

## MOTOR INSURERS' BUREAU Management Committee Report of 31st December 2015

### 1. General

The year 2015 was another difficult year of the financial crisis, marked by the imposition of capital controls on 28 June of 2015 that are still in effect. At first, the Bureau and its members were completely unable to make compensation payments abroad, a fact that caused great concern to the other Bureaux of the Green Card System. At the end of August the situation started to smooth out following Bureau's coordinated action and the function of the Bank committees and Finance Ministry's Bank Transaction Approval Committee.

Initially it was considered that the problem the Greek Motor Insurer's Bureau was facing represented some sort of systemic risk for the Green Card System. But very quickly, Bureau's and its member-companies' successful response to the new conditions was recognized with cross-border payments being then conducted with absolute consistency.

Globally the claims of the Green Card System reach the number of 4000,000 annually with the corresponding payments to amount approximately to 2 billion euros.

Specifically, regarding the number of motor accidents caused either by foreign vehicles in Greece or by Greek vehicles abroad, in 2005, and for the first time during the financial crisis, the downward trend stopped.

### 2. The trend of M.I.B. accidents and compensations paid abroad.

#### Accidents occurred abroad by vehicles with Greek registration plates

In 2015, the number of accidents abroad caused by vehicles bearing greek registration plates reached the figure of **1139**, compared to **1006** accidents in 2014, i.e. an **increase of 13.2%**.

Among the countries where most accidents are caused by vehicles bearing greek registration plates the first place, as in the last year, occupies **Germany** with **244** accidents (i.e. **21.4%** of the total number of accidents) followed by **Italy** with **200** accidents (i.e. **17.6%** of the total number of accidents).

Regarding the **compensations paid** for accidents abroad, in 2015 **the insurance companies** - members of the Bureau paid the amount of **€5,412,663.76**, compared to the amount of €4,371,744.33 paid in 2014, i.e. **an increase of 23.8%**.

#### Accidents occurred in Greece and caused by vehicles with foreign registration plates

The accidents occurred in Greece and caused by vehicles bearing foreign registration plates reached the number of **3860** in 2015 and were settled by the Motor Insurers' Bureau and its appointed correspondents and agents, compared to **3612** in 2014, i.e. **an increase of 6.9%**. The settlement of the 3617 of those accidents has been assigned to the appointed correspondents of the foreign insurance companies, while the settlement of the remaining 243 were undertaken by the Bureau through its services or its agents.

The **compensations** paid through the correspondents and the Bureau **by foreign insurance companies** for the compensation of Greek persons injured by vehicles bearing foreign registration plates in 2015 reached the amount of **€14,297,196.63** compared to €13,567,890.39 in 2014, i.e. **an increase of 5.4%**.

Among the accidents occurred in Greece by vehicles bearing foreign registration plates, consistently the first place is occupied by the **accidents caused by Bulgarian vehicles** with **1296 accidents** in 2015, compared to 1199 in 2014, and **constitute 33.6%** of the total number of accidents, followed by the vehicles with German registration plates with 13,9% of the total number of accidents.

The M.I.B. in 2015 continued to pay compensations abroad for the account of insurance companies whose operation licence has been revoked and for uninsured vehicles with fake green cards, whose number though has been significantly decreased compared to 2014 figures. The compensations paid by the Bureau in 2015 for insurance companies whose operation licence had been revoked amounted to € 289,945 (21 claims) compared to € 975,430 (67 claims) in 2014 and for uninsured vehicles to € 32,660

(12) compared to 69,247.30 (16 claims) in 2014. Also, for fake green cards the amount of € 9,067 has been paid (only 1 claim) compared to € 370,000 that had been paid in 2014. In total, those compensations in 2015 reached the amount of € 331,672 compared to the amount of € 1,414,992 that had been paid in 2014, i.e. a decrease of 77%.

### **3. International developments in the Green Card System**

Among the priorities of the Council of Bureaux – which is the coordinating body of the Motor Insurers' Bureaux of the 47 countries participating in the Green Card System and of the Guarantee Funds of the EU Member States regarding the accidents of the Fourth Motor Insurance Directive – the first is System's financial stability and within this context measures are intensified against the Bureaux presenting problems in performing their obligations and mainly delaying to pay compensations due.

The Greek Motor Insurers' Bureau with the support of its member-companies managed to overcome the problems caused by the capital controls, to serve with a sense of responsibility its purpose, which is the protection of motor accident victims and to exhibit a positive image of the Greek insurance market abroad, an image that has to be safeguarded.

