

## Theoretical Foundations of Compulsory Civil Liability Insurance in Uzbekistan

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### ***Abstract***

*The article reveals the theoretical foundations and distinctive features of compulsory civil liability insurance. The issues of compulsory insurance of civil liability for damage to life, health and (or) property and the environment of the employer, carrier, owners of vehicles, as well as other persons in the event of an accident at a hazardous production facility and from construction risks were analyzed. Based on the results of the study, scientific conclusions were formulated on compulsory civil liability insurance and proposals were developed.*

**Keywords:** *insurance, compulsory insurance, civil liability insurance, insurance premiums, voluntary insurance, insurance protection, insurance cases.*

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## 1. INTRODUCTION

Many types of activities necessary for the normal functioning of society are fraught with both a threat to the safety and health of citizens, the likelihood of damage to third parties. In accordance with generally accepted world practice, the guilty party is obliged to fully compensate for the damage caused to a third party, even if the damage was innocent or accidental. In this situation, the liability insurance contract concluded by the policyholder with the insurance company, on the one hand, protects the policyholder from financial losses that he may incur as a result of court-ordered claims against him for repayment of damage caused to a third party. On the other hand, the liability insurance system protects the property interests of third parties, since the party responsible for the damage may simply not have enough funds to pay for the losses. Therefore, among the mandatory types of insurance in most countries is, first of all, insurance of liability of owners of motor vehicles to third parties. Road traffic accidents can have quite serious consequences in terms of causing material damage.

Traditionally, the insurance services market is most developed in economically developed countries, such as the USA, Canada, Japan and a number of European countries, for example, Great Britain, France, Germany, which is objectively due to the high standard of living and social guarantees, the absence of a state monopoly on insurance services, the development of competition in this market. In economically developed countries, for example, the countries of Western Europe (primarily Germany), at present, with an increase in the level and quality of life, there is a pattern of increasing the importance of areas other than life insurance in the market segment under consideration, such as property, personal and motor liability insurance, but the share of life insurance remains quite high, because insurance it is considered as a source of investment income. The life insurance segment is dominated by the United Kingdom, France, and Italy. "From Asian countries – Japan, China, South Korea. In 2020, the share of three countries (USA, China, Japan – the three largest insurance markets in the world) accounted for almost 58% of the global insurance market, with an increase of 2% compared to 2019. 25" [1].

"According to Swiss Re Institute, one of the largest reinsurance companies in the world, global insurance premiums exceeded \$5 trillion for the first time in 2018, which is equivalent to more than 6% of global GDP due to steady growth in the general insurance sector in developing countries, especially in Asia and, above all, in China" [2], "in 2019, already 6.3 trillion US dollars" [3], and by the end of 2022, the Swiss Re Institute predicts already 7 trillion US dollars – a record amount of insurance premiums in the world, including the growth of high insurance premiums for property and accident insurance more than doubled, which is up to 4.3 trillion US dollars by 2040" [4].

## 2. LITERATURE REVIEW

Insurance is a mechanism to protect the property interests of individuals and legal entities upon the occurrence of certain events, i.e. in insurance cases. The mechanism is based on the principle of forming monetary funds, which are formed from insurance premiums made by the policyholder. According to the Law of the Republic of Uzbekistan "On Insurance activity", "insurance is carried out in the forms of voluntary and compulsory insurance" [5]. "The transition to compulsory state insurance was envisaged only after the accumulation of experience and strengthening of the system of voluntary property insurance" [6].

An effective mechanism of insurance protection of the interests of citizens, enterprises and organizations involves the active participation of the state in covering large-scale and socially significant risks. This is manifested in the creation of a compulsory insurance system in the

country. The need for state intervention to provide all private and legal persons with insurance protection is associated with the limitations of commercial insurance in solving the problems of reproduction of material and labor resources in any critical situations, achieving social injustice in society and maintaining political stability in the country.

