

# Analysis of International Experience in the Introduction and Development of Mandatory Insurance Types

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UDC: 368; EDN: JUDZPX; JEL: G22, I13, I18;

DOI: 10.58587/18292437-2024.1-123

**Keywords:** compulsory insurance, CMTPL, mandatory health insurance, state insurance system, insurance compensations, compulsory insurance integration

## Պարտադիր ապահովագրատեսակների ներդրման և զարգացման միջազգային փորձի վերլուծություն

Հակոբյան Գագիկ Մ.

ՀՊՏՀ, Ֆինանսական ֆակուլտետ,

Բանկային գործի և Ապահովագրության ամբիոն, ասպիրանտ (Երևան, ՀՀ)

**Ամփոփագիր.** Այս հոդվածում ուսումնասիրվել է պարտադիր ապահովագրության համաշխարհային փորձը, վերլուծվել են բազմաթիվ երկրների բազմազան պարտադիր ապահովագրատեսակների ներդրման և զարգացման գործընթացները: Պարտադիր ապահովագրատեսակների շրջանակը յուրաքանչյուր երկրում արտացոլում է հասարակության և պետության առջև ծառայած մարտահրավերները, որոնք առաջացել են հասարակության կարիքների և կառավարության առաջնահերթությունների հարաբերակցությունների արդյունքում: Չնայած այն հանգամանքին, որ պարտադիր ապահովագրության տեսակները տարբերվում են ըստ երկրների, առկա են որոշակի օրինաչափություններ և ընդհանուր առանձնահատկություններ: Հոդվածում ուսումնասիրվել են պարտադիր ապահովագրության համակարգերի ներդրման, զարգացման և կանոնակարգման բարդությունները՝ համեմատելով մի քանի պետությունների կողմից ընդունված մոտեցումները: Ուսումնասիրելով պարտադիր ապահովագրության տեսակները, դրանց կիրառման առանձնահատկությունները աշխարհի ինչպես զարգացած, այնպես էլ զարգացող երկրներում, համեմատելով դրանց արդյունավետության գնահատման և տնտեսական ազդեցության ցուցանիշները՝ նպատակ է դրվել կատարել վերլուծություն, որը կտա պարտադիր ապահովագրության համաշխարհային պատկերը:

**Հանգուցարաներ**՝ պարտադիր ապահովագրություն, ԱՊՊԱ, պարտադիր բժշկական ապահովագրություն, պետական ապահովագրական համակարգ, ապահովագրական հատուցումներ, պարտադիր ապահովագրության ներդրում

## Анализ международного опыта внедрения и развития обязательных видов страхования

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**Аннотация.** В данной статье рассматривается глобальный ландшафт обязательного страхования, анализируется разнообразный опыт многих стран по внедрению и развитию различных видов обязательного страхования. Спектр видов обязательного страхования отражает уникальные задачи, стоящие перед каждой страной, а различия обусловлены общественными потребностями и государственными приоритетами. Хотя конкретные виды обязательного страхования в разных странах отличаются друг от друга, можно выделить некоторые общие черты. В исследовании рассматриваются сложности внедрения, реализации и институционализации систем обязательного страхования, проводится сравнительный анализ подходов, применяемых несколькими государствами. Изучая виды обязательного страхования, особенности их применения как в развитых, так и в развивающихся странах мира, сравнивая оценку их эффективности и показатели экономического воздействия, цель состояла в том, чтобы провести анализ, который дал бы глобальную картину обязательного страхования.

**Ключевые слова:** обязательное страхование, ОСАГО, обязательное медицинское страхование, система государственного страхования, страховые возмещения, интеграция обязательного страхования

### INTRODUCTION

In many countries of the world, several types of compulsory insurance are introduced and effectively operating. The types of mandatory insurance can

vary depending on the country and the issues that the state and its society are dealing with. However, some types of compulsory insurance are more common.

*Compulsory health insurance.* In many countries, health insurance is mandatory for all citizens. Health insurance in Germany has been mandatory since 1883, and about 86% of the population is covered by the state insurance system. In the United States, the Affordable Care Act (ACA) was introduced in 2010, requiring individuals to purchase health insurance or face a penalty (the law became invalid in 2019, but some states still have a mandatory requirement). Health insurance is also mandatory in Azerbaijan from 2021.

*Compulsory car insurance.* Car insurance is compulsory in many countries, including the UK, Canada, Australia and most European countries. Drivers in these countries are required to carry minimum liability insurance to cover damages they may cause in an accident.

*Compulsory workers' (compensation) insurance.* In many countries, employers are required to provide workers' compensation insurance to employees to cover work-related injuries or illnesses. In the United States, workers' compensation insurance is mandatory in all states.

*Mandatory social security insurance.* In some countries, social insurance is mandatory for all employees. In France, for example, the working population participates in a social security system that provides benefits such as pension, disability and health insurance.

*Compulsory professional liability insurance.* In some professions, such as doctors, lawyers and accountants, professional indemnity insurance is required to protect against claims of malpractice or negligence. In the United States, professional liability insurance is mandatory for many professionals, including doctors and lawyers.

*Compulsory public liability insurance.* In some countries, public liability insurance is mandatory for organizations to protect against claims for personal or property damage caused to the public. In Australia, for example, public liability insurance is mandatory for many businesses.

*Compulsory agricultural insurance.* Agricultural insurance requirements vary from country to country and there is no global standard for mandatory agricultural insurance. However, some countries have made agricultural insurance mandatory for certain crops or regions. For example, in India, the government has made crop insurance mandatory for farmers who have taken loans from financial institutions. In Turkey, agricultural insurance is mandatory when farmers have received government subsidies.

Within the framework of this paper, the issues of introducing, charging and establishing mandatory insurance systems in several states will be analyzed.

## ANALYSIS

In the **United States of America**, there are several types of mandatory insurance, which differ according to state and federal laws. Generally, we can say that the following types of insurance are mandatory in the United States:

- **Motor insurance:** motor insurance is mandatory in almost all states of the USA. Each state has its own minimum requirements for liability insurance of vehicle use, in the framework of which damage is compensated to the victims, for property or personal damage caused to them [1].

- **Health Insurance:** beginning from 2010, compulsory health insurance became mandatory in the US on a federal level, according to the Affordable Care Act (Affordable Care Act-ACA), but in 2019, the principle of forced imposition and penalty application system was removed [2]. Today, while there is no federal law mandating individuals to have insurance, some states have their own laws that require residents to have health insurance (Massachusetts, California, New Jersey, etc.), imposing additional taxation systems if they do not [3].

- **Employees Insurance:** this insurance is mandatory in all states and provides benefits/reimbursement to employees who have suffered or become ill as a result of their employment [4].

- **Disability insurance:** some states require employers to provide temporary or permanent disability insurance to their employees [4].

- **Unemployment Insurance:** employers are required to pay unemployment insurance premiums or taxes that provide benefits to workers who are laid off or lose their jobs through no fault of their own [3].

- **Insurance of Public Liability:** some states require certain industrial organizations to carry public liability insurance to cover damages caused to the public or any third party as a result of events occurring on their premises or as a result of their operations [5].

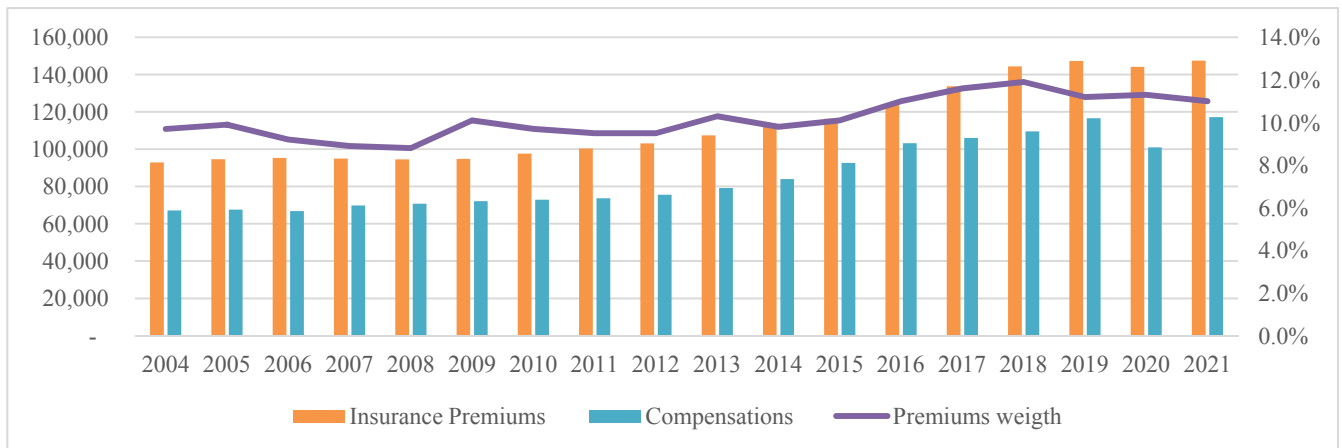
- **Professional liability insurance:** in some specialties such as doctors, lawyers and architects and engineers, they are obliged to have professional liability insurance (Errors and Omissions (E&O)). However, the requirement for professional liability insurance differs according to state and federal legislation [6].

