

Compulsory Motor Third Party Liability Insurance in Georgia

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The risk arising from motor third party liability has a significant influence on the financial conditions of society. Accordingly, the question of the necessity and effectiveness of the obligatory form of third party car insurance and how it provides financial security for society by caring for the rights of society from the part of the state, is relevant. Compulsory insurance has to protect the insured from such risks that are very high and have serious consequences – this is the responsibility of the state. It also has to provide an extended liability (in this case the liability of body injuries and property damage raised by owing and driving a vehicle. Compulsory insurance will strengthen the security of society, will raise the precedent of “punishment of the guilty” and will help lower the frequency of such risks in the future, which will improve the social environment.

Introduction

Among the compulsory forms of insurance issued around the world, Motor Third Party Liability (MTPL) insurance is the most wide-spread compulsory insurance, the aim of which is to insure the liability of the owners of vehicles against damages to health and property of a third party in the form of an obligation (Rejda & McNamara, 2008, pp. 522-523). While MTPL insurance is in the form of an obligation, the insurance object, types and the rules of implementation is determined by legislation in Georgia (Parliament, 1997, article. 5).

In general, car insurance contains four types of coverage. It includes the coverage of the personal automobile of the policyholder, when damages occur to this insured vehicle; coverage of the medical expenses, which compensates medical expenses for the policyholder, his family and other persons who are passengers of the insured vehicle; the coverage of the liability and the coverage of the “non-insured driver”. As it was mentioned, the medical expenses of the policyholder and passengers are covered by the second type of coverage, but the damages of the property or bodily injuries of the other “third party” (other than policyholder, driver or passengers) are covered by third party liability coverage.

Motor third party liability insurance addresses the following problems: when on the road accident, by the blame of other person the “victim” is injured and he/she is insured, the insurance company covers the damages through the first and second types of coverage, but this will have an influence on the premiums of the following insurance period. Under the MTPL insurance, the victim’s insurance company is not obligated to cover the damage, due to fact that the premium will not be increased for the next insurance period. If the victim is non-insured or wasn’t driving and was a pedestrian, then it will be possible that he/she will not get an amount that covers the injuries by the “guilty” person, because of the lack of funds or simply the “guilty” person can run away from crime scene in order to avoid punishment. In this case the motor third party liability insurance comes into play. If the pedestrian was injured by the accident, his insurance company under the MTPL insurance will cover the damages and not the guilty party himself and since the insurance company is an institutional entity, it has more financial stability to cover the damage fully.

Any form of insurance is not subject to be implemented in the form of an obligation. The most important factor is the risk that is raised by insured objects and the severity of the impact on society. The second factor means that it may not spread out the severity of the results on society widely, but it may be very important for individuals in that it may need the form of compulsory insurance. The third factor considers spreading the sphere of responsibility, or extending the liability. For example, in the case of MTPL insurance, the system of bonus-malus (reward-bonus; or penalize-malus) increases the responsibility, as the policyholder knows that if the accident has occurred during the insurance period, the premium will be increased for the next insurance period. Accordingly, the sense that covering expenses will be done by “others”, in this case “others” means an insurance company, and that he/she will avoid responsibility, will disappear. This decreases the factor of negligence for the next insurance periods (Organisation for Economic Co-operation and Development, 2004, pp. 192-197).

As the risks caused by motor third party liability insurance makes a significant impact and influence on society, the research hypothesis is in that MTPL insurance provides for a decrease in the losses for the society caused by the third party liability risks, which is one of the main prerequisites to defend the financial security of citizens from the the state.

As it is mentioned in the OECD report, the compulsory form of the MTPL insurance is satisfied by two main conditions. Firstly, the frequency and the severity of the risks must be high. The secondly, to extend the liability, or spread out the sphere of responsibility towards these risks, this provides a reduction in the probability of risks in future (2004, p. 197).

Consequently, the objective of the study is as follows: to count the frequency of the mentioned types of risks in Georgia and compare the results with the average frequency of risks in the European countries. In addition, we must check to see if the compulsory insurance extends liability. We must study to see how detrimental paying the premiums for the compulsory MTPL insurance will be on Georgian society.

