

Article

Analysis of Issues in Improving the Compensation Payment Mechanism under Compulsory Insurance for Civil Liability of Vehicle Owners: Uzbekistan and Global Experiences

Khasan Akhmedov

1. Independent researcher of Fergana Polytechnic Institute, Fergana, Uzbekistan

* Correspondence: fersapedu@gmail.com

Abstract: This article examines the compensation mechanisms under compulsory civil liability insurance for vehicle owners, focusing on the legislation and practices in Uzbekistan and comparing them with international standards. The aim is to identify challenges and opportunities for optimizing these mechanisms to ensure prompt and fair compensation for third-party damages caused by traffic incidents. The methodology includes a comparative analysis of Uzbekistan's legal framework and case studies with selected countries known for their effective insurance practices. Key findings reveal several inefficiencies in the existing system, including procedural delays, limited claim coverage, and administrative challenges that hinder timely compensation. The study concludes with recommendations for enhancing the compensation process through legislative reforms, adopting best practices, and leveraging technology for better claim processing. Optimising these mechanisms is critical for increasing policyholder confidence, improving insurer accountability, and aligning Uzbekistan's insurance practices with global standards.

Keywords: Compulsory civil liability insurance, vehicle owners, compensation mechanisms, Uzbekistan, insurance policy, traffic incident liability, claim processing, insurance legislation, policyholder confidence

Citation: Khasan Akhmedov

Analysis of Issues in Improving the Compensation Payment Mechanism under Compulsory Insurance for Civil Liability of Vehicle Owners: Uzbekistan and Global Experiences
American Journal of Economics and Business Management 2024, 7(12), 1322-1330.

Received: 10th Sep 2024

Revised: 11th Oct 2024

Accepted: 24th Nov 2024

Published: 26th Nov 2024



Copyright: © 2024 by the authors. Submitted for open access publication under the terms and conditions of the Creative Commons Attribution (CC BY) license

(<https://creativecommons.org/licenses/by/4.0/>)

1. Introduction

Compulsory insurance for civil liability of vehicle owners is a legal requirement in many countries, designed to ensure that individuals harmed by traffic incidents receive compensation for personal and property damages. This type of insurance obliges vehicle owners to secure coverage for any potential harm they may cause to third parties, thus providing a safety net that enhances financial security and social stability (Wilson, 2019). In Uzbekistan, the "Law on Compulsory Insurance of Civil Liability of Vehicle Owners," enacted in 2008, serves as the foundation for regulating this insurance. This legislation mandates that all vehicle owners have civil liability insurance to ensure compensation for victims of traffic-related accidents (Lex.uz, 2024). Internationally, compulsory civil liability insurance for vehicles varies in coverage scope, claim limits, and regulatory frameworks, but universally aims to uphold the rights of victims and reduce the financial impact on public funds (OECD, 2021).

Despite the benefits of compulsory insurance, Uzbekistan's compensation mechanism faces significant challenges. Administrative delays, insufficient coverage, and procedural complexities have been reported as hindrances to timely and adequate compensation for

accident victims. This slow processing often leaves victims without prompt support, undermining the very purpose of civil liability insurance. Additionally, the existing system struggles to address disputes effectively, contributing to policyholder dissatisfaction and limiting trust in the insurance sector.

This study aims to analyze the current compensation mechanisms under Uzbekistan's compulsory civil liability insurance and to propose strategies for their improvement. By identifying weaknesses in the existing process and comparing it to effective international practices, this paper seeks to offer actionable insights to enhance the efficiency, fairness, and reliability of compensation payments. This research addresses the following questions:

1. What are the main inefficiencies in Uzbekistan's current compensation mechanisms for vehicle civil liability insurance?
2. How do the compensation mechanisms in Uzbekistan compare with those in other countries with established best practices?
3. What reforms could improve the speed, fairness, and reliability of compensation in Uzbekistan?

