

Press-release  
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## **WARRANTEE SERVICES MIGHT ADVERSELY AFFECT MTPL INDEMNIFICATION SYSTEM**

**MTPL insurers are disturbed by the question are EU requirements on provision of sufficient competition on the market of authorized and independent service of vehicles dealers secured in Latvia? Under EC Regulation 1400/2002 during vehicles' warranty period any certified service center may carry on repair operations without prejudice to vehicles owners' warranty commitments with manufacturers.**

Insurance agencies have to pay higher MTPL indemnifications for those new motor vehicles for which dealer's warranty services\* repair operations are stipulated in agreements. Whereas in Latvia the proportion of new vehicles is rapidly growing, the said provision in warranty agreements annually considerably increases amounts of indemnification paid off by insurance agencies.

### **Warranty service costs for some services even doubled**

Since autumn of last year almost simultaneously LTAB has received notifications from various official dealers of vehicles in Latvia about considerable raise of repair costs on repair services of the said dealers.

**Juris Stengrevics, LTAB Director - General:** „Fixation of motor traders' warranty services in agreements impacts in the most nearest way on volumes of MTPL insurance indemnification. Costs on execution of the said services are by 20% or even twice higher. It means that insurer for each such new vehicle involved into a road accident pays comparatively high repair costs.”

The foregoing compulsory warranty services are established by vehicle brand official dealers in Latvia. For buyers, who purchase new motor vehicles at motor dealers', warranty service and purchase of spare parts from the same dealer or at a service center indicated by thereof are covered by agreements.

**J.Stengrevics:** „Also owners of vehicles might suffer through warranty services. On increase of the proportion of insured new vehicles insurers might be forced to raise MTPL policy prices for all vehicle owners so that in this way to cover high costs on warranty services. Also owners of new vehicles should regard stronger KASKO insurance provisions.”

### **Problem solution**

**J.Stengrevics:** „In solution of the said problem there should be involved either state bodies or also owners of new vehicles, who would not agree to the directives of motor dealers with respect to compulsory warranty services. But the state should much more actively secure fulfillment of the European Commission Regulation No.1400/2002, in this way facilitating fair competition between dealers of vehicles, executors of repair operations and suppliers of spare parts.”

Since Latvia joined the European Union Latvia should comply with EC requirements, including EC Regulation No. 1400/2002. Under the said Regulation any independent dealer of spare parts and service may be eligible to render services during warranty period on the vehicle. Also any owner of a vehicle may apply to any independent service center without prejudice to manufacturer's warranty.

LTAB has already required the Competition Council to check whether the practice of new motor vehicle dealers to establish for a motor vehicle to carry out definite service maintenance operations during a warranty period breaches EC directive on assurance of competition and whether there exists a covenant between dealers of new motor vehicles on raised repairs costs.

*\* authorized motor vehicles service centers (dealers' authorized service centers, to which the rights to carry out repair operations, maintenance and to supply spare parts to vehicles during the warranty period have been delegated)*

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