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**HARMONIZATION OF REQUIREMENTS CONCERNING INTERNATIONAL ROAD
TRANSPORT AND FACILITATION OF ITS OPERATION**

International Motor Insurance System (Green Card)

Report of the President of the Council of Bureaux

1. This year the 40th General Assembly of the Council of Bureaux (CoB) was held on 1st and 2nd June, 2006 in Sofia. The main issues addressed by the Council over the last 12 months are discussed below.

A. Green Card Security

2. A CoB Working Group was established two years ago to look at Green Card security in the light of the improved technology now available and to report how this could be used in the fight against fraud. The problem of forged Green Cards is particularly significant in some Eastern European countries.

3. There is a divergence of opinion between bureaux which want to invest in more modern technology and those that do not wish to incur the additional costs that improved security would require. The working group has proposed that there should continue to be a single format of Green Card, that bureaux should be permitted to introduce security features such as holograms to enable a better control of Green Cards in their own territories and that the Green Card format

should be updated. Member bureaux are being surveyed on their views regarding the proposed changes.

4. Green Card security is a long-term problem in which each applied improvement in security technology is eventually counteracted by the improved technology of the falsifiers. The problem will only finally be resolved once all 44 CoB member bureaux can join the present 30 signatory bureaux of the Multilateral Agreement within whose territories the use of the Green Card as proof of insurance cover has been eliminated.

B. Frontier Insurance

5. The current system of frontier insurance in EEA countries was established in 1996 and permits a Green Card to be issued in conjunction with a frontier insurance policy to a motorist of a country, which is not a member of the Green Card system for a period of up to one year. The settlement of accidents caused by vehicles insured with frontier insurance benefits from the infrastructure and solvency of the Green Card system.

6. To limit the inappropriate use of frontier insurance the 2006 General Assembly decided that frontier insurance could be issued with Green Cards in the EEA territories and Switzerland to vehicles registered outside the EEA but that it could not be issued outside EEA territory. It was also decided that false Green Cards issued with frontier insurance would not have to be guaranteed by the bureau purporting to have issued it; the responsibility would be that of the country where the accident occurred.

C. Financial Stability

7. The Council has established a small working group to look at the financial strength and stability of the Green Card system and its 44 component insurance markets and bureaux in the face of potential large or catastrophic claims. It is recognised that the Green Card system is only as strong as its weakest link. Before changes can be identified it is necessary to establish means of measuring the strength and stability of the Council's component markets and bureaux. This will require the collection of relevant data to evaluate the current situation across the system and to identify how and where it should be improved. Over the next 12 months it is hoped to be able to develop appropriate methods to assess the financial stability of the system.

D. Uninsured Driving

8. The Council of Bureaux identified uninsured driving as a major problem, particularly in Eastern Europe and has been working to reduce levels of uninsured driving in CoB member countries for some time. A recent European Commission survey showed several member states with levels of uninsured driving of between 5 and 10% and CoB is aware of levels of uninsured driving of up to 80% that exist in European countries outside the Union. This will cause significant long-term problems if it remains unresolved. Failure to cover the cost of uninsured driving by increasing the insurance premiums of insured motorists could place an unsupportable strain on small developing insurance markets.

9. One identified problem is the wide range of methods used by individual countries to calculate their national rate of uninsured driving. One country used different methods of calculation that resulted in a variation of between 3% and 23% in its estimates of uninsured

driving. This problem can only be resolved by introducing a standard method to calculate the rate of uninsured driving to be applied across all countries.

10. Experience in Western Europe has shown that there are no simple or quick methods to reduce levels of uninsured driving, particularly where the problem has remained unresolved for a number of years. As a result CoB's focus on eliminating uninsured driving is expected to continue for several years to come.

E. Road Safety

11. There is an important relationship between the improvement of road safety and the reduction in road accidents and motor insurance claims. To this end UNECE has invited the Council of Bureaux to attend the meetings of the Working Party on Road Traffic Safety (WP1) as an observer. Following further evaluation this year CoB will consider possible ways in which it could become involved in the road safety work and events organised by UNECE.

F. Membership Reports

Bulgaria and Romania

12. The accession of Bulgaria and Romania to the European Union is expected in January 2007. All bureaux of the member states of the European Union are signatories of the CoB Multilateral Agreement under which all vehicles with the registration plates of signatory countries are assumed to be insured and are not subject to the control of insurance documentation. For signatories of the Multilateral Agreement, the cost of accidents abroad caused by their uninsured drivers falls on their national Guarantee Funds, which are generally financed by national insurance markets.

13. Both Bulgaria and Romania were expected to become signatories of the Multilateral Agreement before they joined the EU but this may be delayed due to the time that it is taking to reduce the relatively high level of uninsured driving in both countries to acceptable levels. Reducing the level of uninsured driving is both complex and time consuming. A Peer Review Group sponsored by the European Commission and CoB visited Romania and Bulgaria in April 2006 and follow-up visits are expected in August and October 2006 to ensure that levels of uninsured driving have been reduced to less than 10% of the vehicle fleet. This is believed to be the maximum level of uninsured driving which is financially supportable by national insurance markets where there is an uncontrolled movement of vehicles across frontiers.

14. In the event that the uninsured driving situation is not resolved and Bulgaria and Romania join the EU on 1st January 2007 then it is probable that border control of insurance documentation will be maintained for a transitional period.

Serbia and Montenegro

15. The bureau responsible for the territory of Serbia and Montenegro has been subject to monitoring by a working group of the Council of Bureaux since its readmission to CoB membership following a two year suspension from January 2000 to November 2001. In 2005 the bureau challenged the decision of the CoB Management Committee to extend monitoring for

a further four years with a review after 2 years on financial conditions which were favourable to the bureau. The decision was referred to the General Assembly which confirmed the decision of the Management Committee.

Russia

16. The Russian Association of Motor Insurers (RAMI) has been in negotiation with the Council of Bureaux since 2002 to establish the basis on which a Russian bureau would join the Green Card system. Discussions were terminated in October 2004 awaiting RAMI's decision to proceed on the negotiated basis. Since then RAMI has received financial support from the European Union for a team of specialists to establish the technical basis for a Green Card infrastructure in Russia. The consultants are expected to complete their work at the end of 2006.

G. Relocation of the Secretariat to Brussels

17. As announced last year, the Secretariat of the Council of Bureaux relocated from London to Brussels on 1st July 2006. This will enable the Secretariat to be in more regular contact with the institutions of the European Union, in particular the Insurance and Pensions Unit of DG Internal Market of the European Commission, which is responsible for developments involving motor insurance. The new offices of the Secretariat are located in Avenue Louise, a central office, hotel and restaurant district which has good facilities for the regular meetings of the Council.
