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Facilitation of International Road Transport

International Motor Insurance System (Green Card)

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Report from the President of the CoB*

1. This year, the forty-sixth General Assembly of the CoB (CoB) was held on 31 May –1 June in Bucharest. The main issues addressed over the last 12 months are presented below.

I. Financial Stability of the Members

2. The financial stability of the Green Card system remains the focus of continued effort by the CoB, in particular to ensure that large or catastrophic claims will be met by all Motor Insurance Bureaux. Another problem is the consequences of insolvency and bankruptcy of insurance companies in certain countries. Furthermore the international financial crisis could have an impact on the daily activity of the insurers and could lead to issues regarding financial discipline.

3. The Green Card system deals with approximately 400,000 claims reported by victims and the transfer of money on a scale of 1.7 billion Euros. This is why the security of the financial situation in the members of the system is paramount.

* This document was submitted late for document processing as clearance from relevant parties were received late.

A. Monitoring

4. The CoB through the secretariat verifies the financial situation of its members and their member insurance companies on a regular basis. Furthermore an early warning system has been developed allowing the possibility to react before significant financial problems can appear. The system of financial and legal sanctions was prepared permitting the discipline of all the participants of the Green Card system.

B. Umbrella reinsurance cover

5. One of the potential methods of securing the financial structure and the solvency level of the system is the reinsurance cover. In the past, several members of the CoB have used this method to protect their own financial stability against very high claims involving uninsured vehicles, false Green Cards and the potential insolvency of certain insurers.

6. Within this framework the CoB achieved significant progress during 2012 by presenting a CoB Excess of Loss umbrella reinsurance cover of its members.

7. The programme offers coverage on voluntary basis. Coverage includes the risks of claims involving uninsured vehicles, false and illegally altered Green Cards and also protects against the risk of large individual claims arising from insurers default. It provides unlimited cover with various levels of retention with a simple premium structure depending on several parameters such as the rate of uninsured driving, the GDP and the current market conditions. In addition, the coverage may be extended to Guarantee Funds and frontier insurance.

8. The reinsurance treaty is due to begin on 1 January 2013. A certain number of Bureaux have already decided to underwrite the programme. Hopefully, more members will follow in the coming months and years. The participation will undeniably enhance the financial strength of the members on an individual basis and, therefore, the strength of the overall system.

II. Geographical scope of the Green Card system

9. In 1996, the CoB passed a recommendation limiting the geographical scope of the system to the countries lying to the West of the Ural Mountains and the Caspian Sea and to countries bordering the Mediterranean Sea.

10. Given certain developments such as the membership of the Russian Federation in 2009 and the expressed interest from other countries, the CoB launched a new reflection on this issue.

11. After several discussions the CoB decided to maintain the 1996 decision on the geographical scope as the current definition of the scope functions well and the existing criteria are sufficient for the required standards. However, since part of Kazakhstan lies in the west of the Ural Mountains and the Caspian Sea, the CoB considered its situation similar to the Russian Federation and Turkey and, therefore, decided to add Kazakhstan to the list of potential members.

III. Fraud within the framework of international traffic

12. The Green Card system was created to facilitate international road traffic and to guarantee the protection of victims of accidents in international traffic. Fighting against

fraud is apparently not part of the fundamental mission of the Bureaux. However UNECE considers the CoB as a unique professional organization that could deal with this subject.

13. From a general point of view, fraud constitutes an essential source of preoccupation for insurance undertakings since it threatens the underlying mechanism of each insurance system, namely the segmentation of a real risk (and not a fraudulent or intentional act) over all participating insured. This is why these insurance undertakings have set up structures appropriate to fight against this fraud.

14. Furthermore, we notice that international road traffic offers frauders the opportunity to develop certain illegal practices to the detriment of insurance undertakings and the honestly insured. This is why the CoB organized during the General Assembly of 2011 a workshop dedicated to this issue. This year a Working Group has been set up with a double mission— on the one hand— to examine to what extent Bureaux can cooperate taking into consideration national data protection laws, and— on the other hand— to draft a catalogue of best practices/methods to detect fraud.

15. The CoB also follows up the activities in this field of other professional insurance organizations. The first results of this Working Group will be presented to the General Assembly of 2013.

IV. Membership Issues

A. Armenia

16. The Central Bank of Armenia informed the secretariat of the CoB that the legislation regarding compulsory Motor Third Party Liability (MTPL) insurance, which is in compliance with the principles of the Green Card system, came into force on 1 January 2011.

