

A Comparative Study on Car Insurance Laws of Uzbekistan and Korea

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Abstract

I . Purpose and Scope of Research

- With development of capitalism in Uzbekistan, insurance has become a growing market, and Uzbekistan is in need of a thorough research on capitalistic market-based countries' insurance legal framework in order to modernize its insurance market. On the other hand, Uzbekistan being Korea's one of largest investment target, Korea needs to be equipped a better knowledge on Uzbekistan's laws and systems and how Uzbek's law differs from Korean law, especially those related to finance and insurance. Thus, a comparative research on the two countries' car insurance laws is timely and meaningful.
- This research aims to provide an overview on issues of car insurance legislation in Uzbekistan in comparison with those of Korea, thus providing scientific and practical ground for improvement of car insurance law in Uzbekistan and Korea.

II . Research Content

- Car Insurance Laws of Uzbekistan

- The Republic of Uzbekistan has developed an integral system of state regulation of the democratic transition and socio-economic reforms. In Uzbekistan, the government itself carries out insurance and maintains the state supervision in the field of insurance. State supervision of insurance activities differentiates in its content to preliminary and current.
- To date, in Uzbekistan, there are at least 17 pieces of legislative acts that regulate insurance industry. The most relevant of these large volume of acts is the Law of the Republic of Uzbekistan “On compulsory insurance of civil liability of vehicle owners”.
- The characteristics of Law of the Republic of Uzbekistan “On compulsory insurance of civil liability of vehicle owners” is analysed and assessed.

Car Insurance Laws of Korea

- In Korea’s insurance legal framework, car insurance is categorized as non-life insurance or general insurance.
- Laws that govern car insurance, including the Commercial Act, the Regulation on Supervision of Insurance Business, and Guarantee of Automobile Accident Compensation Act, are reviewed.
- The characteristics of car insurance regulation under above mentioned laws are examined and assessed.

III. Expected Effects

- For Uzbekistan, as its market undergoes democratic transition and socio-economic reforms and shifts towards capitalistic market, a research on legal framework on car insurance in a capitalistic market will provide hints on how Uzbekistan's insurance market should develop and be regulated.

- For Korea, which is in need for deeper understanding on laws and legal system of Uzbekistan, which purportedly one of the largest investment targets, this research will provide fundamental knowledge on insurance market of Uzbekistan.

► Key Words : Uzbekistan, Korea, Car Insurance Laws, Comparative Research

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I . Introduction

A. Purpose of Research

With development of capitalism in Uzbekistan, insurance has become a growing market. Shedding the shadows of socialistic economy, Uzbekistan is in need for a thorough research on capitalistic market-based countries' insurance legal framework in order to modernize its insurance market.

On the other hand, Uzbekistan being Korea's one of largest investment target, Korea needs to be equipped a better knowledge on Uzbekistan's laws and systems and how Uzbek's law differs from Korean law, especially those related to finance and insurance. Thus, a comparative research on the two countries' car insurance laws is timely and meaningful.

The purpose of the research is integrated review of issues of insurance legislation development in Uzbekistan, including issues of car insurance in modern conditions, revelation of peculiarities involved in the legislation (particularly in constitutional, administrative, tax Law and etc.), creation of scientifically-based proposals and recommendations on legislation improvement and its implementation in the scope of car insurance. Comparative analysis of civil legislation, defining relations in the sphere of car insurance will be considered priority.

In the framework of the research, a wide range of issues related to investigation of the role and significance of this type of insurance in transition to market relations which Uzbekistan endures nowadays will be covered. Evolution of legislation in this field, correlation of different types of insurance, protection of partners' of these legal relationship

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interests will also be thoroughly reflected in the research. A significant part in the research is given to comparative analysis of legislation (Uzbekistan and Korea), which will reveal lack in legal regulation of car insurance. As a result of the conducted research scientific and practical proposals on perfection of the acting legislation will be made.

B. Scope and Method of Research

This research paper discusses key aspects of the law relating to car insurance in Uzbekistan and Korea. Since the two countries' insurance laws have different history and background, an overview of the two countries' historical and legal background will be provided.

Uzbekistan enacted various laws that regulate insurance and insurance market. The characteristics of and the relationship between these laws will be examined and assessed in order to find issues to be addressed.

Next, Korea's laws that regulate insurance and insurance market will be analyzed and assessed. While Korea's insurance legal framework greatly differs from that of Uzbekistan, microscopic comparison on specific issues will be made in order to draw a conclusion meaningful to both countries.

As for the method of the research, while this research was originally designed to be carried out by two researchers, one from Uzbekistan and the other from Korea, due to extenuating circumstances, it will be carried out by one Korean researcher with extensive help from Uzbekistan experts.¹⁾

1) Author would like to acknowledge and thank Mr. Semyon Kegay who kindly provided substantial help finding and analyzing information and data on Uzbekistan car insurance law and market.

II. Car Insurance Laws of Uzbekistan

A. Overview of Uzbekistan's Insurance Laws and Market

1. Overview on Uzbekistan's Legal System

The Republic of Uzbekistan has developed an integral system of state regulation of the democratic transition and socio-economic reforms. It organically combines all branches of power: presidential government, legislative, executive and judicial power.

The rapid growth of the legislative array is a distinctive feature of the modern legal system of Uzbekistan. For twenty and three years of independent legal development, Uzbekistan adopted a large number of laws (constitutional and conventional), codes and other regulations. The new legislation is designed to serve as a legal framework to strengthen the state sovereignty, democratization of the society, transition to a socially oriented market economy, for the development of economic, trade, cultural and diplomatic relations with foreign nations.²⁾

Part of the legal system is a modern system of legislation of Uzbekistan. Creating a stable legal system, developing in an evolutionary way is a priority in terms of legislative consolidation of new social relations and social values.

According to Batler (1994),³⁾ establishment of a new legislative framework is carried out in several important ways.

2) Adilkariev H. (2008) *Study of the Constitution of the Republic of Uzbekistan*. 2nd ed. Tashkent: Sharq.

3) Batler, U.E. (1994) *Legislation of Uzbekistan*. Tashkent.

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The first direction is the creation of the legal framework of state-building. The collapses of the former Soviet Union, attainment of state independence of Uzbekistan have put forward state-legal construction among the principal tasks. First of all, it is the assertion of the principles of sovereignty, democracy, human rights, in short - the establishment of a legal state and civil society. There was a necessity of formation of new government institutions and to strengthen them. Of course, many of these problems have already emerged earlier in Uzbekistan but after the collapse of the Soviet Union their significance and relevance increased manifold.

The second direction is the formation of market legislation, laying the foundation for the new economic relations and especially of property relations and free entrepreneurial activity. Legal regulation of economic activity becomes the main form of state influence on the economy. The transition to a market economy required the adoption of numerous laws and other regulations (Decrees of the President, Government resolutions and departmental regulations). They regulate ownership issues, the legal status of enterprises, procedure for foreign investments and deal with other issues of entrepreneurship.

The third direction is the creation of the legislation providing the constitutional and legal rights, social protection and social support. Laws have been adopted, regulating and guaranteeing human rights and freedoms, social organizations, freedom of conscience and religion, media.

Equally important is the fourth direction of lawmaking. Not paying attention to the moral health of society spiritual development of its members, improving of their legal culture, will never lead to successful solutions of practical problems, which determine the development prospects

of Uzbekistan, i.e. legislation aimed at preserving of national identity, language, education and cultural heritage is necessary.

The fifth direction is the creation of legal frameworks, defining Uzbekistan as an equal subject of international relations, - one of the new and virtually unexplored areas of legislative activity. In a totalitarian unitary system, de facto Uzbekistan was deprived of direct access to the international arena, did not have its foreign political and economic state institutions and did not have its own legislation.

Ratification by Uzbekistan of major international covenants and agreements opened a new page in history of external relations of the country.⁴⁾ Fundamental in the field of foreign policy activities are the laws for the appointment and revocation of Heads of diplomatic missions (1992) and about installing the diplomatic grades and ranks for the diplomatic staff (1992), on international agreements (1996), on Principles of Foreign Affairs (1997) and the Consular Statute (1996).

For the first time in the history of the Uzbek law, the Constitution of Uzbekistan proclaimed the priority of universally recognized norms of international law over the national one. This is fully consistent with the general trend of the relationship between national and international law, reflecting the increased role of the latter during the second half of the XX century.

2. Overview on Uzbekistan's Insurance Laws

In the Republic of Uzbekistan, the government itself carries out insurance and maintains the state supervision in the field of insurance. Such focus to

4) *Commentaries to the Constitution of the Republic of Uzbekistan* (1997), Tashkent.

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this type of activity associated with the social significance of insurance function, because the insured event is a catastrophe for the policyholder, which in turn leads to an insured event in the national economy, and rupture of the production chain. The misfortune of one policyholder is socially significant for the entire national economy. Insurance allows one to quickly restore the property status of an insured, disturbed by the insurance case rebuild the destroyed ties in economic and legal relations. Each of the policyholders and the State are interested in the stable functioning of the insurance mechanism.

For a long time in our country, as in many countries of the world at a certain stage of social development, there was a state monopoly on insurance. The monopoly of insurance gave the opportunity of wide attraction of insureds, greater stability of the insurance organizations but due to the lack of competition a limited scope of insurance services occurred, and decrease the amount of insurance premiums. However, in the period of transition to a market economy, it is impossible to completely abandon the government insurance.

Critical functions for the organization of the insurance market are performed by regulatory insurance agencies of legislative, executive and judicial authority (civil and arbitration courts). Government legislation and alignment of political forces affect the commercial activities of insurers. This is reflected in the legal impact on insurers by issuing appropriate regulations, directly or indirectly regulating the insurance business.

In Uzbekistan, the regulation and supervision of insurance activities are carried out by the State Inspection for Insurance Supervision under the Ministry of Finance of the Republic of Uzbekistan, formed in accordance with the resolution of the Cabinet of Ministers of the Republic of

Uzbekistan of 08.07.1998, #286 “On measures of state regulation of insurance activity”.