Compulsory insurance will help form and develop an insurance culture in Georgia. It will improve the competition between insurance companies and will provide prevention of injuries. The compulsory form of motor third party liability insurance will quickly reshape the financial results of road accidents

and avoidance of lawsuits. Society's sense of fear and threat will be reduced before and after road accidents (Rejda & McNamara, 2008, p. 29).

However, as with any type of insurance, compulsory insurance has its negative sides too. Any type of insurance premium contains the expenses of doing business (operating expenses) which affects society. It also increases the element of negligence that pushes policyholders to carelessness as the road accident damages are covered by insurance company and not themselves (Rejda & McNamara, 2008, pp. 32-33).

Compulsory MTPL insurance in Georgia

Relevance of research

Auto insurance is one of the most important types of insurance in the world. According to the first major report on road injury prevention jointly issued by the World Health Organization (WHO) and the World Bank, road traffic injuries are a huge public health and development problem, killing 1.2 million people a year and injuring or disabling between 20-50 million according to data from 2008. Both WHO and World Bank data show that, without appropriate action, these injuries will rise dramatically by 2020. This increase mainly threatens developing countries, as in such countries there have been dramatic increases in the number of using the automobiles and consequently the risks connected to this growth. These injuries clearly have an enormous economic impact on individuals, families, communities, and nations of low-income and middle-income countries costing between 1 and 2 percent of their gross national product. In addition, there is the difficult and tragic burden on those directly affected, physically and psychologically, as well as their families, friends, and communities. According to the World Health Organization's 2004 World Report on Road Traffic Injury Prevention, health facilities and their scarce budgets are greatly overloaded by having to deal with survivors of traffic accidents. World Bank studies have shown that motor accidents causing deaths and injuries occur in developing countries at a rate of up to eight times that of industrial countries. To underline the seriousness of the situation, WHO has called motor accidents a "hidden epidemic" (The World Bank, 2009, pp. 1-4).

Financial, physical or psychological results that arise from the motor third party liability are a heavy burden for Georgian society as well. As the Georgian Insurance Association shows, between 2005-2007 on average 85 percent of injuries per year come from road accidents, with a total material loss of 50 million of Georgian Gel (The center of business and economics, I-002, p. 2).

Social problems and frequent road accidents have become the reason for developing and establishing MTPL insurance around the world. The second biggest problem that helped to establish MTPL insurance was the traffic jams and the problems connected with them. The number of vehicles on the roads significantly increased in the developing world and that led us to heavy traffic, road accidents and many other social problems. In most countries, the introduction of this new form of compulsory insurance went hand in hand with the establishment of a guarantee fund, a new kind of body to which every insured person contributed (in the form of a percentage of premium paid). The purpose of such a fund is to compensate victims for damage caused by unidentified or uninsured drivers (Those whose insurance contract cannot cover the injuries fully or drivers who leave the scene of an accident), or by vehicle thieves. Consequently, the injured side always knows that the damage will be covered by all means: from the side of the insurance company or the guarantee fund (Organisation for economic co-operation and development, 2004, p. 192).

As it has already been mentioned, dealing with the third party liability while owing and driving a vehicle is very important for a society's well-being. Based on the reports of the National Bank, World Health Organization and other reliable sources, attention is paid exactly to the importance of MTPL insurance from the following point of view: development of the country; financial security of society and satisfy the requirements of international organizations. After the elimination of compulsory MTPL insurance legislation in Georgia, only 0.8 percent of collected premiums belonged to the voluntary form of third party liability of using land transport in 2012 (LEPL State Insurance Supervision Service of Georgia). This index is quite low and indicates that the importance of MTPL insurance is less than thought from the society in the Georgian case. As the voluntary MTPL insurance cannot occupy even 1 percent of the market, it is necessary to adopt actions by the state that is expressed in the form of compulsory insurance.

