republic of Kosovo in the meeting held on June 23, 2015, approved the following:

Regulation on Determination of Premium's Structure for Compulsory Motor Liability Insurance

Article 1

Purpose and Scope

1. The purpose of this Regulation is to determine the structure of the Premium which the insurer should applied in determining the compulsory insurance premium, and the procedures and timelines for approval by the Central Bank of the Republic of Kosovo.
2. This regulation is applicable to Insurers licensed by the CBK to sell the products of compulsory motor liability insurance, and the Kosovo Insurance Bureau regarding to border motor liability insurance.

Article 2

Definitions

1. All terms used in this Regulation shall have the same meaning to the definitions provided in Article 2 of the Law No. 04/L-018 on Compulsory Motor Liability Insurance (hereinafter: the Law on Compulsory Motor Liability Insurance) and the following definitions for the purpose of this Regulation.
 - 1.1. **Risk premium** – shall mean the estimated insurance premium:
 - 1.1.1. To cover the damages defined under the insurance contract and expenditures to address such damages
 - 1.1.2. To finance the insurers contribution in the compensation fund, pursuant to Article 32 of the Law on Compulsory Motor Liability Insurance.
 - 1.2. **Charge on risk premium** – shall mean profit estimated by insurers and all costs associated with the insurance policy, with the exception of damages and contribution to the compensation fund.
 - 1.3. **Actuary** – shall mean a person authorized by the insurer, whom in turn should be approved by the CBK.

Article 3
Databases for Drafting of Risk Premium Tables

1. In drafting the risk Premium tables, the actuary should consider a large market statistics database for a period including, at the least the 5 last years. The database should also include the data on damages registered to the account of Compensation Fund in the period under review.
2. Statistics database provided in paragraph 1 of this Article, should contain the following details:
 - 2.1. vehicles categories for policies and damages;
 - 2.2. duration of underwriting coverage;
 - 2.3. type of damage (material and non-material);
 - 2.4. territorial coverage of issued policies/occurred damages;
 - 2.5. Inclusion of court expenses in the damage handling and assessment ;
 - 2.6. Other elements that may be used in the actuarial assessment process of risk premium.
3. The actuary drafts the tables and performs the assessment of risk premium, according to actuarial methods that include the analysis of the impact of general economic and financial factors, or particularly related to the product.

Article 4
Actuarial report

1. Risk premium tables determined by the actuary are associated by an actuarial report that presents in a detailed way the following:
 - 1.1. risk profile assessments for each product and manifested tendencies;
 - 1.2. assessments of major damages and tendencies;
 - 1.3. statistics method used in calculation of adjusted average damage;
 - 1.4. frequency of adjusted damages;
 - 1.5. expected general inflation rate and that of the product;
 - 1.6. Expected coefficient for the compensation fund;
 - 1.7. Statistics and actuarial methods used in assessment of any other risk premium element, including the judgments on material and non-material effect;

Article 5
Approval of Risk Premium tables by the CBK

1. The insurer submits the actuarial report along with risk premium tables to the CBK.
2. CBK shall, after receiving the actuarial report along with risk premiums tables, within 30 days, take the decision for their approval or refusal. If approved, they will be

implemented by the insurer for a period of at least 1(one) year, unless the insurer documents that it is necessary to review and amend them.

Article 6

Calculation of Insurance Premium by Insurer

1. Risk premium tables approved by the CBK serve as the basis for drafting of insurer's insurance premium tables.
2. Insurance premium is calculated as an amount of risk premium with the charge over the risk premium.
3. The charge over the risk premium is determined by the insurer, based on approved risk premium tables, its business plan on the products and the assessment of its authorized actuary.
4. The level of charge over the risk premiums should not exceed 30% of insurance premium.

Article 7

Approval of Insurance Premium Table

1. Insurers shall, within at least sixty days prior to implementation, submit the insurance terms and the technical grounds used for accounting of the premium for approval to the CBK..
2. If CBK finds that the insurance terms and technical grounds are in compliance with the laws and bylaws, and the actuary principles, it shall, within (30) days, notify the insurer of its implementation. If the CBK fails to reply regarding the notification within thirty (30) days, the insurance terms and fees shall be considered approved.
3. Insurance premium tables should meet the criteria provided in Article 6 of this Regulation, and shall be accompanied by authorized actuary reports regarding the charge over the risk premium.
4. If CBK determines that the premium terms and the technical grounds are not in compliance with law and this regulation, the CBK shall request from the insurer to amend them.
5. Inclusion of bonus-malus system in accounting of the insurance premium should be in compliance with regulation in force for implementation of bonus-malus system.
6. Insurers have the right to apply once during a year to amend the insurance premiums, unless if the insurers documents that they need to review and amend them.
7. Regardless of paragraph 6 of this Article, the CBK under its own assessment has the right to request, at any time, the insurer to amend insurance premiums.
8. The Insurer implements the insurance premium tables, only upon approval by the CBK, and shall notify the CBK for commencement date of its implementation. If CBK fails to reply regarding the notification within 30 days, the insurance terms and fees shall be considered approved.

9. Insurance premium tables approved by the CBK are obligatory to be implemented by insurers for a period of at least 1 year from the date of its approval, unless insurers documents that they need to review and amend them, or when CBK requests such review.

Article 8

Border Motor Liability Insurance

1. Upon the request of the CBK, Kosovo Insurance Bureau on behalf of insurers, within 15 days from the day of the receipt of requests, are obliged to submit the premium fee for border motor liability insurance to the CBK for approval..
2. If CBK concludes that the premium terms and technical grounds are not in compliance with legal framework in force, then the CBK shall establish the minimum or maximum amount of the premium for border motor liability insurance or a limit within which the premium for border motor liability insurance

Article 9

Transitional Provision

1. Current premiums for the product on compulsory motor liability insurance (internal MTPL), remains unchanged, until the CBK issue an actuarial assessment on motor liability products, for the insurance market.
2. After issuance of actuarial assessment, according to paragraph 1 of this Article, the CBK shall notify insurers for this assessment, after which insurers should apply for premiums approval, according to the provisions of this Regulation.

Article 10

Punitive measures

In case of violation of the provisions of this Regulation, the CBK shall undertake the measures according to the provisions of the Law on Compulsory Motor Liability Insurance.

Article 11

Entry into Force

This Regulation enters into force on June 24, 2015.

The Chairman of the Board of the Central Bank of the Republic of Kosovo

Bedri Peci