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## EUROPEAN COMMISSION

For the kind attention of Mr. Valdis DOMBROVSKIS, Vice-President – in charge for Euro and Social Dialogue, Financial Stability, Financial Services and Capital Markets Union

**Ref.: European Commission should not support rebuilding of a Cartel of Insurance companies in Romania for compulsory MTPL insurance, as EUROPEAN COMMISSION SHOULD CONDEMN AND TAKE ACTIONS AGAINST CARTEL PRACTICES!**

Dear Mr. Vice-President,

National Union of Road Hauliers from Romania (UNTRR) is an organization - professional and employers, non-governmental, independent, apolitical - founded in 1990 on democratic principles, promoting and defending the interests of road transport domestically and internationally, recording since its foundation to the present over 16,000 members - operators carrying out domestic and international freight transport and passengers.

I am writing to you as it seems representatives of EC are sending secret letters to Romanian authorities, requesting amendment of current legislation which may lead to facilitate re-establishment of the cartel activities of insurance companies involved in sales of MTPL – Motor Third Party Liability compulsory insurance in Romania.

For your information in 2013-2016 the insurance premium for **MTPL** (motor third party liability and green card) for **commercial vehicles increased from 700 Euro in 2013**, with 50% to 1,000 Euro in 2014, with 350% to 3500 Euro at the end of 2015 and with another 50% to **5,000 Euro in mid 2016**. This was the basic entry level for MTPL for a new commercial vehicle for transport of goods 40t truck or for transport of passengers 50 seats coach - without any history of claims, zeros claims - zero bonus – named B0. (In case the offered vehicle had a claim, insurance companies were offering these compulsory MTPL at value of tens of thousands of euros – exceeding any limit of sanctioning bad records of a vehicle under this Compulsory MTPL insurance which has the main role to mutualize the risk – offering bonuses for zero claims and penalizing the claims record without internalizing the value of the claims – otherwise as compulsory product MTPL insurance become a non-sense for insured vehicles as the owner is paying anyway the value of the claims and a golden hen for insurance companies selling a compulsory product to captive clients at any price commonly agreed between very few players). In June 2016, all companies had the same MTPL price, over 5,000 Euro / year for a truck or coach, an impossible situation for a free market which is supposed to work normally.

These extreme values were shaving the entire margin of road transport companies registered in Romania and helping all 8 insurance companies selling MTPL insurance in Romania to extract capital in order to fulfill Basel agreement requirements without involving resources of



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shareholders, before expected 2017 deadlines. None of these 8 companies did not quit selling MTPL insurance and none of these insurance companies has Romanian capital.

**All 8 Insurance Companies COULD NOT PUBLIC JUSTIFY the increase of the basic MTPL premium from 700 euro in 2013 to 5,000 euro in 2016. Based on the formula the insurance companies were declaring they calculate the premium for the commercial vehicles segment larger than 16 tones for transport of goods and for more than 18 seats for transport of passengers, taking into account public data concerning the frequency of the claims and the medium value of the claims for each segment of commercial vehicles, the results were indicating a premium of 1,000-1,100 Euro per vehicle for 12 months. All these companies seems that were disguising the costs from other insurance products within the costs of MTPL as this is a Compulsory insurance and clients are captive and they cannot obtain MTPL insurance from any other insurance company in European Union – which is a shame.**

During 2015 - 2016, the Competition Council investigated the Romanian insurance market against non-competitive practices (according to the period 2012 – 2016), which were proven in the 2016 Milliman report about the analysis of the MTPL market. The report has shown, in a professional way, that MTPL rates have increased up to seven times, and the bonus-malus system no longer fulfilled the purpose for which it was created, as lower rates were applied to malus compared to those with a bonus class, against the national legislation. Full Milliman report was and remained secret for public opinion, only some brief extracts were presented officially.

Considering the situation that was demonstrated at that time, on the basis of certain evidence provided by an independent auditor that Romanian insurance companies providing MTPL insurance services violated the provisions of the competition law, the Government established by ordinance, for a period of 6 months, maximum premium rates on MTPL insurance. The capping period was designed to develop a new law in order to eliminate these serious abuses, in accordance with a compulsory MTPL insurance service.