Despite the widespread use, life insurance in the USA is not mandatory. Though it is not required by law, some employers may offer life insurance as part of the benefits package of their employees, and some mortgage lenders may require that borrowers have life insurance to cover the mortgage in the event of the borrower's death.

The insurance market in the US is regulated at the state level: each state has its own insurance department or regulatory authority. However, some federal agencies play a role in regulating some aspects of the insurance market. Some of these insurance structures are the Federal Insurance Office (FIO) and the National Association of Insurance Commissioners (NAIC). FIO is part of the US Treasury Ministry and is responsible for monitoring the insurance market and advising the federal government on issues related to insurance. NAIC is a voluntary association of government insurance

commissioners working to establish uniform standards and regulations for the insurance sector in the whole country [8].

Compulsory motor vehicle liability insurance is one of the oldest in the United States. Figure 1 depicts the dynamics of compulsory insurance premiums for motor vehicles and compensations provided within its framework for 2004-2021, as well as the share of mandatory insurance premiums for motor vehicles in the total insurance premiums collected in the US market.



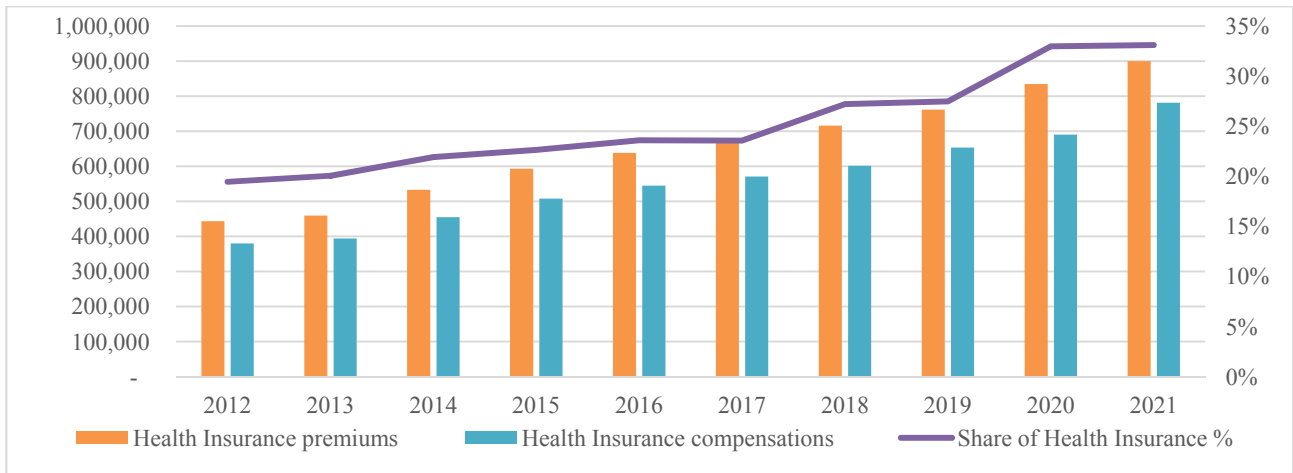
**Figure 1.** Compulsory motor vehicle liability insurance net premiums, compensations and premiums relative weight in total net premiums, million USD, 2004-2021 [7]

From the figure, we see that liability insurance of vehicles has always had a growth tendency, declining only in 2020, it kept its share in the US insurance portfolio throughout the entire period, fluctuating within 9-12% of the entire portfolio. In 2021, car liability insurance premiums were more than \$147 billion, and compensation amounted to almost \$118 billion. We also see from the chart that in the framework of this insurance compensation, in the last ten years, compensation totaled to 77% of the collected insurance premiums.

The other type of compulsory insurance, which is widely used in the United States, is health insurance. In the United States, health insurance continues to be at the center of political debates. In 2021, the number of people with health insurance exceeded 300 million, approximately 92 percent of the population. In the US, the healthcare system is based on services provided by both public and private insurers, but the U.S. population gives preference to private health insurance systems (more than 66% of the population prefers private insurance). In 2021, about half of people with health insurance received private insurance through their employer while more than 34 percent of respondents have been insured through state Medicare and Medicaid insurance programs. Since the US does

not have universal health insurance coverage, millions of people remain uninsured every year [10].

The United States (USA) has a population of over 330 million and it operates here, one of the most complex health systems in the world, formed through the interrelations between state and private, for-profit and non-profit insurers and health service providers. The federal government funds coverage for adults 65 and older and some disabled people through the national Medicare program, as well as various programs for veterans and low-income people, including Medicaid (which provides health coverage to patients with limited income and resources - it is the largest source of funding for medical and health care services for low-income people in the United States) and Children's Health Insurance programs. Uninsured people make up 8,5% of the population as of 2021, the same figure in 2010 was twice as high. In 2010, when the Affordable Care Act (ACA) was adopted, the number of uninsured began to decline, which continues to this day, even though the law has not been in effect since 2019. State and private insurers define their own service packages and cost distribution structures within the framework of federal and state regulations. Thus, the US healthcare system is in permanent evolution [11].



**Figure 2.** Health insurance indices in the United States in 2012-2021, million dollars [12]

Figure 2 depicts US private and public health insurance indicators expressed in million US dollars. We see from the figure that health insurance premiums amounted to \$443 billion in 2012, and compensations amounted to \$380 billion (85.7% of insurance premiums). Health insurance premiums amounted to 19% of the US insurance portfolio in 2012. Health insurance has a steady growth tendency throughout the studied 10 years, regardless of geopolitical and economic changes. In 2021, it reached 33% of the US insurance market or more than 900 billion dollars, within the framework of which 781 billion dollars (86.8% of insurance premiums) was compensated to insured people. Thus, as of 2021, health insurance is the most common type of insurance in the US economy, collecting 33% of all insurance premiums.

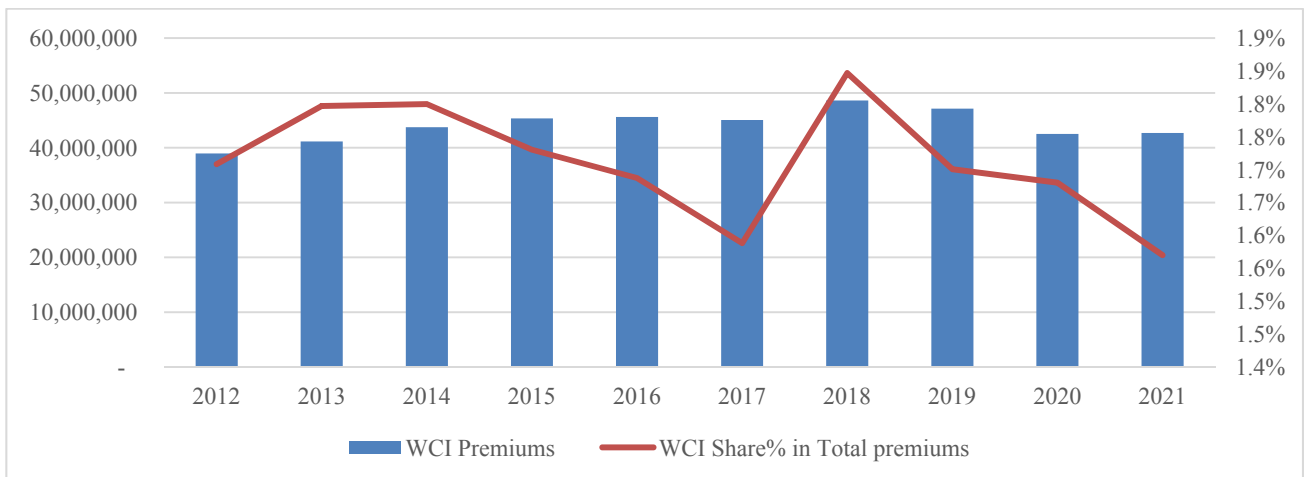
Another type of insurance that is mandatory in most American states is disability insurance. According to 2019 (latest available) data, insurance premiums of 5 billion dollars or 0.2% of total

insurance premiums were collected within the framework of disability insurance [7].

The next type of insurance, which has general coverage and is carried out on a mandatory basis, is the insurance of compensation for employees. The workers' compensation insurance (WCI) serves two purposes:

- it ensures that injured workers receive medical care and compensation for a portion of their lost income when they are unable to return to work,
- Protects employers from lawsuits of employees injured at work.