State supervision of insurance activities differentiates in its content to preliminary and current.

Inspection of compliance of insurance organizations to established requirements and issuing of licenses to carry out certain types of insurance activities, as well as registration of associations of insurers and introduction into the list of insurance broker all relate to the preliminary supervision.

Inspection of compliance with the requirements of legislation by professional participants of insurance activities, such as overview and analysis of reports, suspension and revocation of licenses, exclusion from the register of insurance brokers etc. all relate to the current supervision.

At this point in the Republic of Uzbekistan there are the following legislative acts, regulating the insurance business:

- 1) The Civil Code of the Republic of Uzbekistan (Chapter 52).
- 2) Law of the Republic of Uzbekistan dated 05.04.2002. #358-II “On insurance activity”.
- 3) Resolution of the Cabinet of Ministers of the Republic of Uzbekistan, dated 08.07.1998, #286 “On measures of state regulation of insurance activity”.
- 4) Presidential Decree dated 31.01.2002 # UP-3022 “On measures for further liberalization and development of the insurance market”.
- 5) Resolution of the Cabinet of Ministers of the Republic of Uzbekistan dated 27.11.2002 #413 “On measures for further development of the insurance market”.

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- 6) Resolution of the President of the Republic of Uzbekistan dated 10.04.2007 #PP-618 “On measures to further reform and development of the insurance market”.
- 7) Resolution of the President of the Republic of Uzbekistan dated 21.05.2008 #872 “On additional measures to further reform and development of the insurance market”.
- 8) Regulation of solvency of insurers and reinsurers, approved by the Ministry of Finance from 22.04.2008, #41.
- 9) Regulation of insurance reserves of insurers, registered by the Ministry of Justice dated 15.12.2008, #1882.
- 10) Regulation on insurance agents, registered by the Ministry of Justice dated 01.02.2003, #1213.
- 11) Regulation on the application of penalties to insurers for violation of legislation on insurance activities, registered by the Ministry of Justice dated 15.08.2008, #1842.
- 12) The Law of the Republic of Uzbekistan “On compulsory personal insurance of passengers by air, rail, inland waterways and public road transport”, from 07.05.1993, #867-XII.
- 13) Resolution of the Cabinet of Ministers of the Republic of Uzbekistan from 30.07.1993, #379 “On the amount of insurance coverage and insurance rates on compulsory insurance of passengers by air, rail, inland waterways and public road transport against accidents”.
- 14) The Law of the Republic of Uzbekistan from 21.04.2008, #ZRU-155 “On compulsory insurance of civil liability of vehicle owners”.
- 15) Resolution of the Cabinet of Ministers of the Republic of Uzbekistan “On measures to implement the Law of the Republic of Uzbekistan

“On compulsory insurance of civil liability of vehicle owners”, #141 from 24.06.2008.

16) The Law “On compulsory insurance of civil liability of the employer” (from 16.04.2009, #ZRU-210).

17) The Law of the Republic of Uzbekistan dated 15.04.2011, #ZRU-283 “On Amendments and Additions to the Law of the Republic of Uzbekistan “On compulsory insurance of civil liability of vehicle owners”.

3. Current Status of Uzbekistan's Insurance Market

To date, in Uzbekistan, the following insurance organizations are active⁵⁾:

1) Insurance companies:

#	Name
1	ALSKOM
2	ARK Sug'urta
3	Agro Invest Sug'urta
4	Alfa Invest
5	Alfa Life
6	Asia Inshurans
7	Asko-Vostok

5) UzReport Insurance. (2014) Professional Participants of the Insurance Market of Uzbekistan. Available at: <http://insurance.uzreport.uz/cgi-bin/main.cgi?raz=6&lan=r> [Accessed: 29 September, 2014]

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#	Name
8	Chartis Uzbekistan
9	DD General Insurance
10	Euroasia Insurance
11	Garant Insurance Group
12	Global Insurance Gr.
13	Gross Insurance
14	Hankor Sug'urta
15	IShONCh
16	Ingo-Uzbekistan
17	Kafil-Sug'urta
18	Kafolat
19	Kapital Sug'urta
20	Madad
21	Mega Invest Insurance
22	O'zbekinvest Hayot
23	SUG'URTA O'Z
24	Silk Road Insurance
25	Temir Yo'l - Sug'urta
26	Transinsuranse Plus
27	UVT-Inshurans

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#	Name
28	Unipolis
29	Universal Sug'urta
30	Uzagrosugurta
31	Uzbekinvest
32	XALQ SUG'URTA

2) Insurance brokers:

#	Name
1	GrECo JLT
2	Insuring Brokers Servis

3) Assistance services:

#	Name
1	Bovar Service
2	Global Assist
3	Insurance Assist Group
4	Interteach
5	Uzbekinvest Assistance

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4) Associations:

#	Name
1	Association of professional participants of the insurance market of Uzbekistan

5) Actuaries:

#	Name
1	Actuarial Advisers
2	Actuarial Service Bureau

6) Adjusters:

#	Name
1	ASCON SERVICE
2	Bovar Service
3	Claim Adjusters & Surveyor's Services / CASS

Insurance companies of Uzbekistan in the first half of 2014 have increased the insurance premiums by 23% compared with the corresponding period last year to 219.99 billion soums, according to the materials on the website of the Ministry of Finance of the Republic.⁶⁾

6) Ministry of Finance of the Republic of Uzbekistan. (2014) Insurance Activities. Available at: <https://www.mf.uz/ru/mf-insurance-menu.html> [Accessed:03October,2014]

Including premiums for voluntary insurance amounting to 149.017 billion soums (up 18.1%), on compulsory insurance - 70.973 billion soums (up 34.7%).

In particular, the premiums for compulsory insurance of civil liability of vehicle owners reached 43.258 billion soums (up 37%), on compulsory insurance of civil liability of the employer - 14.416 billion soums (up 11.7%).

The five leaders of the collection of premiums in the first half of 2014 are: State Joint Stock Insurance Company (SJSIC) "Uzagrosugurta" - 44.167 billion soums (up 27.1%), National Export-Import Insurance Company (NEIIC) "Uzbekinvest" - 25.719 billion soums (up 19.1%), SJSIC "Kafolat" - 20.551 billion soums (up 22%), JSC Alfa Invest - 16,982 billion sum (up 10.1%), JSC Kapital Sugurta - 13,022 billion sum (up 43.9%).

Payments of insurers of Uzbekistan in January-June decreased by 24.6% - to 30.33 billion soums. Including payments for voluntary insurance, which fell by 40.2% - to 18.701 billion soums, on compulsory insurance - rose by 29.5%, to 11.635 billion soums.⁷⁾

Payments for compulsory civil liability insurance of vehicle owners amounted to 5.084 billion soums (up 33.1%), on compulsory insurance of civil liability of the employer - 4.973 billion soums (up 26.8%).

Insurers nicknamed CMTPL as insurance "Locomotive" long before its appearance. For it is the insurance type, which pulls property insurance, health insurance and stimulates the development of the retail voluntary insurance. At the same time the adoption of new compulsory insurance contributes to a significant increase in insurance premiums.

7) Institute of Forecasting and Macroeconomic Research. (2014) In the first half of the year, the Insurance Market of Uzbekistan grew 23%. Available at: <http://ifmr.uz/v-i-polugodii-strahovoy-ryinok-uzbekist/> [Accessed: October 20, 2014]

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The law “On compulsory insurance of civil liability of vehicle owners” is not a new trend in the national practice. In 1994 was published the Resolution of the Cabinet of Ministers of the Republic of Uzbekistan “On compulsory insurance of civil liability of vehicle and other self-propelled machines and mechanisms owners in the Republic of Uzbekistan”. Meanwhile, compulsory motor liability insurance is typical for most countries.

Obligation of such insurance is caused by the increased risk, which vehicles may represent. The law primarily protects the rights and interests of the victims of road traffic accidents. In accordance with the law, the injured in a traffic accident is indemnified. This eliminates the additional efforts to obtain compensation.⁸⁾

The law defines the main terms of the contract of compulsory insurance, procedure and conditions for compensation of damage for insurance claims and compensation payments.

Together with the Law “On compulsory insurance of civil liability of vehicle owners”, we adopted a number of amendments to the existing legal acts. In particular, the amendments to the Code on Administrative Liability establish responsibility for driving a vehicle without a policy of compulsory insurance. They took effect three months after the entry into force of the law to give time to automobile owners and insurance companies to formalize relations. A distinctive feature of the CMTPL market in Uzbekistan is the existence of the fund of guaranteeing of insurance payments, where to the insurance organizations transfer compulsory contributions, and in the event forced liquidation of the insurer and the insured accident, the policyholders receive guaranteed

8) Arakcheev, D.D. (2008) *CMTPL Contracts: complicated cases*. Zakonodatelstvo.

compensation.⁹⁾ This structure is created similar to Deposit Insurance Funds, existing in many countries.

Antonenko (2009)¹⁰⁾ suggests, that the practice of transition economies shows that a significant share of compulsory insurance is inevitable during the formation of the insurance market in the conditions of market relations, underdevelopment of insurance culture and thus provides an accelerated market capitalization. One mechanism for achieving the objectives may be the establishment and functioning on the territory of Uzbekistan of the compulsory insurance system, as is common practice in countries with a developed insurance market.

B. Development of Laws Concerning Car Insurance in Uzbekistan

In 2008, in Uzbekistan, the Act “On compulsory insurance of civil liability of vehicle owners” (CMTPL) entered into force, and insurers began selling policies of the new sample. CMTPL stimulates the development not only of the insurance market, but also the entire financial system.

Increasing incomes and steady growth of the economy in recent years become a major factor in strengthening domestic demand for insurance products, including voluntary insurance. Despite the fact that in the portfolios of insurance companies are predominated by contracts with legal entities, the most interesting sign of the times can be considered a

9) Lojkin, M.S. (2008) *The Procedure for Conclusion, Amendment and Termination of the CMTPL Contract*. Juridical and legal works in insurance.

