



Economic and Social Council

Distr.: General
9 September 2015

Original: English

Economic Commission for Europe

Inland Transport Committee

Working Party on Road Transport

110th session

Geneva, 26-28 October 2015

Item 7 (a) of the provisional agenda

Facilitation of international road transport:

International Motor Insurance System (Green Card)

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Report from the President of the Council of Bureaux (CoB)^{1,2}

This year, the 49th General Assembly of the Council of Bureaux (CoB) was held on 28th May in Sopot, Poland. The main issues addressed over the last 12 months are presented below.

¹ The CoB has submitted late the present document.

² The present document was not edited before being sent to the United Nations translation services.

I. Financial Stability of the members

1. It has been repeatedly underlined that the smooth running of the Green Card system mainly depends on each Bureau's capacity to guarantee the reimbursement of claims caused abroad by vehicles that are subject to a Green Card issued on their behalf or that are normally based on their territory in case of applicability of the so-called Multilateral Agreement. The financial stability of the Green Card System remains the focus of a continued effort of the Council of Bureaux (CoB).
2. The Monitoring Committee is, based on the Constitution of the CoB, in charge of monitoring the overall financial stability of the whole Green Card system and more in particular of identifying potentially weak Bureaux. Currently 2 full Members are under Monitoring Status. These Members had to subscribe to a reinsurance treaty for the whole MTPL market including the National Bureau and to provide a Bank Guarantee in favour of the CoB. The reinsurance treaty should protect the MTPL market against the financial consequences of large and catastrophic claims. The Bank Guarantee in favor of the COB, should allow to cover long open standing debts of these Monitored Bureau towards other Cob Members. For another Member, the Management Committee received a mandate from the 2015 General Assembly to undertake further actions and to decide on sanctions if the performance of that Bureau so warrants.
3. The Monitoring Committee is furthermore finalising the expansion of the range of sanctions, with only one aim, to discipline the Members and their corresponding MTPL market.
4. The last 2 years we informed you about the CoB Excess of Loss reinsurance cover offered to the CoB Members. For the 2015 renewal an additional 2 Members decided to join the treaty, which brings the Members that joined to 15 Bureaux and/or Guarantee Funds from 10 different countries. The programme provides coverage against risks of individual large claims arising from uninsured vehicles/drivers and/or false Green Cards, as well as bankruptcies of insurance members. The protection basically covers the risks for which the Bureaux or/and the Guarantee Funds are the ultimate debtors and offers the benefit of an unlimited protection, after a retained deductible depending on the capacity of the MTPL market.

II. Revision of the structure of the Council of Bureaux with the aim to integrate the Guarantee Funds and Compensation bodies as Members of the CoB

5. CoB not only handles the so-called Green Card system, but also provides secretarial and administrative support for Guarantee Funds and Compensation Bodies of EU/EEA countries in the framework of protection of foreign visitors foreseen in EU Directives.
6. In order to increase the efficiency of these tasks and to even better facilitate international road traffic and the protection of victims of international MTPL accidents, CoB is currently working on the integration of these bodies into the CoB structure and Membership.
7. This important project goes along with a revision of the CoB Constitution and the organisational as well as the managerial structures of CoB.
8. As to this task, a first consultation of Membership has been made earlier this year and a second is foreseen for the end of 2015.
9. CoB plans to finish this work in 2017 at the earliest.

III. Membership Issues

A. Armenia

10. In 2013 a formal application of Armenia was received and the Council of Bureaux started immediately with the examination of the technical conditions for the accession. After the first exchanges and the agreed timing, it was expected that Armenia would fulfil the conditions by the end of 2014 and would become Member of the Council of Bureaux by the General Assembly of 2015. However, after this promising start of the negotiation process, we have been without any news for nearly 1 year. Recently some renewed interest has been shown, without however indicating any timeframe.

B. Azerbaijan

11. In 2013 a formal application of Azerbaijan was received and the Council of Bureaux started to examine the technical conditions for the accession. The application process has taken more time than initially expected but could finally be closed in time for the 2015 General Assembly. As from 1st January 2016 Azerbaijan will become the 47th Member of CoB provided that the financial guarantees are in place by 1st November 2015.

C. Kosovo

12. The Serbian authorities entered into a commitment in July 2011 with the Kosovo authorities and witnessed by the EU as facilitator to the Belgrade-Priština Dialogue. This commitment did foresee that the parties would continue to work for a commercial arrangement on mutual vehicle insurance cover, so that all vehicles are covered on both sides of the border/boundary.

