



Economic and Social Council

Distr.: General
26 July 2022

Original: English

Economic Commission for Europe

Inland Transport Committee

Working Party on Road Transport

117th session

Geneva, 18-20 October 2022

Item 6 of the provisional agenda

Facilitation of international road transport:

International Motor Insurance System (Green Card)

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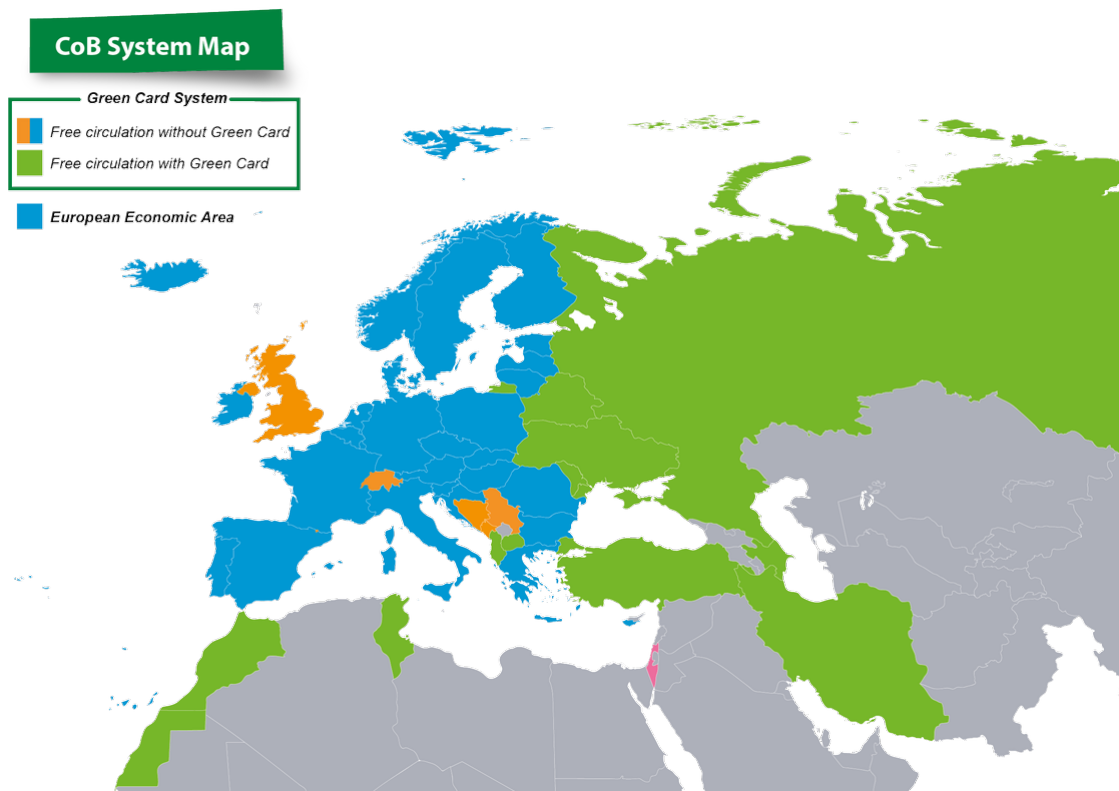
Report of the Council of Bureau

Submitted by the Council of Bureau

This document contains a report from the Managing Director of the Council of Bureau (CoB) on developments in the “Green Card system” over the past year.

This year, the 56th General Assembly of CoB took place on 2nd and 3rd June 2022 in Belgrade, Serbia.

I. Some Key Figures



1. The system covers 50 countries and has 46 Members.
2. Over 450 million vehicle fleet (source: UNECE statistical database and CoB Member Bureaux, 2013-2019).
3. On average, around 440 000 cross-border accidents annually are reported (source: CoB Member Bureaux, estimate, 2016-2020). It should be noted that a significant drop was observed in 2020 which was most likely due to the pandemic situation and its impact on the cross-border traffic flows.
4. Cash flow turn-over: circa 1.5 billion EUR (rough estimate, based on the number of Green Card accidents reported by Member Bureaux and estimates of average claim cost).
5. More than 1.500 MTPL insurers are active throughout the whole system (source: CoB, 2022). In addition, several hundreds of other (non-insurance) entities are active in the system playing key roles in the cross-border claims handling process, such as Correspondents or Claims Representatives.