Employees receive benefits regardless of who was the culprit. If an employee dies during a job, the employee's death benefits are provided to the employee's guardians or other beneficiaries of the contract. However, both the legislative regulations and the employee reparation systems vary from state to state.



**Figure 3.** Workers' Compensation Insurance (WCI) premiums for 2012-2021, thousand USD [7]

From Figure 3, we see that in the whole period studied WCI premiums fluctuated between \$40-50 billion, accounting for 1.6-2% of total insurance premiums.

The other type of compulsory insurance is unemployment insurance. In the US, the Ministry of Labor provides unemployment benefits to employees who become unemployed without their

fault and meet certain requirements. Unemployment insurance is a state-federal joint program. Each state runs a separate unemployment insurance program, but all states follow the same guidelines set by the federal law. Unemployment insurance is carried out by the state in full, and insurance premiums are charged from organizations as a tax. As of 2021, the unemployment insurance taxes are 6.0% of the employer's taxable wages. The taxable wage base is the first \$7,000 paid in wages to each employee during a calendar year. Employers who pay their state unemployment taxes on a timely basis receive an offset credit of up to 5.4% regardless of the rate of tax paid to the state. The rate of this tax for employers is 0.6% (6,0% - 5,4%), the maximum amount of \$42 per employee, per year [14].

Unemployment insurance has provided unprecedented reimbursements to persons who lost their jobs due to COVID-19. In 2020, compensation grew to more than \$143.5 billion, as a comparison report stated that compensation stood at \$44 billion in 2021 [10].

The last of the US mandatory insurance types are general liability and professional liability insurance. Liability insurance is a type of insurance coverage that protects individuals and enterprises from legal requirements and financial losses that are derived from their negligence, professional mistakes or liability for injuries, damages, or losses to other parties. Liability insurance in the US has many forms and types. One of the most common insurance types under the general insurance class is product liability insurance. Insurance of product liability protects against the manufacturer, distributor or seller of the product from legal liability, which stems from the defective state this case, which caused a personal injury or loss as a result of goods use. Within the framework of this insurance, during 2019-2021, a net insurance premium of \$ 3-3.4 billion was collected, which is 0.1% of the total insurance premiums [7].

Among the types of professional liability insurance, professional liability insurance for

doctors has the largest share, with premiums totaling more than \$8 billion (2019) or 0.3% of total insurance premiums [8].

To summarize, we can argue that the US has a fairly diverse insurance system. In addition to the fact that the US has the largest insurance market in the world, it also has a wide variety of insurance types, many of which are conducted on a mandatory basis, however, it must also be taken into account that mandatory insurance products differ according to state and federal laws.

There are several mandatory insurance policies **in the United Kingdom** that individuals and businesses should possess. Compulsory insurances in the UK are:

- *Car Insurance:* Motor insurance is a legitimate requirement for anyone who owns or operates a car in the UK. This insurance is a type of insurance against damage to a third party. This means that the insurance incurred is compensation for any other person's third-party damage to the car, health, animal or property as a result of an accident [15].

- *Liability Insurance for Employers:* Organizations must have Employers' Liability (EL) insurance upon becoming an employer. The coverage should be at least £5 million and come from an authorized insurer. EL Insurance provides compensation if the employee is injured or sick during his/her performance of his/her work duties at the workplace [15].

All other types of insurance are not required by law in the UK, they are carried out voluntarily. In the UK voluntary insurance include health, life, property and liability insurances.

Figure 4 depicts the insurance premiums of GB vehicles in USD for 2011-2021, as well as the share of car insurance in the total insurance premiums for the same period. As we see from the chart the insurance premiums varied between 19-25 billion USD, averaging 5.3% of the total insurance portfolio.

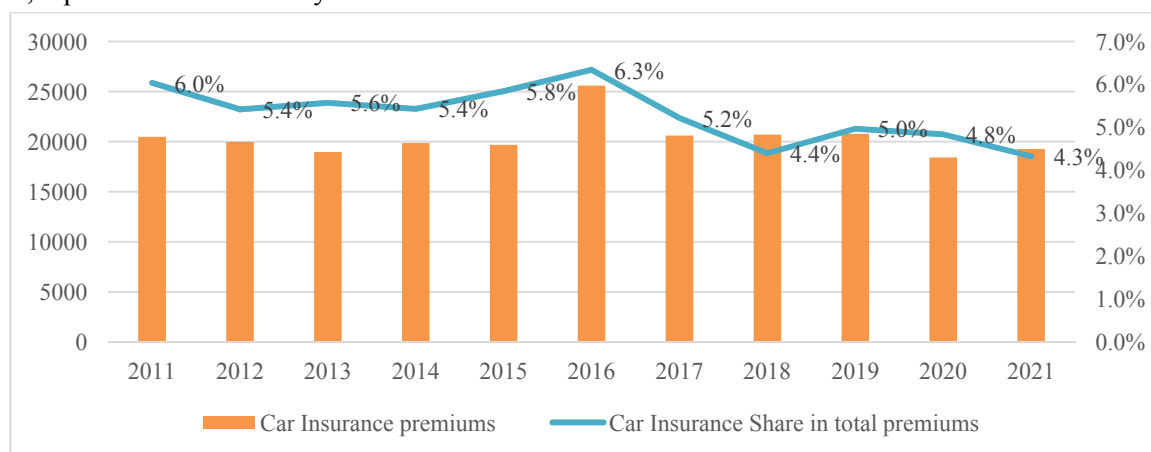


Figure 4. Car insurance premiums in the United Kingdom 2011-2021, million dollars [16]

The next Figure 5 shows employers' liability insurance premiums for 2018-2021, as well as their share in the total insurance premiums. Exchange rate fluctuations were calculated at the average annual exchange rates [56]. From Figure 5 we see

that in 2021 the volume of insurance premiums was over \$ 2.6 billion, and in total insurance premiums it was only 0.6%. UK total insurance premiums were more than 445.4 billion USD, of which only 5% fell from the mandatory insurance policy [16].

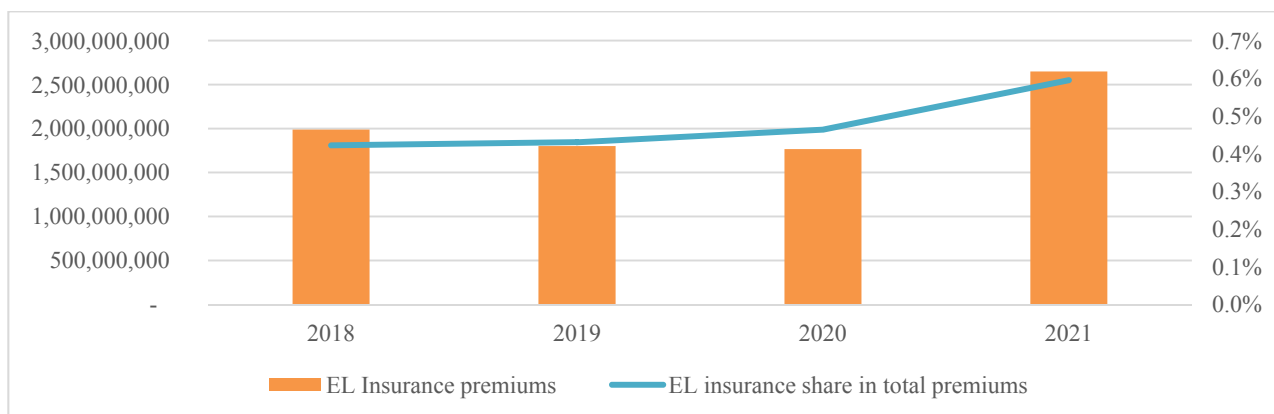


Figure 5. Employers Liability (EL) Insurance premiums in the UK, for 2018-2021, USD [17]

In the UK the system of budgetary financing of healthcare is used, which is also due to the nature of highly centralized state management. In the UK, the National Health System (NHS) acts as a health care provider, whose services - hospital treatment, doctor's services and prescription drugs - are available to any citizen, as well as to people permanently resident in the UK [18].

In 2021, the healthcare costs in Britain amounted to about 12.4% of the GDP, which is about £280 billion. The total cost per person is about 4,000 pounds. Most of the NHS revenues are made from the state budget, roughly 83% of the total. NHS reaches investments from additional payments that come from the private sector when using NHS services. Voluntary health insurance covers only 2.4% of health care costs [19].

The next country whose mandatory insurance system we studied is **Germany**. Germany has a variety of insurance types, but there are a few that are mandatory for individuals and businesses. These insurance policies are designed to ensure financial protection and mitigate risks in all aspects of life. Germany's main mandatory insurance products are health insurance, social insurance and vehicle liability insurance [20].