Against the background of sufficiently deeply developed theoretical and practical issues of insurance science, in a number of scientific areas, mandatory types of insurance are recognized as types requiring steady development and institutional design adequate to the requirements of a socially oriented market economy declared by the Constitution of the Republic of Uzbekistan.

Among the domestic works of the modern period devoted to the theoretical aspects of insurance, it is necessary to highlight the works of the following authors: in the field of state regulation Yu.T.Akhvlediani [7], V.V.Shakhov [8], L.D.Baklanov [9], I.P.Khominich [10], E.I.Ivashkin [11].

Considering the concept of compulsory insurance, Yuldashev R.T. and Zhuravlev Y.M. note that this is "a form of insurance in which the relationship between the policyholder and the insurer arises by virtue of current legislation and does not require, as is the case in voluntary insurance, a preliminary agreement of the parties" [12].

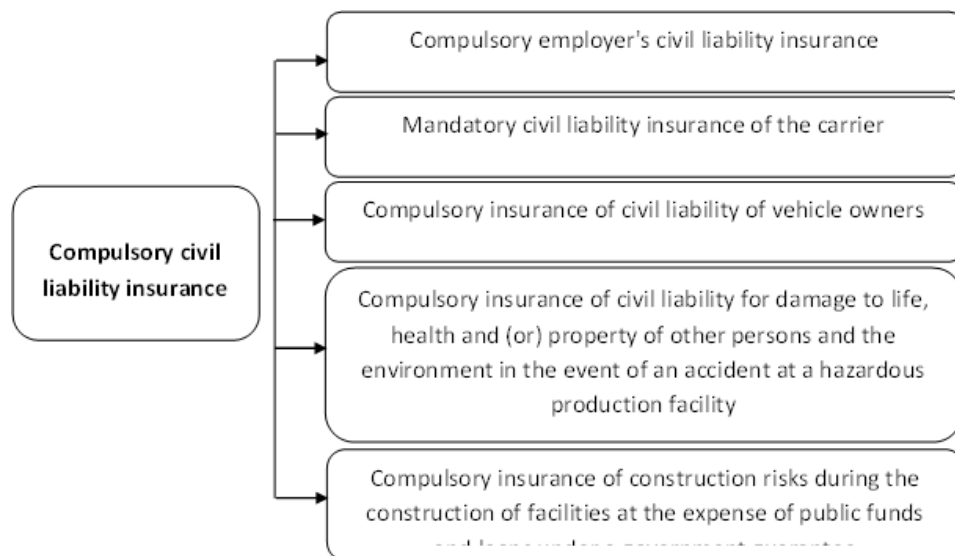
Shirshov V.Yu. in his research defines compulsory insurance as "a set of financial and organizational relations that ensure the protection of property interests related to a person, his property, civil liability, and having a legally defined socially oriented priority, implemented through the formation and use of insurance funds of a strict target orientation" [13].

**3. RESEARCH METHODOLOG**

Methods of grouping, comparative and economic analysis, induction and deduction, economic and statistical methods and expert assessment were widely used in the research.

**4. ANALYSIS AND RESULTS**

Compulsory insurance of the risk of civil liability will occur as a result of harm to the life, health or property of other persons or violation of contracts with other persons. Namely, by the following persons or in the following circumstances, the liability must be insured:



*Developed by the author*

**Figure No. 1. Types of compulsory civil liability insurance**

### *1. Compulsory employer's civil liability insurance.*

Employers are obliged to insure their civil liability for compensation for damage caused to the life or health of an employee, if such damage is related to the performance of work duties. In accordance with the legislation, under the contract of compulsory insurance of civil liability of the employer, the insurer undertakes, for a stipulated fee (insurance premium), upon the occurrence of an insured event, to compensate the employer and (or) the victim or beneficiary for the damage caused to the life or health of the employee in connection with labor injury, occupational disease or other health damage related to the performance of their work duties, within the limits of the insured amount under the contract of compulsory insurance of civil liability of the employer.

