

Regulations on Compulsory Liability Insurance for Motor Vehicle Traffic Accidents of the PRC

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Contents

Table of Contents	1
Chapter I — General Provisions	1
Chapter II — Insurance Purchase	2
Chapter III — Compensation	4
Chapter IV — Penalty Provisions	6
Chapter V — Supplementary Provisions	7

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Table of Contents

- Chapter I — General Provisions
- Chapter II — Insurance Purchase
- Chapter III — Compensation
- Chapter IV — Penalty Provisions
- Chapter V — Supplementary Provisions

Chapter I — General Provisions

Article 1 — These Regulations are formulated, in accordance with the Road Traffic Safety Law of the People's Republic of China and the Insurance Law of the People's Republic of China, to ensure that victims of road traffic accidents involving motor vehicles receive compensation in accordance with law and to promote road traffic safety.

Article 2 — The owners or managers of motor vehicles traveling on roads within the territory of the People's Republic of China shall purchase compulsory liability insurance for motor vehicle traffic accidents in accordance with the provisions of the Road Traffic Safety Law of the People's Republic of China.

These Regulations shall apply to the purchase, compensation and supervision and administration of compulsory liability insurance for motor vehicle traffic accidents.

Article 3 — For the purposes of these Regulations, "compulsory liability insurance for motor vehicle traffic accidents" means a compulsory liability insurance under which an insurance company compensates, within the liability limits, for personal injury or death and property losses caused to victims other than the occupants of the insured motor vehicle and the insured by a road traffic accident involving the insured motor vehicle.

Article 4 — The insurance regulatory authority under the State Council shall exercise supervision and administration over the compulsory liability insurance business of insurance companies for motor vehicle traffic accidents in accordance with law.

The traffic administration departments of the public security organs and the agriculture (agricultural machinery) departments (hereinafter collectively referred to as the "motor vehicle administration departments") shall supervise and inspect the participation of motor vehicles in compulsory liability insurance for motor vehicle traffic accidents in accordance with law. Motor vehicles that have not participated in compulsory liability insurance for motor vehicle traffic accidents shall not be registered by the motor vehicle administration departments, nor inspected by the motor vehicle safety technical inspection institutions.

The traffic administration departments of the public security organs and their traffic police shall, in investigating and handling road traffic safety violations and road traffic accidents, inspect the insurance signs of compulsory liability insurance for motor vehicle traffic accidents in accordance with law.

Chapter II — Insurance Purchase

Article 5 — Insurance companies may engage in the business of compulsory liability insurance for motor vehicle traffic accidents.

To ensure the implementation of the compulsory liability insurance system for motor vehicle traffic accidents, the insurance regulatory authority under the State Council shall have the power to require insurance companies to engage in the business of compulsory liability insurance for motor vehicle traffic accidents.

No unit or individual other than insurance companies may engage in the business of compulsory liability insurance for motor vehicle traffic accidents.

Article 6 — Uniform insurance clauses and basic premium rates shall apply to compulsory liability insurance for motor vehicle traffic accidents. The insurance regulatory authority under the State Council shall approve the premium rates under the principle that the compulsory liability insurance business for motor vehicle traffic accidents shall, on the whole, be neither profitable nor loss-making.

In approving the premium rates, the insurance regulatory authority under the State Council may engage relevant professional institutions to conduct assessment, and may hold hearings to hear public opinions.

Article 7 — The compulsory liability insurance business of an insurance company for motor vehicle traffic accidents shall be managed separately from its other insurance business and accounted for separately.

The insurance regulatory authority under the State Council shall verify the compulsory liability insurance business of insurance companies for motor vehicle traffic accidents on an annual basis and publicize the matter to the public; based on the overall profitability or losses of the compulsory liability insurance business of insurance companies for motor vehicle traffic accidents, it may require or permit insurance companies to adjust their premium rates accordingly.

