

Press-release  
9<sup>th</sup> May 2006

## **MTPL SECTOR'S INSURERS CONTINUE TO OPERATE AT A LOSS**

Latvian Motor Insurer's Bureau (LTAB): Although last year at the whole MTPL insurance sector's operating rates improved, still insurers closed 2005 with adverse balance: minus 292 thousand lats. If compared to 2004 the last year's losses considerably decreased by 2,78 Mio lats.

**Juris Stengrevics, LTAB Director - General:** „Despite the fact that the total results of this insurance have considerably increased, still there preserves a trend when the amount of paid off indemnifications increases quicker than received premiums.

Additionally to indemnification for losses insurers should consider also costs prescribed by MTPL law. Under the Compulsory Overland Motor Third Party Liability Insurance Law insurers annually should pay 2% of money received for policies to the Road Traffic Safety Prevention fund, which according to decisions of the Road Safety Council is designed for informative campaigns and road safety improvement arrangements. But MTPL guarantee fund last year was replenished by 713,7 thousand lats.”

### **Last year's assessment**

Last year insurance agencies calculated MTPL indemnifications to the tune of 15,4 Mio lats, i.e. 3,6% or 530,4 thousand lats more than in 2004. But there were issued around 1,2 Mio MTPL policies to the tune of 28,77 Mio lats, i.e. 2,4% or 688,7 thousand lats more, if compared to the previous year.

At the whole LTAB assesses the last year in the sector of compulsory motor third party liability insurance as very successful exactly in adjustment of the sector.

**Juris Stengrevics:** In 2005, if compared to previous years, there increased the amount of indemnifications paid to aggrieved in road accidents. Despite high inflation rate in the country resulting in raise of MTPL indemnification costs, insurers managed to maintain average MTPL policy prices at the previous year's level. Last year there declared about launching of participation on the market a Corporate Insurance Agency „Seesam Latvia”. These and other aspects speak of sufficiently strong competition on MTPL insurance market.

In May last year there were adopted regulations on indemnification for intangible damages to those aggrieved in road accidents. Thanks to the said regulations people can get indemnifications not only for actual costs related to treatment, but also for moral distress.

Considerable work and means have been invested in IT sector in order to improve and to supplement information accumulated in database and to put into effect in 2006 the Bonus-malus or discount and surcharge system in Latvia. The said system will definitely improve the driving culture of motor drivers. Vehicle owners won't be interested to lose acquired discount classes and therefore they will drive cars much more deliberately.

Vehicle drivers more and more actively fill out concerted statements in insignificant road accidents. As statistics speaks, at the moment already approx. 50% of all written applications on road accidents, received by insurers, are being executed through concerted statements without involvement of the Road Police. These are very assuring figures. Besides, these are the highest figures since introduction of the system on the 1<sup>st</sup> of May 2004.

The number of complaints received by LTAB is trending for decrease from year to year. Last year the total number of complaints was 187, i.e. only 0,64% of the total number of insurance cases. This is a very good index, whereas in 2003.gadā it was two times higher. Comparing to the world practice such figures speak of MTPL system's professionalism and stability in Latvia.”

### **Objectives of this year**

LTAB has marked off further adjustment of the sector as one of the primary assignments to be fulfilled this-year and improvement of legislation in compliance with new EU requirements.

Juris Stengrevics: This year as one of the most important assignments there will be elaboration of proposals on amendments to MTPL law, so that Latvian legislation in the MTPL sector would comply with requirements of new EU directives.

As a negative factor it is necessary to mention that still the Cabinet of Ministers failed to adopt new regulations on volume and types, sharing and procedure for application of data deemed necessary for operation of compulsory overland motor third party liability insurance information system. The said regulations would facilitate cooperation between LTAB, insurance agencies and appointed state institutions on securing of data reciprocal exchange.

Also as no less significant assignment there should be mentioned successful introduction of the Bonus – malus system throughout Latvia, informing of society about concerted statements, tangible and intangible indemnifications and many other things that would facilitate improvement of the sector's figures (quality).

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