10) Antonenko, D.A. (2009) *Characteristics of crime methods in the area of CMTPL*. Juridical and legal works in insurance.

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gradual transformation of the customer base. Most importantly - a growing number of customers (individuals). People became interested in the new insurance products of which earlier they did not know, especially for car owners, providing a comprehensive coverage of their cars, health and life. This will involve the overall growth of the insurance culture among the population.

Insurance risks associated with the operation of the car represents the entire insurance industry, including many participants in this process - insurers and their agents, road service and car service centers, car dealerships.

It should be noted that the liability insurance of vehicle owners is a socially significant sphere, important for the state. This importance is that due to the increase of the number of vehicles every year, and, as a consequence, increase in the number of road accidents, the number of victims therein grows. On the roads of Uzbekistan, there are currently about 3 million of vehicle units operated. Every year, road safety authorities record more than 10 thousand traffic accidents.

Today CMTPL it is one of mass kinds of compulsory insurance, which can be considered as a promising by foreigners, furthermore able to provide policy sales for other types of insurance at the expense of the CMTPL customer base. Thus, the compulsory insurance of vehicles, as generally recognized by insurers, is a kind of a test. The success of this activity can be very serious. Insurance culture in Uzbekistan should be built collectively. So far, one of the obstacles to the development of the market is the lack of habit to insure. If the insurers will be able to implement the initiative of the State and legislators so that the population

was satisfied, then it is likely that the successful experience of introduction of CMTPL can become a locomotive of development, not only of insurance sphere, but the entire financial system, entire economy, because the State establishes a compulsory form of insurance where the question of compensation for material losses acquires national importance. It is obvious that the current system of legislation to provide comprehensive regulation of developing insurance market will continue to evolve, and today the systematic work is extended on the development of a whole system of laws, regulating various aspects of insurance business.

According to Agarkov,¹¹⁾ the compulsory insurance of civil liability of vehicle owners (abbr. CMTPL - compulsory motor third party liability insurance) is a type of liability insurance arising in the US in the 20-ies of the XX century, widely spread in the 40-50-ies in Europe (and later - in the rest of the world), where the object of insurance is the property interests, associated with the risk of civil liability of vehicle owner on obligations arising from causing harm to life, health or property of the victims using a vehicle. CMTPL was introduced in all countries as a social measure, aimed at creating a financial guarantee of damages caused by the owners of vehicles and as a financial instrument to improve road safety. Such insurance is valid worldwide and in transnational agreements (for example, the Green Card).

In the 1920s, in the Soviet Union was a process of elimination of ruins, consequences of the Civil War, in 1930 - a massive collectivization was launched, in 1940 Great Patriotic War took place. All this time the government of the USSR did not plan to provide residents of the country

11) Agarkov, M.M. (1940) *Liabilities according to the Soviet Civil Law*. Moscow: Yurlitizdat.

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with personal vehicles. And since there were no private cars, there was nothing to insure.¹²⁾

Only since then, when in 1960 the Soviet Union began to sell cars to private owners, people started thinking insurance. However, only in 1991 there was the first insurance program, on which the victim in an accident could get a refund.

Liability insurance is a young insurance industry, which is slightly more than 100 years. The development of liability insurance goes along with technical progress and is supported by a variety of laws and regulations, because it affects almost all spheres of life. The essence of liability insurance is that the insurer undertakes to indemnify caused by the insured to a third person or group of persons. This industry is of great importance - both for the insured and for the victim. If the policyholder has caused damage to someone then it will be covered by the insurance company, not the insured. Sometimes the damage can represent a significant amount and in the absence of adequate insurance lead to poor material conditions of a person. Liability insurance improves the chances of the victim, since in the presence of insurance for the person causing the damage, a victim will receive compensation quickly enough from the insurance company.

Impetus for the development of liability insurance as an independent branch was the rapid industrial development. Factory production method inevitably entailed an increase in risk using the means of production and the development of means of transport not only increased its speed, but risks associated with them (the first accident ending with a fatality

12) Samoschenko, I.S. and Farukshin M.H. (1971) *Liability according to the Soviet Legal System*.

occurred in 1897 in London, when the vehicle moving at a speed of 7 km/h, knocked down a pedestrian). In 1871, Germany adopted a law of the Reich on the responsibility, wherein was partially put responsibility for injury at the railroad companies.

A serious talk about car (or motor carriage) insurance in the Russian Empire began in 1910, when at home and abroad, when a vehicular traffic began to actively grow. At this time, cars were seen as not only effective means of transportation, but also causes of frequent fires, damages and injuries, although, at that time, the Institute of increased danger sources has not yet formed in civil law. Therefore, both in Europe, and in Russia was sharply raised the question on insurance of property liability of motor vehicle owners.

Starting in 1913, Russia began to form civil law on motor insurance and, accordingly, began to develop its own, in relation to the Russian conditions, system of such insurance. Thus, on May 11, 1913 the Ministry of Internal Affairs of the Russian Empire, for the “Rossiya” insurance company has approved the “General conditions of losses insurance of motor carriages (and automobiles) owners”, which, for a certain time played the role of basic legal instrument in this field of activity. Specifically, on November 30 of the same year the “Salamander” insurance company was allowed to conduct operations on insurance of losses of motor carriages owners on the basis of the general conditions, approved for the “Rossiya” insurance company.¹³⁾

These rules establish that according to the contract of insurance of losses of motor carriages owners, the insurance company undertook to indemnify the insured losses, which arose for him/her due to accidents,

13) Gerasimova, I. (2008) *The Insurance Market of Russia: face and profile*. Consultant.

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occurred when moving or in a garage, included in the insurance of motor carriages:

- 1) Damages arising out of the property responsibility arising with the insured under the law:
 - a) For death and injuries caused to third parties;
 - b) For damage to and destruction of property (including animals), owned by third parties;
- 2) Losses from damage and breakage of engine carriages themselves, due to accident;
- 3) Losses from fire, explosion, or electricity short-circuit on a motorized carriage.

Insurance on items 2 and 3, of “General Conditions” also applied to accidents occurred with the motor carriage during its transportation within the European continent and Asiatic Russia, as long as loss provided for in paragraph 2 was the cause of accidents, occurred with the conveyance. This implies an important conclusion - the original liability insurance was considered as part of the general motor insurance risks.

Contract wore onerous nature, as the person or institution entered into an insurance contract with an insurance company (insured), was obliged to pay the insurance premium to the insurer at the same time for the entire insurance period or pay the premiums within the agreement of the parties of the transaction dates.

The insurance agreement was based on a written announcement, supplied to the insured on a letterhead of established by the insurance company forms.

B. Development of Laws Concerning Car Insurance in Uzbekistan

The insurer had the right to demand from the insured a downpayment, when submitting announcement of not more than owed in the first payment of the insurance premium. In the case of a contract of insurance, the deposit paid was credited against the policyholder, when paying the premium. The insurance company issued to the insured a special receipt for the deposit. In this case the payment of the deposit did not give the insurer the right to recover damages on accidents that occurred prior to the liability of the insurance company.

From the conditions of third party liability insurance, developed by the “Salamander” insurance company, it is evident that civil liability of the insurer began, unless otherwise expressly agreed by the participants of the transaction, from noon of the day, which is indicated in the policy as the beginning of the insurance, but with the proviso that when submitting announcement, the policyholder introduced a deposit in the amount owed under the policy of the first installment premiums;

Otherwise - from noon of the day, that followed the afternoon, when the first premium payment was made to the cashier of the company or the agent. When forwarding premium by mail, liability of the insurer began with 12.00 of the date, which followed the day, when the premium was sent by mail.

If within 30 days from the date that was specified in the policy as the beginning of the insurance, the policyholder failed to pay the first premium, it was recognized that the policyholder so refused to sign the contract of insurance, and the deposit, if it was paid, remained at the insurer.

In paragraph 12 of these conditions was also recorded the position that the loss of a policy should be declared by the policyholder in writing to the board of the insurance company, which, in turn, had to publish the

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information about it three times at the expense of who declared in the newspapers of both capitals. If after three months from the date of the last publication, the policy has not been submitted, then it was acknowledged destroyed, and the board of the insurance company issued to the insured a duplicate for the same number. If after the issuance of the replacement policy, the lost policy was found, the insurer did not bear the responsibility on it. The insurer also assumed judicial protection of the demands on the payment of damages charged to the policyholder, stipulated in the insurance contract.

Essential for the formation of the system of civil regulation in the area of study had also “General Conditions of losses insurance from civil liability to third parties”, which were approved by the Ministry of Internal Affairs on October 11, 1913.¹⁴⁾

This enforceable enactment in many respects accepted the provisions of conditions of insurance of individual insurance companies, but contained specific novelties. According to the provisions of this act, under a contract of insurance losses from civil liability to third parties, insurance company were always obliged to indemnify the insured losses, which appeared to him/her from his/her civil liability, as a result of incidence of bodily injury or death to a third party, while insurance was in force, or damage to health or damage or destruction of property belonging to them (including animals). The insurer also assumed the judicial protection by presenting a claim for payment to the insured losses, stipulated in the insurance contract.

The parties of the insurance contract had the right to provide for the insurance of losses from civil liability of the insured to third parties,

14) Zaguskin, N.N. (2007) *To the question of insurance development in Russia in the second half of the XX century*. History of the State and Law.

arising for any reason, or restrict only to certain or precisely listed in the contract loss types.

Insurance contracts could be due to both full reimbursements by the insurer to the insured arising from loss thereof, and partial (incomplete), limited either to a certain share of the loss, or limits of liability of the insurance company. With this restriction, the percentage of the loss not adopted by the insurance company for reimbursement, was to remain at the risk of the policyholder and could not be insured in any other insurance institution.

The losses of the insured was determined by the compensation sum paid by the insured to the victim with the addition thereto, if the amount of compensation was established by court decision, of litigation costs, in favor of the plaintiff, as well as interest on the amount of compensation.