Improving the compensation mechanism for civil liability insurance is critical for both policyholders and insurers. For policyholders, a more efficient system provides faster and fairer compensation, increasing trust and satisfaction. For insurers, streamlined processes reduce claim-handling costs, minimize disputes, and improve client relations. From a broader perspective, aligning Uzbekistan's practices with global standards will contribute to the stability and growth of its insurance sector, promoting better risk management and fostering economic resilience (Smith & Kumar, 2020).

2. Materials and Methods

This study uses a comparative analysis approach, examining the compensation mechanisms under compulsory civil liability insurance in Uzbekistan and selected countries known for their effective practices. It combines qualitative research on legal and procedural aspects with quantitative data analysis where possible, providing a comprehensive view of both the strengths and weaknesses of Uzbekistan's system relative to global practices. This approach enables a multifaceted understanding of the issues affecting Uzbekistan's compensation mechanism and identifies actionable areas for improvement. The study relies on a combination of data sources:

1. Insurance Claim Statistics: Data on claim processing times, compensation amounts, and frequency of disputes in Uzbekistan.
2. Case Studies: Detailed examination of compensation practices in Uzbekistan, including specific challenges faced by claimants.
3. Global Insurance Practices: Comparative data from countries with successful civil liability insurance models, including claim settlement timelines and dispute resolution methods.
4. Legislative Analysis: Review of Uzbekistan's "Law on Compulsory Insurance of Civil Liability of Vehicle Owners" and its implementation.

These data sources enable a thorough examination of Uzbekistan's compensation mechanisms and offer insights into effective practices from other countries.

To structure the analysis, this study applies the SWOT framework (Strengths, Weaknesses, Opportunities, Threats), assessing Uzbekistan's current system and its alignment with international best practices. Additionally, the comparative legal analysis model helps assess regulatory similarities and differences, highlighting potential improvements.

This study encounters a few limitations. Data Access: Comprehensive claim data from the Uzbek insurance sector may be limited due to confidentiality or lack of standardized reporting. Generalization: While findings can provide insights, they may not be fully

applicable to regions with substantially different socio-economic contexts. Scope of International Comparison: This study focuses on a limited number of countries with publicly accessible data on insurance practices, which may not capture all possible solutions for the Uzbek context

3. Results

The compensation mechanism for civil liability insurance in Uzbekistan, regulated by the "Law on Compulsory Insurance of Civil Liability of Vehicle Owners," faces several operational and structural challenges that limit its effectiveness in providing timely and adequate support to accident victims. One of the most pressing issues is the frequent delay in claim processing, primarily caused by bureaucratic hurdles and a lack of advanced digital systems for filing and tracking claims. This prolonged timeline results in significant hardship for accident victims, who often endure extended waiting periods before they can access the financial compensation intended to cover their damages.

Compounding this issue, the current limits on claim coverage are often inadequate to fully compensate victims, especially in severe accidents. Consequently, individuals frequently find themselves responsible for out-of-pocket expenses that exceed the insurance payout. This limitation undermines the foundational purpose of civil liability insurance, which is designed to protect victims from financial burdens following accidents.

The claim process itself is complex and involves multiple procedural steps that can be difficult for policyholders to navigate without legal assistance. This complexity deters some individuals from pursuing claims altogether, as the perceived effort required to gather documentation, submit forms, and follow up on claims often outweighs the anticipated compensation. Moreover, many vehicle owners lack a clear understanding of their rights under the insurance policy and the procedures required to make a claim. The limited public awareness of these rights and processes not only leads to underutilization of the system but also contributes to further delays, as incomplete or incorrect documentation may stall the claims process.

