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INSURANCE OF MOTOR VEHICLES AND THEIR PRODUCT TYPES

Abstract

Insurance is one of the most important financial industries and one of the three pillars of the development of a country's economy. However, when talking about motor insurance and their products, we usually deal with compulsory insurance which is defined by law. In principle, voluntary insurance includes a much smaller percentage of premiums for products in this field.

Consequently, the insurance of motor vehicles is implemented in the offices of the insurance companies, in which case the contract between the insurer and the insured is concluded based on the offers provided by the company for an agreement between the two parties. In contrast, in the field of motor vehicle insurance, insurance companies in

Kosovo offer 6 products for implementation, which include:

- Liability to third parties (TPL) & (TPL+)
- Motor vehicle insurance (KASKO)
- Border policy
- Provisional policy
- Green Card

Insurance experts assess that these insurance products are mandatory and each of them is of particular importance for the insurance process. Therefore, in this paper I will analyze each of them separately, in order to highlight their role, importance and reflections.

Keywords: financial industries, products, experts, agreement, agreement.

1. Types of motor vehicle insurance products

The conclusion of this contract is confirmed by the insurance premium and the correctness and seriousness of the company is shown by the payment of damages.

In order to conclude an insurance contract between the insured person and the insurance company, it is necessary someone's mediation, who gives explanations on the types of risks taken by

the insurance and insurance premiums for each insured event. At the moment of reaching the insurance contract, this person, known in the insurance field as - Insurance Agent or Insurance Broker, receives a part of the insurance premium in the form of a commission for the service performed. The insurance company should organize advertising campaigns to make available its insurance activity as well as to

inform public on the types of risks that can be taken in insurance; it should make expenses for the drafting and printing of the insurance contract; it should train insurance agents in order for them to be able to explain what are the risks and what are the insurance premiums. Therefore, the insurance premium consists of another element, known as the cost of covering the insurance.²⁹

However, when talking about motor insurance and their products, we usually deal with compulsory insurance which is defined by law.³⁰ In principle, voluntary insurance includes a much smaller percentage of premiums for products in this field.

Consequently, the insurance of motor vehicles is implemented in the offices of the insurance companies³¹, in which case the contract between the insurer and the insured is concluded based on the offers provided by the company for an agreement between the two parties.³² In contrast, in the field of motor vehicle insurance, insurance companies in Kosovo offer 6 products for implementation, which include:

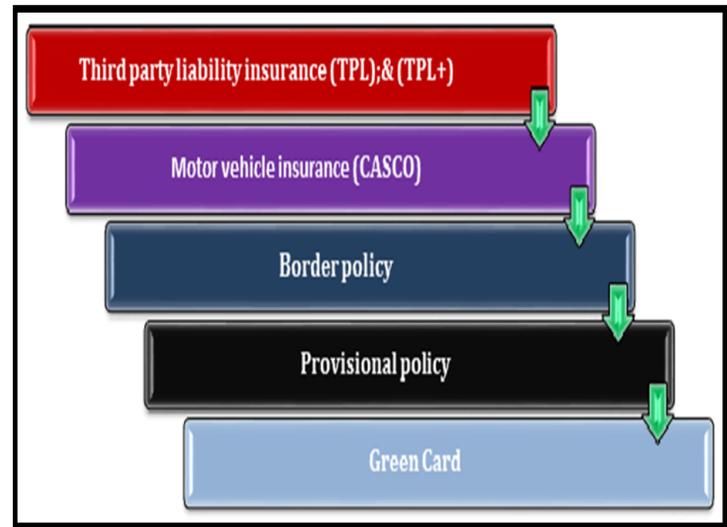


Fig. No. 1
Six products of motor vehicle insurances

Insurance experts assess that these insurance products are mandatory and each of them is of particular importance for the insurance process. Therefore, in this paper I will analyze each of them separately, in order to highlight their role, importance and reflections.

²⁹ Koçi, Nevruz; Sherif Bundo; Zenel Shalari: *Pasiguria dhe sigurimet*, (Tiranë, 2002), f. 47

³⁰ LIGJI NR. 04/L-018

³¹ Ibidn...

³² Dr.sc. Bakraçi, Xhevat, (2007) *Menaxhmenti i rrezikut dhe sigurimet*, Prishtinë, f. 182.