After the October Revolution of 1917, the nationalization of insurance business began.

On March 23, 1918 was signed the Decree of the Council of People's Commissars "On establishment of state control over all types of insurance, excluding social". In the first stage of socialist transformation of insurance business, there still was retained a commercial basis of the old organizational forms of insurance. However, civil war and foreign military intervention demanded the adoption of emergency measures on all areas of economic activity. They accelerated the nationalization of insurance business.¹⁵⁾

In November 1918 the People's Commissars adopted the Decree "On organization of insurance business in the Russian Republic", which has assigned the state monopoly for insurance in all shapes and forms.

15) Kozinov, A.E. (2007) *Liability Insurance*. Juridical and legal works in insurance.

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During the Civil War, insurance practically wasn't implemented, assistance to the needy was granted with the natural products. The monopoly right of Gosstrakh (State Insurance) for insurance activities was stipulated in the Regulations "On the People's Commissariat of Finance of the USSR" on November 12, 1923, as well as in the decision of People's Commissars of the USSR on November 11, 1924. Approval of Gosstrakh's monopoly ended by the Regulations "On State insurance in the USSR". At the same time, however, still remained a mutual cooperative insurance.

According to Trunov et al.,¹⁶⁾ to build confidence in the Soviet insurance, Gosstrakh with the participation of foreign companies in 1925 created the Black Sea-Baltic Insurance Company (BLACKBALSEA), and in 1927 in Germany - Black Sea-Baltic Transport Insurance Company (SOVAG). These societies insured imports of USSR from the leading European countries and America. Gosstrakh insured all exports, as well as some imports, mainly from neighboring countries.

During the Great Patriotic War, State insurance funds were widely used for military purposes. After the war, insurance conditions are somehow reviewed. In 1947, "Ingosstrakh" is separated from Gosstrakh as an independent institution, serving the foreign trade (formerly the interests of the foreign trade activity were serviced by two specially created companies - BLACKBALSEA and SOVAG). Incidentally, the practice of separating the state insurance on internal and external, called "duopoly" has been implemented in most of the Soviet republics, and later - in most of the countries of the Warsaw Pact. Although insurance is usually was compulsory, the role of voluntary insurance gradually, very slowly, increased during the socialist period.¹⁷⁾

16) Trunov I.L., Ayvar L.K., Yuryev A.V. (2008) *Motorist's Directory*.

17) Kozinov, A.E. (2007) *Liability Insurance*. Juridical and legal works in insurance.

Two Soviet insurers were “delivered” from mutual competition by separation of the activities. In these circumstances, the concept of “state insurance” began to reflect different than before, content - scope of activities inside the country. From it the notion of “foreign insurance” has separated, i.e. outside the country. From a legal standpoint, these two areas remained under the government. Only in 1973, Ingosstrakh became the first Soviet joint-stock insurance company.

The double soloing of Gosstrakh and Ingosstrakh lasted over forty years. Their noncompetitive activity was far from trouble-free. The pressure of the budget on Gosstrakh, pressure of the exchange plan on Ingosstrakh, instructions of the USSR Ministry of Finance and some other departments on both insurers left them too little opportunity for initiative and the search of unconventional solutions. This does not deny the success achieved in the development of insurance business, but they are certainly more modest than might be. Therefore, with de-monopolization and liberalization of insurance business from the end of the 80s, the former monopolists lost their right to a quiet life, but have gained many more in the system of market incentives and freedom.¹⁸⁾

Thus, in the Soviet era in our country liability insurance was almost non-existent: only a voluntary insurance of civil liability of foreign owners of motorized vehicles was conducted during their stay on the territory of our country, and insurance of our citizens traveling in vehicles abroad.

In the post-perestroika period, state insurance was canceled. In fact, the insurance market in our country began to recreate.¹⁹⁾

18) Zaguskin, N.N. (2007) *To the question of insurance development in Russia in the second half of the XX century*. History of the State and Law.

19) Insurance Today. (1996) Initial Stages of Uzbekistan Insurance Market Formation.

C. Characteristics of Car Insurance Laws of Uzbekistan

Based on the above information, the characteristics of the most important legislation, the Law “On compulsory insurance of civil liability of vehicle owners” #155-ZRU dated 21.04.2008, will be explored.

According to the Law, the owner of a vehicle is obliged to insure his/her civil liability not later than ten days after coming into possession of a vehicle.

However, the duty of civil liability insurance does not apply to owners of:

- Vehicles whose maximum speed is less than 20 kilometers per hour;
- Trailers and two-, three-, or other vehicles, driven by a motor with a working volume of 50 cubic centimeters or the power of a person or animal;
- Vehicles of the Armed Forces of the Republic of Uzbekistan, except for buses, cars and other vehicles, used for economic activities of the Armed Forces of the Republic of Uzbekistan;
- Vehicles registered in foreign countries, if the civil liability of their owners is insured within the international system of compulsory insurance, valid on the territory of the Republic of Uzbekistan;
- Vehicle owners' civil liability of which is insured by any other person in accordance with the law.

With regard to residents of foreign countries, when entering the territory of the Republic of Uzbekistan and in the absence of the insurance policy

Available at: <http://www.insur-info.ru/press/d2450126/> [Accessed: 30 September, 2014]

of the international systems of compulsory insurance, valid on the territory of the Republic of Uzbekistan, they are required to insure their civil liability for the entire duration of the temporary use of vehicles on the territory of the Republic of Uzbekistan, but not less than fifteen days.

By their nature, subject to compulsory insurance are the property interests of owners of vehicles, associated with the occurrence, in accordance with the law of their civil liability for compensation of damage to life, health and (or) property of victims, caused by using the vehicle. Under a contract of compulsory insurance can be insured the civil liability of a policyholder and (or) another owner of the vehicle specified in the contract of compulsory insurance.

However, the following cases are not insured events:

- causing harm when using a vehicle, not specified in the insurance policy for compulsory insurance;
- Pecuniary damage and (or) the obligation to compensate for loss of profits;
- causing harm when using a vehicle during the competition, testing or training ride in specially designated areas;
- Environmental pollution;
- causing harm as the impact of transported cargo;
- Harm to the life or health of workers in the performance of their official duties or employment;
- The obligation to indemnify the employer damages, caused by the injury to the worker;
- Driver causing harm to the vehicle and trailers, their loads and (or) equipment installed on them that this driver operates;

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- causing harm when loading or unloading, as well as when the vehicle is on the territory of the enterprise, institutions or organizations, being the owner of the specified vehicle;
- Damage or destruction of antique and other unique items, monuments, items made of precious and semi-precious stones and metals, religious objects, works of art, manuscripts, unique audiovisual works and other results of intellectual activity, securities, cash, including foreign currency;
- causing harm as a result of intentional acts of victims, directed to the occurrence of the insured event.

Upon the occurrence of a civil liability of owners of vehicles in the circumstances specified above, the harm is non-refundable.

Further, the order of the conclusion of the insurance contract. Compulsory insurance contract is public and is valid for 1 year, except in the following cases:

- When purchasing a vehicle (purchase, inheritance, acceptance as a gift, etc.) its owner has the right to conclude a contract of compulsory insurance for the time moving to the site of vehicle registration.
- When the seasonal use of the vehicle, its owner has the right to conclude a contract of compulsory insurance for a period time of use. In this case the specified period may not be less than six months in a calendar year.

As with other types of insurance, voluntary or compulsory, vehicle owner has the right to choose the insurer, carrying out compulsory insurance.²⁰⁾

20) Uzbekistan Today. (2008) CMTPL: A Locomotive for the Insurance Development.

The form of insurance policy and the special public sign are documents of strict accountability, must have series and number and not less than 3 degrees of security. The forms of insurance policy and the special public signs are made to the insurer order typographically in “Davlat belgisi” state production association.

Special state sign is placed in the upper right corner of the windscreen of the vehicle, whose civil liability is insured.

To conclude a contract of compulsory insurance, policyholder submits to the insurer an application form for the conclusion of the contract of compulsory insurance for every vehicle, specified in the application form, with copies of the following documents:

- a) a passport or other identity document of policyholder (as a natural person) and other persons, admitted to driving (pages with a photograph and the latest mark on registration);
- b) a technical certificate or a certificate of state vehicle registration (or a copy of the contract of sale (exchange, donation) of a vehicle);
- c) authorization to drive the vehicle or other document confirming the right of ownership of this vehicle - in case when the compulsory insurance contract is with the condition that only certain persons are admitted to drive this vehicle (for all persons admitted to driving, except for the owner of the vehicle);
- d) driving licenses of all persons admitted to driving, or other documents confirming the right of all drivers to drive the vehicle - in case when the compulsory insurance contract is with the condition that only certain persons are admitted to drive this vehicle;

Available at: http://old.ut.uz/rus/obshestvo/osago_lokomotiv_razvitiya_straxovaniya.mgr
[Accessed: 04 October, 2014]

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- e) Documents (certificates, references, etc.) confirming the involvement of individual policyholders in the category of persons, eligible to receive discounts on insurance premiums (if any).

The originals of the above documents, except for documents specified in paragraph “e” are submitted for checking their copies with the originals. Copies of the documents contemplated in subparagraph “e” are subject to notarization.

Of course, the insured is liable for the completeness and accuracy of the information and documents, submitted to the insurer.²¹⁾

The contract of compulsory insurance can be prematurely terminated in the following cases:

- a) prohibition in the prescribed manner of use of the vehicle;
- b) disrepair of the vehicle specified in the insurance policy on compulsory insurance, for further use;
- c) Change of ownership of the vehicle.

The contract of compulsory insurance may be prematurely terminated in other cases, provided by law.

In the event of early termination of the contract of compulsory insurance, part of the premium is returned proportionally to the amount of the indemnity paid and the remainder of the contract on compulsory insurance in days.