Dispute resolution between insurers and policyholders remains another challenging aspect of the system. When disagreements arise, such as over the amount of compensation offered or claim denial, vehicle owners have limited resources to appeal decisions or resolve conflicts. This scarcity of effective dispute-resolution options often prolongs the process, adding stress to claimants who may already be experiencing the financial and emotional impact of an accident. Transparency in data reporting presents an additional hurdle. The lack of accessible data on claims, settlements, and disputes hampers efforts to analyze and evaluate the current system's performance. Without a clear understanding of common issues in claim processing or the frequency of disputes, policymakers and industry stakeholders face challenges in designing targeted improvements. These findings highlight that the current compensation mechanism in Uzbekistan could benefit from administrative reforms aimed at streamlining claim processing, raising coverage limits, increasing public awareness, and enhancing data transparency. Addressing these issues would help align Uzbekistan's civil liability insurance practices more closely with the needs of policyholders and accident victims, fostering a system that is more efficient, equitable, and supportive.

In assessing Uzbekistan's practices for compulsory civil liability insurance, it is valuable to examine the policies of other countries with well-established systems, such as Germany, the United Kingdom, and Japan. These countries have developed mechanisms that emphasize efficiency, broad coverage, and transparent dispute resolution, offering insights into potential improvements for Uzbekistan.

In Germany, compulsory civil liability insurance is supported by a highly advanced digital infrastructure. German insurers rely on automated systems that enable policyholders to submit, track, and settle claims with minimal human intervention, significantly reducing processing times and administrative errors (Müller & Schmidt,

2018). In Uzbekistan, however, the process is largely manual, leading to extended wait times. Additionally, Germany prioritizes public education on insurance rights, ensuring that drivers are both informed and empowered to navigate the claims process effectively (Bundesanstalt für Finanzdienstleistungsaufsicht, 2020).

The United Kingdom emphasizes consumer protection through accessible, independent dispute-resolution mechanisms. The UK Financial Ombudsman Service offers policyholders a transparent, non-biased platform to appeal claim decisions, fostering greater trust in the system (Smith, 2019). In contrast, Uzbekistan lacks a similar independent body, leaving policyholders with limited options for resolving disputes. Implementing an independent dispute resolution body in Uzbekistan could promote accountability and enhance policyholder trust by providing structured support in conflict resolution (Jones, 2021).

Japan's insurance system is distinguished by its extensive coverage limits and efficient compensation framework. Japanese policies provide higher claim limits, ensuring that victims are adequately compensated, even in severe accidents (Tanaka, 2019). Uzbekistan's coverage limits are more restricted, often falling short in cases of major accidents, which leaves victims responsible for out-of-pocket expenses. Adopting broader coverage limits similar to those in Japan would align Uzbekistan's system more closely with the financial needs of policyholders and accident victims.

Despite these distinctions, Uzbekistan's universal insurance mandate is a commendable strength, ensuring that all drivers are legally required to carry coverage. This inclusivity mirrors international best practices, establishing a baseline level of protection. However, operational improvements—such as adopting digital claim processes, raising coverage limits, and introducing independent dispute resolution channels—would help Uzbekistan better meet the standards observed in countries like Germany, the United Kingdom, and Japan. The table below summarizes key aspects of the civil liability insurance systems in Uzbekistan, Germany, the United Kingdom, and Japan, highlighting the strengths and areas for improvement in Uzbekistan's current framework.

Table 1. Key Aspects of Civil Liability Insurance Systems in Uzbekistan and Selected Countries

Aspect	Uzbekistan	Germany	United Kingdom	Japan
Claim Processing Time	Often delayed due to manual procedures	Streamlined, supported by advanced digital systems	Moderate, with digital and manual components	Efficient, with a high degree of automation
Coverage Limits	Limited, often insufficient for severe accidents	Broad coverage, adaptable based on claim severity	Comprehensive, with options for high coverage	Extensive, ensuring minimal out-of-pocket costs
Dispute Resolution	Limited options, no independent body	Standard, with established complaint mechanisms	Independent ombudsman service available	Effective, includes independent mediation options
Public Awareness Initiatives	Low, limited outreach and knowledge among policyholders	High, regular public education campaigns	Moderate, with targeted awareness initiatives	Strong, emphasizing knowledge of policyholder rights
Transparency and Reporting	Limited data access, few	Transparent, with accessible data on claims	Transparent, with regular reports from insurers	Extensive, public reporting of

	publicly available metrics			insurance metrics
--	----------------------------	--	--	-------------------

Uzbekistan’s practices would benefit from adopting digital claim processing systems similar to those in Germany, introducing independent dispute resolution mechanisms like the UK’s, and establishing broader coverage policies akin to Japan’s. Implementing these strategies could improve the efficiency, transparency, and reliability of Uzbekistan’s civil liability insurance system, aligning it more closely with international best practices.

