

# MTPL in Europe

**BMS Harris & Dixon Reinsurance Brokers Ltd**

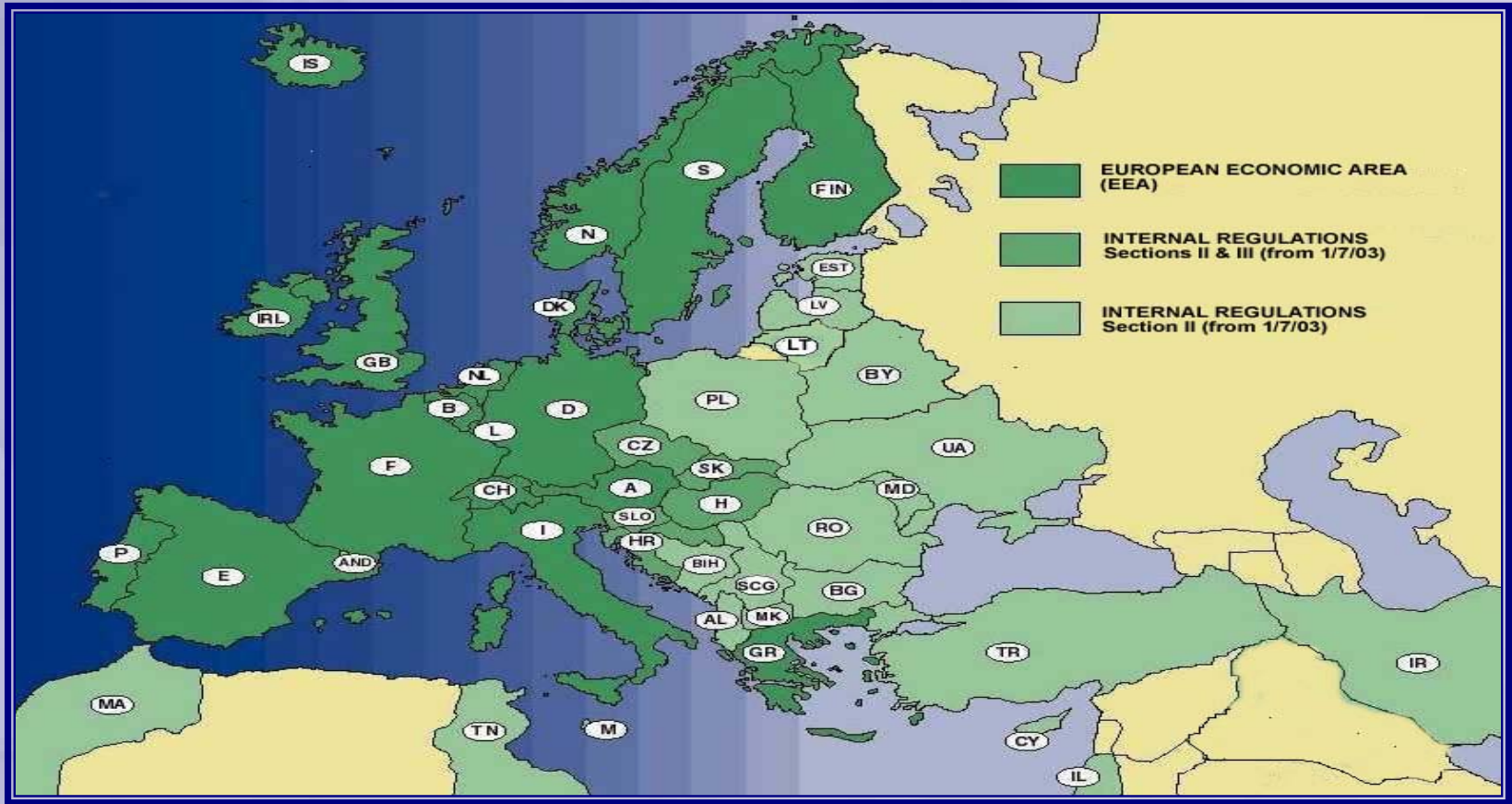
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**June 2004**

## **Systems Regulating Motor Third Party Liability In Europe**

- i. Green Card System
- ii. Border Insurance System
- iii. System of European Directives

## i. Green Card System



## **Green Card System – Cont'd**

### **Common Objective**

**Free flow of cross border traffic**

**To guarantee compensation to the victims of accidents  
irrespective of where they happened or who caused them**

## Green Card System – Cont'd

Established in 1949, encompasses

- Europe, the Mediterranean Sea area and the neighbourhood of the member country.
- 54 countries in total
- 45 countries are presently members of the Council of Bureaux.

## Green Card System – Cont'd

### Conditions for Membership

- ✓ MTPL Legislation
- ✓ Bureau officially recognised by the government
- ✓ Government to guarantee free flow of foreign currency / financial efficiency
- ✓ Government to guarantee that foreign insurance certificates will be valid on its own territory.
- ✓ Guarantee function even in case of false or stolen Green Cards.
- ✓ Sufficient financing by premiums.

