

Press-release  
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## **Opinion of the European Commission on accumulation of MTPL premiums in Latvia is required**

**During the meeting, wherein there participated the Latvian Motor Insurer's Bureau (LTAB), the Competition Council (CC), LR Ministry of Finance, LR Ministry of Economics and LR Ministry of Internal Affairs, it was decided that Latvia would require for opinion of the European Commission on impact of the MTPL information accumulation system effective in Latvia on competition on the MTPL market. The said covenant has been reached after CP at the session of the Cabinet of Ministers (31.02.2006.) publicly expressed concern that, supposedly, accumulation of MTPL premiums in the information system would hinder or otherwise deform competition.**

**It is necessary to mention that such system of accumulation of information under requirements of LR normative acts, has worked in Latvia since introduction of motor vehicle owners compulsory third party liability insurance in 1997, and, thanks to the obtained statistics and analysis, enabling the Agency successfully up to now to find solution of various essential problems, in this way improving road traffic safety at the whole!**

„LTAB has already promoted for eight years information about systematization of MTPL premiums, statistic processing and has applied the foregoing data for general market analysis. That's why the decision on breach of basic principles of the information accumulation systems, which, in our opinion, successfully work according to similar principles in many countries in the European Union, including Estonia and Lithuania, should be seriously circumspect and substantiated on the part of public officers. I think that society would only lose if LTAB be disabled to process statistically, to analyze on a regular basis thereof and to prognosticate various aspects. That's why I do hope for understanding of the CC about contribution of the foregoing system into society and I do hope, for all that, the CC would support development of the foregoing system in Latvia!”, acknowledges Juris Stengrevics, LTAB Director - General.

At the session of the Cabinet of Ministers, where there were considered regulations project on „Regulations on amount and types of data deemed necessary for operation of information system of overland motor vehicles owners' third party liability compulsory insurance, procedure of data input, sharing and application” (prepared by LR Ministry of Finance), CP publicly expressed concern that „sharing of information about amounts of premium received and paid off by a particular client would facilitate coordination of amounts of premiums between insurers and would in this way restrict, hinder and deform competition” (cit. from LETA information of 01.02.2005).

## **Rights to admission to LTAB database are strictly restricted**

Firstly, there are strictly defined rights to admission to such database, where, under requirements of LR normative acts, information has been accumulated since formation of MTPL system in Latvia. Therefore, such situation, when an insurance agency would see data furnished by a competing insurance agency, is impossible at all. Even at LTAB only some employees have rights to admission to this system, who

secure data verification and control, also execute all necessary statistic calculations, analyses and make prognoses.

LTAB doesn't object if in legislation there would be specified norms adjusting application of information being at the disposal of LTAB.

Objections of the Competition Council can significantly impact on successful development of MTPL market in Latvia.

Secondly, the said statistic data is very necessary for execution of analyses of the market in entirety, to enable LTAB to fulfill successfully one of its functions defined in LR legislation— processing of MTPL statistic information, control of various mandatory payments (MTPL law prescribes that insurers from every insurance policy pay 2% in the account designed for road traffic accidents prevention arrangements), as well as facilitation of successful market operation development.

„Thanks to data accumulated in the information system, LTAB has managed to obtain very beneficial discounts from international insurance agencies, which reinsurance our insurers' risks in a case of gross traffic accidents. But, if we fail to furnish extended statistic analysis to the said risk reinsurers, then we can lose the said discounts, in the result, supposedly, costs of insurance agencies on MTPL policies might raise.

There is not a rag of reasons to doubt competition on the MTPL market for at the moment there are seven companies dealing with motor third party liability insurance, but from May this year the eighth one might start its activity. I can assuredly guarantee that competition on this market is very strong, whereas also differences in policy prices for motor vehicle owners at various insurance agencies prove thereof. Therefore repeatedly expressed concerns about lack of competition on the MTPL market are unjustified. Competition exists and it is quite strong,” informs J.Stengrevics.

### **Similar accumulation of information happens also in other parts of Europe**

Thirdly, similar information accumulation systems operate also in other countries – members of the European Union, including also Lithuania, Estonia and Czech Republic, which have positively assessed contribution of the said system of accumulation of information into motor third party liability insurance and improvement of road traffic safety.

„If accumulation of MTPL data in the LTAB information system be restricted then Latvian insurance agencies would become less competitive than our neighboring countries. Also during the course of some years the reconstruction of database, created according to modern standards, will require for additional financial investments. It means that insurance agencies in order to enhance competitiveness will be forced to refund the said costs from their own means, even, supposedly, raising prices of MTPL policies”, acknowledges J.Stengrevics.

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