MTPL insurance regulation

In the most countries, MTPL insurance towards a third party is insured by the compulsory form. From the report of the Organisation for Economic Co-operation and Development (Insurance in the Baltic countries: Policy issues in Insurance, 2004, p. 217) it seems that compulsory insurance is regulated by legislation. As the international experience shows, compulsory insurance cannot be accomplished only on the basis of law. Compulsory insurance, even though it is required by law, still implies a conclusion of an insurance contract between the policyholder and an insurer. Law contains only a minimum need, requirements and describes the general conditions of insurance. For the insurance to enter into force, acceptance insurance terms and conditions is provided by the signing of an insurance contract. An insurance contract is in force after the policyholder makes his/hers first payment for the insurance premium. For example, as a result of changes in the the 1995 law on compulsory insurance of Estonia, by the provisions on compulsory insurance law of 2002, it was clearly and unambiguously defined that compulsory insurance is the type of insurance that is regulated as compulsory by legislation, but bringing compulsory insurance into force means also signing an insurance contract.

The adoption of compulsory insurance is done at a legislative level. According to the Organisation for Economic Co-operation and Development, there are several aspects that are important from the legislative side. The first is what is covered by the law. The information about coverage must not be general and vague, because very often, with the exemptions and additional conditions of the contract, insurance companies can limit the area of compulsory insurance coverage. For example, compulsory insurance covers financial losses resultant from road accidents. This information is general and undefined. It should be noted what kind of financial losses are covered: those from bodily injuries only or from property losses too, covering court costs or not, covering death and other miscellaneous expenses or not.

The second topic is about insurance companies that provide compulsory insurance services to society. In this case, the customer has to be able to estimate the service that is offered by insurance company. In order to avoid the initial reasons for the elimination of the compulsory MTPL insurance scheme in Georgia, it is possible to supervise the insurance market from the

point of antimonopoly/antitrust regulation. As it was already mentioned, the initial reason for the elimination of legislation was named the use of monopolistic position by one of the insurance companies that offered quite a low price for compulsory MTPL service compared with competitors (Petelava, 2008, p. 85). However, it should be noted that the Georgian market has relatively developed and there is low probability that any insurance company will benefit by similar monopolistic position in Georgia. In 2010, the market share of insurance companies indicated that there were no strictly expressed monopoly in existence. According to the report for the third quarter of 2013, LEPL State Insurance Supervision Service of Georgia indicated that based on a written premium the leader of the market is “Aldagi BCI” (29.77%), then comes “GPI Holding” (17.3%) and “Archimedes Global Georgia” (16.86%). Little shares have “IRAO” (10.3%) and “IC Group” (9.06%) and a remaining 8 companies share 16.7 percent of the market (LEPL State Insurance Supervision Service of Georgia, 2013).

In the negotiation stage of the conditions of compulsory insurance, the minimum insurance amount must be specified in the legislation. But an insurance company can offer the policyholder a more convenient or competitive set of conditions than stated by law (Parliament, 1997, Article. 5).

The compulsory MTPL insurance in EU countries is represented by the international “Green Card” system. (Organisation for Economic Co-operation and Development, 2001, p. 176). It was the result of an agreement between European countries and is intended to cover accidents occurring outside the country where the car is registered. It covers death, bodily injury, property damages and legal expenses. The “Green Card” system helps vehicle owners to cross borders seamlessly. The aim of the system is that every country has to care for the citizens injured by road accidents despite their nationality.

In Georgia, this role was filled by the law on compulsory insurance adopted in 1997 “About compulsory motor third party liability insurance”. Changes were made in this piece of legislation on January 1, 2004. According to the changes, the scope of compulsory MTPL insurance was not required for privately used vehicles with weights that were less than three tons. Finally, on January 15, 2010 the 1997 law “about the compulsory MTPL insurance” was cancelled.

Several factors were said for abolishing compulsory MTPL insurance. One of them was the unfair competition on insurance market during period of 2002-

2003. This was expressed in that one of the insurance companies offered customers the compulsory package at a 90% discount. That put competitive insurance companies in difficult situation. The state could not manage to qualify this action as anti-competitive activity that, by experts, was caused by the loop holes of antimonopoly/antitrust legislation. The Georgian government also considered it better to avoid giving society extra obligations. These factors caused the cancelation of compulsory MTPL insurance (Petelava, 2008, p. 85).