Where the adjustment of premium rates is relatively large, the insurance regulatory authority under the State Council shall hold a hearing.

Article 8 — Where the insured motor vehicle has not been involved in road traffic safety violations or road traffic accidents, the insurance company shall reduce its premium rate in the following year. Where the insured motor vehicle continues to have no road traffic safety violations or road traffic accidents in subsequent years, the insurance company shall continue to reduce its premium rate until the minimum standard. Where the insured motor vehicle has been involved in road traffic safety violations or road traffic accidents, the insurance company shall raise its premium rate in the following year. Where road traffic safety violations or road traffic accidents have occurred multiple times, or a major road traffic accident has occurred, the insurance company shall increase the extent of the premium rate increase. Where the insured is not at fault in a road traffic accident, the premium rate shall not be raised. The standards for reducing or

raising premium rates shall be formulated by the insurance regulatory authority under the State Council in conjunction with the public security department under the State Council.

Article 9 — The insurance regulatory authority under the State Council, the public security department under the State Council, the agriculture department under the State Council and other relevant departments shall progressively establish an information sharing mechanism concerning compulsory liability insurance for motor vehicle traffic accidents, road traffic safety violations and road traffic accidents.

Article 10 — When purchasing insurance, the policyholder shall select an insurance company engaged in the business of compulsory liability insurance for motor vehicle traffic accidents, and the selected insurance company shall not refuse or delay underwriting.

The insurance regulatory authority under the State Council shall publicize to the public the insurance companies engaged in the business of compulsory liability insurance for motor vehicle traffic accidents.

Article 11 — When purchasing insurance, the policyholder shall truthfully inform the insurance company of important matters.

Important matters include the type, brand and model, identification code, license plate number and nature of use of the motor vehicle, the name, gender, age and domicile of the owner or manager of the motor vehicle, the ID card or driving license number (organization code), the accidents involving the motor vehicle before renewal, and other matters prescribed by the insurance regulatory authority under the State Council.

Article 12 — When concluding a compulsory liability insurance contract for motor vehicle traffic accidents, the policyholder shall pay the full premium in one lump sum; the insurance company shall issue an insurance policy and an insurance sign to the policyholder. The insurance policy and insurance sign shall indicate the policy number, license plate number, insurance period, and the name, address and claim settlement telephone number of the insurance company.

The insured shall place the insurance sign on the insured motor vehicle.

The style of the insurance sign shall be uniform nationwide. The insurance policy and insurance sign shall be supervised and produced by the insurance regulatory authority under the State Council. No unit or individual may forge or alter insurance policies or insurance signs, or use forged or altered insurance policies or insurance signs.

Article 13 — When concluding a compulsory liability insurance contract for motor vehicle traffic accidents, the policyholder shall not make demands on the insurance company for additional conditions beyond the insurance clauses and premium rates.

When concluding a compulsory liability insurance contract for motor vehicle traffic accidents, the insurance company shall not compel the policyholder to conclude commercial insurance contracts or make demands for additional conditions.

Article 14 — An insurance company shall not terminate a compulsory liability insurance contract for motor vehicle traffic accidents, except where the policyholder fails to perform the obligation to truthfully inform it of important matters.

Where the policyholder fails to perform the obligation to truthfully inform the insurance company of important matters, the insurance company shall, before terminating the contract, notify the policyholder in writing, and the policyholder shall perform the obligation of truthful disclosure within five days from the date of receiving the notice; where the policyholder performs the obligation of truthful disclosure within the above period, the insurance company shall not terminate the contract.

Article 15 — Where an insurance company terminates a compulsory liability insurance contract for motor vehicle traffic accidents, it shall recover the insurance policy and insurance sign and notify the motor vehicle administration department in writing.

Article 16 — A policyholder shall not terminate a compulsory liability insurance contract for motor vehicle traffic accidents, except under any of the following circumstances:

- (1) the insured motor vehicle has been deregistered in accordance with law;
- (2) the insured motor vehicle has undergone suspension of operation; or
- (3) the insured motor vehicle has been confirmed by the public security organ to be lost.