The sum insured in the compulsory insurance contract is specified in the national currency and is determined by the rate of the Central Bank

21) Automobile Center of Uzbekistan. (2012) What one has to know about CMTPL. Available at: <http://autocenter.uz/chto-nuzhno-znat-pro-osago/> [Accessed 30 October, 2014]

of the Republic of Uzbekistan on the day of conclusion of the contract of compulsory insurance.

Insurance rates are fixed by the State and are the same for all insurance companies. The cost depends on the following parameters:

- 1) Legal subject (person or entity);
- 2) Type of vehicle (cars, trucks, buses, tractors, motorcycles and others.);
- 3) Territory of preferential use;
- 4) Number of persons admitted to driving (limited or unlimited number);
- 5) Presence or absence of insurance cases in prior periods;
- 6) Driving experience of the person specified in the policy;
- 7) Period of use of the vehicle;
- 8) Violations of insurance in prior periods;
- 9) Driver's age.

Certain categories of car owners are entitled to a 50% discount, but only for one vehicle owned by him/her. These are: participants or partisans of the war of 1941-1945, or persons with equivalent status; veterans of the labor front of the war of 1941-1945; former juvenile prisoners of concentration camps; one of the parents or widow, not remarried, of a serviceman who died due to injuries, contusion or disability, obtained in the performance of duties of the military service or due to disease, associated with the presence at the front; suffered from the Chernobyl accident; pensioners; disabled. To receive the discount, it is necessary to provide to the insurance company notarized copies of certifying documents, as it was stated above.

II. Car Insurance Laws of Uzbekistan

Provided discounts are compensated by the Guarantee Fund for payments on compulsory insurance of civil liability of vehicle owners within fifteen days from the date of receipt of the written request of the insurer on the issue of compensation for discounts on insurance premiums.

The insured (or other person, whose civil liability is insured by compulsory insurance contract) being involved in a road traffic accident, which caused harm to the victim, shall, upon request, inform other participants of the specified incident information about the contract of compulsory insurance, on which he/she has insured civil liability of owners of this vehicle.

In the insurance case, the insured (or other person, whose civil liability is insured by compulsory insurance contract) or his/her authorized representative shall:

- Not later than three calendar days from the date of the accident to send a copy of the insurance policy on compulsory insurance to the victim (his/her heirs or successors);
- Wait for the arrival of workers of the State Road Safety Service, if possible, record the names and addresses of witnesses of traffic accident;
- Without delay, not later than 72 hours after a traffic accident, in written form, with a copy of the insurance policy on compulsory insurance, notify the insurer of the incident (or its subsidiary), State Road Safety Service at the place of road accident and the place of registration of the vehicle. The notification must necessarily contain the information to the fullest extent, regarding the nature of the event, the occurrence of the event, the estimated amount of damage,

the names and addresses of all persons, involved in a traffic accident, including the plaintiffs alleged, as well as details about how policyholder first learned about the event and why the policyholder believes that an event may lead to claims;

- Immediately inform the insurer about all the requirements imposed on him/her in connection with the insured event, or proceedings initiated against him/her, submit all information to the insurer about the circumstances of the damage and documents, obtained from the competent authorities, needed to establish the causes and consequences of the insured event, the nature and extent of harm;
- Take all possible measures to prevent and (or) reduce the harm.

The victim or his/her heirs (relatives or other authorized representatives if the condition of the victim does not allow to apply independently) or a legal successor directs to the insurer (or a branch at the place of residence of the victim or the place of the accident) an application, containing requirements related to insurance payment with originals or copies of the application:

- Insurance policy (if any);
- Documents confirming the fact and size of the damage caused (conclusion or decision on road accident, a certificate from a medical institution or other documents, confirming injury to life or health, act or a death certificate);
- Documents confirming the fact and size of the damage caused to the property (commercial acts, bills, extracts from the books of fixed assets, vouchers, contracts for services and execution of works, acts of an independent evaluation of the property, etc.);

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- Identification document of the victim;
- Documents confirming entry in the inheritance or succession rights, as well as the identity of heirs or the state registration of the legal successors (if the indemnity is to be paid to the successors or assignees of the victim).

Which is typical for this type of insurance, when damage is caused to property of the victim, the amount of insurance compensation cannot exceed 35 percent of the sum insured, i.e. when causing harm to life or health, the maximum amount of insurance compensation does not exceed 65 percent of the sum insured.

The Guarantee Fund makes compensatory payments on account of compensation for harm to life, health and (or) property of the victim, if the insurance payment under a contract of compulsory insurance cannot be realized due to:

- insurance company's bankruptcy;
- impossibility to identify the person responsible for the harm caused to the victim;
- harm resulting from the use of the vehicle by a person taking possession of the vehicle in an unlawful way;
- liable vehicle owner's civil liability insurance absence.

Also, the insurer is entitled to submit to the person causing the harm (insured, or another person, whose civil liability is insured under a contract of compulsory insurance) a recourse in the amount of insurance payment produced by the insurer, if:

D. Assessment of Current Car Insurance Laws of Uzbekistan

- a) due to the intent of the specified person harm was caused to life, health and (or) property of the victim;
- b) damage was caused by the said person while driving intoxicated or under the influence of drugs, psychotropic or other substances, affecting intellectual and volitional activity;
- c) the person had no right to drive a vehicle, using which they have caused injuries;
- d) the person fled the scene of a traffic accident;
- e) the person is not included in the contract of compulsory insurance as the person authorized to driving (when concluding the contract of compulsory insurance with the conditions of use of the vehicle only by the drivers specified in the contract);
- f) insured event occurs when using the vehicle by the said person in a specific period not covered by compulsory insurance contract (when concluding the contract of compulsory insurance with the conditions of use of the vehicle during the period, specified in the contract of compulsory insurance). The insurer is thus also entitled to require from the said person of reimbursement of expenses incurred in the insurance case.

D. Assessment of Current Car Insurance Laws of Uzbekistan

During the implementation of the Law among car owners, there are some issues, requiring a particular amount of time for their identification and their solutions.

II. Car Insurance Laws of Uzbekistan

As already stated formerly, inherently CMTPL²²⁾ is not a “car insurance” in the sense in which it is customarily used in a professional environment. Because, “car insurance” is the insurance package, which includes the protection of interests of the owner of the car when addressing the damage to his/her vehicle, life and health. CMTPL policy is also a guarantee, but of some other kind. Its goal is a compensation for damage caused to the interests of third parties.

That is, if a person is responsible for an accident and thus damaged the car of other participant of traffic, then CMTPL covers the costs of the victim. But only up to the amount prescribed by law. Currently, this amount is equivalent to 3 thousand US dollars at the exchange rate at the time of the CMTPL contract. Hence we conclude: unlike conventional car insurance, buying CMTPL insurance policy, owner buys the car insurance not in his/her favor, but does so in the interests of potential victims, thus saving themselves from the possible costs in case of an accident.

The next challenge: for example, a citizen of Uzbekistan became a proud owner of a brand new car. How long can one drive without a policy? People don't rush to an insurance company right after they get a car. They have to solve some other important issues resulted from the purchase. The answer is given by Article 6 of the Law of Uzbekistan “On compulsory insurance of civil liability of vehicle owners”: “In the event of right of possession of a vehicle (acquisition of a property, operational control or on other legal grounds), the owner of the vehicle is obliged to insure his/her civil liability not later than ten days after receipt of such rights.”

22) As introduced in the previous section, CMTPL stands for compulsory motor third party liability insurance.

Time is counted from the date of registration in the showroom, or the date of conclusion of the contract of sale (with the purchase on the market, etc.). The new owner has 10 days - both for registration with the Road Safety authorities, and to insure his/her civil liability. In fact, this period is given for proper registration with because while insuring, the data from the certificate of state registration (technical passport) is required. The same 10 days correspondingly apply with respect to vehicles, transferred into the possession of a proxy, leases for rental (leasing), etc.

Also, there are penalties by the state traffic police for driving without the CMTPL policy. Penalties for violation of the law on compulsory insurance of civil liability of vehicle owners are established by Article 135-1 of the Administrative Code of Uzbekistan:

- Amount of the fine on citizens in the amount of one minimum monthly wage;
- In respect of officers - in the amount of three times the minimum monthly wage. In the law on compulsory motor insurance there is an article saying that without CMTPL, operation of the vehicle is prohibited.

That is, if one is driving without a compulsory motor insurance policy, the inspector of traffic police has the right to pick up his car to the penalty area. The car will stay there until he obtains CMTPL. Only after receipt of the policy, one may head to the traffic police, where he would be discharged permission to pick up his vehicle from the penalty area.

Next, once a law abiding citizen have done everything according to the rules, has issued the policy and has a good amount of time behind the wheel, he/she is sometimes unaware of the fact that CMTPL has its

II. Car Insurance Laws of Uzbekistan

deadlines. There are maximum and minimum terms, for which the car can be insured. The legislation provides for the differentiation of the insurance term for domestic and foreign car owners:

For the local automobile owner, the minimum insurance period is 6 months, the maximum is one year. However, legislation provides for the following case: For example, if one purchased a car in one region, but he puts it on the record in another region. Then there is the possibility of insurance for the period of journey to the place of registration - calculation of the cost of insurance is made proceeding from the term of 20 days.

But for a vehicle registered in a foreign country, and temporarily used in the territory of the republic, insurance payment is made on the basis of the minimum insurance period of 15 days. Vehicle, of course, can be operated in Uzbekistan under those 15 days, but the calculation of the cost will be performed based on this minimum period. The maximum term is limited to a period of 11 months.

For the most part, the Law of the Republic of Uzbekistan “On compulsory insurance of civil liability of vehicle owners” was based on a similar law of the Russian Federation “On compulsory insurance of civil liability of vehicle owners”, which came into effect in 2003. The main differences lie in the payouts, which significantly exceed the amounts recoverable for accidents in the Republic of Uzbekistan.