The MTPL insurance benefits for society

It has to be noted that there are quite important arguments linked with adoption of MTPL insurance. The main benefit is defending the society from those risks, which have become more important over the last 10 years. “The community needs to understand that persons who drive cars collectively give rise to extensive injury and damage across society” (The World Bank, 2009, p. 211). In the report, the World Bank also mentions the positive results, which influenced the adoption of compulsory MTPL insurance in nearly all countries.

First of all, it raises awareness of the responsibilities of the driver. Compulsory insurance provides increased responsibility against the owners and drivers of vehicles, which improves the situations associated with road accidents. It also improves the condition of injured and community responsiveness. The last is linked to the need to improve safety in infrastructure, road design, vehicle design, driving skills, driver conditions (for example: prohibitions, limitations, and road traffic rules), matching driver experience to the capabilities of the vehicle (lower-power vehicles for younger drivers), car occupant safety (use for seatbelts and child seats) and pedestrian behavior (The World Bank, 2009, p. 211).

Compulsory MTPL insurance helps to raise public responsibility. Particularly, when the person who caused road accident suffers economic losses (by participation in the reimbursement of the loss), this causes the precedent of “punishing the guilty” that eventually gives way to improved driving conditions. To participate in the reimbursement of loss, insurance companies apply different methods and systems. Among them is “Bonus-Malus” system

that is designed to increase or reduce premiums according to changes in insurance risk (Parliament, 1997, p. 1).

When MTPL insurance is not given in the form of obligation, a large amount of money goes to covering uninsured drivers. Under this coverage, the insurer pays compensating expenses for body injuries, on which the policyholder has the right to get from uninsured vehicle (Crews, 2010, p. 11). An uninsured driver is the person, who does not have compulsory insurance, or whose insurance company is insolvent to pay fully or partially the claims, or the driver who leaves the scene of an accident (Rejda & McNamara, 2008, pp. 502-505). When “the guilty” shares claims derived from third party liability with an insurance company, the probability that he or she will flee the scene of the accident reduces. Compulsory MTPL insurance will reduce the number of those people, who will not be able to get claims for injuries/damages, and will have to use their own insurance policy to cover claims raised from uninsured driver, which will increase their premiums in future.

Dealing with road accident risks is one of the most important duties of the state. Nearly every citizen carries a road accident risk and the frequency and severity of this risk is quite high. That is why dealing with road accidents requires colossal resources. Besides, the consequences of road accidents create huge social and economic problems: recovering from injuries requires long-term medical care and resources, the sense of insecurity increases in society. The social results of road accidents influence not only the “injured” but his/her family members, becoming a social burden for the state.

Accidents bring quite a large amount of financial expenses, and the painless and quick regulation of these problems is inevitable for a normal life rhythm. In such cases, court cases and other disputes make for not only financial but also time-consuming problems for the injured and the guilty. It is common to avoid formalities and just make verbal agreements between participants in road accidents. This harms both sides and the guilty remains unpunished, promoting non-safety in society and raises the frequency of road accidents in the future.

Research findings

The research methodology includes processing secondary data from European countries and Georgia about the frequency of the risk caused by motor third party liability (in this case the frequency of the road accidents) for testing the hypothesis using Student's t-distribution and Box-plot.

Additionally, the methodology requires stating the adequacy of insurance premiums with average income and cost of living by processing secondary data. Based on a questionnaire survey, where sample size was 100 people, we collected information about awareness of compulsory MTPL insurance in society. The results revealed that only 46% know about the concept of MTPL insurance.

