

**Rule no. 22/2017**

**on the methodology of calculation by the Financial Supervisory Authority of reference tariffs for the compulsory motor third party liability insurance for third-party damage caused by vehicle and tramway accidents**

*In force starting September 5, 2017*

*Published in the Official Journal, Part I no. 717 of September 5, 2017.*

*There are no changes until September 11, 2017.*

*Under the provisions of Art. 43 par. (1) letter n) of Law no. 132/2017 on the compulsory insurance against civil liability for the damage to third parties caused by vehicle and tram accidents.*

*Pursuant to provisions of art. 2 paragraph (1) letter b), art. 3 paragraph (1) letter b) and of art. 6 paragraph (2) of the Government Emergency Ordinance no. 93/2012 on the establishment, organization and operation of the Financial Supervisory Authority, approved with amendments and additions under Law no. 113/2013, with subsequent amendments and additions*

*following the deliberations of the Financial Supervisory Authority's Board in the meeting held on August 30, 2017*

The Financial Supervisory Authority issues this rule.

**ARTICLE 1**

General provisions

(1) This rule regulates the methodology of calculation of reference tariffs for the compulsory motor third party liability insurance for third-party damage caused by vehicle and tramway accidents, hereinafter referred to as RCA.

(2) For the implementation of this rule, the insurers authorized to practice the RCA shall submit to the Financial Supervisory Authority, hereinafter referred to as A.S.F., the data required by the latter.

**ARTICLE 2**

General principles

(1) To determine a premium rate to ensure an uncertain event, estimates of probabilities associated with the occurrence and / or severity of an event are made, estimates based on the history of events and trend projections.

(2) For the purpose of determining reference tariffs, the following vehicle categories shall be used::

a) passenger cars, SUVs and mixed vehicles with a maximum authorized mass less than 3.5 tons and maximum 9 seats;

b) passenger motor vehicles with more than 9 seats;

c) motorcycles, mopeds, hybrid electric motorcycles and ATVs with or without a sidecar;

d) road tractors;

e) motor vehicles for the transport of goods;

f) trailers and semi-trailers;

g) other vehicles, such as special-purpose vehicles, machinery, electric vehicles, etc.

(3) The structure of the reference tariff is built by segmentation on similar risks, taking into account the following risk criteria:

a) type of policyholder, natural or legal person;

b) the technical characteristics of the vehicle, that is engine capacity or power, maximum authorized mass, number of seats;

c) other factors considered relevant to comply with the principles of homogeneity, credibility and statistical significance.

(4) Reference tariffs are calculated for one-year validity periods for the compensation limits provided by current legislation, so as to ensure fulfillment of the obligations arising from the conclusion of RCA contracts.

### **ARTICLE 3**

The steps of determining the reference tariffs

For determining the RCA reference tariffs, the following steps are taken:

a) collection of data from RCA insurers and their inspection by A.S.F.;

b) individual primary analysis for each RCA insurer;

c) aggregation of data provided by RCA insurers;

d) primary market analysis;

e) building the risk model;

f) estimation of risk premium

g) the half-yearly calculation of reference tariffs by a company with recognized expertise in the field contracted by A.S.F. in accordance with the formula defined in art. 2 point 24 of the Law no. 132/2017 on the compulsory insurance against civil liability for the damage to third parties caused by vehicle and tram accidents, hereinafter referred to as Law no. 132/2017;

h) impact analysis.

### **ARTICLE 4**

Determination of reference risk premium

(1) For the determination of the reference risk premium, there shall be calculated separately:

a) historical claims frequency, which is the ratio of claims number and risk exposure, that is insurance duration of the RCA policy, expressed in years, aggregate for the portfolio of policies that have at least one day of risk coverage during the reference period;

b) historical average claim, which is the cost of claims related to the number of claims, where the cost of claims includes claims paid during the reference period aggregated with claims reserves approved for all claims incurred and approved during the reference period, but not yet paid at the end of the reference period ;

c) the impact of trends in historical average claim and historical claim frequency, to determine the expected frequency and the expected average claim for the period covering the premium tariff;

d) the impact of claims incurred and not approved or insufficiently approved;

e) the safety charge.

(2) In order to determine the reference risk premium, shall be used aggregate data at the level of R.C.A. market on the exposure to risk and the damages occurring during the reference period and approved by the end of the reference period either whether they are paid or that they are in the approved loss reserve established at the end of the reference period, by vehicle categories and risk criteria, as defined in art. 2 par. (2) and (3) to determine the frequency of historical damage, the historical average damage and the impact of unforeseeable and unapproved damages, as well as to determine the trends.

(3) The reference period for the historical data used to determine the reference risk premium shall include the history of the last 5 years of the event preceding the one in which the calculation is made.

(4) The reference tariff shall be calculated using the formula defined in Art. 2 point 24 of Law no. 132/2017 and shall be published by A.S.F.

#### **ARTICLE 5**

##### Determination of the reference tariff

For the determination of the reference tariff, the following shall be taken into account:

a) data on the structure of historical portfolio on bonus-malus classes, to quantify the adjustment of the tariff resulting in the tariff category for the B0 bonus-malus class, as it is defined according to legal provisions in force;

b) administration and acquisition costs determined as a percentage of the gross premium;

c) profit.

#### **ARTICLE 6**

##### Entry into force

This rule shall be published in the Official Journal of Romania, Part I, and shall enter into force on the date of its publication.

#### **ARTICLE 7**

##### Repeal

On the date of entry into force of this Rule, Rule no. 15/2017 regarding the methodology of calculation by the Financial Supervisory Authority of reference tariffs for the compulsory motor third party liability insurance for third-party damage caused by vehicle and tramway accidents, published in the Official Journal of Romania, Part I, no. 365 of May 17, 2017, shall be repealed.

President of the Financial Supervisory  
Authority,  
Leonardo Badea

Bucharest, August 30, 2017.

No. 22.