II. New brand name and logo

6. On 2nd June 2022, a new brand name and a new logo were adopted by the 56th General Assembly. The Council of Bureaux will from now on simply be known as 'CoB'.
7. This brand name change follows the recent structural evolutions within our organisation (in September 2020, 40 organisations were admitted as members in their capacities of Guarantee Fund, Compensation Body and/or Information Centre) and the need for a more modern brand name which encompasses our entire membership. However, the

official name ‘Council of Bureaux’ (as it appears in national legislation and in UNECE texts) remains unchanged.

8. Our new brand identity is clearly reflected by our new logo which is a modern expression of our mission and values of unity, cooperation, protection and expertise:



9. Within the next months, new visuals, templates and a new website applying our new graphical identity are to be released.

III. Financial Stability

10. In the past year, the Council of Bureaux continued to invest significant effort in assuring the financial stability of the Green Card system and its individual players, mainly focusing on the Member Bureaux. In view of the recent incorporation of the other ‘pillar’ of the organisation and the expansion of its membership, this function will progressively extend to Member Guarantee Funds and Compensation Bodies in the organisation.

11. Several objective reasons render this monitoring organically challenging:

- The Green Card Bureaux are rarely the cause of, or the contributor to, financial stability issues. The Bureaux’ liquidity and financial stability are generally tested through the ability (or lack thereof, as the case may be) of the individual insurers to perform their financial obligations on time.
- Where effective early warning systems are not put in place or where those fail to kick in quickly enough, Bureaux can be confronted with financial stability or liquidity issues of potentially systemic magnitude, and in some instances even with a non-negligible time lag between the first occurrence of such issues and the moment a Bureau can react or intervene.
- Even when Bureaux can react or intervene, the possibilities for them to remedy the situation is limited since this type of oversight is rather the competence of national supervisory authorities.

12. Among the recent strains to the financial stability of the Green Card system, the insolvency of City Insurance in Romania and the continued lack of discipline in the Bulgarian market should be mentioned. Both issues – or warning signs leading thereto – were already disclosed in the report of the previous year. The performance of these markets and Bureaux, in relation to the obligations of individual MTPL insurers related to cross-border claims, is continually monitored by the Council of Bureaux through the guarantee call system operating between Green Card Bureaux. It resulted from the analyses for 2021 that Romanian and Bulgarian insurers accounted (again) for more than 85% of the number and amount of guarantee calls¹ issued to all Bureaux system wide. These two markets had therefore to remain under close observation in 2021, but the failure to abide by the reimbursement rules on the part of individual market players does not mean that the entire market is misbehaving. Nevertheless, the large market shares held by the insurers in question and the geographical spread of the portfolio of unpaid liabilities (the Bureaux of Germany, Italy, and France – as well as other countries with high indemnification levels – were among the largest creditors

¹ As already defined in the reports of previous years, a “guarantee call” is the formal way to invoke the guarantee of an ultimately responsible Bureau in cases where the liable insurer fails to respect its obligations related to a cross-border claim involving their insured as the liable party.

of these two Bureaux in an important majority of cases of delayed or unpaid reimbursements) was still cause for concern.

13. The Council of Bureaux continues to follow closely the developments in these markets and the discipline of the two Bureaux concerned. Two drawdowns on the bank guarantee provided by the Bureau of Bulgaria have been processed in 2020-2021 to reimburse counterpart Bureaux for some of the unpaid obligations. It is foreseen that this exercise will be repeated still several times in 2022-2023 in order to clean out all unpaid and overdue debts of the Bulgarian Bureau. In the case of the Romanian Bureau, measures taken by the CoB so far have been less extreme as the Bureau is judged to have satisfactory liquidities and risk management mechanisms in place to be able to guarantee the obligations arising from its market. It must be said however that any further deterioration in the financial health and discipline of the market risks putting the finances of the Romanian Bureau through a serious test, the consequences of which will have to be absorbed by the (rest of the) market as contributors to the liquidities of the Bureau.