## Green Card System – Cont'd

Each Bureau is therefore simultaneously is:-

- ✓ Handling Bureau (handles and settles claims for accidents caused by foreign motorists).
- ✓ Paying Bureau (promises to another country's Bureau that a claim caused by their motorist abroad will be paid)

## Green Card System – Cont'd

### Transitional Members

#### Transitional

Ukraine from 1998

Moldova from 2001

Belarus from 2003

Lithuania from 2003

#### Monitored

Serbia and Montenegro 2001

Bosnia- Herzegovina 1998

Previously monitored member

Latvia 1998 until 2002



## Green Card System – Cont'd

### Financial Guarantees of Transitional Members

- ✓ Bank Guarantee or cash deposit
- ✓ Reinsurance and Full Service Agreement

Purpose: to protect the Green Card System in the event of a bureau's default

## Green Card System – Cont'd

### Main Special Conditions of Reinsurance

Provided by First Class Western European Reinsurers rated in accordance with CoB guidelines, CoB seeks the best possible cover for:-

- ✓ Horizontal and vertical cover
- ✓ As required by law of the country visited
- ✓ Lowest priority
- ✓ False Green Cards
- ✓ Special Clauses

However, market is changing.

## Green Card System –Cont'd

### Special Conditions of Reinsurance – Cont'd

Problems: reduction in the available reinsurance capacity

- ✓ Trend to limit liability (unlimited not available where not specifically required by law)
- ✓ No retro-cessional capacity
- ✓ Higher priorities
- ✓ Horizontal limitations (reinstatements, AAL)
- ✓ Increase in Cost

## ii. Border Insurance System

- ✓ Cover for motorists from countries which have not joined the GC System.
- ✓ Policies issued on the border by insurers from country being entered, valid only for this territory and for limited period.
- ✓ If EU country – policy valid on the whole territory of the EU (recent increase in costs)

### iii. European Directives

#### 1<sup>st</sup> Directive

- ✓ Introduced compulsory MTPL law
- ✓ Simplified border crossings within EU (less border controls)

## European Directives – Cont'd

### 2<sup>nd</sup> Directive

- ✓ Guarantee Funds to cover losses caused by unidentified vehicles, uninsured drivers, insolvency of insurer.
- ✓ Minimum limits of liability:
  - (a) Euro **350,000** per victim for Bodily Injury and Euro 100,000 per event for Physical Damage  
Or
  - (b) Euro **500,000** per event for Bodily Injury (irrespective of number of victims) and Euro 100,000 per event for Physical Damage

## European Directives – Cont'd

### 3<sup>rd</sup> Directive

- ✓ Protection of passengers
- ✓ Definitions of cover (1 policy = 1 cover)
- ✓ Stolen vehicles

## European Directives – Cont'd

### 4<sup>th</sup> Directive

- ✓ Comparable treatment for the victim, regardless of country where the accident occurred, as long as the vehicle registered in the EU.
- ✓ Problems of victims abroad (linguistic, legal, procedural, payments etc.)
- ✓ Claim in your own country, own language.
- ✓ Each insurer must appoint their claim representative in each EU country.
- ✓ Information centres (registers of vehicles, policies, claims representatives etc) etc...
- ✓ Stolen vehicles



## European Directives – Cont'd

### 5<sup>th</sup> Directive

✓ Increase in minimum limits

(a) Euro 1,000,000 per victim for Bodily Injury and Euro 1,000,000 per event for Physical Damage.

Or

(b) Euro 5,000,000 per event (irrespective of number of victims) and Euro 1,000,000 for Physical Damage per event.

EU Countries have 5 years to implement the new limits.

## Applicable Law

Always: PLACE OF ACCIDENT

This means certain injustice due to difference in economic levels in various countries

## Applicable Law – Cont'd

	<b>Bodily Injury</b>	<b>Property Damage</b>
Bosnia	Max Eur 281,211	Max Eur 168,726
Ukraine	Max Eur 1,382	Max Eur 4,147
Belarus	Max Eur 5,000	Max Eur 5,000
EU (current 2 <sup>nd</sup> Directive)	Min Eur 350,000 Per victim or 500,000 per accident	Min Eur 100,000 Per Accident
EU (proposed 5th Directive)	Min Eur 1,000,000 Per victim or Eur 5,000,000 Per accident	Min Eur 1,000,000 Per accident

## Large Losses

### Fear:

- ✓ Major catastrophic motor accident (e.g. collision with a high speed train or fire / explosion in a tunnel)
- ✓ Terrorist attack involving motor vehicles
- ✓ Capital-based risk models = allocation of capital per each risk (but no capital is unlimited)

## Large Loss - Examples

- Mont Blanc Tunnel - France 1999**  
(39 dead, multiple injuries, TPPD, BI, PL,PI) – **Euro 100M +**
- Selby Rail Crash - United Kingdom 2001**  
(13 dead, 70 injured, TPPD, BI) – **Euro 46M**
- Tauern Tunnel - Austria 1999**  
(12 dead, 49 injured, TPPD, BI) – **Euro 30M**
- Los Alfaques – Spain 1992**  
(12 dead, 49 injured, TPPD, BI) – **Euro 30M**

## Trend to Lower Limits

Since 2002 reductions / caps (mostly Eur 50M) for TPPD in:-

Germany

France

Portugal

Spain

Switzerland

UK

## Consequences for the Insurers

### Direct:

- ✓ Increase in costs of reinsurance
- ✓ Handling fees for claims representatives, registers
- ✓ Higher Indemnities
- ✓ Costs of review, control of MTPL policies

### Indirect:

- + Increase in knowledge and exchange of information
- + Increase in standards of service

THANK YOU FOR YOUR ATTENTION