

Macedonia: Motor TPL System TERMS OF REFERENCE

11. The Terms of Reference for the consultants

The project will be divided in three phases.

In **Phase I (early October 2003 to 15 November 2003)**, the consultants will undertake the following activities:

1. Work with the Ministry of Finance to organise consultations with the insurance industry and other stakeholders on the restructuring of the TPL system. These consultations will include discussions with insurance companies, judiciary, police and representatives of consumer groups in order to develop a model which is most likely to succeed in the Macedonian context.
2. In preparing models for consideration by the Ministry of Finance draw upon lessons learned from TPL system reform in other countries such as UK, Australia, Albania
3. Present the Ministry of Finance with cost effective alternative models (one model will include the implementation of a "no-fault" system for motor vehicle liability insurance as per FSAP recommendations) for the restructuring of the TPL system that would accomplish the following four key objectives:
 - reduce the number of uninsured drivers;
 - institute a risk-based approach to setting insurance premiums;
 - reduce the role of the court system in adjudicating claims; and
 - timely settlement of claims for injured parties
4. Recommend a TPL model, which takes into account stakeholder input, to the Ministry of Finance for adoption.

In **PHASE II (15 December 2003 to 15 February 2004)**, following acceptance of the recommended TPL model by the Ministry of Finance, the consultants will:

1. Provide a detailed proposal for TPL reform based on the model chosen by the Ministry of Finance and work with the Ministry to refine the proposal.
2. Assist the Ministry by providing the conceptual framework for the drafting of the new law on motor vehicle insurance (Law on Compulsory Insurance in Traffic) in accordance with the agreed model.

At the end of Phase II, the Ministry of Finance will complete the new motor vehicle insurance law and will submit it to the Parliament for approval. The consultants will check that the draft law is consistent with the reform model agreed with the Ministry of Finance. The drafting of the legislation and related regulations will be implemented by the Government of the Republic Macedonia and they will be responsible for holding stakeholder discussions on the proposed legislation and regulation. Phase III will take place only if the Parliament approves this law or the changes proposed by the Parliament are not substantial (i.e the recommendations made as part of Phase I and Phase II of this projects will be incorporated in the final law passed by the Parliament).

In **Phase III**, following adoption by the Macedonian Parliament of the new TPL law substantially in the form proposed by the consultants and subject to approval from FIRST, the consultants will:

1. Assess the capacity and implementation needs for administration of the new system by the Motor Vehicle Bureau including an assessment of any cost implications such as human resources or MIS systems (including IT systems). If necessary, this task may also include consultations with other potential donors supporting insurance strengthening in FYR Macedonia, such as the European Agency for Reconstruction
2. Assist the Ministry of Finance and other key government agencies with the guidance on implementation of the new TPL system. The assistance would include a) new institutional arrangements and b) the methodology for determining levels of claims compensation and advisory or reference levels for premiums
3. Assessment of training needs. Training needs will vary according to the precise model to be implemented but will include:
 - Government administration of the system, including the regulatory framework for premiums and claims
 - Insurance company/broker familiarisation with the new system
4. Motor vehicle bureau/police/judicial system familiarisation with the new system.
5. Drawing from the above and other areas, develop an implementation action plan (with indicative costing) for a new TPL system, which is agreed with all implementing agencies such as the Ministry of Finance, Motor Vehicle Bureau and Police

FIRST consultants to be recruited for this project will have extensive experience in the restructuring and reform of TPL motor vehicle insurance systems.

The World Bank will brief the FIRST consultants on the current developments in the Macedonian motor vehicle insurance system and the FSAP recommendations in this sector and will remain involved to ensure that the technical assistance stays on track. In particular, it will comment on drafts of the various documents produced by the consultants. The Bank will maintain regular contact with the FIRST consultants, the Recipient and FIRST MU on the progress of the project.