14. As reported in the previous years, the financial stability of the system and its smooth functioning across all regions is sometimes also influenced by geopolitical realities. In light of the serious concerns caused by the Russian Federation's invasion of Ukraine, and the potential impact of European Union, the United Kingdom of Great Britain and Northern Ireland and the United States sanctions and counter sanctions, the Council of Bureaux have closely analysed their impacts on the Green Card system. At the time of writing this report, some Green Card Bureaux have reported that insurers were experiencing difficulties making or receiving payments from and to Russian banks. By extension, transactions with Belarus entities are similarly affected. Consequently, the Bureaux of Russia and Belarus are also under ongoing follow-up by the CoB and are, among other measures, required to periodically provide (financial) information and deliver regular reports to the CoB.

IV. Membership issues

A. Military invasion of Ukraine by the Russian Federation

15. As a result of the military invasion of Ukraine by Russia, the relations between the Bureaux of Belarus and Russia on the one hand and the other CoB Green Card Bureaux on the other hand were seriously challenged in the year 2022.

16. During the 2022 General Assembly of the CoB, the membership of the Bureaux of Belarus and Russia in the CoB was maintained. Nevertheless, prior to the General Assembly, several Bureaux had terminated their bilateral agreements with the Bureaux of Belarus and Russia. Outside the sphere of cooperation in the framework of the Multilateral Agreement, the cooperation between two Bureaux is conditional upon the signature of bilateral agreements. The Bureaux of Belarus, Russia and Ukraine are all non-signatories of the Multilateral Agreement, and their cooperation therefore depends on the existence of bilateral agreements.

B. Insurance solutions for Ukraine refugees

17. Exceptionally high numbers of cross border traffic between Ukraine and the other countries of the Green Card system were registered as a result of the refugee crisis which followed the military invasion of Ukraine by Russia. In order to facilitate the entrance of refugees, many countries provided frontier insurance policies for free or subject to a symbolic premium. Moreover, despite the extreme circumstances, the Bureau of Ukraine remained operational and in close cooperation with the Members and the CoB Secretariat. Exceptionally, the Members were instructed to accept PDF Ukrainian Green Cards (presented in digital format) in order to facilitate entry of the refugees. The Ukrainian Bureau continued to provide their guarantee on the PDF Green Cards. Moreover, the UA Bureau has obtained a permit from the National Bank of Ukraine for the exclusion of payments in foreign currency concerning the Green Card system, from the decree on the moratorium on payments.

18. The CoB Secretariat distributed an informative leaflet to all its members which was made available to the drivers and holders of vehicles registered in Ukraine with basic information on insurance. The leaflet emphasised that drivers and holder of vehicles registered in Ukraine should firstly rely on their national MTPL insurance cover and were provided all contact points of operational Ukrainian insurance companies whereby a Green Card could be purchased in the digital format. In the event of impossibility to purchase a UA Green Card, they were instructed to fall back on frontier insurance.

19. This cascade system was commonly endorsed by Insurance Europe and the CoB, while including a third possible step in the event where there is an impossibility to acquire insurance via a Ukrainian Green Card and where frontier insurance can no longer be renewed according to the national legislation of the visited country. This third step would allow drivers of Ukraine (registered vehicles to acquire national MTPL insurance in the visited country, without the need to reregister the vehicle, and would be of a temporary nature, complementary to the EU temporary assistance scheme introduced to support Ukrainian refugees. This third option depends on the approval of the European Commission.

C. Termination bilateral agreements between Ukrainian Bureau on the one hand and the Bureaux of Belarus and Russia on the other

20. On 4th March 2022, the Bureau of Ukraine terminated the bilateral agreements concluded with the Bureau of Belarus and with the Bureau of Russia. Despite the normally foreseen termination period of 12 months, all Bureaux involved agreed to let the termination have effect as of 5th April 2022.

D. Termination of bilateral agreements between Bureaux of the European Economic Area and Switzerland on the one hand and the Bureaux of Belarus and Russia on the other

21. Since the countries participating in the European Economic Area (EEA) together form one internal market without internal borders, the conclusion and termination of bilateral agreements between the EEA and third countries must be done in a concerted way. Moreover, since the Bureau of Switzerland also operates as Green Card Bureau for Liechtenstein, this concerted procedure extends to Switzerland as well. In the past, a special agreement was concluded for the signature and cancellation of bilateral agreements with third countries.