Also, for the time of operation of CMTPL in Russia, a practical mechanism of insurance was gained, so there is an opportunity to acquire insurance policy online at most insurance companies. Also it should be noted that today on the web-sites of large and medium-sized insurance companies, there is a CMTPL calculator, with which each individual can

make calculation of CMTPL price, considering all the coefficients and correction values (region, driving experience, the number of persons admitted to driving and so on).²³⁾

In October this year, tariff rates for motor insurance were revised towards increase, but there were also revised the amounts of insurance benefits to the injured in road accidents.

Today CMTPL is more expensive in Russia than in any of the CIS countries. The policy costs an average of \$110.

Approximately the same value of the policy is in Azerbaijan. Here the tariff was raised several years ago. There is a serious level of competition in the market, and although insurers do not receive excessive profits, none of the market participants is going to leave the vehicle segment.

In Ukraine, law on compulsory insurance of vehicle owners acts since 1994. According to studies, losses of insurance companies are growing every year (from 8% in 1994 to 27% in 2003). The loss ratio is not due to the humanity of insurance companies, but their lack of interest. In Ukraine, there is no total state control over of CMTPL (insured are only about 20% of car owners), and rates for this type of insurance are low, but insurance payments are disproportionately high. The legislation of Ukraine has an interesting point - deductible of 100 USD (for example, if the guilty party causes harm for a smaller amount, then he/she shall compensate it from his/her own funds).²⁴⁾

23) Kochev, V.A. (2010) *Comparative Legal Analysis of Legislation on Compulsory Insurance of Civil Liability of Vehicle Owners in the CIS Countries*, Perm University Bulletin, 2(8), pp. 118-126.

24) Kochev, V.A. (2010) *Comparative Legal Analysis of Legislation on Compulsory Insurance of Civil Liability of Vehicle Owners in the CIS Countries*, Perm University Bulletin, 2(8).

II. Car Insurance Laws of Uzbekistan

In Estonia, struggle against unwilling to purchase a liability insurance policy tool was carried out by introducing severe penalties for the lack of policy (the penalty for such a violation may reach 1000 USD) - for this reason, there are practically no people willing to break the law. Also in Estonia, there is strict control from the Government for the activities of insurance companies, dealing with CMTPL, in particular, for non-payment of damages, insurance companies are subject to large fines and there are almost no such cases. Unlike Uzbekistan's legislation, in Estonia regression is only possible in the case, if the driver was drunk. Also one of the main differences between the laws consists in the fact that in case of injury to the victim, an insurance company shall compensate him/her all the costs of treatment without restriction on the amount.²⁵⁾

High penalties for lack of CMTPL policy are stipulated in the legislation of Belarus, where their introduction also proved to be an effective incentive for automobile owners (the penalty is approximately equal to the annual premium).

The legislation of Kazakhstan provides the maximum amount of the insurance premium, but there is no minimum. The specified point allows insurers not only to survive in the market but also to lower base rates to 50%⁶ without lowering the amount of payments for insurance claims.

One of the lowest rates for insurance is in Moldova. The average price of the policy here does not exceed 40 USD. But the payments are also too low.

Kyrgyzstan is only preparing to make liability insurance compulsory for all. This is one of the conditions for the Republic of entry into the Customs Union. At the moment, CMTPL applies to the transportation of

25) Id.

dangerous cargoes and passenger transportation. Uniform tariffs are also unavailable. In Kyrgyzstan, this is a voluntary type of insurance and insurance companies set their own tariffs, which depend on the volume of the engine and driving experience. Now the price is about 30 USD and up.

According to Kochev, insurance payments to victims are carried out within: one month (Ukraine); 5 days after the decision on its payment (Uzbekistan); 7 days (Kazakhstan); 10 days (Moldova); or 50 days (Belarus) from receipt of the documents from the victim. In most CIS countries, there is a system of direct settlement of claims, in which the victim, being insured (any other person, the civil liability of which is insured under a contract of compulsory insurance) has the right to apply in writing for redress, caused to his/her life, health and (or) property, to the insurer, with whom he signed a contract of compulsory insurance (Uzbekistan, Kazakhstan).²⁶⁾

Legislation of the CIS provides for the possibility of recourse recovery of the insurance premium from a tortfeasor (Uzbekistan, Ukraine, and Moldova). Interestingly, the legislators of the CIS (including Russia) in this case, use the principles of recourse, not subrogation, in what appears the tradition of Soviet jurisprudence.

Compulsory insurance of civil liability of vehicle owners in Uzbekistan is a relatively new type of insurance. During the operation of the law, problems of this type of insurance were identified.

The most acute problem is normalization of relations between the insurer and the insured. Under the current legislation, all disputes between the insurer and the insured are resolved in court. As demonstrated by the

26) Id.

II. Car Insurance Laws of Uzbekistan

jurisprudence, significant portion of such conflicts basically is unsolvable, because there are many gaps in the law governing such conflicts. And very little direct norms, establishing mutual rights and obligations of the insurer and the insured.

There are a lot of problems because of inaccuracies and uncertainties in the wording of the law on CMTPL. There is a significant problem in that some functions devolve to the insurer, which should be considered in a court, in particular, determination of the degree of culpability of participants of road accident under their mutual fault. There are inaccuracies in the description of the procedure of claims settlement and determining the size of the insurance payment.

A large number of complaints of policyholders to the insurance supervision, can be attributed mainly to the articles of the law “On compulsory insurance of civil liability of vehicle owners” and insurance regulations, that cause different interpretations. For example, the law says that the traffic accident is not insured event, if it has occurred on “the domestic territory of the organization” but there is no exact definition of this term.

Also, according to the Law, “victim must provide all documents to the insurer and evidence, as well as to report all known information, confirming the amount and nature of damage”, which is an important point, which reduces the time of the insurer to investigate the insured event and expedite the payments to the victims.

Waiting for the arrival of the traffic police by the participants of the accident (2-5 hours) and the duration of the processing of documents (4-6 hours), can be explained by the lack of certified staff in the traffic police.

Another measure could be the simplification of document preparation - computer processing, digital photography and measurement, satellite communications.

Equally important omissions in the compulsory insurance of civil liability of vehicle owners are the use of deductibles (a certain part of the insured's losses not to be reimbursed by the insurer in accordance with the terms of the insurance). As is known, in international practice deductibles are widely used. The need to apply deductibles in compulsory insurance of civil liability of vehicle owners is now quite evident. Firstly, if a small accident occurred, costs of registration of the insured event, estimates may exceed the amount of insurance payment; secondly deductible obligates the insurer to more diligently treat the insured property.

Thereby, to stabilize the market of compulsory civil liability insurance of vehicle owners, immediate decision of these problems is required. Since CMTPL is a mass kind of insurance, it can be a good tool to improve insurance culture of the population.

III. Car Insurance Laws of Korea

A. Overview on Insurance Laws and Market in Korea

1. Overview on Insurance Laws in Korea

In Korea, car insurance, interchangeably used with terms “auto liability insurance”, “automobile insurance”, and “auto insurance”, is a type of non-life insurance (or general insurance)²⁷⁾ which aims to protect the insured against losses caused by an accident during the insured's ownership, use, and/or possession of his car; “Ownership” here means registration with the relevant authorities, “use” means operation of the car by the owner himself or by driver other than the owner, and “possession” means possession by the owner, another driver, a rentee, or a car mechanic, etc.²⁸⁾

A non-life insurance is as defined in the Commercial Act is one in which the insurer of a contract of non-life insurance is liable to indemnify the insured for losses against his/her property caused by the occurrence of a peril insured against.²⁹⁾ The Commercial Code of Korea categorizes non-life insurance into five categories of fire insurance, transportation insurance, marine insurance, liability insurance, and car insurance.³⁰⁾

27) For consistency with the other parts of this report on Uzbekistan car insurance, the term “car insurance” is used.

28) Park, Se-Min (2007) Theory and Practice of Auto-insurance Law [Ja Dong Cha Bo Heom Beop Ui Yi Ron Gwa Shil Mu]. Seoul: Se Chang Sa. at p. 23.

29) Commercial Act Article 665.

30) However, the Regulation on Supervision of insurance business further divides these categories into 14 types, including fire insurance, marine insurance (including aviation

III. Car Insurance Law of Korea

The subject matter of a non-life insurance includes Only such interests as can be estimated in a monetary sum can be the subject matter of an insurance contract.³¹⁾ As such, in principle, any loss of profit, emotional or mental interests are not covered by a car insurance.

The law and regulations that govern matters most relevant to car insurance are the Commercial Act of Korea, the Regulation on Supervision of Insurance Business, the Guarantee of Automobile Accident Compensation Act, and the Act on Special Cases Concerning the Settlement of Traffic Accidents.

2. Overview on Insurance Market in Korea

According to the Article 4 of the Insurance Business Act, those who wish to operate a car insurance business must receive permission from the Financial Services Commission, and such permission is given only to incorporated companies, mutual companies, and foreign insurance companies.³²⁾

In the past, Korea Auto-Insurance Corporation³³⁾, a public corporation established in 1962, played a central role in the car insurance market; however, it has been a while since private non-life insurance companies have taken over the role.³⁴⁾ Car insurance takes 40% of non-life insurance market, and with loosening of strict regulations on car insurance companies,

and transportation), car insurance, guaranty insurance, reinsurance, liability insurance, engineering insurance, title insurance, burglary insurance, glass insurance, animal insurance, nuclear insurance, and expense insurance.

31) Commercial Act Article 668.

32) Insurance Business Act Article 4.

33) Its official Korean name is [Han Guk Ja Dong Cha Bo Hum Ju Sik Hoe Sa]. It no longer exists, as it became a part of Dong Bu group.

34) Park, Se-Min, *supra*, at p. 21.

a large number of insurance companies, including foreign companies, are engaged in car insurance business in Korea.