Identified Issues. Several critical issues affect the effectiveness of Uzbekistan’s compulsory civil liability insurance system for vehicle owners, which collectively impact both policyholder satisfaction and the timely provision of financial support to accident victims.

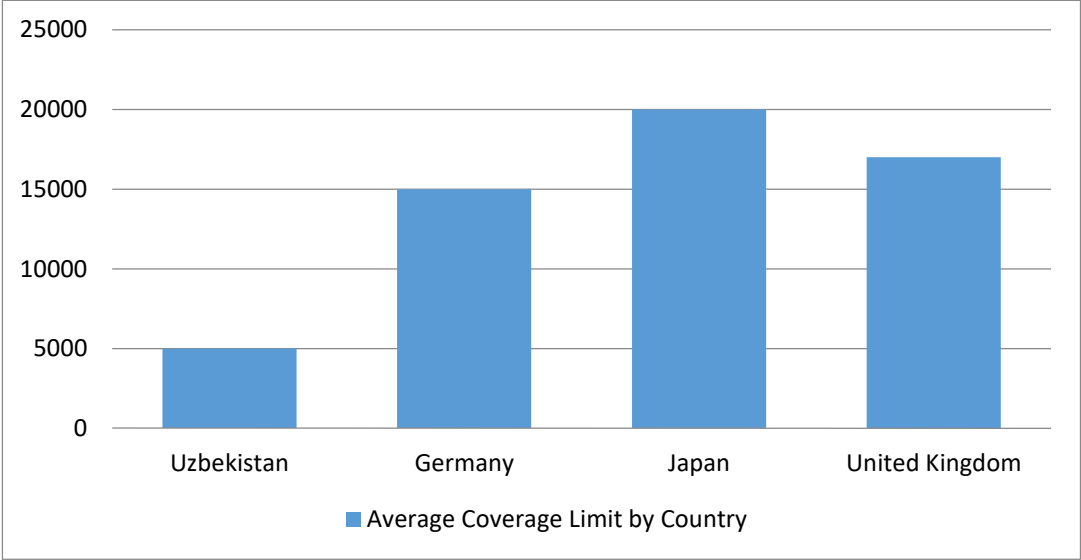


Figure 1: Comparison of Average Coverage Limits for Civil Liability Insurance Across Selected Countries

Delays in Claims Processing. One of the most prominent challenges is the extended delay in processing claims, largely due to manual procedures and limited digital infrastructure. This slow processing creates financial strain for accident victims, who often have to wait an extended period before receiving the compensation they are entitled to.

Insufficient Coverage. The current coverage limits in Uzbekistan are often inadequate to fully support victims, especially in severe accidents. Many policyholders find that the compensation amount falls short, requiring them to pay significant out-of-pocket expenses. This limitation reduces the protection that civil liability insurance aims to provide and can leave victims financially vulnerable.

Administrative Hurdles. The process for filing and completing claims is complex and involves multiple procedural steps. These administrative hurdles can be difficult to navigate without legal or expert guidance, discouraging policyholders from pursuing claims. The complexity also increases the potential for errors in documentation, which can lead to further delays.

Lack of Effective Dispute Resolution. Policyholders face limited options for appealing denied claims or contesting compensation amounts. The absence of an independent dispute resolution mechanism leaves policyholders with few resources to seek fair outcomes, contributing to dissatisfaction and a lack of trust in the system.

