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EUROPEAN INSURANCE AND OCCUPATIONAL PENSIONS AUTHORITY, EIOPA
For the kind attention of:

Mr. Gabriel Bernardino, Chairman
Mr. Carlos Montalvo Rebuella, Executive Director



Ref.: Romanian Motor Third Party Liability (MTPL) Insurance market/Green Card System close to blockage due to accelerated and unjustified increase of MTPL insurance premiums

Dear Sirs,

The National Union of Road Hauliers from Romania – UNTRR is a professional and employers' association representing Romanian road transport companies of passengers and goods.

Hereby, we would like to draw your attention on the alarming situation faced by Romanian road transport industry, due to exaggerated and unjustified increase of Motor Third Party Liability (MTPL) Insurance premiums for road transport companies, leading to significant increase of their costs and affecting their competitiveness in comparison to road transport companies from other European countries.

Considering the important contribution of road transport industry to the Romanian Gross Domestic Product (GDP) by its export of services in particular, we have warned Romanian Government that the entire Romanian economy will be affected by the loss of our industry's competitiveness.

Considering EIOPA's core responsibilities to support the stability of the financial system, transparency of markets and financial products as well as the protection of policyholders, including road transport companies as policyholders for MTPL, may we address to your organization the urgent request for your competent advise on the most effective solutions to stop the blockage of Romanian Motor Third Party Liability (MTPL) Insurance market/Green Card System due to accelerated and unjustified increase of MTPL insurance premiums.

Impact of increasing MTPL insurance premiums on Romanian transport market

Over the last few years, MTPL premiums have increased steadily with more than 100% yearly for Romanian road transport market. This increase and the perspective of continuing this increasing trend in the same pace, it is not justified by the level of damage compensation for MTPL insurance which is 25% over the premiums paid, taking into consideration the increase by 100% yearly of the MTPL premiums over the last 3 consecutive years.



If in 2013 the usual quotations for MTPL insurance were below 1 000 Euro/motor vehicle for goods or passengers transport, and the exceptional quotations were 3 000 Euro/motor vehicle,

in 2015 the usual MTPL insurance quotations for the motor vehicles of goods or passengers transport exceeded 3 000 de Euro/vehicle and quotations over 100 000 RON/motor vehicle have appeared in the market!!!! If today the exceptional quotations have reached the same value of the price for an utilized truck, by continuing in the same pace of increasing 100% yearly, over the next 5 years the cost of a MTPL insurance will reach the price for a new truck of 96 000 Euro, and the exceptional quotations will exceed any measure!

We mention that in Romania, there are approximately **135 000 vehicles of goods transport over 3.5 t for hire or reward and own account transport operations and approximately 35 000 buses and coaches over 1+8 seats for hire or reward and own account transport**; approximately 400 000 employees are working in Romanian road transport industry. Over the last 3 years, for these vehicles, the MTPL insurance cost has increased approximately by 2 000 Euro/vehicle, representing approximately **340 million Euro which were additionally collected by insurance market from road transport companies**. This amount, if collected from the approximately 6 million private cars registered in Romania, it would mean an increase of the MTPL premium of approximately 50 Euro/private car. According to the models of other countries, any private car with a registration number should have a valid compulsory MTPL insurance. In cases when no MTPL insurance was made for the respective private car or the MTPL insurance is not valid, the registration plates should be withdrawn.

In the context of Directive 2009/138/CE, known as Solvency II, which will be applied, starting to 1st of January 2016 to all the companies of insurance and reinsurance with an annual gross written premium income of EUR 5 million or with technical provisions gross amounts of EUR 25 million, we would like to draw your attention on the fact that this will mark another increase of MTPL premiums which will lead to a decrease in number of MTPL policy holders, which will have as an effect another increase and so on - in the end, the MTPL insurance premium becoming more expensive than the insured vehicle!!!

Consequently, the more the cost with MTPL insurance increases, the more the number of MTPL policy holders decreases and this situation creates a higher pressure on the insurance system, leading to MTPL insurance/Green card system to become inoperable in Romania.

In this exceptional situation, affecting Romanian road transport companies, the lack of action from Romanian Government condemns our industry to bankruptcy or to moving its activities in neighboring countries with more responsible economic policies – for instance in Bulgaria, where the level of insurance premium is bellow 1 000 EURO.

Urgent measures required to Romanian Government

Considering this exceptional situation, UNTRR has asked Romanian Government to undertake exceptional measures like establishing fix rates for MTPL insurance premium of maximum **5000 RON for trucks and coaches**, similar to the systems of other countries where this risk became impossible to be insured on the free market. We asked for establishing the level of premiums for the compulsory MTPL insurance by law, applying the same model as in the case of compulsory household insurance according to Romanian Law no. **260/2008** – regulating the level of compulsory premiums for household insurance and the functioning of an insurance pool – PAID, as insurance/reinsurance society established by the association of the authorized insurance societies for catastrophe risk.

We mention that UNTRR has initiated a dialogue with several insurance companies and with the Romanian Financial Supervisory Authority (ASF) as the national authority for insurance supervisory and also the only national authority competent to represent Romania before your organization – EIOPA, with a view to identify the risks generating the most significant costs for MTPL/Green card insurance and which could be reduced by common actions. Unfortunately,

these discussions did not lead to any concrete action, offering no chance to obtain different results on long and medium term and even much less on the short term or immediately.

Consequently, **we address to you, as the European Insurance Authority, with the urgent request for your competent advise on the most effective solutions to avoid the blockage of Romanian MTPL insurance market, by urgent measures to stop the accelerated and unjustified increase of MTPL insurance premiums in Romania**, given the fact that over the time, the Romanian regulatory authority has not exercised its role of fair and impartial arbiter in the insurance market and allowed slippages that unresolved properly can lead to huge losses for the Romanian economy, by sacrificing its road transport industry that makes a significant contribution to Romania's GDP by exporting services.

Expressing our trust in EIOPA's competent advise on the European practices in the field of MTPL insurance and on the most appropriate measures to be taken by the Romanian Government and relevant authorities in order to protect the public interest in this field, may I thank you for your soonest reply and remain at your disposal for any further information.

Yours faithfully,

**Secretary General
Radu DINESCU**