Moreover, very significant as well are the technological developments, which will draw our attention very soon; those developments are going to change many things, among them the Green Card System as well. Among other, the changes will even relate to the format of the green card, to the QR codes, amicable accident declaration in a form of application, the electronic communication between Bureaux, insurance companies and claim handling companies via a single electronic platform, while intensive preparation is made for the new era of vehicles with no driver.

The Greek Bureau is carrying on the tradition of its active participation in the activities of the Council of Bureaux and it is represented in important Committees of the Council, such as the Specific Rules Committee and the Coordination Committee that is handling the issues of the Guarantee Funds and the issues of the Compensation Bodies in the framework the Fourth Motor Insurance Directive.

### **4. The accident of 05.10.2014 that occurred in the Egnatia Odos**

In 2015 the settlement of this huge motor accident was finalised due to the fault of a romanian vehicle and resulted to the tragic death of 6 persons, many injured and material damages to 36 vehicles. The huge task of the settlement of the claims of more than one hundred (100) beneficiaries, with compensations exceeding 200,000 € for material damages and 2,300,000 € for bodily injuries and pain and suffering, were assigned to the six insurance companies - members of the M.I.B., that operate as agents for the handling of motor accidents involving foreign vehicles in Greece. We would like to thank these companies once again, and these are the following: **AIG, ALLIANZ, DYNAMIS, ETHNIKI, INTERSALONICA, SYNETAIRISTIKI.**

It has been the biggest accident the Bureau had to deal with in the 28 years of its operation. Almost all the claims have been settled out-of-Court within one year from the date of the accident, a fact that illustrates in the best possible way the Greek insurance market, which, in the middle of the financial crisis, achieved to manage in an excellent manner a claim of such dimensions.

### **5. The activity of the Compensation Body**

The Motor Insurers Bureau is also acting as a Compensation Body for the purpose of extra judiciary claim settlement resulting from accidents either involving Greek citizens during their visit in another Member State or foreigners during their visit in Greece, under the conditions of the Fourth Motor Insurance Directive (already article 24 of the codified Fourth Motor Insurance Directive 2009/103/EC). In 2015 the Bureau received 35 claim declarations against 37 of year 2014.

### **6. Bureau's operation**

#### **6.1 New Management Committee**

On the 1<sup>st</sup> of July 2015 elections were held from which the new M.C. resulted, the composition of which is referred to in page 15 of the attached Notes to the Financial Statements.

## **6.2 Member Register**

In 2015 three new members have been registered under F.O.S. (Freedom of Services) status: Euroins Insurance PLC with registered office in Bulgaria, Evolution Ins. Co. Ltd. and Elite Insurance Co. Ltd, the last two with registered office in Gibraltar. In 2016 two new members have also been registered under F.O.S. status: Insurance JSC Dallbogg Life & Health, with registered office in Bulgaria and QIC Europe Ltd, with registered office in Malta.

## **6.3 The motor insurance sector (civil liability insurance for motor vehicles)**

In the motor insurance sector to which Bureau's activity relates to, the trend of the previous years continued more intensively in 2015 with a decrease of production. The downward trend continued also during 2016.

In 2015 the production of the sector of civil liability insurance for motor vehicles reached the amount of € 805.85 millions, i.e. a reduction of 13.7 % (Hellenic Association of Insurance Companies data).

Developments are expected in the insurance market because of the application of Solvency II that is going to exercise pressure in the motor insurance sector. It is estimated that Bureau's financial position in combination with the very good reinsurance agreement it has signed, allows it to perform its obligations unhindered.

## **6.4 Bureau's financing**

Bureau's revenue from the contributions of its Member amounted to € 3,228,031, for the year 2015 against €3,620,146 for the year 2014, i.e. a reduction of 11%.

Cumulatively, the reduction of Members' contribution to the Bureau for the five-year period 2010-2015 is nearly 42%.

The reduction of the contributions is due to the continuous fall of the production of the motor insurance sector in combination with the quasi elimination of T.I.R. trucks, on which the Bureau was collecting increased contributions. The issue has been for a long time a matter of concern for Bureau's M.C. and last year's General Assembly, held on 1<sup>st</sup> July 2015, resolved to submit a proposal to the Bank of Greece towards changing the categorization of the fleet of vehicles and the percentage of contribution as follows:

- T.I.R. category be abolished and replaced by a single category of Public Use Trucks with a new contribution rate of 4% on the production of all Public Use Trucks, including T.I.R., civil liability insurance premiums (instead of the 14% rate applicable on T.I.R.)
- For all the other vehicles the contribution rate of 0.4% on the production of civil liability production premiums continues to apply.