17. Recently the Armenians expressed their interest in strengthening their cooperation with the Green Card system with the view to the accession to the latter. The secretariat has provided them with an information package and a first meeting will be organized shortly in Brussels.

B. Azerbaijan

18. The representatives of the Azerbaijan market have shown an interest in joining the Green Card system. The secretariat has provided them with an information package and an informal meeting had taken place at the beginning of May in Brussels and a second one in July, in Baku. Currently the Bureau of Azerbaijan is preparing its formal application and they expect to fulfil all the conditions to become member of the CoB by the General Assembly of 2014.

C. Kosovo

19. In 2011, a formal application of Kosovo was received and the CoB examined the technical conditions for accession. It was found that Kosovo had made important steps forward by introducing an MTPL law and by implementing the Kosovo Insurance Bureau. Nevertheless, two essential conditions were not yet in place, namely the international recognition of Kosovo number plates and the international recognition of Kosovo by the United Nations. Therefore, the accession of Kosovo will not be further considered at the

current state. However, CoB continues its efforts to find a practical solution to facilitate the movement of the incoming and outgoing motorists to and from Kosovo.

D. Montenegro

20. When Serbia and Montenegro separated, it was temporarily agreed that the Montenegrin vehicles could be subject to Green Cards issued on behalf of the Serbian Bureau.

21. In compliance with the Government of this country, the insurers of Montenegro decided to present a separate application to the CoB. The latter has been examined and accepted under certain financial conditions by the General Assembly of 2011.

22. The membership was effective as of 1 February 2012 and the Bureau of Montenegro became the forty-sixth member of the CoB.

E. White Card System (ECO)

23. ECO is a 10 member organization (comprised of Afghanistan, Azerbaijan, Iran (Islamic Republic of), Kazakhstan, Kyrgyz Republic, Pakistan, Tajikistan, Turkey, Turkmenistan, and Uzbekistan) out of which two members are also members of the CoB (Iran (Islamic Republic of) and Turkey). ECO has adopted initiatives to set up a regional motor vehicle third party liability scheme (known as the White Card System with a secretariat in Tehran).

24. The ECO secretariat approached the CoB with a request for assistance during a workshop dedicated to the technical and operational aspects of the ECO White Card system. This invitation was accepted with the aim to help them accelerate the implementation of the Eco White Card system in the ECO region.

V. Protection of visitors agreement

25. The Green Card system aims to secure the consumers' rights in cross-border traffic. Unfortunately the level of protection, especially for victims of road accidents in visiting countries, does not always meet the same level in all countries (especially between European Economic Area (EEA) countries and non-EEA countries).

26. According to the CoB this situation is not acceptable. This observation lead to the preparation of similar rules that have now been implemented in all EEA countries and that apply to the entire membership of the Green Card System. During the last General Assembly the members approved the Protection of Visitors' Agreement.

27. The objective of this Agreement is comparable to the aims of the so-called Protection of Visitors' Directive applicable in the EEA, namely how to determine the MTPL insurer of a motor vehicle involved in the accident and how to speed up the compensation process for the victim when the accident occurred in a country other than the country of residence. This agreement also aimed to close the gap between EEA and non-EEA members of the CoB.

28. The Protection of Visitors' Directive has been implemented in national laws for several years and has become a European standard. The idea came about in the CoB to make the visitor protection standard accessible to all countries of the Green Card system through their Bureaux. This could be achieved by way of an agreement offering a

comparable protection for tourists in countries outside the EEA and for non-EEA victims of accidents in an EEA member state.

VI. Uninsured driving

29. Uninsured driving is one of the most problematic aspects of the MTPL insurance activity and is present on all markets of the membership of the CoB although its rate may widely vary from country to country.

30. This problem is significant on the financial stability of the individual markets and on the Green Card system as well. On the other hand consumers—insured persons—are also affected by the financial consequences of this phenomenon. Indeed non-insurance increases the customer's premium, therefore, making them pay not only for claims resulting from accidents caused by themselves but also for accidents caused by uninsured drivers.

31. Given the extent of uninsured driving the CoB decided to further analyse this phenomenon and study the actions possible to limit the level of uninsured driving.

32. The position paper has already been prepared and presented to different political and technical bodies inviting their closer cooperation in this field.
