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Association rebut of local court's query on auto insurance

The Insurance Association of China(IAC) made its responses to the judicial advice on vehicle liability insurance submitted by the people's court of Changping district, Beijing.

Earlier this month, the court sent its judicial advice to the China Insurance Regulatory Commission (CIRC), China's insurance regulator, explaining problems confronted while handling cases related to compulsory vehicle liability insurance. This again makes the controversial insurance policy a hotspot after its debut in 2006.

The advice submitted pointed out that insurance companies are reluctant to settle claims, and that the medical compensation is not enough to cover the losses of policy holders. More over, the long-winded procedures in payment collection turn many policy holders to courts for easier dispute settlement, tightening up the limited judicial resources.

IAC secretary-general Wang Zhichao argued in an interview on Sunday that as the first compulsory insurance in China, the compulsory vehicle liability insurance is still a "young insurance policy" and has much room for improvement.

"We welcome constructive suggestions, but hope there would be less hostility from the media circus."

Among the 172 cases related to traffic accident damages compensation accepted in the court last year, 121 of them were filed with insurance companies as defendants, taking up 70.35 percent of the total. Statistics from the court revealed that, the insurers' active settlement rate, which was concluded from in the lawsuit procedure, only came to 0.826 percent.

Chen Wenjie, a judge in the Changping district court, said the situation could be eased should insurance companies prepay the economic damages to victims following the regulation on compulsory vehicle insurance.

However, Wang, the head of the insurers' association, refuted that statistics from cases in 2007, saying they could not reflect the current situation as the new regulation on compulsory vehicle insurance, taking effect this January has specified insurers' duties on the prepaying of compensation.

Even in 2007, vehicle collisions resulting in damages below 2000 yuan (\$293.15) would have been prepaid. Besides, there is no need to file a lawsuit if damages of a large amount are processed smoothly. "The operation and service status of the compulsory vehicle liability insurance cannot be measured through figures in the lawsuits."

Regarding the medical compensation, Chen believes that the compensation is inadequate to cover the economic losses of the injured and it is unfair for them. Her court suggested that CIRC lift ceilings of all liabilities in the compulsory insurance, especially those relating to personal injuries.

Wang retorted that the compensation limit was decided in accordance with the premiums, which are set on the basis of previous traffic accidents risk rate. Premiums may rise 30 to 35 percent if the compensation limit lifts by 10,000 yuan, and financial burden will be shouldered by all policy holders which would be unfair for those not involved in traffic accidents. "The extra medical benefit can be achieved through commercial insurance." said Wang.

As for the frequently long-winded procedure in damages collecting, Wang explained that claim verification was essential in order to prevent fraud and cheating in compensation applications. However, he said that joint efforts were needed to tackle the delay in undertaking the claims.

He indicated that simplified procedures in regards to vehicles collision disputes are under examination and the IAC was standardizing the claim documents as well as the procedure in the guidance of CIRC, and the standards was expected to be carried out early next year.

The regulation on compulsory vehicle liability insurance came into force on July 1, 2006. It prescribed that all the vehicles within China should purchase the compulsory insurance, for the purpose of ensuring victims in traffic accident with compensations and enhancing traffic safety. It was revised in January in

terms of premiums and limits of liabilities.

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