13. In view to reach this commitment, both parties had agreed in early 2014 to prepare a Memorandum of Understanding (MoU). In the framework of drafting this MoU, the CoB - as technical expert in cross-border traffic issues - has been requested to participate as witness in the negotiation process to conclude this MoU.

14. The MoU has been signed on the 23rd June.

D. White Card System (ECO)

15. ECO is a ten-member organisation (comprised of Afghanistan, Azerbaijan, Iran, Kazakhstan, Kyrgyz Republic, Pakistan, Tajikistan, Turkey, Turkmenistan, and Uzbekistan), out of which two members are also Members of the Council of Bureaux (Iran & 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 Teheran).

16. The COB remains ready to continue its efforts to assist the ECO secretariat with the implementation of the ECO White Card System in the ECO Region, but hasn't been approached since nearly 2 years.

IV. CoB Academy

17. The CoB Academy has originated from the idea to create an educational institution within the Council of Bureaux, in order to respond to a need which is felt. Such an

institution can be very effective to train and retrain the staff of CoB Members and can prove crucial for the future of the Bureaux and for the entire System.

18. The CoB Academy consists of two main training sessions.

(a) CoB Academy Basic: aimed to giving a general introduction of the main topics regarding the system and the Bureaux as well as regarding the particularities of claims handling of cross-border accidents. It is specifically conceived for newcomers, people taking over new positions or participants who need to enhance their experience with workshops and simulations. This year the second session has taken place during the first week of July. The experience for both, students and trainers, was again very positive. The students showed great interest when they had to work together on case studies in which particularities of cross-border claims handling were hidden. The first year the 'summer school' was only open to the personnel of the national Bureaux but this year the access has been extended to MTPL insurers.

(b) CoB Academy advanced: aimed to a more experienced audience of specialists. It is the opportunity to receive training about some specific topics and regulations and to keep up to date with novelties and changes. Topics can vary according to the most recent events and to the specific needs of the audience. In February 2015 the first session has taken place and was dedicated to, for our business, relevant judicial decisions of the European Court of Justice. These decisions have been approached from 3 different angles: Competent jurisdictions and applicable law, the notion of 'territory in which a vehicle is normally based' and scope of cover offered by the Motor Insurance Directives.

V. Uninsured driving

19. One of the most serious problems within all the countries in the scope of the Green Card System is the phenomenon of uninsured driving.

20. The level of uninsured vehicles lies between 0, 01% and 20% within the Member countries. This problem generates certain difficulties for several markets. The majority of these difficulties are connected to the solvability of the insurance markets, Guarantee Funds and of the national Bureaux.

21. The CoB is continuing its activities by analysing the reasons and consequences of this problem, in particular also by suggesting certain measures to minimise the risk in this area. In this case CoB is cooperating very closely with Insurance Europe, the association of European insurers, and EReg, the association of European registration authorities. A report on uninsured driving was also presented to the European Commission.

22. In our opinion all these actions will help alleviate the problem of uninsured driving.

VI. Fraud

23. Fraud is one of the serious problems of the insurance industry. According to estimated data the level of this phenomenon is between 10%-20% of the premium income on the particular markets.

24. For a cross-border activity such as the Green Card System, the difficulties to identify fraudulent claims, to find evidence and to fight against the criminals, is even more complex than national fraud cases. Probably the most important hindrance to an effective fight against (insurance) fraud are the rules on data protection on the European level, which are perceived as too rigid and often totally unrealistic.

25. The cooperation in this area should start with a structured exchange of information.

26. CoB created a specific working group to analyse the problem and to propose effective measures to the insurers and the national Bureaux.

27. During the 2014 General Assembly the working group presented an action plan. In 2015 some of the objectives have been realised:

- The organisation of meetings with correspondents at national level;
- The organisation of a CoB Academy Advanced seminar on fraud;
- Integration of the Fraud Risk Assessment Form (FRAF) in the claims handling;
- Close cooperation with other stakeholders, Insurance Europe (the association of European insurers), and EReg (the association of European registration authorities).
- Participation in European Insurance Fraud Summit;
- Network for Fraud Contact Persons.

28. The activities of this Working group are on-going and the results will be covered in our report of next year. As indicated in our report of 2014, it is a complex matter to have anti-Fraud measures in line with date Protection Regulations.