22. From the moment one third of the signatory Bureaux of that agreement express their intention to terminate the bilateral agreement with one or more third countries, the other EEA countries and Switzerland are bound to follow. This procedure was triggered on 27th April 2022, when more than one third of the Bureaux of the EEA and Switzerland notified their will to terminate the bilateral agreements with the Bureaux of Belarus and Russia. Based on the procedure foreseen in the treaty, the termination of all the bilateral agreements concluded between the Bureaux of the EEA and Switzerland on the one hand and the Bureaux of Belarus and Russia will take effect as of 1st June 2023. As of that day, the rules of the Green Card system will no longer apply between the Bureaux mentioned, except for pending claims.

E. European Union sanctions regime on Russia and Belarus

23. The CoB Secretariat has closely monitored the EU sanctions regimes imposed on Russia and Belarus following the military invasion of Ukraine. Thus far, the Bureaux of Belarus and Russia are not subject to targeted sanctions and therefore financial transfers to and from these two entities are not directly restricted. However, the sanctions target directly or indirectly a limited number of insurance companies as well as several banking entities.

24. In addition, a large number of banking entities are subject to the SWIFT ban. These are factors which are kept into account when assessing the possibility to make financial transfers to and from Belarus and Russia. At current, financial transfers, even though not impossible, for as long as not all banking entities are subject to sanctions, are very difficult.

25. The CoB Secretariat is continuously gathering information from Members where financial transfers are not possible, in order to make a final evaluation of the situation.

1. Iran

26. In the cooperation with the Bureau of Iran, the CoB is experiencing two kinds of problems:

(a) The influence of sanctions on payments from or towards Iran: the co-existence of two legal regimes has a difficult impact on payments from and towards the Iranian Bureau. On the one hand, US sanctions result in banks being extremely reluctant to transfer payments. On the other hand, the so-called EU Blocking Statute (EU Regulation 2271/96) aims at protecting EU operators from the extra-territorial application of third country laws;

(b) Difficult communication with the Bureau of Iran: since a long time, it appears very difficult to have regular communication with the Bureau of Iran, making the cooperation extremely difficult.

27. As a result, the 2022 CoB General Assembly has given a mandate to the Supervisory Board to suspend the Iranian Bureau's membership "if the development of the payment and/or communication problems with the Bureau of Iran so warrants". The CoB will continue the attempts to restore normal contact with the Bureau of Iran in order to avoid having to make use of the mandate.

V. Strategic Plan for the Council of Bureau till 2025 (and beyond for certain strategic goals)

28. In the course of the working year 2021-2022 the Managing Director together with the Supervisory Board decided on a strategic plan for the organisation.

29. Defining a strategic plan is important since it provides a sense of direction and outlines measurable goals. Strategic planning is a tool that is useful for guiding day-to-day decisions and for evaluating progress and approaches when moving forward.

30. 5 important Strategic goals have been identified:

(a) Cooperation – decision making process – role of the Regional Group in the overall functioning of the CoB;

(b) Communication Platform & Digitalisation Strategy;

(c) Financial stability in the system – review of financial criteria – broadening the scope of interventions/measures;

(d) Cooperation with external stakeholders.

31. CoB Secretariat as a Centre of competence of the organisation

32. It would take us too far in this context to describe in detail the content, the timeframe (short, medium and long term), the impact on the budget, HR and the partners involved for each strategic goal defined.

33. We will only elaborate on the strategic objective that will have a major impact in our cooperation with United Nations Economic Commission for Europe (UNECE). Taking this into account, the focus of the overall strategic goal of common interest lies under 'Communication Platform and Digitalisation' and more in particular the digitalisation of the 'International Motor Insurance certificate' (e-IMIC). Under point 7 below you will find a detailed description on the current state of play.

34. The Presidential College defined in their election program the challenge as follows: "We have to continue to act and not only to react on technical development. Digitalisation is key. Vehicles mutate to computers; there is nothing to stop them from also containing data on insurance status. If we miss the boat, we will risk making ourselves superfluous. That's why the black on white IMIC could not have been the last step. Border controls on MTPL insurance at a certain moment will be made by technical automatic means. We can't risk not

to have a solution in time. We will therefore continue to expand the possibilities offered by the extranet (= COB as hub for insurance data exchange on MTPL insurance). A decisive role in this will be played by the information centres and national databases operated by our members”.

35. The final goal can be defined as follows, a real time consultation of electronic data on the validity of international MTPL insurance cover.

36. When it comes to the time frame in which the final goal should be reached, we speak about a long term project (between 5 and 10 years from now on)

37. However, by the end of 2022, a decision should be taken on the strategy to follow – will most probably be a 3-step approach, since the data bases available in the majority of MA (= EEA + AND, BiH, CH, MNE, SRB) and non-MA countries have a different concept.