Limited Public Awareness. Many vehicle owners are unfamiliar with their insurance rights and the procedures for filing claims, leading to underutilization of the insurance system. This gap in awareness not only discourages claims but also results in delays when incomplete or incorrect documentation is submitted, further complicating the claims process.

Data Transparency and Accessibility. A lack of transparency in data reporting, including information on claim processing times, settlement rates, and dispute occurrences, hinders the ability to evaluate the system's effectiveness. The absence of accessible data limits the potential for informed policy adjustments, as stakeholders lack insights into where improvements are most needed.

Addressing these issues would improve the reliability and accessibility of Uzbekistan's civil liability insurance system, creating a more supportive structure for policyholders and aligning with international best practices.

4. Discussion

Implications for Uzbekistan. The identified issues in Uzbekistan's civil liability insurance system have significant implications for both policyholders and policymakers. The current delays in claims processing and insufficient coverage undermine the primary goal of insurance, which is to provide timely financial support to accident victims. This inefficiency not only erodes public trust but may also discourage individuals from complying with mandatory insurance requirements (Karimov & Nasriddinov, 2022). If policy reforms are implemented to streamline administrative processes, increase coverage limits, and introduce a dispute resolution body, the system could become more efficient and accessible. Such reforms would also support Uzbekistan's commitment to enhancing road safety and financial stability, as a more reliable insurance system would reduce the financial burdens on accident victims and potentially mitigate the risk of uninsured drivers (Müller & Schmidt, 2018).

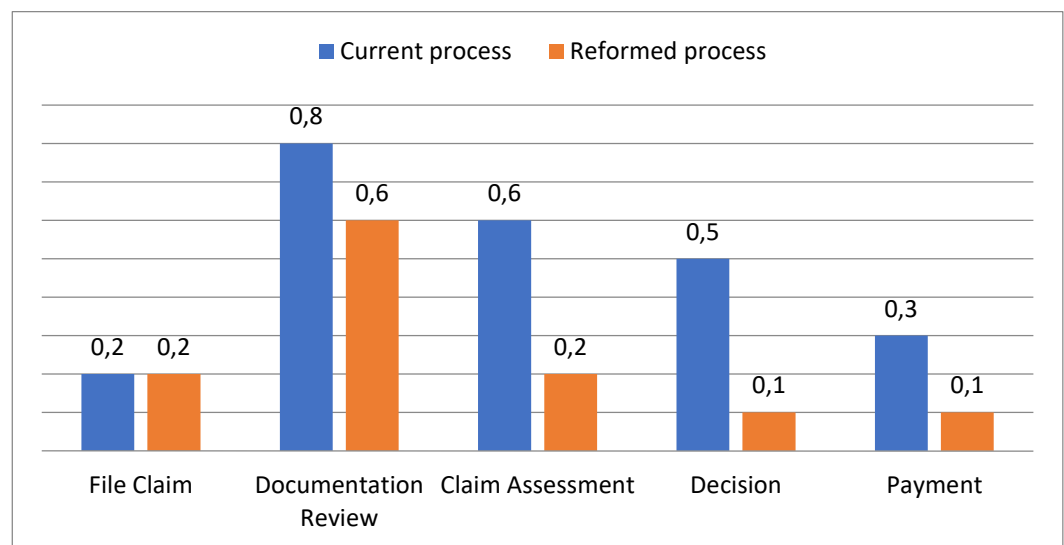


Figure 2: Comparison of Claims Processing Steps - Current vs. Reformed Process

Global Lessons. Analyzing international practices offers valuable lessons for Uzbekistan, particularly from systems in countries like Germany, the United Kingdom, and Japan, which excel in efficiency, coverage, and consumer protection. Germany's use of digital infrastructure in claims processing has greatly reduced administrative delays and improved service quality, offering a model for Uzbekistan to adopt. The introduction of a digital platform in Uzbekistan, as Germany has done, could streamline the claim filing process, enable policyholders to track claims, and minimize paperwork (Bundesanstalt für Finanzdienstleistungsaufsicht, 2020). Similarly, the United Kingdom's independent dispute resolution body, the Financial Ombudsman Service, provides a platform for fair claim settlements. Adapting a similar independent body in Uzbekistan could foster accountability and transparency, ensuring policyholders feel secure in their rights (Smith, 2019). Finally, Japan's high-coverage policies provide an excellent example for Uzbekistan,

as increasing coverage limits could better protect accident victims from financial hardship, especially in severe cases (Tanaka, 2019).