After the expiry of the 6-month capping period, Law 132/2017 was adopted, which mainly aimed at rebalancing the MTPL market and even demonstrated, shortly after its adoption, the return of the MTPL insurance to free market (in June 2017).

This law had 2 decisive positive effects in the market: the current MTPL rates applied by insurers are below the reference price and no company selling MTPL insurance before the capping of the tariffs and adopting Law 132/2017 did not withdraw market and even a new company has been authorized on this segment (Grawe Asigurari). At the same time, it is very important that the Romanian insurance market registered the first year of profit (2017) after 10 years of losses.

Three years ago, the Romanian Competition Council launched an investigation about a possible violation of the national and European competition rules by The National Association of Insurance and Reinsurance Companies in Romania – UNSAR (7 companies selling MTPL insurance are members of UNSAR: Allianz, Asiom, Euroins, Generali, Groupama, Omniasig, Uniqa). The Competition Council finalized the investigation, and this year it will announce the results and sanctions for the insurance companies. The object of the investigation was the possible exchange of commercially sensitive information between competitors on the MTPL insurance market. Following the entry into force of Law 132/2017, the reference rate for MTPL policies was set by an independent actuary (Deloitte), and the current rate is 7,801 RON (1,700 Euro). Currently, some insurance companies practice MTPL prices by almost half of the reference tariff, about 4,300 RON (930 Euro).

UNTRR is kindly asking you to support the current calculation formula of the MTPL reference values, otherwise it means you want to protect some potential cartel practices for insurance companies. The current percentage of the administrative costs of 25% from the formula or other components can be analyzed based on strong and transparent arguments, but canceling application of this formula from the existing law, facilitates possible cartel practices on the



Romanian MTPL market, despite the hypocrite declarations of insurance companies in favor of free market. In no free market all 8 MTPL insurance companies increase exactly 700% the basic MTPL value for commercial vehicles in less than 3 years.

Also you have to be informed that despite UNTRR opening for dialogue starting with mid of 2015 with insurance companies and Financial Supervision Authority, very few free dialogue sessions were made, but more dialogue sessions were organized by relevant authorities, Romanian Parliament included. UNTRR evaluated a series of actions to be taken by stakeholders around MTPL table in order to reduce the risks, increasing the number of vehicles with MTPL over the minimum percentage 85% required by EU legislation (today less than 75% of vehicles in Romania have MTPL, but authorities and insurance companies are not interested to take any measures to increase this numbers, despite simple possible actions to use for example the data from cameras monitoring tolling payment). No insurance company in Romania is interested not even as pilot to stimulate transport companies to implement and maintain safety standard 39001 and to encourage use of technologies.

Under these circumstances, the Romanian road transport industry considers that the current MTPL legislation is beneficial, has led to a situation of stability and balance between the main partners and there is no reason to change it.

On different time horizon if any vehicle from any member state will have the possibility to conclude MTPL green card insurance from any insurance company established in any other EU member state, that will be a major step forward to integration and harmonization of the fundamental insurance principles in EU.

I can mention that the Financial Supervisory Authority - ASF in Romania became an equidistant referee after 2016, which considered the optimal functioning and development of the insurance market, fully understanding the role of the law in this sphere of activity, and I hope European Commission will encourage this approach to be maintained in the future.

I would like to draw your attention to the fact that more than 7.6 million vehicles registered in Romania will be affected by the changing of the current MTPL legislation. Any request for a change in legislation must be known by all market players, and here we refer to customers, to those who pay MTPL insurance, and not only by the insurance companies which requested these changes. The European Union is structured on dialogue and transparency and the role of the European Commission to guard these principles and to inform its citizens about any change with a financial impact on them.

Therefore, I kindly ask you if there is any request from the European Commission to change the Romanian MTPL legislation, this request should be presented in a transparent way to all stakeholders, not only to the ones changing the legislation.

Yours sincerely,

  
**Secretary General  
Radu DINESCU**