38. Between MA countries the relations are based on the normally based concept which in concrete terms means that MTPL insurance is valid for the entire territory of these countries, versus Non-MA countries where cooperation is based on valid green card coverage for the specific country visited with a specific validity period.

39. In a first step the e-IMIC will be introduced by Bureaux whose domestic data bases will be technically ready to do it on a bilateral basis (mainly non-MA countries). In a second step overall acceptance of e-IMICs by all countries should be achieved through cooperation with border and police authorities by introducing common acceptable electronic means to check the validity. The information exchange platform should also be determined and developed. In the final step, paperless proof of cover will have to be applied by all Bureaux and countries.

40. Making the first phase operational would preferably be in the course of 2024, however for having all our members on board it may take up to 10 years.

VI. Data Protection

41. The Members of the CoB exchange personal data on a regular basis. These transfers of personal also take place between the EEA and non-EEA National Bureaux. Since not all of the non-EEA National Bureaux are from countries that benefit from an adequacy decision issued by the European Commission, the transfers of personal data rely on additional safeguards. The CoB and its Members are aware that before sending personal data to a non-EEA country which does not benefit from an adequacy decision issued by the European Commission, a data exporter must adequately evaluate and document any international data transfer in order to address the related risks and take supplementary measures in this respect, if necessary.

42. The preferred tool for the CoB for implementing additional safeguards is the Standard Contractual Clauses (SCCs) issued by the European Commission. The European Commission has released an update of the SCCs in June 2021. The deadline for signing the new SCCs is set for 27th December 2022. The CoB is aware that a data exporter must warrant that it has used reasonable efforts to determine that the data importer is able, through the implementation of appropriate technical and organisational measures including technical and organisational measures to ensure the security of data, to satisfy its obligations under the SCCs. What is more, all Signatories to the SCCs (i.e. both data exporters and importers) shall warrant that they have no reason to believe that the laws and practices in the third country of destination prevent the data importer from fulfilling its obligations under the SCCs. Clause 14 of the SCCs further stipulates that the foregoing warranty of the Signatories is based on the understanding that laws and practices in the non-EEA country of destination respect the essence of the fundamental rights and freedoms and do not exceed what is necessary and proportionate in a democratic society.

43. The following steps had been taken by the CoB in preparation for the signature of the new SCCs:

(a) A questionnaire submitted to the non-EEA countries that do not benefit an adequacy decision as prepared by the CoB’s Data Protection Working Group. The replies to

the questionnaire will assist the data exporters to perform a data transfer impact assessment as required under the SCCs;

(b) The CoB's Data Protection Working Group had collected all answers and provided some remarks / observations to the attention of the EEA countries (data exporters). The CoB is not able to validate or invalidate the replies. This is the role of the data exporters;

(c) Collection of the feedback by the CoB from the data exporters subsequently to their analysis and measures requested, if any. The Data Protection Working Group will propose a final draft of the SCCs together with supplementary measures in accordance with the recommendations of the European Data Protection Board (EDPB), if necessary;

(d) The draft text will be consulted with the CoB's Supervisory Board and, then submitted for consultation with the Membership.

(e) Endorsement of the final text by the CoB's Supervisory Board during their meeting in December 2022;

(f) Dissemination of the new SCCs for Signature to the Membership in the course of December 2022.

44. The CoB had also prepared a draft update to the personal data processing agreement between the National Bureaux. Since the SCCs are annexed to the foregoing agreement, the intention is to sign the updated agreement together with the SCCs in the course of December 2022.

VII. e-IMIC

A. Amendments to Annex 1 of R.E.4

45. Following an enquiry of the CoB's Managing Director to the Secretariat of the UNECE regarding the possibility to present International Motor Insurance Certificates (IMICs) in PDFs on electronic devices (e.g. smartphone, laptop, tablet etc.), the COB had submitted a request related to its endeavours on the digitalisation of the IMIC during the previous session of UNECE's Working Party on Road Transport that took place on 13th – 15th October 2021. The SC.1 decided to defer its discussion on ECE/TRANS/SC.1/2021/4 to its next session after SC.1 members have had the opportunity to consult capitals and other relevant authorities.