*Health insurance* in Germany is one of the most popular types of compulsory insurance. Anyone living and working in Germany should have a health insurance policy. The exception is persons who have less than three months left in Germany. All others should have compulsory health insurance. Germany has a dual health insurance system, which consists of health insurance defined by law (also called the Health Insurance Foundation) and private health insurance.

With state medical insurance (Gesetzliche Krankenversicherung - GKV or SMI), most of the

population of Germany is insured. Individuals who work in Germany and earn less than 66,600 euros a year (in 2023) are automatically included in this system. This insurance includes visits to your doctor, staying in the hospital, basic dental care, and medicines and pharmaceuticals.

Persons insured in the state insurance system also have accident and long-term care insurance and are entitled to receive disease allowance, child disease allowance and maternity allowance [20].

Mandatory insurance funds all charge the same basic rate - 14.6% of the gross salary (as of 2023, a maximum of 4,987.50 euros per month). This expenditure is equally distributed between the employee and the employer (7.3% each) and replenished with state subsidies.

Self-employed, sole entrepreneurs, business owners and employees of higher salaries (those with a salary of over €66,600 a year or more than 5,550 a month in 2023) may abandon their statutory health insurance in favor of private health insurance (Private Krankenversicherung - PKV). About 10% of the population is covered by private health insurance.

Private medical insurance in general (PMI) generally offers more comprehensive coverage, including alternative treatment and private hospitals. On the other hand, private insurers' investments are usually related to the personal risk of an insured at the moment of insurance, such as health, age, coverage type or any other supplements. It is also important that spouses and children living in Germany (under the age of 18) are also insured under the state health insurance policy of free family health insurance. An application to receive this coverage should be submitted to the Health Insurance Foundation [21].

In the case of the SMI, all insureds receive the same services. Those who earn more pay more. This approach is the application of the principle of generational solidarity in the medical insurance system. Each insurance fund can also charge a premium, which currently comprises an average of about one percent, of which the employer again pays half. Also, when using private insurance, insured persons can be subsidized by their employer or pension fund as well. In the case of SMI, the coverage is extended to children without additional expenses and for the insured spouse, if they have little or no income. Health insurance premiums for those receiving unemployment or social security benefits are generally paid by the appropriate benefits agency.

About 86% of the population receives their basic coverage through SMI, and only 11% through PHI. The rest (soldiers, police officers) acquire coverage under special programs. Expenses of illegal immigrants' acute illness and pain, as well as expenses on pregnancy and childbirth from social security [22].

In Germany, all owners of vehicles must have *motor liability insurance* to cover the damage caused to third parties in case of an accident. It is mandatory for all registered vehicles, including cars, motorcycles and other motor vehicles.

The German social security system consists of several forms of compulsory insurance. Anyone who is an employee in Germany makes mandatory payments to these insurance systems within the framework of the Social Security program, such as pension insurance, long-term care insurance, work Accident Insurance, unemployment insurance.

The German pension system combines the "pay when you enter" system (where the working population pays for pensioners' benefits) with additional pension programs. Individuals (through independent or specialized systems) participate in pension programs to "fill" what they have received from the state pension fund, thus constantly replenishing their pension accounts.

Another mandatory type of social security insurance is employee insurance. In Germany, employers are required to have employee reimbursement insurance (*gesetzliche Unfallversicherung*) in order to provide coverage for job-related accidents or occupational diseases. This insurance ensures that employees receive the necessary medical treatment, rehabilitation services, disability benefits, and benefits to survivors in the event of injuries or death at work [23].

There is also a type of compulsory health insurance, which is concluded primarily in parallel with compulsory health insurance. It is a long-term care insurance (*Pflegeversicherung*). Long-term care

insurance was added to the German social security system in 1995 to ensure that everyone is ready for long-term care requiring medical care, regardless of the cause of occurrence; whether it is due to accident, sickness or old age. Long-term care benefits are financed by all employees in Germany (3,05%-3,4% of annual salary according to 2023 data). This insurance is mandatory for all residents with health insurance in Germany.

The latest mandatory insurance type of social security is unemployment insurance. This insurance provides compensation to people who have lost their jobs involuntarily but are able to work. Insurance premiums for unemployment insurance ("*Arbeitslosenversicherung*") are paid from wages. As a rule, insurance premiums are transferred to the fund by the employer, and the insurance premium is divided equally between the employee and the employer.

According to recent legislative updates, the rate of insurance is 2.5% of the gross salary, half of which is paid by employers. Those who meet the criteria of law (i.e., who worked in Germany immediately before becoming unemployed and paid social security payments in Germany at least 12 months during the last 2 years) and have the right to demand a German unemployment benefit [24].

It's important to note that insurance of individual liability, although not imposed by law, is one of the most popular in Germany. Private liability insurance (*Privatexport*) provides coverage of claims of personal liability arising from accidental harm to others' health or property.

To sum up, the working population in Germany pays 7.3% from their pocket for health insurance, 9.35% for pension insurance, 1.525% for long-term care insurance and 1.2% for unemployment insurance. Together it makes 19.375%, but this does not include the costs of other types of insurance, in particular the costs of car insurance, as well as income taxes, which in Germany range from 14-45% [20].

If we consider social security programs as a unity of health, pension, long-term care, unemployment and insurance from labor accidents, then social security programs in Germany will be the direction of prevailing insurance. With these insurances, the employer and employee together pay about 40% of the gross salary.

**France** is one of the countries with the most developed insurance market in Europe. In France, several types of insurance are also mandatory and they are listed below:

*Health Insurance:* France has a universal health system - it is managed by the Ministry of Health and supplemented by private insurers. Health insurance is mandatory for all citizens, regardless of whether

they work or not. France also requires all foreigners or long-term visitors (three months and more residing in France, including Guadeloupe, French Guiana, Martinique, Reunion Island, Saint Barthelemy and Saint Martin) to have health insurance. Compulsory health insurance in France is carried out within the framework of social security programs and covers about 70% of medical expenses. The French, in order to fully insure themselves, use voluntary medical insurance, which covers the remaining 30% of expenses. For the working population, an insurance premium is paid by the employer through automatic wages, while low-income or unemployed employees can apply for free insurance [25].

The advantage of the French model is that all of them are obliged to have a health insurance, be it a private or state type of insurance. It provides health insurance to those who are unemployed or do not insolvents at the expense of the state, and levying taxes from employees provides state health insurance, which is better than free medical insurance. Along with all this, the private insurance system operates effectively, which fills the gaps in the state insurance, reaching the size of the coverage to 100%. In 2020 compensations provided by private insurance companies were more than 18 billion euros or about 21 billion dollars, if we compare total insurance fees, about 6% of the market will [10].

*Car Insurance:* In France, car owners are required to have insurance, at least, liability insurance that covers losses caused to property or health of other persons by their vehicles. This minimum coverage required by law is called “Third Party Liability” insurance, which covers the damage caused to others in the event of an accident. This insurance is not obligated to be signed with a French insurance company if it has the minimum necessary coverages, that are mandatory in France. If the car does not have insurance, the fine is 3750 euros [26].

In 2017, 84.3% of French households had a car, as a result of which car insurance is the second most popular insurance type in France, after home insurance. In 2018, France was among the leaders in the European car insurance market in terms of gross insurance premiums [10]. In 2021 the car insurance premiums amounted to € 27.9 billion, which is 7.7% of the total insurance premiums of the country (362.5 billion) [16].

*Property/Home Insurance.* If you are renting or have a house/apartment in France, you must have house/apartment insurance. Two main types of house insurance stand out in France [26]:

- Civil liability insurance, that covers the damage caused by you or your home to third parties and their property,

- Multi-risk insurance, which includes liability insurance plus protection for your own home and its contents.

Civil liability insurance is the minimum legal requirement for tenants of rental properties, landlords of rental properties and owners of flats in community buildings. However, about 90% of homeowners prefer to have multiple-risk home insurance.

In France, there is also an additional type of housing insurance, called construction insurance, which is mandatory in case of the purchase of a new building or carrying out large-scale repairs. This insurance covers building flaws for the first ten years. Often, this insurance is also included in multiple-risk insurance.

Liability insurance is the main type of insurance for houses in France. It compensates for injuries and damages caused to third parties or their property. This may be due to an accident at the insured person's home or as a result of illegal acts that occurred as a result of the insured person's negligence. Under the expanded coverage of this insurance, it may include accidents that you are attracted to outside the home or in damages that have been caused by your family members or pets. However, the policy of responsibility does not cover any expenses related to your own property.

*Professional Liability Insurance:* some professions, such as doctors, lawyers, and architects, must have professional liability insurance to cover possible losses or damages caused to customers or third parties [27].