The above rates have been calculated according to an actuarial study so that the capital necessary for Bureau's operation is covered, which the actuarial study determined that it should be at least € 3,650,000. The issue was serious given that in the year 2015 the contributions amounted to € 3.228.000, which is short of the advisable necessary operating capital with a trend of further reduction for the year 2016.

One of the main concerns of the new M.C. was to deal with this and one of the first actions was to collect updated statistical data from the member companies for the year 2015 for the Public Use Trucks, which confirmed the correctness of the actuarial study.

In accordance with the resolution of the General Assembly the above proposal has been notified to the Bank of Greece and the financing issue the Bureau is facing has been explained. This issue is attributable to the continuous fall of MTPL insurance premium production, which, combined with the de facto elimination of TIR vehicles where the rate of 14% on net premiums used to apply, resulted in fact today in a contribution rate of 0.4% for all vehicles. During the relevant discussions it came up that the calculation for the contribution in favour of the Bureau is made on the net premiums although it is not provided by the law. The position of the Bank of Greece is that in accordance with SOLVENCY II legislation as premiums are understood the gross written premiums. From the calculations that followed, it resulted that if the rate of 0.4% is applied on the gross written civil liability premiums for all vehicle

services the necessary operating capital as this had been determined by the actuarial study is possible to be achieved.

### **6.5 The new type of contribution calculation for M.I.B.'s benefit.**

Following the above, the Bank of Greece Executive Committee Act (92/25.4.2016) has been issued, which determined the contribution to M.I.B. to 0.40% on the gross written premiums of civil liability sector for all vehicle categories. The new method of calculation applies for the contributions that will be paid from 1<sup>st</sup> January 2017.

### **6.6 The Reinsurance Agreement**

The term of Bureau's Reinsurance Agreement is three years (2015-2016-2017) and the amount of retention is €750,000. The Reinsurers are all rated with A to A- while the reinsurance premium is significantly reduced.

The said reinsurance agreement is of excess of loss type and the priority of the M.I.B., and indirectly of its member-companies, regarding the claims of the Green Card System outside Greece amounts to € 750,000 (from ground up) per occurrence, ensuring the greatest possible protection of the entire market for the claims of civil liability for motor vehicles outside Greece.

## **7. Financial Year's review**

The Bureau submits for approval its Financial Statements for the 29th financial year, ended on 31.12.2015, for the first time in accordance with the International Financial Reporting Standards (IFRS). The Financial Statements along with the analytical remarks have been posted at Bureau's website.

Despite the financial pressures from PSI, the significant reduction of insurance companies' contributions, the payments of claims from uninsured vehicles in the E.E.A. and from vehicles that were insured by insurance companies whose licence has been revoked, the Bureau remains financially healthy.

Bureau's investments on 31.12.2015 were placed at a percentage of 61.1% in fixed-income securities, 5.3% in transferable securities and 33.6% in time deposits.

Following the pressure exercised by the Council of Bureaux because of the capital controls and in order to insure security in liquidity for dealing with contingencies, the Bureau holds a bank account abroad, with an EU financial institution.

Bureau's assets, as they appear in the Financial Statements of the financial year 2015, amounted to € 42,216,000 in 2015 against € 40,882,000 in 2014, i.e. an increase of € 1,333,612 (approximately 4%). From the amount of assets, € 32,7 millions have been disposed for M.I.B.'s investments, i.e. Bureau's investments in relation to the year 2014 have been increased by 3% and occupy a percentage of 77.47% of the assets.

Bureau's liabilities also amounted to € 42,216,000 in 2015, of which 63.01% constitute the total of equity, which is presenting an increase in relation to the year 2014 by €1,748,038, i.e. an increase of approximately 7%. Operating expenses have been reduced by 4% in relation to 2014.

The revenues from investments, although they present a positive result of € 551,000, are reduced by 32.75% in relation to 2014, a fact mainly due to low rates for time deposits and to the decreased revenue from the valuation of the investment at fair value.

Other than that, the Bureau continues to operate with a low number of employees. The use of the technology is extended to any activity where it is feasible. The Greek Bureau is one of the first to use the electronic issue of green card, already since 2010 and it has implemented an electronic paying system for members' contributions. Another main concern is the preservation and safety of the files and in this respect advanced methods are examined and implemented with the expectation that in the future only electronic files will be kept.