The employer must insure his civil liability no later than 15 working days from the date of state registration or from the date of conclusion of an employment contract for individual employers. The insurance contract is concluded on the basis of the employer's application in writing. The document certifying insurance is a contract and a compulsory insurance policy, as well as, in some cases, an annuity contract and an annuity contract policy. The insurance contract is concluded for a period of 1 year, according to the established form. If the duration of the employer's activity is less than one year, then the contract is concluded for the duration of the employer's activity.

The insurer has no right to refuse insurance. The documents that must be submitted to the insurer are: an application; a copy of the employer's passport; a copy of the certificate of state registration. After the employer pays the insurance premium, no later than 3 working days, an Insurance policy is issued to him. The contract may be terminated prematurely in the following cases: in case of liquidation of the employer (legal entity); in case of death of the employer (individual); "if the contract is declared invalid by a court decision" [14].

The object of compulsory insurance of the employer's civil liability is the property interests of the employer in the event of his civil liability for compensation for damage caused to the life or health of an employee in connection with an occupational injury, occupational disease or other health damage related to the performance of his work duties.

The subjects of compulsory insurance of civil liability of the employer are the employer, the insurer under the contract of compulsory insurance of civil liability of the employer, the insurer under the contract of annuities, the victim and the beneficiary. "Compensation for damage caused to the life or health of an employee in connection with an occupational injury, occupational disease or other damage to the health of an employee related to the performance of his work duties is determined in accordance with the procedure established by law" [15].

### *2. Mandatory civil liability insurance of the carrier.*

A carrier is a legal entity or an individual entrepreneur who owns a vehicle on the right of ownership or other legal grounds, who, in accordance with the legislation, provides services for the transportation of passengers and their property on a commercial basis and has an appropriate license or a document of a permissive nature for this.

The object of compulsory insurance of civil liability of the carrier is the property interests of the carrier in the event of its civil liability for compensation for damage caused to the life, health and (or) property of passengers. The subjects of compulsory civil liability insurance of the carrier are the carrier, the insurer, the passenger, the victim and the beneficiary.

"The contract of compulsory civil liability insurance of the carrier must contain: the subject of the contract; the sum insured and the insurance premium; the effective date and term of the contract; the rights and obligations of the parties; the liability of the parties; the procedure for dispute resolution; the procedure for amendment, termination and early termination of the contract" [16]. Prior to the provision of transportation services, a legal entity providing services for the transportation of passengers and their property on a commercial basis is obliged to insure its civil liability for causing harm to life and health, as well as to the property of passengers. The basis for the conclusion of the carrier's liability insurance contract is a written statement of the carrier. The contract is concluded for a period of one year, however, in the case of insurance of a carrier carrying out transportation by car, the contract is concluded for a period of 3 months to 1 year.

The insurer has no right to refuse to conclude an insurance contract. To conclude the contract, the carrier must submit the following documents:

1. Application;
2. A copy of the carrier's license to operate (not including cases when the carrier does not have to obtain a license in accordance with the law);
3. If the contract has already been concluded, then the calculation of the insurance premium from the previous year.

"The following conditions must be mandatory in the insurance contract: the subject of the contract; the insurance amount and premium; terms; rights and obligations of the parties; liability; dispute resolution procedure; procedure for amendment, termination and early termination of the contract" [17]. The document certifying the insurance is the contract and the insurance policy. "The insurance policy is issued no later than 3 days after the carrier pays the insurance premium" [18].

### *3. Liability insurance of vehicle owners.*

In accordance with the Law of the Republic of Uzbekistan "On compulsory insurance of civil liability of vehicle owners", the owner of the vehicle is obliged to insure his liability for causing harm to the life, health and property of other persons when using the vehicle. "The sum insured is established by the legislation in the equivalent of 40 million soums, of which: 65% – to cover damage to life and health; 35% – to cover material damage" [19].