*Work-related Accident Insurance:* employers must provide insurance coverage for job-related accidents and occupational diseases for their employees. This insurance covers medical expenses, disability benefits and rehabilitation costs. The local Health Insurance Fund or the General Social Security Fund pays allowances for job accidents and occupational diseases. Occupational diseases are considered when the disease arises as a result of the performance of their duties and leads to deterioration of health. France has an official list of occupational diseases. However, the disease may be recognized as professional even if it is not included in the official list. All employees registered in France are insured from the date of employment from industrial accidents and occupational diseases (no waiting period is applied). This coverage also refers to several other categories (students from technical schools, students, trainees, participants in the recruitment program, prisoners working during imprisonment, etc.) [28].

In 2021, life insurance premiums were \$ 180 billion and non-life insurance premiums were about \$ 135 billion in France. Figure 6 shows non-life



insurance premiums by collection direction. From the figure, we see that 90 percent of non-life insurance premiums are collected from the types of

insurance that are fully or partially implemented as mandatory [16].

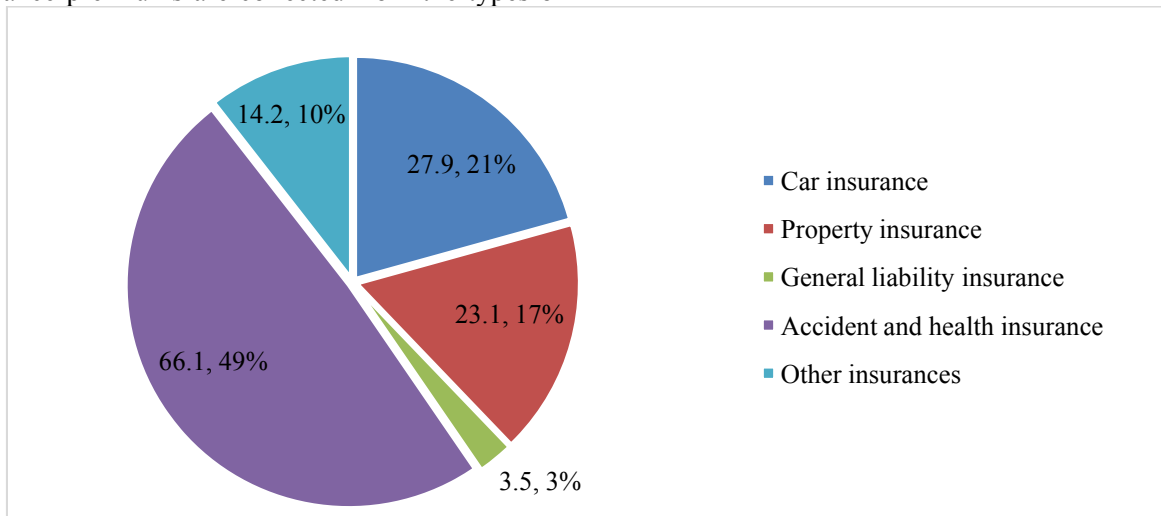


Figure 6. Non-life insurance premiums of France by directions in 2021

The next insurance market that we have analyzed is the **Israeli** insurance market. In Israel, there is a mandatory legal requirement for the following types of insurance:

- *National Health Insurance (Bituach Leumi)*: Every resident of Israel (aged 18 and older) is required to have national health insurance coverage that is provided by the National Health Insurance Law. This ensures that all basic medical services and treatments are available to Israeli residents.

- *Cars third-party liability insurance (CTPL)*. This insurance is mandatory for all vehicles registered in Israel. CTPL provides compensation for bodily harm and property damage caused to third parties in the event of a car accident. It does not cover the damage caused to the car or the health of an insured person.

The most important body of the Israeli insurance system is the National Insurance Institute of Israel (NII). NII is a government agency responsible for the management of social security

programs in Israel. It was established in 1953 and operates under the jurisdiction of the Ministries of Labor, Social Affairs and Social Services.

NII provides a wide range of social security programs to Israeli residents. These projects include various options of insurance and assistance. Unemployment, occupational accident, pension, accident and disability insurances are provided to the residents of Israel through the NII. NII is a system, where the condition of participating is mandatory and as a result of mandatory payments, all residents of Israel receive a wide range of insurance services and not only [29].

The population of Israel makes payments to two funds within the framework of the compulsory social security law. The first is the mandatory allocations to the NII, and the second is to the National Health Insurance Fund (NHI). Insurance premiums for NII and NHI are shared between the employee and the employer. The distribution is shown in the table below [30]:

Table 1.

|              | For the share of income which is up to 60% of the average wage |          |       | For the share of income which exceeds 60% of the average wage |          |       |
|--------------|--|----------|-------|---|----------|-------|
|              | Employer   | Employee | Home  | Employer  | Employee | Home  |
| <i>NII</i>   | 3.55%  | 0.4%     | 3.95% | 7.6%  | 7%       | 14.6% |
| <i>NHI</i>   | --   | 3.1%     | 3.1%  | --  | 5%       | 5%    |
| <i>Total</i> | 3.55%  | 3.5%     | 7.05% | 7.6%  | 12%      | 19.6% |

Since the principle of income declaration of self-employed people is also effectively operating in

Israel, there is a limit to the provision of insurance premiums from the income of self-employed people:

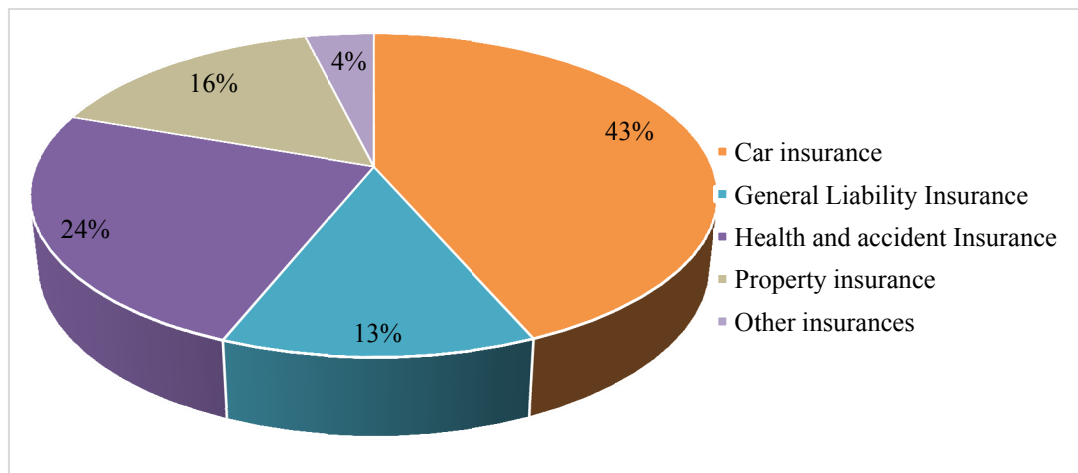
Table 2.

|              | For the share of income which is up to 60% of the average wage | For the share of income which exceeds 60% of the average wage |
|--------------|--|---|
|              | <i>NII</i>   | 2.87%   |
| <i>NHI</i>   | 3.1%   | 5%  |
| <i>Total</i> | 5.97%  | 17.83%  |

Health insurance in Israel has been mandatory since 1995. Every resident of Israel, aged 18 and over, is legally obliged to be insured by the “National Insurance” and pay insurance premiums. According to Israeli legislation, only housewives (married women who do not work outside the household) are exempted from the obligation to pay insurance premiums, and a person who has become Israeli for the first time his age is above the age established by law (age gradually increases from 60 to 62). Each insured must be registered in one of the

insurance funds and is entitled to use health services provided by law. The rates of the payment will not be less than the minimum, prescribed by law, and will not be more than the maximum threshold for insurance premiums [30].

Life insurance in Israel is not compulsory, but collects the vast majority of insurance premiums - more than 53% or \$ 11.5 billion. Non-life insurance accounts for 47% of insurance premiums or \$ 10.1 billion. If we look at the structure of the non-life insurance portfolio, it looks like this:



**Figure 7.** The structure of non-life insurance in 2021

In the figure, we see that in the structure of the total non-life insurance premiums collected in Israel in 2021, car insurance has the largest share at 43.5%, followed by health and accident insurance at 24.2%. If we also take the liability insurance portfolio (these three together contain all compulsory insurance types), they together account for more than 80% of Israel's non-life insurance or 38% of total premiums.

**Japan** occupies an important place in the global insurance market. The Japanese insurance market is famous for its huge volume of natural disaster insurance premiums and compensation, but few people know which types of insurance are mandatory in Japan. Below the insurance products that are considered mandatory in Japan are:

- Health Insurance. The right of the Japanese to health is defined by the Constitution and the obligation to ensure it is imposed on the state. Mandatory health insurance in Japan is valid from 1961. It provides universal coverage for citizens of any country living in Japan for 3 months and more, and the insurance premiums are paid depending on the size of the income and have a regression character [31].