The M.C. deems that the management of the financial risks for the year ended has been successful.

Following the above we are kindly requesting you to approve the Statement of Financial Position, the Statement of Comprehensive Income, the Statements of changes in Equity, the Statement of Cash Flow and the proceedings of the Management Committee of year 2015.

**For the Management Committee**

**The President**

**Anastasios Pagonis**

Athens, 21/6/2016

## INDEPENDENT AUDITOR'S REPORT

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To the members of the "MOTOR INSURERS' BUREAU - GREECE"

(Legal Entity of Private Sector)

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the Legal Entity of Private Sector "MOTOR INSURERS' BUREAU - GREECE", which comprise the statement of financial position as at 31 December 2015, the statements of comprehensive income, changes in equity and cash flows for the year then ended, as well as a summary of significant accounting policies and other explanatory information.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, as adopted by the European Union and for such internal controls as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's system of internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



## Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the “MOTOR INSURERS’ BUREAU - GREECE” as at 31 December 2015, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the European Union.

Athens, 15 June 2016

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**STATEMENT OF FINANCIAL POSITION**

**at 31/12/2015**

	<b><u>31/12/2015</u></b>	<b><u>31/12/2014</u></b>
<b><u>ASSETS</u></b>		
Intangible assets	6.564,61	11.324,61
Own-used property, plant and equipment (PPE)	1.629.227,24	1.699.671,52
Securities at fair value through profit or loss	20.647.223,65	20.598.149,44
Other non-current receivables	2.921,30	2.921,30
Receivables from reinsurers	157.227,26	181.936,96
Reinsurers' share in insurance reserves	6.830.000,00	6.574.000,00
Receivables from Insurance companies Members of M.I.B.- Greece (contributions)	538.808,94	532.468,60
Other receivables	1.974.304,84	1.933.684,95
Cash and cash equivalents	10.430.104,76	9.348.612,77
<b><i>Total Assets</i></b>	<b><u>42.216.382,60</u></b>	<b><u>40.882.770,15</u></b>
<b><u>EQUITY AND LIABILITIES</u></b>		
<b><i>Equity</i></b>		
Members initial lump sum contributions	963.848,42	963.848,42
Other components of equity	25.638.704,69	23.890.666,27
<b><i>Total Equity</i></b>	<b><u>26.602.553,11</u></b>	<b><u>24.854.514,69</u></b>
<b><i>Insurance (technical) reserves</i></b>		
Provision for unearned premiums and other provisions	325.266,61	367.900,86
Provisions for outstanding claims	14.937.550,00	15.195.150,00
<b><i>Total insurance reserves</i></b>	<b><u>15.262.816,61</u></b>	<b><u>15.563.050,86</u></b>
<b><i>Liabilities</i></b>		
Income tax payable	18.066,74	0,00
Other provisions	66.487,77	75.783,61
Employee benefits	156.609,03	149.823,55
Other liabilities	109.849,34	239.597,44
<b><i>Total liabilities</i></b>	<b><u>351.012,88</u></b>	<b><u>465.204,60</u></b>
<b><i>Total Equity and Liabilities</i></b>	<b><u>42.216.382,60</u></b>	<b><u>40.882.770,15</u></b>



**STATEMENT OF COMPREHENSIVE INCOME**

**at 31/12/2015**

	<b><u>31/12/2015</u></b>	<b><u>31/12/2014</u></b>
Members Contributions and Frontier Insurance Premiums	3.370.297,54	3.788.192,31
Less: Reinsurance premiums	(1.504.000,00)	(1.720.000,00)
<b>Net earned premiums and similar income</b>	<b>1.866.297,54</b>	<b>2.068.192,31</b>
Increase/decrease in insurance reserves - own retention	556.234,25	4.696.910,81
Claims incurred - own retention	(38.614,92)	(345.889,49)
Investment income	508.515,17	558.957,36
Gain/(loss) arising from measurement of investments	42.809,36	260.893,69
Other income	126.930,43	122.697,87
Operating expenses	(1.211.579,72)	(1.262.700,67)
Other expenses	(6.982,46)	(29.343,90)
<b>Surplus for the year before taxes</b>	<b>1.843.609,65</b>	<b>6.069.717,98</b>
Income tax expense	(95.571,23)	(119.027,31)
<b>Surplus for the year net of tax</b>	<b>1.748.038,42</b>	<b>5.950.690,67</b>
<b>Surplus for the year</b>	<b>1.748.038,42</b>	<b>5.950.690,67</b>
<b>Total comprehensive income for the period</b>	<b>1.748.038,42</b>	<b>5.950.690,67</b>



