



Pursuant to Article 35, paragraph 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 according to Articles 42 and 32 of the Law No. 04/L-018 on Compulsory Motor Liability Insurance (Official Gazette of the Republic of Kosovo/ no. 4/14 July 2011), the Board of the Central Bank of the Republic of Kosovo, at the meeting held on 27 July 2012, approved:

## **REGULATION ON COMPENSATION FUND OF KOSOVO INSURANCE BUREAU**

### **Article 1 Scope**

This regulation sets out the method of funding, maintaining and use of the Compensation Fund that is administered by Kosovo Insurance Bureau.

### **Article 2 Definitions**

Terms used in this regulation shall have the same meaning as defined by the Law No. 04/L-018 on Compulsory Motor Liability Insurance.

### **Article 3 Purpose**

The Compensation Fund is intended for the payment of damages in the territory of the Republic of Kosovo, pursuant to provisions of the Articles 18, 19, 20, 21, and 22 of the Law No. 04/L-018 on Compulsory Motor Liability Insurance and shall not be used for other purposes.

### **Article 4 Financimi**

1. Compensation Fund is financed by:

- 1.1 Regular contributions of licensed insurers for exercising Compulsory Motor Liability Insurance activities. Insurers shall contribute financially to the Compensation Fund on quarterly basis, commensurate with their underwritten premiums from the sale of motor liability insurance during the previous quarter;
  - 1.2 reimbursement collections from regress procedures;
  - 1.3 additional contributions by the insurers, where the projected funds results to be insufficient to conduct the payment according to paragraph 1 of this Article;
  - 1.4 reimbursements from uninsured motor vehicles owners to whom the Compensation Fund paid a compensation;
  - 1.5 revenues from the investment of the Compensation Fund assets;
  - 1.6 other resources, which are not prohibited by law.
2. KIB shall inform and report to CBK on the amount of contributions and compliance of obligations towards the Compensation Fund by each insurer.

## **Article 5**

### **Calculation of the compensation fund by Bureau**

1. The Bureau defines the reserve of Compensation Fund according to these two components:
  - 1.1. According the reserve for damages incurred in previous years covered by law from the Compensation Fund and according to the reserve of damages incurred but not reported (IBNR).
  - 1.2. The contribution of the current year shall be to such extent that must withstand the cover of damages that expect to happen during the current year.
  - 1.3. Calculation of components from point 1 and 2 above shall be performed by certified actuaries, according the actuarial methodology defined by CBK.
2. The Bureau informs CBK regarding the calculated reserve according to paragraph 1 of this Article.
3. The Bureau informs the insurers regarding the reserve from paragraph 1 of this Article and provides instructions on the deposit of the means in the compensation fund account.

**Article 6**  
**Additional financing**

With the proposal of the General Assembly of the Members of Bureau and upon the approval by CBK, the insurers shall make additional financing to the Compensation Fund in cases when this fund results to be insufficient to carry out the payments. The addition of the Compensation Fund is calculated in the same manner as defined in Article 4.1.1.

**Article 7**  
**Maintenance of the Compensation Fund account**

1. Upon the approval by CBK, the Bureau shall open special accounts on behalf of the Compensation Fund, in minimum 3 commercial banks licensed by the CBK. Deposit in a single commercial bank cannot be more than 35 % of the total amount of Compensation Fund.
2. Compensation Fund means may be invested according the provisions of Article 32 paragraph 7 of the Law on Compulsory Motor Liability Insurance, only after the prior approval by the CBK.
3. Each insurer in 20<sup>th</sup> of the first month of quarterly period shall deposit in the account of Compensation Fund the amount defined with the provision of Article 4.1.1 of this Regulation.
4. The payments in the accounts of Compensation Fund may be done only by authorized persons of the Bureau.

**Article 8**  
**Reserve of the Compensation Fund by the insurers**

The insurers, in the beginning of each year shall share a reserve and submit it in the balance sheet as a reserve for Compensation Fund. Calculation of this reserve shall be done according to the actuarial methodology defined by CBK.

**Article 9**  
**Handling and payment of damages by Compensation Fund**

Handling and payment of damages by Compensation Fund shall be done in compliance with the Law on Compulsory Motor Liability Insurance and the CBK Regulation “On Procedures for Compensation Claims Related to Motor Liability Insurance”.

**Article 10**  
**Completion of financial year of the Compensation Fund**

1. At the end of every financial period (31 December) it is drafted the balance sheet of the Compensation Fund and the statement of its contribution and payment.
  
2. At the end of every financial year (financial situation same as 31 December), the Compensation Fund shall be theoretically closed. The balances in the Compensation Fund account on 31 December of every year shall be registered in the balance of Bureau as financial liabilities towards the insurers in report with the percentages contributed in the Compensation Fund for the financial year in question. At the beginning of the following financial year the Bureau will recognize these liabilities in the balance as part of contribution of insurers in the Compensation Fund for this year calculated in report with the percentage of contribution which belongs to the insurer for the current financial year.

**Article 11**  
**Punitive measures**

1. If the insurers fail to apply the liabilities envisaged with this Regulation, the Bureau informs CBK for failure to apply the liabilities and CBK will impose punitive measures envisaged with Article 37 of the Law on Compulsory Motor Liability Insurance.
  
2. If the Bureau fails to apply the provisions of this Regulation, CBK will impose punitive measures envisaged with Article 38 of the Law on Compulsory Motor Liability Insurance.

**Article 12**  
**Entry into force**

This Regulation shall enter in force on 1 August 2012.

Gazmend Luboteni  
Chairman of the Board of Central Bank