



**RIGA
GRADUATE
SCHOOL OF
LAW**

Understanding of the Concept “Use of Vehicles” in the EU Motor Insurance

BACHELOR THESIS

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DECLARATION OF HONOUR:

I declare that this thesis is my own work, and that all references to, or quotations from, the work of others are fully and correctly cited.

(Signed)

RIGA, 2018

SUMMARY

The Thesis “Understanding of the Concept “Use of Vehicles” in the EU Motor Insurance” has the major objective of identifying the meaning of the concept “use of vehicles” firstly adopted under Article 3(1) of First MID (Directive 72/166/EEC). The main research question of the Thesis is whether the concept “use of vehicles” should be understood broadly or narrowly and whether such interpretation may lead to different outcomes in national practices among the EU Member States.

The concept “use of vehicles” is analysed on several levels, therefore, each Part of the Thesis shall be perceived in parallel with other Parts. The Thesis is composed of four Parts, respectively, (1) Regulation and development of the motor insurance in respect of motor vehicles on EU level; (2) The motor insurance in the UK legislation; (3) The motor insurance in Latvian legislation; (4) An impact of the broad interpretation of the concept “use of vehicles” in the UK and Latvia.

Part I is divided into three Chapters, each accordingly devoted to the analysis of the regulation in the field of motor insurance on the EU level. Chapter 1 provides analysis of the provisions of the European Convention on Compulsory Insurance against Civil Liability in respect of Motor Vehicles and evaluates its success in practice. Chapter 2 provides an analysis of the Motor Insurance Directives adopted by EU, specifically, the attention is paid to the First MID and the CMID as these regulation systems embody concept “use of vehicles”. Chapter 3 turns to practical application and the analysis of the CJEU cases. Cases analysed provide particular guidelines for interpretation of the concept “use of vehicles”.

Part II focuses on motor insurance legislation in the UK and practical application of the concept “use of vehicles”. This Part focuses on the analysis of the RTA as it encompasses all aspects essential for the research in this Thesis. Chapter 1 analyses vehicle definition. Chapter 2 defines territorial scope of the concept “use of vehicles”. Chapter 3 looks into the context of the term “use”.

Part III focuses on motor insurance legislation in Latvia to further examine the topic in question in relevance to the domestic laws. Chapter 1 provides an analysis of how liability arises from the use of a vehicle. Chapter 2 focuses on the term “insured event” and types of losses compensated in Latvia. Chapter 3 focuses on the notions “motor vehicle” and “road traffic accident” and contains an analysis of several cases in Latvia which involves interpretation of the notions mentioned.

Part IV provides an analysis of an impact of the broad interpretation of the concept “use of vehicles” on insurers, motor insurers’ bureaus and consumers of the UK and Latvia. Chapter 1 addresses Inception Impact Assessment of the European Commission which evaluated the impact of the Vnuk ruling and four options suggested by the European Commission. Chapter 2 focuses on Public Consultation containing a questionnaire developed by the European Commission for parties concerned. Chapter 3 provides impact assessment in the UK and Latvia.

The research relies on different academic opinions of scholars in the field of motor third party liability. EU law relating to the motor insurance is reviewed and several provisions of the UK and Latvian legal acts are cited and analysed. Statistical data is analysed for evaluation of the impact on different parts of society.

The conclusion of the Thesis provides an answer to the research question established that interpretation of the concept “use of vehicles” provided by the CJEU meets objectives of the CMID (Directive 2009/103/EC). However, a different understanding of the concept has been applied in some EU Member States, particularly, in the UK and Latvia. In addition, a broad interpretation of the concept financially harms insurers, motor insurers’ bureaus and consumers. Finally, considering that the CJEU already provided several preliminary rulings on this issue, legal uncertainty remains and in specific cases national courts still may request CJEU for a new interpretation. Therefore, in relation to the concept “use of vehicles” the reasonable balance shall be found, and more clear regulation shall be established.