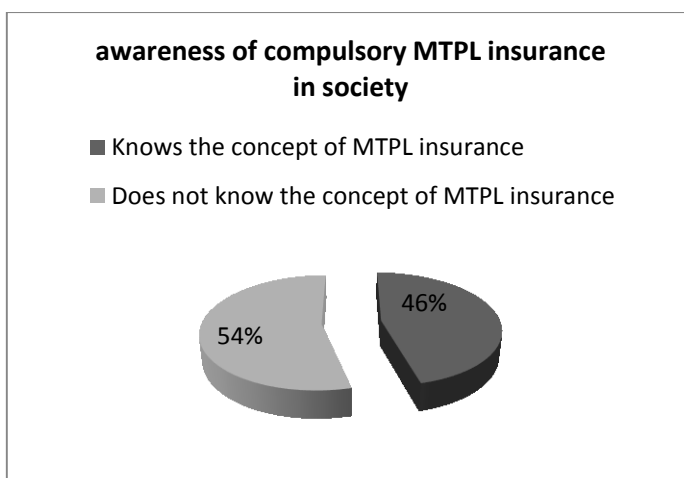


Figure №1

Awareness of compulsory MTPL insurance in society

This survey also revealed the general attitude of society towards the insurance market.

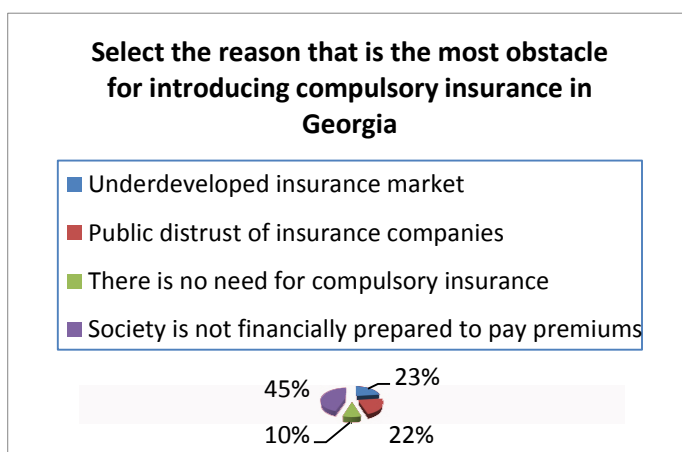


Figure №2

By processing data from the questionnaire survey, the hypothesis was tested based on Z- distribution, which included extended liability if the MTPL insurance will become mandatory. Sample size was 100 people, from which 60% considered, that MTPL insurance should be mandatory.

Table №1. *Anova: Single Factor Results with Microsoft Excel for Testing Hypothesis*

Anova:
Single
Factor
SUMMARY

Groups	Count	Sum	Average	Variance
Frequency	2	100	50	200
Relative frequency	2	1	0.5	0.02

ANOVA

Source of Variation	SS	df	MS	F	P-value	F crit
Between Groups	2450.25	1	2450.25	24.50005	0.038476	18.51282
Within Groups	200.02	2	100.01			
Total	2650.27	3				

As $P < 0.05$, or $F\text{-Test} > F\text{ Critical}$, it was stated that, the responsibility arising with motor third party liability will be extended with the compulsory form of MTPL insurance.

To check how MTPL insurance provides for the financial security of society, it is necessary to check the frequency of road accidents. For this, secondary data was collected from the National statistics office of Georgia and the Information-analytical department of the Ministry of Internal Affairs of Georgia. Based on these data, the frequency of road accident risk in Georgia in 2007 is 3.8% and in 2008 – 4.0% (Information-analytical Department of the Ministry of Internal Affairs of Georgia, 2012). These data were compared with other European countries where MTPL insurance is represented in a compulsory form. Information was retrieved for the years 2006 through 2013.