There has been continuous effort to decrease the number of car accidents and raise awareness on safety among citizens by the government in cooperation with the media and civil groups, and accidents caused by certain causes, such as speeding, have decreased.³⁵⁾ However, due to the development of technology which allows higher driving speed, use of various gadgets installed in the car including cellular phone, and increased number of passenger and cargo traffic inevitably resulted in greater magnitude of car accidents.³⁶⁾ In addition, rapid economic growth and better standard of living allowed Koreans to own larger and more expensive cars compared to the past which increases the material loss in case of accident. As such, the liability of the driver who caused an accident tends to be greater, which in turn results in loss of car insurance car companies which have to indemnify the loss caused by the driver.³⁷⁾

Because of such trend, car insurance market began to suffer, and the insurance companies became discriminatory against certain types of drivers and hesitant to sell insurance policies which they deemed unprofitable. The government had to intervene and regulate such behaviors.³⁸⁾

35) Id. at p. 20. According to the statistics Park quotes, the total number of car accidents and casualties have decreased in 2004 compared to 2003. When compared to the statistics of 2013, the number of car accidents and casualties dropped again.

36) Id.

37) For specific statistics and trends, see General Insurance Association of Korea's statistics available at <http://www.knia.or.kr>.

38) See Park, *supra*, at pp. 10-15.

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However, since 2000, the government started to gradually deregulate the car insurance market in order to encourage insurance companies to come up with various creative policies and compete among themselves.³⁹⁾

In addition, the government and the insurance companies tried to minimize the excessive payment of insurance money by strictly regulating fraudulent insurance claims by false victims, fraudulent invoices issued by car mechanics, and excessive medical treatments by medical institutions which have been one of the main causes for the insurance companies' losses.⁴⁰⁾

To summarize, with Korea's rapid economic growth, the number of cars and car accidents also increased, car insurance has become a major part of insurance market. While car insurance market at early stage was strictly regulated by the government and was led by a public corporation, as the economy and the market further grew, by amending relevant laws, the government gradually loosened the restriction on insurance companies and instead began to regulate fraudulent behaviors by market participants other than insurance companies, such as false victims, car mechanics, and medical institutions. Considering the number of drivers and the economic, social, and cultural significance of motor-vehicles in Korea, the time is ripe for the car insurance market to become self-sustaining and mature. In such a sense, the government is moving towards the right direction by amending relevant car insurance laws appropriately.

39) For detail, see Park, *supra*, at pp. 14-15.

40) The Guarantee of Automobile Accident Compensation Act was amended 17 times since its enactment in 1963, and at least 4 amendments aimed to regulate fraudulent claims by false victims, car mechanics, and medical institutions. For details, see Reason for Amendment issued in 2004, 2007, 2010, and 2012.

B. Laws Concerning Car Insurance in Korea

1. Commercial Act

Part IV Chapter II of the Commercial Act of Korea provides framework for non-insurance in general, and Section 6, titled Automobile Insurance, provides three articles relevant to car insurance. These articles are inserted in the Commercial Act by Act No. 4470 on December 31, 1991.

Article 726-2 provides for liability of insurer of automobile insurance, and states that the insurer of the automobile insurance contract shall be bound to indemnify for any loss caused by accidents which have occurred while the insured owns, uses or manages an automobile.

Article 726-3 is titled Automobile Insurance Certificate, and provides that the automobile insurance certificate shall contain certain information, including names, birth dates or trade names of the owner and other possessors of the automobile; registration number, chassis number, type in year and mechanism of the insured automobile; and the value of the automobile, if determined.

Article 726-4 is titled Transfer of Automobile, and provides that if the insured transfers the automobile during the cover period, the transferee shall succeed to the rights and obligations under the insurance contract only in case where the transferee obtains the approval from the insurer. Also, when the insurer is notified of the fact of transfer by the transferee, the insurer shall notify without delay whether it accepts or not, and if it fails to do so within ten days after the notification thereof, it shall be considered to have accepted (Article 726-4).

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Generally, in a car insurance certificate, following information should be recorded:⁴¹⁾

1. The subject matter insured;
2. The nature of the peril insured against;
3. The insured amount;
4. The insurance premium and the method of their payment;
5. The timing for commencement and termination of the period of coverage, if there is an agreement thereupon;
6. The grounds for nullification of a contract and forfeiture of rights thereunder;
7. The domicile and full name or trade name of a policyholder;
8. The date of a contract of insurance;
9. The place in, and the date on, which the insurance policy was made;
10. The owner of the car, and the car holder's name, date of birth, or the name of the business; and
11. The value of the vehicle, if available.

2. Regulation on Supervision of Insurance Business

Regulation on Supervision of Insurance Business (hereinafter “the Regulation”) is a regulation issued by the Financial Services Commission, and it was most recently amended in February 19, 2014.

While the aim of the regulation is to provide for the legal basis for supervision of insurance institutions as defined in the Insurance Business Act and other related laws and regulations, this regulation also contains a number of definitions relevant to car insurance.

41) Commercial Act Article 666 and Article 726-3.

According to the Regulation, automobile liability insurance is divided into five types, as following Table 2.

<Table 2: Types of car insurance in Korea>

Insurance type	Scope of insured
Personal use car Insurance	Personally owned home use cars with legal capacity of carrying less than 10 people (However, cars owned by an authorized driving license academy or the representative of such academy used for teaching, education, and license exam are excepted.)
Business use car insurance	All non-commercial purpose cars other than personal-use car
Commercial use car insurance	All commercially used cars
Two-wheeled vehicle car insurance	Two wheeled vehicles and motored bicycles
Farm machine insurance	Motored cultivator, farming tractor, and combine, etc.

The Regulation provides a model contract for car insurance contract. According to this model contract, car insurance is divided into two types: first, insurance that covers damages against third party caused by a car accident, and second, insurance that covers damages done to the insured.

The first type, namely, compensation liability is divided into three kinds. The first kind is “Personal Injury Compensation I”. This kind covers liability for injuries and deaths of other by car accident within the scope

decided in the Guarantee of Automobile Accident Compensation Act.

The second kind is “Personal Injury Compensation II”. This kind covers the amount exceeding the scope decided in the Guarantee of Automobile Accident Compensation Act. This kind of indemnification is available only when the insured chooses to be covered.

The last kind is “Property Damage Compensation”. As the name suggests, this covers the property of another that is lost or damaged by a car accident.

In addition to the compensation liability insurance described above, there are other optional insurance. For example, there are (1) insurance for personal injury to the insured, (2) personal injury done by an uninsured car, and (3) property damage to the insured’s car.

In Korea, every car owners must insure his car against the first type and third type of liabilities, namely the “Personal Injury Compensation I” and the “Property Damage Compensation”.

3. Guarantee of Automobile Accident Compensation Act

The Guarantee of Automobile Accident Compensation Act (hereinafter “GAACA”) aims to establish a system by which compensation for the death or injury of any person and the destruction or damage of any property, both of which are caused by the operation of any automobile, is guaranteed in order to protect victims and to promote the sound development of transportation by automobiles. This law was enacted in 1963, when the automobile market in Korea began to grow, with the purposes of establishing a liability indemnification system for injuries and damages to body and life of a person by operation of a car.⁴²⁾

42) Reason for Enactment, Law Number 1314.

The GAACA provides a number of relevant definitions. According to the Article 2 of GAACA, “motor vehicle” means any motor vehicle to which the Motor Vehicle Management Act applies, or any construction machinery to which the Construction Machinery Management Act applies, as prescribed by Presidential Decree. The term “motor vehicle owner” means a person who owns a motor vehicle or a person entitled to the use of a motor vehicle, who operates the motor vehicle for personal use, and the term “driver” means a person who serves as a driver, or as an assistant driver, of a motor vehicle for another person.⁴³⁾

The GAACA provides for the scope of liability caused by car accidents: “In cases where any person who operates an automobile for personal use has killed or injured another person by such operation, he/she shall be liable to compensate the damages therefrom.”⁴⁴⁾

However, above provision does not apply when:

- (1) the death or injury of any person other than a passenger, when it has been proven that the person who has operated the automobile and the driver thereof were not negligent in its operation, that a victim or a third party, other than the person who has operated the automobile and the driver thereof, commits an intentional or negligent act, and that there was no defect in the structure or no trouble in the function of the automobile; and
- (2) when he death or injury of a passenger, when the passenger has died or been injured due to his/her intentional act or suicidal act.⁴⁵⁾

43) Guarantee of Automobile Accident Compensation Act Article 2 Paragraphs 1, 3, 4.

44) Guarantee of Automobile Accident Compensation Act Article 3.

45) Guarantee of Automobile Accident Compensation Act Article 2.

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The GAACA requires every automobile owner to “purchase a liability insurance policy or enter into a liability mutual aid agreement which covers an amount prescribed by Presidential Decree⁴⁶⁾ that shall be paid to a third person who has died or been injured due to the operation of the automobile.”⁴⁷⁾

The insurance company (insurer) has to pay the advance payment to the medical institution in which the victim of a car accident is treated no later than 30 days after the medical institution invoices the medical bill directly to the insurance company.⁴⁸⁾

4. Act on Special Cases Concerning the Settlement of Traffic Accidents

The Act on Special Cases Concerning the Settlement of Traffic Accidents (hereinafter “ASTA”) was enacted in 1982 when driving of car became a crucial part of Korean lifestyle and the number of car accidents began to soar. Theoretically, when a driver causes car accident and causes life and material damage to another, the driver becomes not only civilly but also criminally liable. Considering the frequency of car accidents, strictly imposing criminal liability on every driver who causes accident would result in absurdly high number of criminals and high social cost. As such, the

46) As of February 5, 2014, the amount payable to the person who died due to the operation of the vehicle is the amount of damage no more than 100,000,000 won: provided, when the amount of damage is less than 20,000,000 won, then the payable amount is 20,000,000 won. The amount payable to the person who is injured due to the operation of the vehicle is the amount of damage up to 20,000,000 won which should be calculated according to the appendix. The Decree and its appendix also provides for damages due to permanent disability or stress disorder caused by the accident up to 100,000,000 won.

47) Guarantee of Automobile Accident Compensation Act Article 5.