TABLE OF CONTENTS

Summary.....	2
List of Abbreviations.....	5
Introduction.....	6
I Regulation in the EU.....	8
1.1 European Convention on Motor Insurance.....	8
1.2 Motor Insurance Directives.....	9
1.2.2 First MID and CMID.....	11
1.3 CJEU Interpretation.....	12
1.3.1 Normal Function of a Vehicle.....	13
1.3.2 Aim of Use and Characteristics of the Terrain.....	14
1.3.3 Intention to Use a Vehicle.....	16
II UK Legislation.....	18
2.1 Definition of “Motor Vehicle”.....	18
2.2 Territorial Scope of “Use of Vehicles”.....	19
2.3 Meaning of “Use”.....	20
III Latvian Legislation.....	23
3.1 Liability.....	23
3.1.1 General Liability Regime.....	23
3.1.2 Liability Without Establishing Fault as a Precondition for Liability.....	24
3.2 Insurance Cover in Motor Insurance.....	26
3.2.1 Insured Event.....	26
3.2.1 Compensation for Insured Event.....	27
3.3 Meaning of Terms “Motor Vehicle” and “Road Traffic Accident”.....	28
IV CJEU Decision's Impact Assessment.....	31
4.1 Inception Impact Assessment of the European Commission.....	31
4.2 Public Consultation.....	32
4.3 Impact Assessment in the UK and Latvia.....	34
Conclusion.....	37
Annex 1.....	39
Annex 2.....	41
Annex 3.....	42
Annex 4.....	43
Bibliography.....	44

LIST OF ABBREVIATIONS

CJEU	Court of Justice of the European Union
e.g.	for example
etc.	and so forth
EU	European Union
i.e.	that is
IUA	International Underwriting Association of London
LTAB	Latvijas Transportlīdzekļu apdrošinātāju birojs (Motor Insurers' Bureau of Latvia)
MIB	Motor Insurers' Bureau of the United Kingdom
MID	Motor Insurance Directive
RTA	Road Traffic Act, 1988
UK	United Kingdom
CMID	Consolidated Motor Insurance Directive

INTRODUCTION

In the 20th century protection of victims in the road traffic accidents became topical and important for the society as the number of motor vehicles being registered grew rapidly, and as a result the number of road traffic accidents and, consequently, the number of injured persons in the accidents was significantly increasing¹. The idea of free movement of goods and people across Europe required the adoption of a regime which would allow drivers of the vehicles cross borders freely, without additional expenses on insurance in the visiting country which was also time-consuming. Moreover, national legislation related to the motor insurance across EU countries had essential differences resulting in the unequal indemnification of the victims. Thus, the system harmonising national laws on motor insurance would have resolved the above-mentioned issues at the same time promoting road traffic.

First attempt to establish a successful system, which would achieve aforementioned aims, was the European Convention on Compulsory Insurance against Civil Liability in respect of Motor Vehicles introduced almost 60 years ago. Unfortunately, the Convention was deemed unsuccessful and it was overtaken by a new system established by EU motor insurance law in 1972.

Insured event determined by First MID and CMID is based on the concept “use of vehicles”. On national levels of the EU Member States, for example, in the UK and Latvia, a road traffic accident is considered as insured event. The analysis shows that practical application of national laws regarding motor insurance may result in completely different solutions since terms “use of vehicles” and “road traffic accident” have different meanings. Moreover, the CMID does not provide a definition of the concept “use of vehicles”. Therefore, the consistency of these terms, their scope, interpretation and practical application have been analysed in this Thesis. The variety and number of the cases indicates that this problem is common for the Member States. Each case involves considerations of whether it is an insured event or not, which comes from EU law, and concept “use of vehicles”. The examination of such cases is becoming more complicated due to the variety of concepts enshrined in national systems.

In order to discover the influence of the interpretation of the concept “use of vehicles” made by the CJEU in the UK and Latvia, regulation in these countries and interpretation of the concepts through the case law are examined.