Future Trends. Global trends in vehicle insurance are shifting toward increased automation, expanded coverage, and personalized policies. In the coming years, digitalization is expected to play an even greater role in claims processing worldwide, allowing insurers to handle claims faster and more efficiently. Uzbekistan could benefit from adopting these digital trends, which align with efforts to improve administrative efficiency and reduce processing times (OECD, 2021). Additionally, as global insurance markets focus more on consumer rights, there is a growing emphasis on transparency and policyholder protections. Adapting to these trends could increase policyholder confidence in Uzbekistan's system, potentially leading to higher insurance compliance rates. Lastly, as vehicle technology advances, such as through telematics and data-driven risk assessment, Uzbekistan's insurance industry could explore these technologies to better assess and price risks, creating more tailored and fair insurance policies.

Recommendations. To strengthen Uzbekistan's civil liability insurance system, the following recommendations are proposed for policymakers and insurance companies:

1. **Digitalization of Claims Processing.** Uzbekistan should consider implementing a digital platform for claims processing similar to Germany's model. This platform would allow for online claim submissions, automated claim tracking, and efficient documentation management, reducing administrative delays and making the process more accessible (Müller & Schmidt, 2018).

2. **Independent Dispute Resolution Body.** Establishing an independent dispute resolution body, modeled after the UK's Financial Ombudsman Service, could help resolve claim disputes fairly and transparently. This mechanism would enhance trust in the insurance system by offering policyholders a structured pathway to appeal claim denials or compensation disagreements (Smith, 2019).

3. **Increase in Coverage Limits.** Adopting higher coverage limits, inspired by Japan's comprehensive policies, would ensure that accident victims are more adequately supported. This change would protect policyholders from the financial strain associated with severe accidents, aligning Uzbekistan's system with the protective standards observed internationally (Tanaka, 2019).

4. **Public Awareness Campaigns.** Increasing public awareness of insurance rights and procedures through nationwide campaigns would empower policyholders to make better use of their policies. Educational initiatives, similar to those seen in Germany, could improve compliance rates and reduce delays caused by incorrect or incomplete documentation (Bundesanstalt für Finanzdienstleistungsaufsicht, 2020).

5. **Enhanced Data Transparency.** Improving data transparency and accessibility, particularly around claim processing times, approval rates, and dispute occurrences, would allow stakeholders to identify areas needing reform. Publishing regular reports could also provide valuable insights to policymakers, guiding future adjustments to the system (Karimov & Nasriddinov, 2022).

By implementing these recommendations, Uzbekistan could significantly improve the efficiency, transparency, and reliability of its civil liability insurance system, aligning it more closely with international best practices and better meeting the needs of policyholders and accident victims.

5. Conclusion

This analysis of Uzbekistan's civil liability insurance for vehicle owners identifies several key challenges, including delays in claims processing, insufficient coverage limits, complex administrative procedures, lack of effective dispute resolution, limited public awareness, and restricted data transparency. These issues undermine the insurance system's ability to provide timely and fair compensation to accident victims, reducing

policyholder confidence and compliance. Comparative insights from countries like Germany, the United Kingdom, and Japan reveal that digitalization, independent dispute resolution mechanisms, and higher coverage limits are effective strategies for enhancing system efficiency and policyholder protections.