48) Guarantee of Automobile Accident Compensation Act Article 12.

primary purpose of enactment of this law was to make exceptions from criminal punishment for drivers of a vehicle involved in car accidents caused by occupational or gross negligence.⁴⁹⁾

According to the Act, a driver of a vehicle who commits a crime provided for in Article 268⁵⁰⁾ of the Criminal Act by reason of a traffic accident shall be punished by imprisonment without prison labor for not more than five years or by a fine not exceeding 20 million won.⁵¹⁾ However, the Act creates an exception that when a driver who commits a crime by inflicting bodily injury due to occupational or gross negligence of crimes relating to traffic accidents mentioned in paragraph (1) or a crime of Article 151⁵²⁾ of the Road Traffic Act shall not be prosecuted against the express will of the victim.

However, in certain cases, the exception does not apply in certain cases. For example, when:

(1) a driver of a vehicle who commits a crime of inflicting bodily injury due to occupational or gross negligence of crimes relating to traffic accidents leaves the scene of an accident without taking measures including those necessary to render aid to a victim or leaves the scene of the accident after moving the victim from the site of an accident and abandoning the victim;⁵³⁾

49) Act on Special Cases Concerning the Settlement of Traffic Accidents Article 1.

50) “A person who causes the death or injury of another by occupational or gross negligence, shall be punished by imprisonment for not more than five years or by a fine not exceeding twenty million won.”

51) Act on Special Cases Concerning the Settlement of Traffic Accidents Article 3 Paragraph 1.

52) “Where the driver of any motor vehicle damages the building or goods of any other person due to negligent disregard or gross negligence, he/she shall be punished by imprisonment without prison labor for not more than two years or by a fine not exceeding five million won.”

53) Act on Special Cases Concerning the Settlement of Traffic Accidents Article 3 Paragraph 2.

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(2) a driver of a vehicle commits aforesaid crimes and refuses to take a sobriety test in violation of Article 44 (2) of the Road Traffic Act (excluding the case when a driver of a vehicle requests for or agrees to a blood sample test);⁵⁴⁾

(3) in cases of operating a vehicle in violation of signals provided for in Article 5 of the Road Traffic Act, signals given by a traffic police officer or other directions of safety signals for prohibition of traffic or temporary suspension;⁵⁵⁾

(4) in cases of crossing a median line of the road in violation of the provisions of Article 13 (3) of the Road Traffic Act, or of crossing, making U-turns or driving backward in violation of the provisions of Article 62 of the same Act;⁵⁶⁾

(5) in cases of operating a vehicle in excess of the speed limit by 20 kilometers or more per hour as provided for in Article 17 (1) or (2) of the Road Traffic Act;⁵⁷⁾

(6) in cases of operating a vehicle in violation of the methods, time of prohibition and location of prohibition of passing or prohibition of intervening as provided for in Articles 21 (1), 22, and 23 or operating a vehicle in violation of a method of passing on highways under 60 (2) of the Road Traffic Act;⁵⁸⁾

54) Id.

55) Act on Special Cases Concerning the Settlement of Traffic Accidents Article 3 Paragraph 2 Number 1.

56) Act on Special Cases Concerning the Settlement of Traffic Accidents Article 3 Paragraph 2 Number 2.

57) Act on Special Cases Concerning the Settlement of Traffic Accidents Article 3 Paragraph 2 Number 3.

58) Act on Special Cases Concerning the Settlement of Traffic Accidents Article 3 Paragraph 2 Number 4.

(7) in cases of operating a vehicle in violation of the method of passing a crossing provided for in Article 24 of the Road Traffic Act;⁵⁹⁾

(8) in cases of operating a vehicle by neglecting to observe the duty of protecting pedestrians on a crosswalk as provided for in Article 27 (1) of the Road Traffic Act;⁶⁰⁾

(9) in cases of operating of a vehicle without obtaining a driver's license or a construction machinery operating license or without holding an international driver's license in violation of the provisions of Article 43 (1) of the Road Traffic Act, Article 26 of the Construction Machinery Management Act or Article 96 of the Road Traffic Act. In such cases, the case of suspension of a driver's license or a construction machinery operating license or the case of prohibition of operation of a vehicle shall be deemed as not having obtained a driver's license or a construction machinery operating license or not holding an international driver's license;⁶¹⁾

(10) in cases of operating a vehicle while under the influence of alcohol in violation of the provisions of Article 44 (1) of the Road Traffic Act or while normal operation is deemed difficult due to influence of drugs in violation of the provisions of Article 45 of the Road Traffic Act;⁶²⁾

59) Act on Special Cases Concerning the Settlement of Traffic Accidents Article 3 Paragraph 2 Number 5.

60) Act on Special Cases Concerning the Settlement of Traffic Accidents Article 3 Paragraph 2 Number 6.

61) Act on Special Cases Concerning the Settlement of Traffic Accidents Article 3 Paragraph 2 Number 7.

62) Act on Special Cases Concerning the Settlement of Traffic Accidents Article 3 Paragraph 2 Number 8.

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(11) in cases of operating a vehicle in violation of pavements of roads as provided for in Article 13 (1) of the Road Traffic Act or in violation of the method of crossing pavements as provided for in Article 13 (2) of the same Act;⁶³⁾

(12) in cases of operating a vehicle in violation of the obligation on preventing passengers from falling off as provided for in Article 39 (2) of the Road Traffic Act;⁶⁴⁾

(13) in cases of causing bodily harm to children in violation of the obligation to operate a vehicle by complying with measures under paragraph (1) of the Article 12 of the Road Traffic Act and paying attention to safety of children within protective areas for children under Article 12 (3) of the same Act.⁶⁵⁾

The Act provides for another exception that a vehicle which has caused a traffic accident, is covered by insurance or mutual aid, the driver who commits a crime provided for in main sentence of Article 3 shall not be prosecuted.⁶⁶⁾ This is because a driver who buys a car insurance is considered to have no intention to harm others in traffic.⁶⁷⁾

However, a driver who falls into (3) ~ (13) cases above are not given the exception.⁶⁸⁾ There are two additional cases in which the driver does not receive the exception, namely,

63) Act on Special Cases Concerning the Settlement of Traffic Accidents Article 3 Paragraph 2 Number 8.

64) Act on Special Cases Concerning the Settlement of Traffic Accidents Article 3 Paragraph 2 Number 10.

65) Act on Special Cases Concerning the Settlement of Traffic Accidents Article 3 Paragraph 2 Number 11.

66) Act on Special Cases Concerning the Settlement of Traffic Accidents Article 4.

67) Reason for Enactment of the Act on Special Cases Concerning the Settlement of Traffic Accidents

68) Act on Special Cases Concerning the Settlement of Traffic Accidents Article 4 Number 1.

(1) in cases where there occurs a life-threatening danger caused by the bodily injury of the victim, a disability, an incurable or a very difficult state of cure;⁶⁹⁾ and

(2) in cases where the obligation of an insurance company, a mutual aid association or a mutual aid manager to pay insurance money or deducted amount does not exist any longer due to the reasons that an insurance contract or a mutual aid contract becomes void or early terminated, the contract concerned has an exemption clause or other reasons.⁷⁰⁾

69) Act on Special Cases Concerning the Settlement of Traffic Accidents Article 4 Number 2.

70) Act on Special Cases Concerning the Settlement of Traffic Accidents Article 4 Number 3.

IV. Conclusion: Comparative Analysis of Laws in Uzbekistan and Korea

A. History and Background

The fundamental difference between the car insurance law of Uzbekistan and that of Korea lies in the background in which their law developed. Sales and use of car, as well as need for car insurance, are closely related to the development of economy. In Uzbekistan, which was under the Soviet regime until late 1980's, began to develop its independent legal system twenty-three years ago. With development of natural resources, influx of foreign investment began in the late 1990's, and the income and the value of assets of the people of Uzbekistan started to grow. As such, it was only in 2008 when the main piece of legislation, the Act "On compulsory insurance of civil liability of vehicle owners" (CMTPL) came into force.

On the other hand, Korea adopted capitalistic market much earlier in 1950's. After recovery from the damages of war, Korea's economy grew rapidly and sales of car drastically increased in 1980's. Thus, Korea's main laws and regulations on car insurance appeared in the Commercial Law in 1991.

B. Structure of Insurance Market

Uzbekistan, which is still undergoing shift from socialistic economy to capitalistic economy, the state is the main player in the insurance market.

IV. Conclusion: Comparative Analysis of Laws in Uzbekistan and Korea

As illustrated in Chapter II, the government of Uzbekistan carries out insurance and maintains the state supervision in the field of insurance. Such focus to this type of activity associated with the social significance of insurance function, because the insured event is a catastrophe for the policyholder, which in turn leads to an insured event in the national economy, and rupture of the production chain. The misfortune of one policyholder is socially significant for the entire national economy. Each of the policyholders and the State are interested in the stable functioning of the insurance mechanism.

On the other hand, in Korea's market-based economy, although insurance market is heavily regulated by various authorities and agencies, the main players, as in policy providers, are non-governmental entities. With development of financial market in Korea, a lot of banks and insurance companies have been drawing insurance policies according to the government's general policy.

As such, while car insurance is fundamentally state-controlled in Uzbekistan, private for-profit companies are the main players of car insurance market in Korea. Because of this fundamental difference in insurance market structure, the target of regulation differs in Uzbekistan and Korea.

In the past, dating back in the 1960's, Korean car insurance market was heavily regulated and dominated by a public corporation. However, as Korean economy developed and the insurance market expanded, the government gradually deregulated the market and allowed the market participants take control.

C. Compulsory Insurance

In Uzbekistan, the Act “On compulsory insurance of civil liability of vehicle owners” (CMTPL) entered into force in 2008, requiring owners of motor-vehicle insure his or her civil liability no later than ten days after coming into possession of a vehicle.

Similarly, in Korea, all car owners are also required to insure their cars against compensation liability, which is divided into three categories, namely, Personal Injury Compensation I, Personal Injury Compensation II, and Property Damage Compensation. However, Korea differs from Uzbekistan because vehicle owners are required to have their vehicles insured before they may register their ownership with the public authority. In other words, every car must be insured before operation.

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