Article 17 — Before the termination of a compulsory liability insurance contract for motor vehicle traffic accidents, the insurance company shall bear insurance liability in accordance with the contract.

Upon termination of the contract, the insurance company may collect the premium for the period from the date the insurance liability begins to the date of termination of the contract, and shall refund the remaining premium to the policyholder.

Article 18 — Where the ownership of an insured motor vehicle is transferred, the procedures for changing the compulsory liability insurance contract for motor vehicle traffic accidents shall be handled.

Article 19 — Upon the expiry of a compulsory liability insurance contract for motor vehicle traffic accidents, the policyholder shall renew the insurance in a timely manner and provide the insurance policy of the preceding year.

Article 20 — The insurance period of compulsory liability insurance for motor vehicle traffic accidents shall be one year, except that under any of the following circumstances the policyholder may purchase short-term compulsory liability insurance for motor vehicle traffic accidents:

- (1) a motor vehicle from outside the territory temporarily entering the country;
- (2) a motor vehicle temporarily traveling on roads;
- (3) a motor vehicle less than one year away from the prescribed scrapping deadline; or
- (4) other circumstances prescribed by the insurance regulatory authority under the State Council.

Chapter III — Compensation

Article 21 — Where a road traffic accident involving an insured motor vehicle causes personal injury or death and property losses to victims other than the occupants of the motor vehicle and the insured, the insurance company shall compensate them in accordance with law within the liability limits of the compulsory liability insurance for motor vehicle traffic accidents.

Where the losses in a road traffic accident are caused intentionally by the victim, the insurance company shall not compensate.

Article 22 — Under any of the following circumstances, the insurance company shall advance the rescue expenses within the liability limits of the compulsory liability insurance for motor vehicle traffic accidents, and shall have the right to recover them from the person causing the harm:

- (1) the driver has not obtained driving qualifications or is drunk;
- (2) the insured motor vehicle caused the accident during the period it was stolen or robbed; or
- (3) the insured intentionally caused the road traffic accident.

Where a road traffic accident occurs under any of the circumstances listed in the preceding paragraph and causes property losses to the victim, the insurance company shall not bear liability for compensation.

Article 23 — Uniform liability limits shall apply nationwide to compulsory liability insurance for motor vehicle traffic accidents. The liability limits shall be divided into the compensation limit for death and disability, the compensation limit for medical expenses, the compensation limit for property losses, and the compensation

limit where the insured is not at fault in the road traffic accident.

The liability limits of compulsory liability insurance for motor vehicle traffic accidents shall be prescribed by the insurance regulatory authority under the State Council in conjunction with the public security department, the health department and the agriculture department under the State Council.

Article 24 — The state shall establish a social assistance fund for road traffic accidents (hereinafter referred to as the "assistance fund"). Under any of the following circumstances, the funeral expenses and part or all of the rescue expenses for the personal injury or death of victims in a road traffic accident shall be advanced by the assistance fund, and the assistance fund management institution shall have the right to recover them from the person liable for the road traffic accident:

- (1) the rescue expenses exceed the liability limits of the compulsory liability insurance for motor vehicle traffic accidents;
- (2) the motor vehicle causing the accident has not participated in compulsory liability insurance for motor vehicle traffic accidents; or
- (3) the motor vehicle fled after causing the accident.

Article 25 — The sources of the assistance fund shall include:

- (1) funds set aside at a certain proportion of the premiums of compulsory liability insurance for motor vehicle traffic accidents;
- (2) fines imposed on the owners and managers of motor vehicles that have not purchased compulsory liability insurance for motor vehicle traffic accidents in accordance with the provisions;
- (3) funds recovered by the assistance fund management institution from persons liable for road traffic accidents in accordance with law;
- (4) interest accruing from the assistance fund; and
- (5) other funds.

