



Compulsory motor third party liability insurance: Russian update

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As of 1 January 2009, Russia finally became a participant of the international motor civil liability insurance system known as “the Green Card System”.

The system has been operating since 1951 and was established to settle claims initiated by victims of traffic accidents involving foreign drivers, under the national law of the country where the road accident took place. At the moment the system comprises 45 countries: all the European countries, Israel, Morocco, Tunisia, Iran and Russia. The international “Green card” certificate is officially recognized by the governmental authorities of the member countries of the “Green Card System” and serves as proof of the compulsory motor third party liability insurance policy while exploiting a motor vehicle in any country of visit.

To harmonize the Russian law with the “Green Card System” requirements, Russian law “On Compulsory Motor Third Party Liability Insurance” No. 40 FZ dated 25.04.2002 (hereinafter “the CMTPL Law”) has been properly amended.

Thus, according to Article 31 of the CMTPL law taking effect as of 1 January 2009, the owner of a vehicle registered in the territory of the Russian Federation has to insure the liability of inflicting harm to the life, health or property of third parties in a foreign country during the period of temporary use of the vehicle for at least 15 days. The terms of compulsory motor third party liability insurance of the vehicle owners who are registered in the territory of the Russian Federation and temporarily using the vehicle in a foreign country where international insurance systems apply have to comply with the rules and requirements of international insurance systems.

In other words, Russian insurers will issue “Green Card” certificates with terms and conditions that are the same for all countries participating in the international insurance system and will settle claims within the limits of indemnity and in accordance with the applicable laws of the country where the road accident took place.

Before Russia joined this international insurance system, representatives of Russian insurers offered foreign insurers’ motor third party liability insurance policies at the border of the Russian Federation, acting as agents on the basis of agency contracts. As of 1 January 2009, twelve Russian insurers that have obtained a license in the manner established by Russian law will issue “Green Card” policies.

From a Russian law perspective, this type of insurance is considered

voluntary and Russian insurers wishing to conduct this line of business must, in order to obtain a license, undergo a strict competition procedure established by laws.

Thus, according to the CMTPL Law, in order to conduct international MTPL insurance, a company shall be a current member of the Russian Association of Motor Insurers (RAMI) and meet the requirements of membership in the Bureau* stipulated by the CMTPL Law and the rules of professional activity of RAMI, in particular:

- to pay to the fund formed by the Russian Association of Motor Insurers (RAMI) a contribution of €500,000;
- to meet the financial obligations under the Green Card system (10 year banking guarantee for 11 million Euro; excess of loss (€200,000) per insurance contract);
- to have at least two years' experience of CMTPL insurance operations and payments;
- to use an automated information system supporting Green Card insurance transactions;
- to comply with the norms of financial stability established by current Russian Law;
- to exercise Green Card insurance operations through the company authorized unit, to secure its employees' compliance with the established requirements to the employees.

Russian insurers consider this line of business to be an additional service for traditional types of insurance such as motor insurance. Russian "Green Card" certificate rates are established by the Russian government. For example, the policy for a road vehicle for which insurance covers all European countries costs 1,288 roubles for 15 days (minimum term of insurance) and 11,705 roubles for a one-year policy cover. The Russian "Green card" policy meets all the European requirements and is valid in all countries participating in the international insurance system.

Russia's entry into the international insurance system is obviously a positive step towards the unification of European insurance legislation.

*In accordance with Russian Government Order No.337-p dated 19 March 2008 Russian Association of Motor Insurers (RAMI) is a participant of the international system of motor third party liability insurance performing the functions of national insurance bureau for the "Green Card" system. The Green Card national insurance bureaus are members of the unified organization, The Council of Bureaux, with its headquarters in Brussels. The Council functions under the aegis of the Motor Transport Work Group of the International Transport Committee of The Economic Commission for Europe of the United Nations.

The main purpose of the Russian national insurance bureau is to organize the RAMI members' as well as its own members' activities within the framework of the Green Card system in accordance with the law. The tasks of the Bureau regarding Green Card operations and activities are establishing professional rules and insurance tariffs, guaranteeing the obligations of the Bureau members arising from Green Card operations, exercising a unified reinsurance program, ensuring the recording and settlement of Green Card claims in Russia.

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