2. Third party liability insurance (TPL)

Third party liability insurance (TPL), covers material and health damages that may be caused to third parties as a result of the use of

vehicles by motor vehicle owners. Through this compulsory insurance, they transfer the risk to insurance companies. Also in such cases, the insurance companies cover the liability of the contractor for the property damages suffered by the passengers, such as the damages they suffer to the items and objects of ordinary use, which are kept with them by these passengers. This type of insurance product is compulsory insurance provided by law which implies the obligation of the insured to liability to third parties involved in any eventual event. In this aspect the insured with the event occurs is obliged within a time limit to present the event to the insurer and thus, the latter is obliged to compensate the third party. Article 3, item 3 of the Law no.04/L-018 (Law on compulsory Motor Liability Insurance) provides that: In case of damages caused when operating a towing vehicle or towed vehicle, when these vehicles are hooked to each other and consist the integrity or when the accident is caused when the towed vehicle is detached from the towing vehicle, the owners of both vehicles shall be duly liable for damages caused to the third parties. In such cases, the injured party may file a compensation claim to the towing vehicle insurer or to the towed vehicle insurer.³³

That is, the insurer is obliged to cover in insurance all the risks for which there is compulsory insurance. Therefore, the insurer in the continuation of the contract concluded with the insured, is obliged to pay the insured

or a third party within those limits that have been agreed in advance, including:

All this is expressed as an obligation to compensate damages caused to third parties and due to the circulation of motor vehicles.³⁴

Otherwise, the injured third parties have the right to file a claim for compensation directly with the insurance company. If the injured party files a claim for compensation with the insurance company, the insurer in response to such a claim may not make objections, which could be made against the insured under the law, the contract and the terms of the insurance policy. compulsory motor third party liability which refer to the violation and non-fulfillment of obligations under the law or contract that result in the loss of insurance coverage.³⁵

For this reason, the CBK has requested that new policies must be drafted, which will directly affect insurance companies to operate successfully, but also to offer as many types of insurance products as possible.

Therefore, the controlled liberalization of TPL has influenced companies to start thinking differently, companies to start walking on their own, companies not to feel like a small child, where someone has to hold them by the hand or for someone to learn how to do business.

The administrative regulation of TPL tariffs has in a way implied the involvement of the regulatory authority in protecting the interests of insurance companies. Liberalized market means the Regulator's commitment to protect the interests of the consumer, the policy holder.³⁶ Thus, the insurer is obliged to

³³ LIGJI NR. 04/L-018, Neni 3, Detyrimi për kontraktimin e sigurimit nga autopërgjegjësia.

Осма Меѓународна научна конференција - ГЛОБАЛНИ ТРЕНДОВИ - 2021
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³⁴ Ibidn...

³⁵ Ibidn, Neni 11 – 15

³⁶ Ibidn...

be prepared in all aspects in order to cover the responsibilities of the contractor for property and health damages in the event that third parties may be transported by motor vehicles.

In this case are included vehicles for passenger transport, such as Auto-Taxi, Vans-Buses, Buses, etc. Therefore, the insurer is obliged in this case to compensate third parties for all material damages, items or even usable objects which are carried with them during the event that occurred during their transportation.

Also in this case the insurer is obliged by contract to cover the third party health injuries and eventually their death that is given a special fund for their families, a fund that is included as a separate annex to the written contract between the parties. But, in case that the insured can cause physical damage to buildings or something like that, the insurer is obliged to cover the damages and follow the deserved compensation based on the premium specified in the contract.

What is considered very important in this type of insurance product are the conditions for setting premiums in TPL insurance and, this product is sold only when taking into

account some factors which also determine the level of risk:

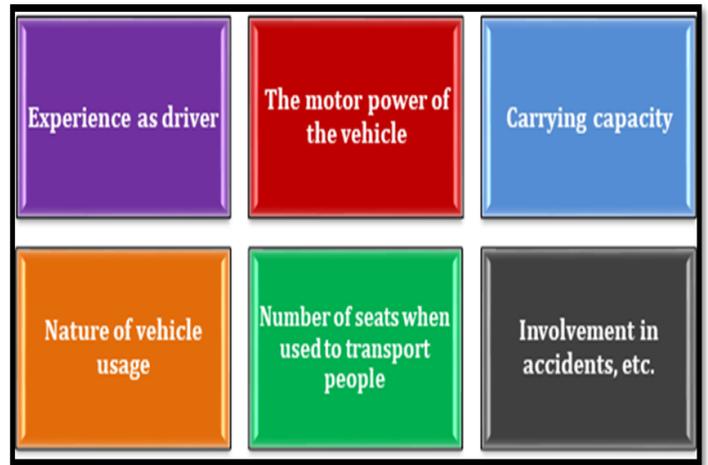


Fig. No. 2.
Sale of TPL products based on the level of risk

These are the factors that determine the degree of coverage of the damage by the insurer, which are viewed, analyzed and evaluated in the field by a certain expert, and thus follows the indemnity.