Article 26 — The specific measures for the administration of the assistance fund shall be formulated and implemented on a trial basis by the finance department under the State Council in conjunction with the insurance regulatory authority, the public security department, the health department and the agriculture department under the State Council.

Article 27 — Where a road traffic accident occurs involving an insured motor vehicle and the insured or the victim notifies the insurance company, the insurance company shall immediately reply and inform the insured or the victim of the specific compensation procedures and other relevant matters.

Article 28 — Where a road traffic accident occurs involving an insured motor vehicle, the insured shall apply to the insurance company for payment of insurance compensation. The insurance company shall, within one day from the date of receiving the compensation application, inform the insured in writing of the certificates and materials related to compensation that the insured needs to provide to the insurance company.

Article 29 — The insurance company shall, within five days from the date of receiving the certificates and materials provided by the insured, determine whether the matter falls within insurance liability and notify the insured of the result; where it does not fall within insurance liability, it shall state the reasons in writing; where it falls within insurance liability, it shall pay the insurance compensation within 10 days after reaching an agreement with the insured on the payment of insurance compensation.

Article 30 — Where the insured and the insurance company dispute the compensation, they may apply for arbitration or bring an action in a people's court in accordance with law.

Article 31 — An insurance company may pay insurance compensation to the insured, or directly to the victim. However, where the rescue of injured persons requires the insurance company to pay or advance rescue expenses, the insurance company shall, after receiving notice from the traffic administration department of the public security organ and upon verification, promptly pay or advance the rescue expenses to the medical institution.

Where the rescue of injured persons requires the assistance fund management institution to advance rescue expenses, the assistance fund management institution shall, after receiving notice from the traffic administration department of the public security organ and upon verification, promptly advance the rescue expenses to the medical institution.

Article 32 — Medical institutions shall rescue and treat persons injured in road traffic accidents by reference to the relevant clinical diagnosis and treatment guidelines formulated under the organization of the health department under the State Council.

Article 33 — Where an insurance company paying insurance compensation or advancing rescue expenses, or an assistance fund management institution advancing rescue expenses, needs to verify the relevant circumstances with the relevant departments or medical institutions, the relevant departments and medical institutions shall cooperate.

Article 34 — The staff members of insurance companies and assistance fund management institutions shall keep confidential the personal privacy of the parties concerned.

Article 35 — The items and standards of compensation for road traffic accident damages shall be implemented in accordance with the provisions of the relevant laws.

Chapter IV — Penalty Provisions

Article 36 — Where a unit or individual other than an insurance company illegally engages in the business of compulsory liability insurance for motor vehicle traffic accidents, the insurance regulatory authority under the State Council shall ban it; where a crime is constituted, criminal liability shall be pursued in accordance with law; where no crime is constituted, the insurance regulatory authority under the State Council shall confiscate the illegal gains, and where the illegal gains are RMB 200,000 or more, impose in addition a fine of not less than one time but not more than five times the illegal gains; where there are no illegal gains or the illegal gains are less than RMB 200,000, a fine of not less than RMB 200,000 but not more than RMB 1 million shall be imposed.

Article 37 — Where an insurance company violates these Regulations by committing any of the following acts, the insurance regulatory authority under the State Council shall order rectification and impose a fine of not less than RMB 50,000 but not more than RMB 300,000; where the circumstances are serious, it may restrict its business scope, order it to stop accepting new business or revoke its insurance business operating license:

- (1) refusing or delaying the underwriting of compulsory liability insurance for motor vehicle traffic accidents;
- (2) failing to engage in the business of compulsory liability insurance for motor vehicle traffic accidents in accordance with the uniform insurance clauses and basic premium rates;
- (3) failing to manage the compulsory liability insurance business for motor vehicle traffic accidents separately from other insurance business and account for it separately;
- (4) compelling policyholders to conclude commercial insurance contracts;
- (5) terminating compulsory liability insurance contracts for motor vehicle traffic accidents in violation of the provisions;
- (6) refusing to perform the agreed obligation to pay insurance compensation; or

(7) failing to pay or advance rescue expenses in a timely manner in accordance with the provisions.

