CMS | Romania extends MTPL insurance premium cap until 31 December 2024



On 1 October 2024, the Romanian Government's Decision no. 1191 went into force to extend once again the period of application of the maximum premium for motor third party liability (MTPL) insurance until 31 December 2024.

The cap has been set at the level of the premium rates charged by each MTPL insurer on 28 February 2023. These premium rates may be adjusted by a maximum of 6.8%. Maximum premium rates are set for bonus/malus class B0.

In addition, commissions on insurance distribution of MTPL policies remain capped at a maximum of 8% of the net premium distribution expense.

The decision to extend the cap resulted from concerns over the reluctance of insurers to cover certain categories of risks, as well as high market concentration, which affects competition.

After the expiry of this new extension period, the market is expected to be able to cope with the additional price pressures, particularly in the context of uninsured vehicles.

Government intervention to overcome the current difficulties is considered a temporary solution to the crisis in the market, which has manifested itself as a major imbalance between supply and demand, as defined by competition law.

For more information on the new legislative amendment and the insurance legal framework in general, contact your CMS client partner and local CMS experts: <u>Cristina Popescu</u> and <u>Florentin Giurgea</u>.