Since Vnuk case expanded the cover of the motor insurance extending it to any use of vehicle which is consistent with the normal function of that vehicle, some Member States reacted to this interpretation of the concept provided. In the opinion of Member States the new interpretation has a significant impact on insurers, their businesses, and society as a whole. For instance, a proposal for amendments was initiated in Latvia in order to comply with CMID taking into account ruling in Vnuk case. Nevertheless, the proposal for amendments was rejected². Based on the authority of the CJEU in respect of interpretation of EU law, national courts of the Member States started to request the opinion of the CJEU in the

¹ Victor Gerdes, “The European Convention on Compulsory Insurance against Civil Liability in respect of Motor Vehicles,” *Insurance Law Journal* (1971): p. 298.

² Grozījumu Sauszemes transportlīdzekļu īpašnieku civiltiesiskās atbildības obligātās apdrošināšanas likumā Nr: 1037/Lp12 anotācija (Annotation of the amendments to the Compulsory Civil Liability Insurance of Owners of Motor Vehicles Law No. 1037/Lp12. Available on: <http://titania.saeima.lv/LIVS12/saeimalivs12.nsf/0/FA10B082742FAF4FC22581B1002817B3?OpenDocument>. Accessed May 16, 2018.

particular cases whether the insured event occurred or not in the different particular circumstances (Case of Núñez Torreiro, Rodrigues de Andrade, Balcia Insurance SE, etc.). While insurers have recognized that insured risks, territory, and events of insured use of vehicles are increasing as a result of broader interpretation of the terms describing the insured event.

The European Commission had initiated the public consultation on REFIT review of Directive 2009/103/EC on motor insurance in 2017. The consultation period was set to be 28 July 2017 - 20 October 2017. Thus, the European Commission shall present the outcomes of the public consultations shortly with considerations about possible amendments to the CMID.

Current uncertainty in respect of interpretation of the basic terms of the motor insurance (“use of vehicles”, “road traffic accident”) in respect of the insurance cover has a negative influence on the insurance business and relationship between insurance companies, insured persons and victims. So, the concept “use of vehicles” in respect of insurance coverage should be clearly defined and aligned with historical understanding in the Member States thus preventing different interpretations and outcomes in national practices among EU Member States.

The Thesis focuses on research question whether the concept “use of vehicles” should be understood broadly or narrowly and whether such interpretation may lead to different outcomes in national practices among the EU Member States.

The legislation, statutes and case law are analysed in the Thesis. Current legislation of motor insurance in Latvia and in the UK is located, analysed and interpreted. The impact assessment of broad interpretation of the concept is made for the UK and Latvia.

Main sources of authority used in the Thesis are the Convention on Motor Insurance and EU regulation (Motor Insurance Directives), case-law of the CJEU, UK legislation, Latvian legislation, books on motor insurance, articles and news in relation to the rulings of the CJEU, opinions of attorneys in motor insurance as well as an interview with attorney at law practising in the motor insurance in Latvia.

I REGULATION IN THE EU

1.1 European Convention on Motor Insurance

The European Convention on Compulsory Insurance against Civil Liability in respect of Motor Vehicles has been the first mechanism regulating motor insurance in Europe. This Chapter will first address the introduction process of the Convention. It will then refer to the objectives of the Convention. Lastly, the provisions of the Conventions will be considered, in particular, the definition of the term “motor vehicles”. Although the Convention had to harmonise legislation of motor insurance, it was overtaken later and replaced by a new system.