- Pension Insurance. Pension insurance provides pension benefits, disability benefits and survivor benefits. Japan has two pension insurance systems: the National Pension System and the Employee Pension System [32].

- Employee accident insurance. In Japan, compensation for accidents of employees is mandatory for all hired employees. This type of insurance is provided to all employees (or their family members in case of the death of an employee) in exchange for the medical care they need as a result of injury or illness caused by their stay at work or commute [33].

- Compulsory insurance for car exploitation. According to Japanese legislation, all registered cars must have this insurance. This compulsory insurance, in its concept, is very similar to the compulsory insurance operating in other countries, and it is designed to protect third parties from any damage or loss caused by an accident. This insurance does not cover the repair or replacement of the damage caused to the faulty driver's/insured's car [34].

Japan's statutory health insurance system (SHIS) covers 98.3% of the population, while the separate social assistance program for poor people covers the remaining 1.7%. Immigrants and short-term visitors without documents are not insured [35].

SHIS consists of three types of mandatory insurance [36]:

- *Employee Health Insurance (EHI)*: this insurance covers about 59 percent of the population. In case of MTSA, insurance premiums are paid equally by the employer and the employee, and the

insurance is also completely distributed to the family members of the employee. This insurance type covers 70% of all health expenses. The amount of the insurance premium depends on many conditions: age, family composition, salary size, etc. Mainly varies within 10%, half of which is paid by the employer.

- *Insurance for residents (National Health Insurance):* this insurance is intended for those who are unemployed and up to 75 years of age (27% of the population), self-employed (including contractual) or retired, as well as for the family members of the abovementioned persons. Here, the insurance also covers 70% of hospital expenses. The insurance premium is calculated based on the age and income of previous years.

- *Long life or elderly health insurance system:* this insurance automatically covers all adults (12.7% of the population) and persons over 65 years of age with disabilities. In the case of this insurance, the insurance coverage depends on the income of the insured. For low-income people, insurance can cover up to 90 percent of all medical payments, while for others it is applied to a standard 70%.

Each of Japan's 47 prefectures or regions has its own plan for insurance and there are more than 1400 employment-based programs. As a result of the current health insurance system, in Japan, people's out-of-pocket expenses in Japan are below the world average (16.36%), approximately 12.6% for 2020 [37].

The next mandatory insurance system in Japan is pension insurance. The pension system in Japan can be divided into two parts: National Pension Scheme (NPS) and Employee's Pension Insurance System (EPI) [32].

National Pension System is a mandatory insurance, in which all persons between the ages of 20 and 59 who live in Japan (are residents) participate, regardless of nationality. NPS has a fixed monthly fee of ¥16,610 (about US\$120). Persons who are full-time employed, are registered in the EPI system. In this pension system, employer and employee pay equally. The amount of payments is not fixed and depends on the employee's salary. It is also important that the employed population pays to both EPI and NPS systems.

The next mandatory insurance for Japanese is Accident insurance for Employees. Employees do not pay for this insurance, instead the insurance premium is paid by the employer. The insurance tariff for employers varies significantly depending on the sphere of activity. Insurance premiums are usually calculated as a tax rate for each employee's salary. It depends on the type of activity implemented at the workplace: the maximum rate is 8.8% (for metal/non-metal/coal extraction branches), and the minimum is 0.25% (for finance, insurance telecommunications and broadcasting) (last updated in April 2018) [38].

The latest mandatory type of insurance in Japan is the insurance of vehicle owner civil liability. In parallel with compulsory car insurance, people in Japan also use voluntary insurance services. About 74% of the population prefers to extend the limits and scope of services with voluntary insurance [39].

The following limits are conducted in mandatory insurance [34]:

- 30 million yen (approximately US\$ 215 000) in case of death
- In case of personal injuries, 1.2 million yen (about \$ 8,600)
- In case of disability - 700.000-40 million yen (around 5.000-287.000 US dollars).

The chart below demonstrates structural changes in Japan's insurance portfolio during 2011-2021. As we can see from Figure 8, non-life insurance premiums had a downward trend in 2011-2015, after which they started to grow. During the analyzing period, the largest share had car insurance, approximately 43-57%, with a decline, but less than the overall market tendency. The next was property insurance with its specific weight from fire and natural disasters, although it was the fact that it is not mandatory, people acquire insurance from natural disasters, as the country is in a risk zone. This insurance accounts for 16-21% of non-life insurance premiums. The other major insurance type is health insurance and accident insurance, which had a constant weight of 10-11% during the almost entire period in the insurance premiums of non-life insurance.

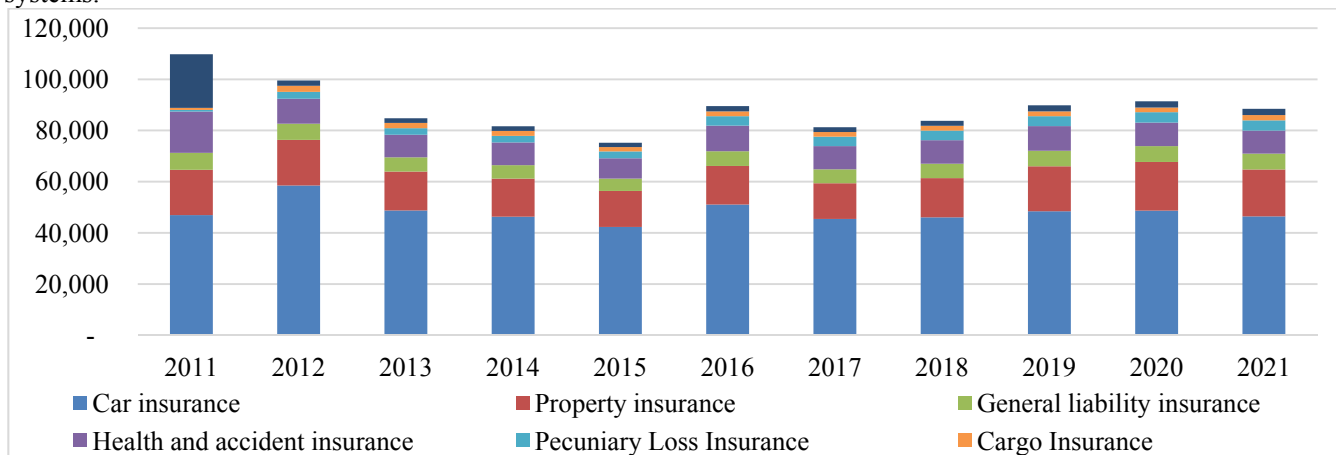


Figure 8. Structure of Japan's Non-Life Insurance Payments for 2011-2021, USD million [16]

China is the second largest country by the volume of insurance premiums collected worldwide. There are several mandatory insurance systems in China, designed to protect individuals, businesses and society from potential risks and ensure financial security for unpredictable events. Mandatory insurance systems in China are the following:

- Compulsory traffic insurance. Both third party liability and accident insurance are compulsory in China, and are known as compulsory traffic insurance. This compulsory insurance covers the injury or death of a third party in the event of an accident [40].

- Social insurance. China has a unique social security system, which includes several compulsory insurance programs for employees. These programs are [41]:

- pension (Endowment Insurance): covers pension benefits and is financed by the payment made by employers, employees and government.

- medical insurance: provides coverage for medical expenses, including hospitalization, ambulatory care and medicine.

- unemployment insurance: provides financial assistance to individuals who are unwillingly losing their jobs by providing temporary income compensation.

- labor injury insurance: covers medical expenses and reimburses income lost as a result of work injuries or professional diseases.

- maternity insurance: benefits are provided for women during pregnancy, childbirth and postnatal period, including medical expenses and maternity leave allowances.

- property insurance: although not generally binding, some Chinese states have introduced mandatory property insurance requirements. These requirements can be applied to certain types of property, such as residential buildings or commercial facilities, and aim to protect against risks such as fire, flood, or other property damages.

The medical insurance system in China is one of the most important parts of the country's social security system. It aims to provide accessible and affordable healthcare services to all citizens regardless of their socio-economic background. In China, the medical insurance system is divided into two categories: basic medical insurance and additional medical insurance.

Basic medical insurance in China is mandatory and covers most of the main medical expenses, including hospitalization, ambulatory visits and prescription drugs. It is financed from contributions of both employers and employees, by the way, the government provides additional funding to those who cannot afford to pay insurance premiums. The

main medical insurance rate varies according to region. In Beijing, the employer and employee rates are 16% and 8%, respectively, in Shanghai, 16% and 8%, and in Guangzhou, 14% and 8%.

