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Insurance/Reinsurance - Sweden

Motor Vehicle Insurance: Proposed Changes

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In the Finance Bill⁽¹⁾ published on October 16 2006 the government presented a proposal involving an obligation for insurance companies to bear the expenses for care and rehabilitation of people injured in traffic accidents.

The proposal is due to be implemented in two stages. The first is expected to enter into force on July 1 2007; the date of implementation of the second stage has not yet been decided.

Mandatory Motor Vehicle Insurance

Holding motor vehicle insurance is mandatory for owners of motor-driven vehicles registered in the Road Traffic Register.

According to the Motor Traffic Damage Act, every person injured in a traffic accident has a right to compensation under the motor vehicle insurance. However, the costs of care and rehabilitation are state-financed.

Proposed Amendments

The government intends to transfer the liability for the costs of care and rehabilitation of injured persons from the state to insurance companies. All costs relating to events occurring after December 31 2006 shall be financed by insurance companies. Costs relating to events that occurred before that date shall be financed by a tax imposed on future insurance premiums.

Insurance companies will thus be forced to raise their premiums. It is expected that the proposal will lead to an average premium increase of Skr1,000 per year per policyholder. Therefore, it will be in the interest of insurance companies to ensure that injured persons recover as fast as possible in order to keep costs down. Moreover, the new legislation will create an incentive for insurance companies to influence the choice of rehabilitation of injured persons.

The overall intention of the proposal is to reduce the costs of traffic-related injuries and ensure that drivers are more aware of their responsibilities by making them bear the costs of future injuries.

Comment

The government believes that the reform will result in:

- increased safety on the roads;
- improved rehabilitation of injured persons; and
- decreased costs.

However, the reform requires further consideration. The Swedish media have highlighted statistics from Finland showing that both the frequency of traffic accidents and the total cost of treatment could decrease significantly by implementing this type of legislative reform.





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Endnotes

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