First regulation of the field of Motor Insurance in Europe is found among other regulations of the Council of Europe which is an international peace organisation established after the Second World War. The draft of the European Convention on Compulsory Insurance against Civil Liability in respect of Motor Vehicles was submitted to 15 member countries to be signed. Generally, main objectives of the Convention are to facilitate a progress of member states and safeguard the rights of victims of motor accidents³. The Convention was one of the first steps towards unification of the laws of member states in this area. Victor Gerdes, a member of the Wisconsin Bar, professor and chairman of the Department of Finance and Insurance, calls it “an early ambitious effort”⁴ promoting uniformity of motor insurance. The main reasons for creating the Convention was increasing numbers of automobile registrations and the sharp rise in injuries and fatalities arising from road traffic accidents⁵. Without any doubts, unification of legislation systems of different countries within a short period of time and by creating one convention would constitute unattainable goal. Thus, the intention of the European Convention on Compulsory Insurance against Civil Liability in respect of Motor Vehicles was to standardise basic rules in the member countries of the Council of Europe.

Greece was the first country which has acceded to the Convention in 1961; afterwards, Norway ratified it in 1963; Germany in 1966; Denmark and Sweden in 1969. In the meantime, Austria, Belgium, France, Italy, and Luxembourg signed but not ratified the Convention. The European Convention on Compulsory Insurance against Civil Liability in respect of Motor Vehicles has been in force since September 22, 1969.

Four aims are established and described in the preamble of the Convention. The first aim is to facilitate economic and social progress by the conclusion of agreements and common action in economic, social, cultural, scientific, legal and administrative matters. The second objective is to safeguard the rights of victims of road accidents in the territories of member countries. The third aim is standardisation of basic rules throughout the member countries. The last objective is to promote the establishment of insurance bureaus and guarantee funds, and their actual operation, or, alternatively, the establishment of equivalent measures⁶.

Each country signatory to the Convention was required to introduce motor insurance protecting the rights of persons suffering damages arising from motor vehicles in the territory

³ The European Convention on Compulsory Insurance against Civil Liability in respect of Motor Vehicles, Strasbourg, 20.IV.1959.

⁴ Gerdes, “The European Convention on Compulsory Insurance against Civil Liability in respect of Motor Vehicles,” p. 297.

⁵ *Ibid.*, p. 298.

⁶ *Ibid.*, p. 299.

of such country within six months. The system of motor insurance at least should comply with the minimum standards set out in Annex I to this Convention.

As the European Convention on Compulsory Insurance against Civil Liability in respect of Motor Vehicles was one of the first instruments introduced with a purpose to regulate motor insurance, its provisions were drawn up cautiously and members of the Council of Europe had a possibility to exercise options and make reservations. Firstly, member states retained the option of providing greater protection to injured persons than it was required by Convention⁷. Secondly, member states retained the option to make exemptions and not to require motor insurance of certain motor vehicles, which member state considered to present a small danger. Even though there was such an option, it did not leave injured persons without any protection. If member state decided to exempt from motor insurance certain motor vehicles, it was obliged to ensure an alternative method of compensation for persons injured by exempted type of motor vehicle was available, for example, member states could establish a special guarantee fund. All options or reservations that member state decided to adopt should be notified to the Secretary General in order for these actions to be under the control of the supervisory body.

Despite the fact that the provisions of the Convention appear to have more general character, they provided term's "motor vehicles" definition. The direct citation of this term from the Convention is crucial to trace its further development in EU legislation. Motor vehicles are:

"all mechanically-propelled vehicles which are intended to be driven on the ground other than vehicles running on rails, even if they are connected to electric conductors, and also cycles fitted with an auxiliary engine"⁸.

To summarise, the European Convention on Compulsory Insurance against Civil Liability in respect of Motor Vehicles initially defined the insurance obligation in respect of the use of motor vehicles. However, there is no definition of the use of vehicle provided in the Convention. The Convention had several objectives, in particular, to protect victims injured in the road accidents, facilitate economic and social progress, harmonise (standardise) motor insurance laws, promote establishing of guarantee funds and bureaus. Nevertheless, objectives were not achieved, only five countries have become signatories to the Convention, as a result, the Convention "did little to harmonise motor insurance laws"⁹. The introduction of the Convention is considered to be an unsuccessful attempt to harmonise motor insurance throughout the member countries¹⁰. Later, the regulation of the field of motor insurance was overtaken by a new set of regulation called Motor Insurance Directives developed within the EU.