Additional medical insurance is voluntary and provides additional coverage for certain medical expenses such as dental and vision care, as well as more expensive treatments that may not be fully compensated by the basic package. It is funded by individuals who choose to enroll in the system and pay an additional insurance premium.

China's unemployment insurance provides financial support to individuals who have lost their jobs through no fault of their own, such as company bankruptcy, restructuring or downsizing. The unemployment insurance system in China is funded by both employers and employees. The financing rate for employers varies between 0.32-0.8%, and for employees between 0.2-0.5%.

Work-related insurance provides protection and compensation to employees who suffer from work injuries or occupational diseases. The insurance system is mandatory for all employers in China and they are required to pay insurance premiums for the coverage of their employees. These insurance rates range from the nature of the organization as well as from the region. In Beijing and Shanghai, it ranges between 0.16-1.52% in Guangzhou - 0.1-0.7%.

Maternity Insurance in China is an essential part of the country's social security system, which provides financial support to working women during pregnancy, childbirth, and post-natal recovery. Insurance is mandatory for all employers in China and they are obliged to pay insurance premiums for the coverage of their female employees. This insurance premium is paid only by the employer and may vary between 0.8-1% of the salary. Thus, in China, the population pays 22.2% of their income as a social tax to the state for social welfare programs [42].

In 2022, in China a total of 4.6 trillion yuan (US\$656 billion) insurance premiums were collected, of which 2.5 trillion yuan (US\$343 billion) in life insurance, health and accident and 972.6 billion yuan (US\$136 billion) in property insurance. 1.3 trillion yuan (US\$178 billion). As a result, 52% of insurance premiums collected in China are life insurance, 21% personal insurance, and 27% property insurance [43].

In addition to countries with advanced and developed insurance markets, it is also very important for us to study the experience of the introduction and development of compulsory insurance of regional states. Let's start the study of these countries from **Russia**. Currently, there are 6 types of mandatory insurance in Russia. Each of them is regulated by federal law, by the decree of

the President, as well as by various regulations. Unlike voluntary insurance types, tariffs and limits in compulsory binding are strictly regulated at the legislative level [44].

1. *Compulsory motor third-party liability insurance (CMTPL)*. This insurance law was adopted in 2002, and since then all owners of the vehicles must insure their liability on the road. The CMTPL agreement guarantees that in the case of an accident, the affected party will get compensation from the insurance company for the damaged property as well as for the damage to life and health. CMTPL tariffs and coverage limits are regulated by the Central Bank of the Russian Federation. Thus, the maximum coverage size is currently 400,000 rubles (about 4500\$\*), directed to the property a loss of 500,000 rubles (approximately \$ 5,600\*) for the life and health of the affected party.

2. *Dangerous manufacturing facilities insurance during operation*. This type of insurance applies to legal entities: owners of hazardous facilities. According to Federal Law No. 225 (in force since 2012), they are obliged to insure their civil liability at their own expense for the life, health or property of victims during the operation of dangerous facilities. Examples of typical hazardous facilities are gas stations and hydroelectric plants. The insurance pays compensation to third parties who have suffered, for example, an explosion in the facility.

3. *Liability insurance of the Carrier for damage to the life, health, property of passengers by any vehicle, except for taxis and subway*. All Russian carriers, including commercial companies, are obliged to sign the following insurance. Due to this, passengers of buses, planes, trains water passenger transport are insured and have the right to compensation for life or health during travel, as well as for property damage. Each case of reimbursement has its limits and depends on the specific type of damage. Thus, the limit of payment for damage to the life of the passenger must be at least 2.025 million rubles (about \$ 22.700\*), health - minimum of 2 million rubles (about \$ 22,500\*), and property - at least 23 thousand rubles (about \$ 250\*) per passenger.

4. *Military health and life insurance*. Life and health insurance for military personnel is another type of compulsory insurance and a form of social responsibility of the state to the military. Such insurance shall be issued and paid for by the Department of Defense. In case of any injury or death of a serviceman during the service, including in hot spots, as well as within 12 months after that, compensation will be paid to him or his family members within the framework of the contract already signed with the insurance company.

5. *Compulsory social insurance*. This type of insurance is part of the state protection of the population in case of illness, loss of breadwinner, disability or unemployment. The social insurance foundation is an extra-budgetary structure and is responsible for the distribution of funds and payments of compensation. All allocations to the fund are made by Russian organizations in which insured persons work. In the event of one of the relevant events, all citizens of the country (working and non-working) have the right to apply to the fund to receive financial benefits (in case of job loss, birth of a child, etc.), pay for sick leave, get a ticket to a sanatorium and other types of assistance.

6. *Mandatory medical insurance*. This is another type of state social guarantee, due to which citizens have the right to receive free medical care in state clinics. Compulsory health insurance fund accumulates and distributes recruited insurance premiums, which are supplemented by the payments of employers and provincial governing bodies. Insurance companies participate in the compulsory medical insurance structure, but their role is limited only by the distribution of funds from the regional mandatory medical insurance funds to clinics, as well as by monitoring their expenses and evaluating the quality of services.

If we look at the Russian insurance market in terms of numeral indicators, we will see that it has had a growth trend from 2016 to 2022, reaching 1.18 trillion rubles (about \$ 13.2 million\*) from 1.82 trillion rubles (about \$ 20.4 million\*). The collected insurance premiums were almost not increased only in 2022, having a slight positive change of 0.5%. In 2022, the insurance premiums collected in the insurance market amounted to 1.2% of RF's GDP [45].

According to the data of the Central Bank of the RF, the volume of insurance premiums collected by insurers in 2022 increased by 0.5%, while insurance indemnities increased by 12.1% to 893.2 billion rubles. Payments increased by all main types of insurance. In 2022, the share of compensations increased to 49.2%, while the figure made 44.1% a year ago. The share of insurance premiums in insurance contracts signed with individuals was 62.3% (in 2021 - 65.2%), in case of private entrepreneurs and legal entities 37.7% (in 2021 - 34.8%) [46].

In 2022, 83.8% (or 1.5 trillion rubles) of all insurance premiums collected in Russia fell to the types of voluntary insurance, while a year earlier it was 86.1%. It is important to note that this indicator does not include insurance premiums of those types of mandatory insurance, which are collected by specialized state funds [46].

CMTPL has the most significant share of compulsory insurance products, making up 15% of total insurance premiums. Insurance companies collect 16.2% of total insurance premiums on mandatory types of insurance, or the same amount is 294.3 billion rubles. The largest share of voluntary insurance products is life insurance premiums - 28.1%, after which property insurance (including CASCO) is 27.4%. Insurance from voluntary medical and accidents is a total insurance portfolio respectively, 11.8% and 11.4%. Insurance premiums amounted to 1.8 trillion rubles in 2022. This does not include insurance premiums for compulsory pension insurance, compulsory social insurance and compulsory medical insurance, the fees for which are collected in state funds. In 2022, insurance premiums of 2.9 trillion rubles were collected for compulsory medical insurance, 6.5 trillion rubles for pension insurance, and 1.8 trillion rubles for compulsory social insurance. Thus, even though Russian insurance companies collect modest insurance premiums (1.2% of GDP in 2022), the Russian insurance system manages significant financial resources due to compulsory insurance (9% of GDP in 2022) [46].

Turkey has an interesting range of mandatory insurance types. According to the legislation of the Republic of Turkey, the following types of insurance

are mandatory: liability insurance for vehicle users, personal damage insurance to public transport/bus seats. This insurance represents passenger and personnel insurance against accidents [47].

- Passenger transportation liability insurance.
- Liability insurance for sale, storage, transportation and other use of hazardous substances,
- Liability insurance for bottled gas. It includes all aspects of the industry, including producers and retailers, but not individual buyers,
- Earthquake insurance
- Insurance of goods subject to financial leasing,
- Air passenger liability insurance
- Professional liability insurance of insurance and reinsurance brokers,
- Insurance of dangerous goods transported by the straits of Turkey,
- Compensation insurance of employees/insurance of employees from work accidents. This type of mandatory insurance is carried out by the state.

From 2011 to 2021, the insurance premiums collected in Turkey fluctuated between \$10-14 billion, up from 1.2-1.4% of the country's GDP.