46. The CoB's endeavours are implemented via a number of amendments to the Annex 1 of the current Revised Consolidated Resolution on the Facilitation of Road Transport (TRANS/SC.1/2002/4/Rev.4). The main changes are reflected by:

(a) the possibility for an International Motor Insurance Certificate to be printed black on white or black on green; or;

(b) the possibility for an International Motor Insurance Certificate to be presented in a Portable Document Format (PDF) in an electronic form independent of the software, hardware or operating system that it is displayed on.

47. This change is different, even though subtly from the possibility to "abolish the requirement to print the International Motor Insurance Certificates (known as "Green Cards") in green colour and to issue them in PDFs in black on white colour", granted by SC.1 during their meeting held in Geneva on 16-18 October 2018 (para 37, ECE/TRANS/SC.1/410).

48. The proposal for the draft amendments to Annex 1 are now submitted for the approval of the Working Party on Road Transport of the Inland Transport Committee (SC.1).

B. Electronic exchange of insurance data between / with countries that are not part of the Council of Bureau's Multilateral Agreement

49. The CoB's e-IMIC Working Group learned during its previous meetings that a number of countries are currently developing bilateral solutions for the exchange of electronic insurance data. Moreover, a number of countries are currently discussing on the possibility to have bilateral / multilateral solutions. As a result, the e-IMIC Working Group decided to:

(a) Reflect on the possibility to have a central access to the information and not a central database organised by the CoB. In other words, the idea is to have a centralised point for such exchange / access to information – or hub. The CoB acknowledged that it is important to reflect on a multilateral solution that could be applied by all COB Members. Otherwise, bilateral solutions may be implemented amongst the Membership in the near future. Should this be the case, different technological solutions could be implemented. The risk would then be that the CoB Members could face compatibility issues between the technological solutions, which could bring difficulties or higher costs to join a multilateral solution later on;

(b) Reflect on how this exchange point should be set up and what kind of information should be present;

(c) Launch an inquiry to know whether there are other countries ready for this exchange, but also seek for further details with the countries that are currently developing such projects;

(d) Define the minimum information that should be exchanged between the Membership and subsequently, determine the potential barriers, e.g. financial, data protection, national legislation etc.

50. The CoB's Working Group is also currently working on defining a strategic planning for the future developments regarding the digitalisation of the IMIC and further exchanges related to the insurance cover.

VIII. New Motor Insurance Directive

51. The CoB regularly reported on the legislative process in view of the adoption of a new European Motor Insurance Directive. Last year, the Working Party was informed about the political agreement reached in June 2021. Finally, on 24th November 2021, the new Motor Insurance Directive was officially adopted as Directive (EU) 2021/2118 of the European Parliament and of the Council of 24th November 2021 amending Directive 2009/103/EC relating to insurance against civil liability in respect of the use of motor vehicles, and the enforcement of the obligation to insure against such liability.

52. The Directive provides, amongst others, for a new definition of 'vehicle' and now also regulates what is to be understood under the 'use of a vehicle'. Apart from other innovations, the Directive creates a new protection system for insured persons and for injured parties in case of insolvency of a Motor Third Party Liability Insurer. This new system has an important impact on the CoB and their Members.

53. At the latest on 23rd June 2023, European Member States will have to authorise or set up bodies responsible for providing compensation in case an insurance undertaking is in a state of insolvency. Reimbursement obligations will exist in case of cross-border accidents or in case of insurers operating in other Member States by way of Freedom of Establishment or Freedom to provide Services.

54. In accordance with the provisions of the Directive, the CoB drafted two agreements to be concluded between Insolvency Bodies. The aim of these agreements is to regulate the reimbursement procedures between the responsible bodies. The agreements are now being submitted to the different bodies in view of signature in the course of 2023.

IX. E-learning

55. As announced last year, the first CoB e-learning module dedicated to ‘claims handling of cross-border road traffic accidents’ was released on 1st July 2022. It provides the learners with general guidelines on how to handle a cross-border road traffic accident in the framework of the Green Card system and the Protection of Visitors system. It consists of a mix of educational activities: videos, written texts, games, calls to action... and has a duration of +/- 25 minutes in total.

56. As a first step, it is only accessible to the CoB members via the Extranet. The external claims handlers (claims handling offices, MTPL insurance companies, correspondents, claims representatives...) will be given access in a second step, via the new CoB public website (due to be launched in December 2022) or any other unrestricted but secured way.