3. Motor vehicle insurance (Casco Insurance)

For insurance companies in terms of voluntary insurance, taking CASCO motor vehicle insurance or property insurance of a legal or physical entity is equivalent to adequate identification of the risk first and then the operational risk which must never pose a secondary risk.³⁷ Casco insurance of motor vehicles otherwise means voluntary

insurance where according to this the insurer is obliged to cover all damages of motor vehicles which may be caused by collisions with other motor vehicles or other objects. Also, the insurer, based on the conclusion of the contract with the insured, is obliged to cover those damages which are caused by fire, explosion, theft, robbery, overturning, the action of natural phenomena that include: earthquake, storm, lightning, frosts, floods,

³⁷ Mr.sc. Gashi, (2011) Sherif: Analiza e tregut të sigurimeve, IS "Rahmil Nuhiu", f. 73 – 74, Prishtinë.

andslides, snow, hail, etc.³⁸ Therefore, it means that each of these risks predicts and enables the eventual infliction of certain damages, including economic consequences for the holder of the motor vehicle. Thus, the insurer is obliged to cover these damages, which is provided for in the contract.³⁹

Therefore, within the contract for the insurance of the casco motor vehicle, several different coverages are undertaken, which include:

4. Casco Policy

The Kosovar market now open with a considerable number of insurance companies and a wide range of products, above all offers security and affordable prices for insurance, such as those of property and CASCO motor vehicles.⁴⁰ Otherwise, the CASCO policy is a type of insurance, the policy of which is sold at the border by insurance companies, for all those vehicles that enter from a foreign country in our country. This happens for those vehicles that do not contain a police officer who is responsible for any eventuality in which case third parties are involved or, even in those cases when the policy has expired.

Below, I will put some damages that are covered by CASCO Insurance:

- 1 Damages resulting from traffic accident;
- 2 Damage caused by natural disasters (storm, hail or flood);
- 3 Damage caused by fire, explosion, lightning;
- 4 Damage resulting from vehicle theft, attempted theft or burglary;

³⁸ Ibidn

³⁹ Ibidn

5 Depending on the offers of the insurance companies, Casco also covers the costs of transporting the damaged vehicle to the nearest repair point;

6 Casco Insurance belongs to the group of voluntary insurance, therefore companies offer different offers depending on the client's requirements, but the main ones are:

- Full Casco;
- Partial Casco;
- Full Casco covers all damages caused to the vehicle by the above mentioned coverages while Partial Casco covers some risks depending on the client's selection.⁴¹

Although considered as similar to policies covering third party liabilities there is a difference that is defined, the time interval of the agreement in the contract.

5. Provisional policy

It is considered as an insurance policy with the shortest possible time interval. It is considered as an insurance policy that is no different from other insurance policies and has the same responsibilities as other policies⁴².

6. Border policy

Border policy is a necessary form of insurance for third parties from accidents caused by vehicles with foreign license plates during their stay in Kosovo. This policy applies in countries where they are not members of the Council of Bureaus and their

⁴¹ Ibidn

⁴² Koçi, Nevruz; Sherif Bundo; Zenel Shalari: *Pasiguria dhe sigurimet*, (Tiranë, 2002), f. 255 – 257

green card does not cover the damages caused in their country⁴³.

Kosovo must first have an internationally recognized National Bureau. Must be a member of the UN in order to be part of the Council of Bureaus therefore the green card does not cover Kosovo. Meanwhile, the Association of Insurance Companies of Kosovo is the one that decides on the prices of additional border policy, and according to the price list set by the Association of Insurance Companies, each car with foreign license plates that enters Kosovo pays 50 euros additional border policy - for one month.

Data from the Central Bank of Kosovo show incomes in millions from this policy.

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⁴³ Ibidn, f. 257