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**REVISION OF THE CONSOLIDATED RESOLUTION
ON ROAD TRAFFIC (R.E.1)**

Motor car insurance

Note by the secretariat

1. The present document is submitted in conformity with the mandate of the Working Party (WP.1) as defined in document TRANS/WP.1/100/Add.1 (item c), which aims to develop, update and circulate recommendations R.E.1 and R.E.2, as well as the programme of work for 2008-2012 of the Inland Transport Committee, adopted at its seventieth session in 2008 (ECE/TRANS/200/Add.1, item 2.3 (b)).

2. The document is also a follow-up of the fifty-fifth session of the Working Party. At that session, the WP.1 recognized the usefulness of the compulsory third-party liability insurance for the vehicle and agreed that the initial document (ECE/TRANS/WP.1/2008/2) should be amended in order to make it acceptable for all the member countries of UNECE. The WP.1 was of the opinion that the revised document should mainly focus on recommending the introduction of the compulsory third-party liability insurance for the vehicle, the proof of existence of such insurance and the possibility of encouraging the use of “*bonus-malus*” system of incentives/penalties.

3. The present document was prepared by representatives of the Russian Federation and Laser Europe and was revised by the secretariat.
4. Once approved by the Working Party, the text will be included in the consolidated Resolution on Road Traffic (R.E.1) as sub-chapter 2.5 of chapter 2, Methods of Influencing Behaviour on the Road.

Chapter 2 Methods of influencing behaviour on the road

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2.5 Compulsory motor third party liability insurance

2.5.1 Context

Experiences in a number of countries show that following a many-sided approach is the most effective way of influencing the behaviour of participants in road traffic. More specifically, in the case of road traffic offenders it appears that the best results are obtained by combining criminal and administrative sanctions with economic measures.

Third- party liability insurance of vehicle owner is rather often employed to exert economic pressure. The use of insurance allows, first of all, guaranteeing compensation for harm caused to the lives, health or property of road traffic accident victims; and, secondly, to exert economic pressure on the responsible(s) for the harm be they owners and/or drivers of the vehicles.

In many countries the legislation foresees for the third-party liability insurance as an obligation of the vehicle's owner and as a mandatory requirement to be fulfilled prior to the vehicle's registration for admission in road traffic.

The level of coverage of the compulsory third-party liability insurance may vary: in some countries, this type of insurance is compulsory only for harm caused to the property (vehicle), in others it may also cover life or health of road traffic accident victims. However, the most common type of compulsory motor third-party liability insurance covers damage caused to the property of the victims.

Guaranteeing payment of indemnity to road traffic accident victims is becoming more and more important notably at international level, considering the increase in the volume of cross-border traffic (international transport of passengers and goods by road as well as private journeys). An example of successful solution to this problem is the international motor third-party liability insurance system (Green Card system).¹

There are several types of clauses in a third-party liability insurance policy, with different systems of incentives/penalties for the insured. One of the important ways of

1. For this issue, see Annex 1 of the Consolidated Resolution on the facilitation of international road transport, of 30 April 2004 (TRANS/SC.1/2002/4/Rev.4).

using the economic element as a means to influence behaviour of the insured (the vehicle owner) within the third-party liability schemes is the system of bonus-malus coefficients used by insurance companies in calculating the cost of the insurance premium i.e. the amount which the insured (vehicle owner) is obliged to pay on concluding an insurance contract.

The *bonus-malus* coefficients reduce or increase the premium: the reduction coefficient (bonus=good, in Latin)) is applied if the liability of the insured has not been engaged during the period of validity of the insurance contract namely if there was no damages caused, in road traffic, by the insured. In the opposite case, the increase coefficient (malus=bad, in Latin) is applied.

Another way of using the economic element as a means to influence the behaviour of the insured is to give the insurer the right of filing a regress suit against the driver and/or owner of a motor vehicle (the insured) when a road traffic accident occurs following a proved serious road traffic offence (driving while intoxicated or without a license for the given vehicle, and other offences). This means that after compensating the harm caused to the victim, the insurer has a right to file a claim against the person responsible for the road traffic accident, to recover the expenses incurred.

The economic measures mentioned above, combined with other measures, have a positive effect on drivers behaviour, resulting in a more careful driving and enhanced compliance with the road traffic rules. This helps to reduce the number of motor vehicle accidents and the quantity of persons injured or killed in accidents.

2.5.2 Recommendations

In the light of the facts stated above, the following measures are recommended:

- (a) All countries should include possession of valid third party liability insurance in the list of mandatory requirements for vehicle's registration for admission in road traffic. To facilitate the check on the roadside, the proof of the valid insurance should be affixed on the vehicle, in a visible place for example on the registration plate or on the front window. In most countries, the issuing of the registration plate is subordinated to the subscription of an insurance contract.
- (b) Countries should encourage the introduction of "*bonus-malus*" system consisting of incentives and penalties materialized in coefficients applied by the insurer to the premium in case no road traffic accidents were caused by the insured, or in case such road traffic accidents were caused during the period of validity of the insurance contract.
- (c) National legislation should provide that upon provision of this type of insurance, the insurer is entitled to require from the insured responsible for road traffic accidents, which were caused by certain major violations of road traffic rules, the compensation of the expenses incurred with regard to the indemnification of the harm caused to the victims.