Article 38 — Where the owner or manager of a motor vehicle fails to purchase compulsory liability insurance for motor vehicle traffic accidents in accordance with the provisions, the traffic administration department of the public security organ shall detain the motor vehicle, notify the owner or manager to purchase insurance in accordance with the provisions, and impose a fine of two times the premium payable for purchasing insurance at the minimum liability limit in accordance with the provisions.

Where the owner or manager of the motor vehicle subsequently purchases compulsory liability insurance for motor vehicle traffic accidents in accordance with the provisions, the motor vehicle shall be returned in a timely manner.

Article 39 — Where a motor vehicle traveling on the road does not display an insurance sign, the traffic administration department of the public security organ shall detain the motor vehicle, notify the party concerned to provide the insurance sign or complete the corresponding procedures, and may impose a warning or a fine of not less than RMB 20 but not more than RMB 200.

Where the party concerned provides the insurance sign or completes the corresponding procedures, the motor vehicle shall be returned in a timely manner.

Article 40 — Where a person forges or alters an insurance sign, or uses a forged or altered insurance sign, or uses the insurance sign of another motor vehicle, the traffic administration department of the public security organ shall confiscate it, detain the motor vehicle, and impose a fine of not less than RMB 200 but not more than RMB 2,000; where a crime is constituted, criminal liability shall be pursued in accordance with law.

Where the party concerned provides the corresponding lawful certificate or completes the corresponding procedures, the motor vehicle shall be returned in a timely manner.

Chapter V — Supplementary Provisions

Article 41 — For the purposes of these Regulations, the following terms shall have the following meanings:

(1) "policyholder" means the owner or manager of a motor vehicle who concludes a compulsory liability insurance contract for motor vehicle traffic accidents with an insurance company and is obligated to pay the premium in accordance with the contract;

(2) "insured" means the policyholder and the lawful drivers permitted by the policyholder; and

(3) "rescue expenses" means the medical expenses incurred when a road traffic accident involving a motor vehicle causes injury to persons, and a medical institution, by reference to the relevant clinical diagnosis and treatment guidelines formulated under the organization of the health department under the State Council, takes necessary treatment measures for injured persons whose vital signs are unstable, or who, though their vital signs are stable, would be in danger of death, or would suffer disability or organ dysfunction, or whose course of illness would be significantly prolonged, if no treatment measures were taken.

Article 42 — Trailers shall not purchase compulsory liability insurance for motor vehicle traffic accidents. Where a road traffic accident causes personal injury or death and property losses, the insurance company that insured the towing vehicle shall compensate within the liability limits of the compulsory liability insurance for motor vehicle traffic accidents; the shortfall shall be compensated by the towing vehicle party and the trailer party in accordance with the law.

Article 43 — Compensation for personal injury or death and property losses caused by accidents occurring when a motor vehicle is traveling in places other than roads shall be governed by these Regulations by analogy.

Article 44 — Measures for the participation of motor vehicles of the Chinese People's Liberation Army and the Chinese People's Armed Police Force in compulsory liability insurance for motor vehicle traffic accidents shall be separately prescribed by the Chinese People's Liberation Army and the Chinese People's Armed Police Force.

Article 45 — The owners and managers of motor vehicles shall purchase compulsory liability insurance for motor vehicle traffic accidents within three months from the date of implementation of these Regulations; where commercial motor vehicle third-party liability insurance had already been purchased before the implementation of these Regulations, compulsory liability insurance for motor vehicle traffic accidents shall be purchased upon the expiry of the insurance period.

Article 46 — These Regulations shall take effect as of July 1, 2006.

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