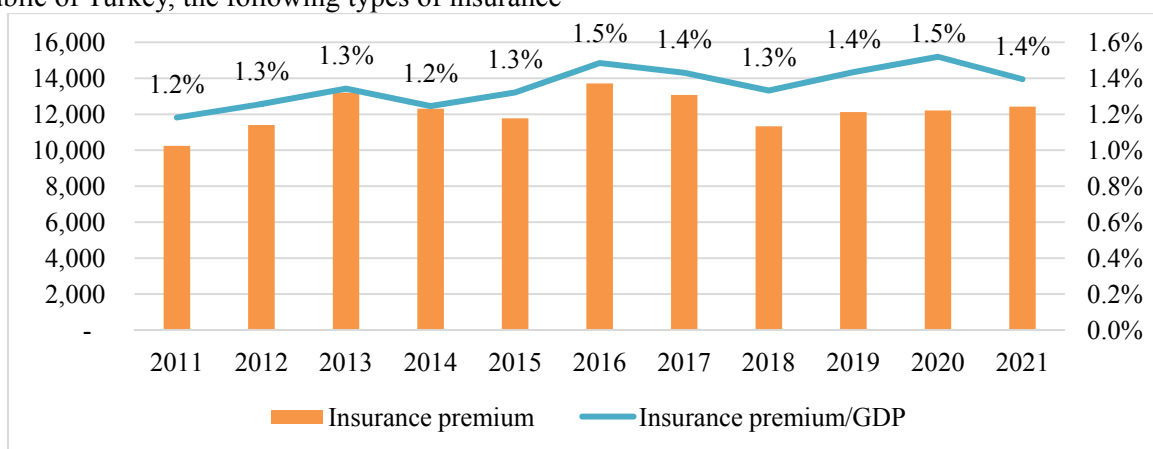


Figure 9. Total insurance premiums (million US dollars) collected in Turkey and their share in GDP, 2011-2021 [16]

During this analysis, we also studied the compulsory insurance markets of **Azerbaijan**. As of 2023, the following types of mandatory insurance are used in Azerbaijan: compulsory insurance of property and liability for its use, compulsory motor third-party liability insurance (CMTPL), compulsory insurance against passenger accidents, mandatory insurance against industrial accidents and occupational diseases, compulsory medical insurance [47; 48].

The following mandatory types of insurance have already been presented many times in the framework of this work, but we will highlight the

circumstances that are special for Azerbaijan's economy.

Medical insurance is mandatory in Azerbaijan from 2021. From April 1, 2021, the mandatory medical insurance is extended to the entire population of the country. The package of services includes primary care, emergency care, specialized outpatient treatment, laboratory-instrumental services, physical therapy, invasive radiology and inpatient treatment. Compulsory medical insurance applies to Azerbaijan citizens, foreigners and stateless persons. The law on Medical Insurance obliges those individuals to pay insurance premiums. The launch of mandatory reform of

medical insurance in Azerbaijan has gradually been conducted, with key steps in the last six years. The State Compulsory Medical Insurance Agency was established still in 2007 by the order of the President of Azerbaijan, but started its activities only after Presidential Decree No. 765, signed on 15 February 2016. First, in two regions (from 2016 in Mingecevir and Yevlakh regions), a mandatory medical insurance examination was launched, then increased to the third stage (Aghdash region, since 2018). From January 2, 2020, the number of regions involved in the compulsory medical insurance system has again increased. From January 1, 2021, the number of participating regions was again expanded, to 36 regions and cities, in general, but not entire capital Baku and several other regions. Finally, only from April 1, 2021, compulsory medical insurance covers 100% of the republic [49].

The compulsory fees for medical insurance in Azerbaijan are established in the following way: for employees, the employer pays 2 percent of the employee's salary up to 8,000 manats (about 4,700 US dollars), and 0.5 percent of the salary for the part exceeding 8,000 manats. On the part of the employee, 2 percent of his salary for up to 8,000 manats, and 0.5 percent of the part exceeding 8,000 manats. It should also be noted that a 50 percent discount is applied to the amount of insurance premiums paid by employees up to 8,000 manats of the salary paid by employees who do not work in the oil and gas or state sector. Individuals pay a health insurance fee of 4% of the minimum wage (currently 250 manats or about 150 US dollars) [50].

Persons involving in-service activities based on service contracts are insured and pay a health insurance fee of up to 8000 manat income of 2% of 8000 manat; 1% of income over 8000 mandates.

Unemployed people as well as persons not engaged in entrepreneurial activities are exempted from the insurance premium until January 1, 2024. Meanwhile, the insurance premium for those persons is paid from the state budget [47].

Life insurance premiums in Azerbaijan\* based on the data of 2019 were 0.26% of GDP, and non-life insurance premiums were 0.37% of GDP. If we consider the structure of the portfolio of insurance companies, it looked as follows in 2018: life insurance - 47%, non-life insurance - 53%, property insurance - 12% of the total, and car insurance - 17% [51; 52].

In parallel with compulsory insurance, there is also a social security system operating in Azerbaijan, which consists of the following social insurance and social protection sectors. Social insurance systems include the following types of insurance: pension and disability insurance, insurance for disease, maternity and unemployment.

The last state whose mandatory insurance system structure was studied by us is **Georgia**. The mandatory insurance market in Georgia includes compulsory motor third-party liability insurance (CMTPL), compulsory insurance against industrial accidents and occupational diseases [53; 54].

It should be noted that there has also been a state health program operating in Georgia since 2013, which is very similar to the mandatory health insurance system, which provides funding for health services for a certain part of the population. There are also markets for life and non-life insurance in Georgia, but the non-life insurance market is much more developed. In 2021, an insurance fee equivalent to \$ 219.1 million was collected in Georgia. The structure of the insurance portfolio of Georgia is presented below [55].

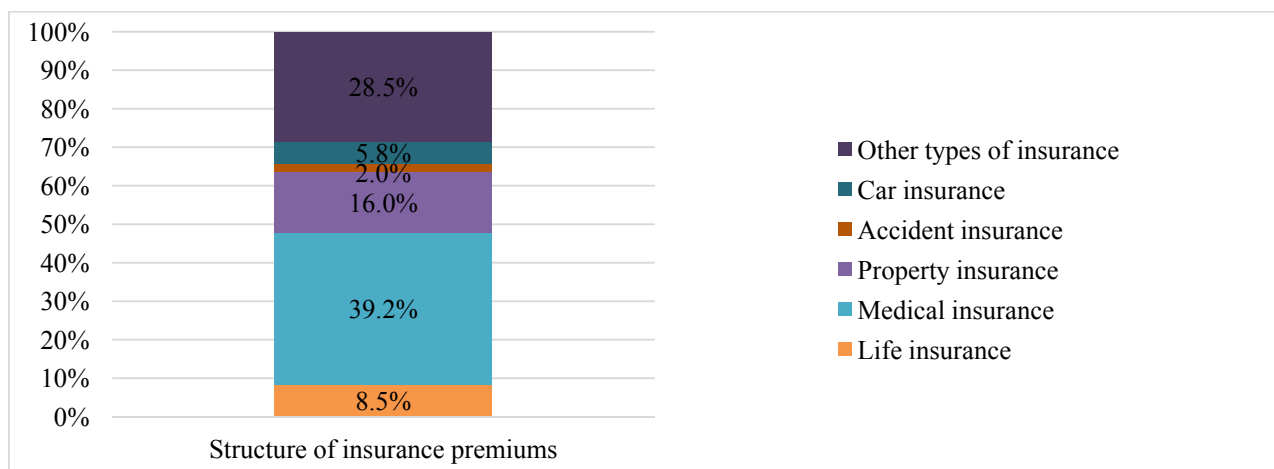


Figure 10. Structure of Insurance Payments in Georgia in 2021

## DISCUSSION AND CONCLUSION

Thus, our study showed that depending on the level of socio-economic development in different

countries of the world and the policies adopted by the states, different insurance systems operate and there are various types of mandatory insurance.

Compulsory insurances differ by country, not only in their type, but also in the principles of implementation and regulation, the scope of compensated services and methods of financing. In other words, the same type of compulsory insurance in different countries is introduced and implemented in different ways, due to which each country has its characteristic insurance model. State insurance models may vary depending on the country and the issues facing the state and its society. Despite all these, all types of compulsory insurance have one similarity – all of them are aimed at ensuring the supremacy of state and public interests and the continuity of economic activity.

The introduction of mandatory insurance systems in the economy is also a tool for the collection of free funds of the economy, their expansion and the formation of powerful investment instruments. The increase in the ratio of compulsory insurance premiums and insurance assets to the countries' GDP speaks of all this.

Insurance is an integral part of the economy and is present in almost all sectors of the economy. Insurers not only ensure financial stability and peace of mind for households and businesses, but also are considered as a vital source of long-term capital providing stability for financial markets and the overall economy. Insurance is a necessary prerequisite for many types of economic activities that could not otherwise occur. Insurance in various branches of the economy acts as a guarantee of the success of the activity, taking over the losses and financial obligations arising from any failure.

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Сдана/Հանձնվել է՝ 19.01.2024  
 Рецензирована/Պրիլոжиվել է՝ 26.01.2024  
 Принята/Ընդունվել է՝ 31.01.2024