	<b>Members contributions</b>	<b>Other components</b>	
<b><u>STATEMENT OF CHANGES IN EQUITY</u></b>	<b><u>initial lump sum</u></b>	<b><u>of Equity</u></b>	<b><u>Total Equity</u></b>
<b>Balance at 1/1/2014</b>	954.848,42	17.067.375,28	18.022.223,70
Adjustments for transition to IFRS	0,00	872.600,32	872.600,32
<b>Balance 1/1/2014 under IFRS</b>	<b>954.848,42</b>	<b>17.939.975,60</b>	<b>18.894.824,02</b>
<b>Change in Equity for the period</b>			
<b>01/01/14-31/12/14</b>			
Surplus for the year net of tax		5.950.690,67	5.950.690,67
<b><i>Total recognized income and expense for the period</i></b>		<b>5.950.690,67</b>	<b>5.950.690,67</b>
Increase of initial lump sum contributions	9.000,00	0,00	9.000,00
<b>Total change in Equity for the period</b>	<b>9.000,00</b>	<b>5.950.690,67</b>	<b>5.959.690,67</b>
<b>Balance at 31/12/2014</b>	<b>963.848,42</b>	<b>23.890.666,27</b>	<b>24.854.514,69</b>
<b>Balance at 1/1/2015</b>			
	963.848,42	23.890.666,27	24.854.514,69
Adjustments for transition to IFRS	0,00	0,00	0,00
<b>Balance 1/1/2015 under IFRS</b>	<b>963.848,42</b>	<b>23.890.666,27</b>	<b>24.854.514,69</b>
<b>Change in Equity for the period</b>			
<b>01/01/15-31/12/15</b>			
Surplus for the year net of tax		1.748.038,42	1.748.038,42
<b><i>Total recognized income and expense for the period</i></b>		<b>1.748.038,42</b>	<b>1.748.038,42</b>
<b>Total change in Equity for the period</b>	<b>0,00</b>	<b>1.748.038,42</b>	<b>1.748.038,42</b>
<b>Balance at 31/12/2015</b>	<b>963.848,42</b>	<b>25.638.704,69</b>	<b>26.602.553,11</b>



**STATEMENT OF CASH FLOWS (Indirect Method)**

**Cash Flows from Operating Activities**

Surplus for the year before taxes 1.843.609,65 6.069.717,98

***Plus/Less adjustments of working capital to net cash or related to operating activities:***

Depreciation and Amortisation 101.467,45 104.355,09

(Interest expense and similar charges) (522.961,51) (648.692,41)

(Gain)/Loss arising from measurement of financial assets (49.074,21) (238.206,93)

Insurance (Technical) reserves (556.234,25) (4.696.910,81)

Operating provisions (2.510,36) (8.932,62)

**Operating profit before changes of working capital 814.296,77 581.330,30**

***(Increase)/Decrease in:***

Receivables for reinsurers 24.709,70 159.124,13

Receivables from Insurance companies Members of M.I.B. (contributions) (6.340,34) 46.076,00

Other receivables (96.607,01) (593.391,26)

***Increase/(Decrease) in:***

Payables to reinsurers 0,00 (134.931,14)

Other payables (129.748,10) 112.814,76

Income tax paid (21.517,37) 0,00

***Net cash generated from Operating Activities (a) 584.793,65 171.022,79***

**Cash Flows from Investing Activities**

(Purchases of intangible assets and property, plant and equipment (PPE) (26.263,17) (11.213,47)

Interest and similar income received 522.961,51 648.692,41

***Net cash used in Investing Activities (b) 496.698,34 637.478,94***

**Cash Flows from Financing Activities**

Proceeds from initial lump sum members contributions 0,00 9.000,00

***Net cash used in Financing Activities (c) 0,00 9.000,00***

**Net increase/(decrease) in cash and cash equivalents**

**(a)+(b)+(c) 1.081.491,99 817.501,73**

**Cash and cash equivalents at beginning of the period 9.348.612,77 8.531.111,04**

**Cash and cash equivalents at end of the period 10.430.104,76 9.348.612,77**