Policy Suggestions. To improve Uzbekistan's compensation payment mechanism, this study recommends several practical reforms:

1. Implement a digital claims processing platform to streamline administrative tasks and reduce delays.
2. Establish an independent dispute resolution body to ensure fair outcomes and foster policyholder trust.
3. Increase coverage limits to protect victims in severe accidents more effectively.
4. Launch public awareness campaigns to educate vehicle owners on their insurance rights and the claims process.
5. Enhance data transparency by publishing regular reports on claim processing metrics, aiding policymakers in ongoing evaluations and reforms.

These recommendations, if adopted, could create a more responsive, transparent, and fair civil liability insurance system in Uzbekistan, better serving both policyholders and accident victims.

Future Research. Future studies could focus on assessing the impact of digital claim platforms on processing times in countries with similar infrastructure levels, providing data-driven support for digitalization in Uzbekistan. Additionally, comparative studies on independent dispute resolution models could offer further insights into establishing a fair and accessible system for claim disputes. Research on public awareness strategies specific to insurance in Central Asia could also aid in designing effective educational campaigns tailored to Uzbekistan's unique demographic.

REFERENCES

1. Bundesanstalt für Finanzdienstleistungsaufsicht. (2020). *Digital transformation in the German insurance sector*. Retrieved from
2. Jones, P. (2021). The role of independent dispute resolution in insurance markets. *Journal of Consumer Protection and Policy*, 12(3), 214-229.
3. Karimov, R., & Nasriddinov, B. (2022). *Challenges in Uzbekistan's civil liability insurance system for vehicle owners*. Tashkent: Uzbekistan Academy of Sciences.
4. Müller, H., & Schmidt, K. (2018). Streamlining insurance claims: The impact of digitalization on efficiency in Germany. *European Journal of Insurance Studies*, 25(2), 145-160.
5. OECD. (2021). *Global trends in vehicle insurance: Automation, coverage, and consumer protection*. OECD Publishing. Retrieved from
6. Smith, A. (2019). Consumer trust and transparency: The UK Financial Ombudsman Service as a model for dispute resolution. *International Journal of Insurance and Law*, 7(1), 45-61.
7. Tanaka, Y. (2019). *Comprehensive coverage policies in Japan: An analysis of high-limit insurance for vehicle accidents*. Tokyo: Japan Institute for Insurance Studies.
8. Wilson, J. (2019). The importance of civil liability insurance for road safety and financial security. *Insurance Policy and Practice*, 10(2), 78-94.
9. Zokirov, T. (2017). An overview of compulsory insurance in Uzbekistan. *Journal of Central Asian Law*, 3(4), 23-36.
10. Lex.uz. (2024). *Law on Compulsory Insurance of Civil Liability of Vehicle Owners*. Retrieved from
11. Palvanov, I. T. (2023). Experience of foreign countries regarding the civil legal regulation of compulsory professional liability insurance. *International Journal of Law and Criminology*, 3(05), 24-31.
12. Anisimov, A. P., Injieva, B., & Ryzhenkov, A. (2023). Environmental insurance in the mechanism of environmental protection in Russia: How to improve its efficiency with the help of law? *Journal of Property, Planning and Environmental Law*, 15(3), 130-151.

13. Kuldashev, K. M. (2018). The insurance market of Uzbekistan and the need for mutual insurance companies. *Дайджест-финансы*, 23(2), 221-229.
14. Boltaev, M. S. (2021). Problems of the use of compulsory health insurance. *International Journal of Multicultural and Multireligious Understanding*, 8(10), 489-495.
15. Goyibbaevich, S. A. (2023). Insurance in Uzbekistan: Experience and practice. *Asian Journal of Technology & Management Research (AJTMR)*, 2249(0892).
16. Craik, N. (2022, April). Insurance and compensation fund design for deep-seabed liability: Lessons from existing civil liability regimes. In *The United Nations Convention on the Law of the Sea, Part XI Regime and the International Seabed Authority: A Twenty-Five Year Journey* (pp. 273-300). Brill Nijhoff.