If the right to own a vehicle arises, the owner must insure his liability no later than 10 days. The insurance contract is concluded for 1 year. However, when purchasing a vehicle, the owner may conclude such a contract for the duration of the journey to the place of registration of the vehicle. And also, "in case of seasonal use of the vehicle, the owner can conclude an insurance contract for the period of its use (but not less than 6 months)" [20]. The document certifying the implementation of compulsory insurance is an Insurance policy, as well as a special state mark.

It should be noted that "the liability insurance obligation will not apply to owners of: cars with a maximum speed of no more than 20 km per hour; trailers and two/three wheeled vehicles; vehicles of the Armed Forces of the Republic of Uzbekistan, except buses, passenger cars and other vehicles for support; vehicles registered abroad, and civil the liability is already insured by the owner in the relevant country" [21].

*4. Compulsory insurance of civil liability for damage to life, health and (or) property of other persons and the environment in the event of an accident at a hazardous production facility.*

Insurers are organizations that operate hazardous facilities. In turn, "hazardous production facilities include enterprises or their workshops, sites, sites, as well as other production facilities where" [22]: 1) the following hazardous substances are used, produced, processed, formed, stored, transported, destroyed: substances capable of forming an explosive and fire-hazardous environment; harmful substances related to the degree of exposure to a living organism to hazard classes I, II and III (extremely dangerous, highly dangerous and moderately dangerous), in accordance with approved standards; explosives that, under certain types of external influence, are capable of very rapid self-propagating chemical transformation with the release of heat and the formation of gases; production waste containing substances in concentrations dangerous to human health and the environment; 2) equipment operating under a pressure of more than 0.07 megapascals or at a temperature exceeding the boiling point of the working fluid at normal atmospheric pressure; 3) permanently installed lifting mechanisms, escalators, cable cars, funiculars are used; 4) the following are obtained: "An accident at hazardous production facilities is the destruction of structures and (or) technical devices used at hazardous production facilities, uncontrolled explosion and (or) release of hazardous substances" [23].

Thus, the policyholder must insure civil liability for compensation for damage caused to the life, health and (or) property of other persons and the environment in the event of an accident at hazardous production facilities.

The insurance contract is concluded on the basis of the policyholder's application. The application is also accompanied by the conclusion of the industrial safety examination, which is "issued by a special accredited expert organization" [24]. "If civil liability has occurred due to the following reasons, it will not be recognized as an insured event: nuclear explosion, radiation, radioactive contamination not related to the operation of certain hazardous production facilities; military actions; riots, strikes; force majeure; occurrence of circumstances that are not related to the operation of hazardous production facilities (list is not exhaustive)" [25].

*5. Compulsory insurance of construction risks during the construction of facilities at the expense of public funds and loans under a government guarantee.*

Since January 1, 2000, an order has been introduced according to which contractors, regardless of ownership forms, are obliged to insure risks when concluding contracts for the construction of facilities financed by the state and loans under a government guarantee. "Financing under such contracts is made only if there are contracts and an insurance policy" [26].

The objects of insurance are buildings and structures, equipment, machinery and other property that is located on the construction site and is the subject of construction and installation. In addition, the object of insurance is also the liability of the policyholder for causing harm to the life, health and property of other persons during construction and installation works.

The insurance contract is concluded on the basis of a written application form of the policyholder. The applicant must also submit the documents necessary to assess the degree of risk. Mandatory risk insurance during the construction of facilities provides coverage of the following risks: fire, lightning, explosion, falling of aircraft, spontaneous combustion; theft and malicious actions of third parties; flooding and flooding, pipe rupture; storm, hurricane; earthquake, mudslide, avalanche, subsidence, landslide, collapse; short circuit, overvoltage, electrical arcs; falling of machines and mechanisms, building materials and structures; damage

from the unconscious use of defective materials and structures; the occurrence of civil liability to third parties during construction and installation work.