Table N 2. The frequency of MTPL risk in Europe between 2006-2008 years

		2006	2007	2008
AT	Austria	10.1 %	9.4%	9.0%
TR	Turkey	6.9%	8.7%	9.9%
IT	Italy	8.4%	8.6%	8.6%
GR	Greece	8.2%	8.0%	8.2%
SK	Slovakia	7.6%	7.8%	7.8%
SE	Sweden	6.6%	6.5%	7.7%
LV	Latvia	7.7%	n.a.	n.a.
PT	Portugal	7.3%	7.5%	7.3%
EE	Estonia	7.4%	7.1%	6.1%
MT	Malta	n.a.	5.8%	7.4%
DE	Germany	7.0%	6.8%	6.6%
HR	Croatia	6.2%	5.9%	5.7%
CZ	Czech Republic	6.2%	6.2%	6.2%
NO	Norway	6.1%	6.1%	5.8%
CH	Switzerland	6.1%	6.0%	n.a.
HU	Hungary	5.5%	5.0%	n.a.
PL	Poland	5.3%	5.0%	5.1%
FR	France	4.7%	4.6%	4.4%
SI	Slovenia	4.5%	4.3%	4.1%
NL	Netherlands	4.3%	4.5%	n.a.
FI	Finland	2.9%	2.9%	2.8%
CEA		6.6%	6.6%	6.5%

Source: (European Insurance and Reinsurance Federation, 2010, p. 127)

After calculating risk frequency per citizen, a Box-plot was built, which gave us the frequency range for adequacy of compulsory MTPL insurance. The frequency of the MTPL risk in Georgia appeared in this range, meaning that MTPL insurance should be compulsory.

	Cases					
	Valid		Missing		Total	
	N	Percent	N	Percent	N	Percent
Average_Frequency	22	100.0%	0	0.0%	22	100.0%

Figure №3

Box-plot based on the average frequency of MTPL risk in European countries and in Georgia.

As road accidents are characterized by body injuries, death and damages to property it is necessary to compare the frequency of general accidents that was done as mentioned above. However, another important factor is the frequency of death. On this side, updated data is given across European countries as well as in Georgia. It must be noted that together with the new data, this information is more accurate than the data of road accidents. To announce a person as dead is regulated by the law (Georgian Law on Civil Acts. No. 5562). Accordingly, the number and cause of deaths give are accurate.

Table №3. *Fatalities arising from car accidents by million inhabitants*

		2006	2007	2008	2009	2010	2011	2012	2013
BE	Belgique/Be	102	101	88	88	77	78	70	65
BG	България	135	131	139	118	105	89	82	82
CZ	Cesá reput	104	119	104	86	77	74	71	53
DK	Danmark	56	75	74	55	46	40	30	32
DE	Deutschlanc	62	60	54	51	45	49	44	41
EE	Esti	152	146	98	73	59	76	56	51
IE	Ireland	87	78	64	53	47	41	35	42
ES	España	94	86	68	59	53	44	41	37
FR	France	74	73	67	66	62	61	56	50
HR	Hrvatska	138	139	150	124	99	97	91	86
IT	Italia	96	87	79	71	70	65	62	58
CY	Κύττρος (Ky)	112	114	104	89	73	85	61	53
LV	Latvija	177	184	139	112	103	86	85	86
LT	Lietuv a	223	219	148	110	95	97	99	85
LU	Luxembourg	92	97	72	97	64	64	66	87
HU	Magyarorszi	129	122	99	82	74	64	61	59

MT	Maldta	27	34	37	51	36	51	27	54
NL	Nederland	45	43	41	39	32	33	34	
AT	Osterreich	88	83	82	76	66	62	63	54
PL	Polska	137	146	143	120	102	109	93	87
PT	Portugal	92	92	83	79	80	84	68	52
SI	Slovenija	131	146	106	84	67	69	63	51
FI	Suomi/Finia	64	72	65	52	51	54	47	48
SE	Sverige	49	52	43	39	28	34	30	28
UK	United Kingdom	55	50	43	38	30	31	29	29
		88	86	79	70	63	61	56	52

Source: *Road safety evolution in EU (2014)*.

Based on the data in table N3 in European countries the average death from car accidents is 77 people per million and the standard deviation is 18 people per million (Road safety evolution in EU, 2014). In Georgia average death during 2006-2013 is 145 people per million. (Information-analytical Department of the Ministry of Internal Affairs of Georgia, 2013) It is clear, that the frequency of risk twice exceeds the statistics of European countries.

Based on the data in table N 3 average death per million inhabitants in European countries and in Georgia were calculated.

Table N^o4. *Fatalities arising from car accident by million inhabitants*

	average death per million inhabitant in European countries	average death per million inhabitant in Georgia
2006	101	153
2007	102	168
2008	88	198
2009	76	169
2010	66	154
2011	65	118
2012	59	92
2013	59	107

To process this data, a Student's t- distribution was used based on which the study has been approved in accordance with the hypothesis that the risk of road accidents in Georgia (Road death) is high compared to other European countries (Table N 4)

Table №5. Anova: Single Factor results with Microsoft Excel for testing hypothesis

Anova:
Single
Factor
SUMMARY (Per
inhabitant)

<i>Groups</i>	<i>Count</i>	<i>Sum</i>	<i>Average</i>	<i>Variance</i>
Fatalities in European countries	8	616	77	318
Fatalities in Georgia	8	1159	145	1297

ANOVA

<i>Source of Variation</i>	<i>SS</i>	<i>df</i>	<i>MS</i>	<i>F</i>	<i>P-value</i>	<i>F crit</i>
Between Groups	18428.83	1	18428.83	22.821871	0.000295	4.600110
Within Groups	11305.10	14	807.51			
Total	29733.93	15				

A secondary survey was conducted regarding insurance premiums. The aim of the study was to examine whether paying compulsory premiums would be heavier burden for society. For this reason, MTPL insurance premiums were compared to the average cost of living and income levels in Georgia that is an average of 887 GEL per household during 2013. (National Statistics Office of Georgia, 2013) Average MTPL insurance premium based on current insurance companies is 10 GEL per month based on 10,000 GEL insurance limit. (aldagibci, 2014); (GPI Holding, 2014) Also, technical inspections and the estimated percentage supposed to cover the uninsured driver were taken into account. Based on the old legislation this percentage was 20 percent. However, it should be noted that this percentage is quite high and requires an

adjustment based on the experience of European countries. Research revealed that society is financially ready to pay compulsory insurance premiums.

Conclusions and Recommendations

Research about the frequency and severity of motor third party risks in Georgia confirms the need for compulsory MTPL insurance. It is clear that society is ready to pay the premiums for compulsory insurance. As for the issues relating to compulsory insurance, significant changes need to be implemented.

1. It is necessary to raise effectiveness of the regulation and registration of road accidents, because this information is critically important for the actuarial calculations;
2. Insurance premiums and limits need to be calculated based on actuarial calculations with real statistical data;
3. It is necessary to develop a mechanism of control to insure compulsory form of motor third party liability risk for all registered vehicles in Georgia. It is possible to use the practices of other foreign countries, which includes a driver's license renewal once a year and at the same time signing a compulsory MTPL insurance contract.
4. It is necessary to improve legislation. It is necessary to define in detail the duties of the Insurance Bureau, the management mechanism. It is also important to be regulated by the law methodology of insurance tariff calculation. Legislation has to regulate the Bonus-Malus system, because it is one of the main methods designed to expand the scope of liability, which is a prerequisite for compulsory insurance.
5. Covering the damages to injured persons has to contain the compensation for damage to life and health, as well as compensation for property damage.
6. For this type of compulsory insurance, a unified software database needs to be created.

7. It is recommended to implement Pay-As-You-Drive system, which will reduce and make the premiums payable for each member of the society fairer. This method is also directly related to reducing the frequency of excessive consumption of motor vehicles, thus improving the country's infrastructure.

Permanent revisions of compulsory insurance from the state is the most important and responsible stage. As annual contributions (premiums) are a burden to society and society is obliged to pay the insurance premium regardless of their own desires, the state must be sure to periodically revise, to make sure that the compulsory form of insurance brings more benefit for the country than a financial burden. For this aim, it is possible to revise the need for compulsory MTPL insurance through the methodology of this research. In the reports of Ministry of Labor, Health and Social Affairs of Georgia can specify the severity of damages to the body and life that result from traffic accidents. Other responsible authorities must pay attention to the frequency of traffic accidents and describe completely property damages. The current state of the insurance market should be periodically reviewed to prevent cartel deals. Also the insurance limits and annual premiums need to be revised in order to maintain an economic balance.

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