In addition to compulsory civil liability insurance in Uzbekistan, there is mandatory personal insurance, which applies to certain categories of employees. Namely, the legislation imposes the responsibility to provide personal insurance to: employees of coal, oil, gas and geological exploration systems; employees of the tax authorities of the Republic of Uzbekistan; forensic experts; rescuers of rescue services and rescue formations; judges.

Compulsory insurance in the provision of financial services. The contractor providing financial services is obliged to insure its liability in case of liquidation or bankruptcy to meet the requirements of consumers. The financial services provider is obliged to provide the consumer with information about the existence of an insurance contract on the contractor's liability for damage caused to the consumer.

Insurance of civil liability of the tour operator. Insurance of tourists and tourists is voluntary, except in cases when tour operators and travel agents have the right to establish the requirement that tourists and tourists have an insurance policy, depending on the specifics and form of the tourist product. Tour operators are required to insure their civil liability. The purpose of the tour operator's civil liability insurance is to provide the tourist with a guarantee of a refund of his funds for services paid and not rendered, or in case of non-fulfillment or improper fulfillment by the tour operator of its obligations.

Compulsory state insurance. In accordance with the Labor Code, all employees of the Republic of Uzbekistan are subject to mandatory state social insurance. Contributions to state social insurance are paid by employers, as well as by insured employees themselves. It should be noted that non-payment by employers of contributions to state social insurance does not deprive the insured employee of the right to security at the expense of state social insurance funds. Insured employees and, in appropriate cases, their families are provided at the expense of state social insurance: temporary disability benefits, and women, in addition, maternity benefits; child birth benefits; state pensions for age, disability and loss of breadwinner; other payments provided for by law.

"The total amount of insurance premiums in 2022 amounted to 6.2 trillion. sums, of which 76% accounted for general insurance and 24% for life insurance contributions" [27]. As of the end of 2022, 10% of the total insurance premiums were formed at the expense of mandatory insurance premiums, and the remaining 90% corresponded to the contribution of voluntary insurance premiums. In 2021, these figures were 16 percent and 84 percent, respectively. These figures indicate that the popularity of additional types of insurance in our country is growing. Thus, the size of life insurance premiums in Uzbekistan is 0.17% of GDP. This means an average of \$3.91 per person. For comparison, in Kazakhstan this figure will reach 31.24 US dollars, and in Turkey - 21.85 US dollars. The total amount of insurance premiums is 0.52% of GDP and averages \$12.1 per capita. This figure is 58.5 US dollars in Kazakhstan and 119.7 US dollars in Turkey. The volume of insurance premiums from accidents and medical insurance is 0.01% of GDP and averages about 0.28 US dollars per person. This figure is equivalent to 10.1 US dollars in Kazakhstan and 24.5 US dollars in Turkey. This is a sign that special attention should be paid to the development of these insurance classes.

## **5. CONCLUSION**

Thus, civil liability insurance, firstly, is an opportunity to insure your civil liability to persons

who may be harmed through your fault during the operation of your property, and secondly, it is an opportunity to insure your civil liability to persons who may be harmed through your fault during the operation of your property. The insurance covers civil liability related to harm to the life, health or property of third parties, as a result of cases unintentionally caused by the fault of the person whose liability is insured, third, this is an industry that includes various types of insurance, where the object is property interests.

Based on the results of the study, it is advisable: to develop a national road safety concept regulating the issues of insurance, medical and social security of victims; the introduction of road safety control programs and reducing the accident rate and severity of road accidents, tightening administrative control. At the same time, it is necessary to accelerate the digitalization of the information system of compulsory motor liability insurance; to develop the institute of independent technical expertise and emergency commissioners; the use of two insurance policy options - a vehicle policy and a policy for the policyholder and the introduction of a condition for the voluntary application of the franchise.

The implementation of the set goals within the framework of these areas of improvement of the system and mechanisms of compulsory motor liability insurance in Uzbekistan is a priority task in modern conditions.

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