1.2 Motor Insurance Directives

The EU has competence in the field of motor insurance which hitherto largely been dominated by regulation of the EU Member States¹¹. One of the main ideas of the European

⁷ The European Convention on Compulsory Insurance against Civil Liability in respect of Motor Vehicles, Article 1 (2).

⁸ Protocol of signature of the European Convention on Compulsory Insurance against Civil Liability in respect of Motor Vehicles

⁹ Matthew Raymond Channon, "Validity and Effect of Exclusion Clauses Against Third Parties in Motor Insurance" (PhD diss., University of Exeter, 2017), p. 103.

¹⁰ *Ibid.*, p. 103.

¹¹ Reiner Schulze, *Compensation of Private Losses: The Evolution of Torts in European Business Law* (Munich: Sellier. European Law Publishers, 2011), p. 215.

regime is to ensure civil liability, and, if established, one may turn to fulfilment of a motor insurance contract, also known as principle “insurance follows liability”¹² which has been developed through the case law¹³. This Chapter will first address five Motor Insurance Directives. It will then refer to the objectives of the First MID and Article 3(1) containing a reference to the concept “use of vehicles”. Lastly, the Codified Directive will be addressed as currently it is the main EU legal act regulating motor insurance. The Chapter will arrive at a conclusion that territorial scope of the concept “use of vehicles” is not limited, whereas the material scope of the concept includes indication of use for travel.

There were five Motor Insurance Directives since 1972 in the EU. Under the First MID¹⁴ insurance against civil liability became compulsory and policy had to cover liability incurred in any other EU Member State¹⁵. The Second Motor Insurance Directive¹⁶ expanded the ambit of the motor insurance regime¹⁷ established before. It made an attempt to harmonise the basis of motor insurance. The Second Directive required the Member States to ensure the existence of body regulating situation when victims suffer damages from uninsured or untraced drivers. The Third Motor Insurance Directive¹⁸ obliged Member States to ensure there is a single premium covering the entire territory of the EU. The Fourth Motor Insurance Directive¹⁹ had an objective to establish a mechanism which enables victims involved in the accident outside their home country to pursue a claim in the home country. Unlike the Fourth Motor Insurance Directive, the Fifth Motor Insurance Directive²⁰ does not have a single aim, it covered a range of topics. For example, minimum legal cover for third party personal injury has been increased, compensation for victims where vehicles have false or no registration plates²¹ has

¹² Opinion of the representative of the German Government in case *Drozдовs*, C-277/12, EU:C:2013:685.

¹³ See, for instance, CJEU Judgment in *Ferreira*, C-348/98, EU:C:2000:442, para 23; Judgment in *Elaine Farrell v Alan Whitty Case* C-356/06, EU:C:2017:745, para 32; Judgment in *Manuel Carvalho Ferreira Santos v Companhia de Seguros, SA*, C-484/09, EU:C:2010:745, para 31.

¹⁴ Council Directive 72/166/EEC of 24 April 1972 on the approximation of the laws of Member States relating to insurance against civil liability in respect of the use of motor vehicles, and to the enforcement of the obligation to insure against such liability, OJ L 103, 2.5.1972, p. 1–4. Available on: <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A31972L0166>. Accessed May 1, 2018.

¹⁵ Ray Hodgkin, *Insurance Law. Text and Materials*, 2nd edition (London: Cavendish Publishing, 2002), p. 8.

¹⁶ Second Council Directive 84/5/EEC of 30 December 1983 on the approximation of the laws of the Member States relating to insurance against civil liability in respect of the use of motor vehicles, OJ L 008, 11.01.1984, p. 0017-0020. Available on: <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:31984L0005:EN:HTML>. Accessed May 1, 2018.

¹⁷ Robert Merkin, *The Law of Motor Insurance*, 2nd edition (Croydon: Sweet&Maxwell, 2015), p. 30.

¹⁸ Third Council Directive 90/232/EEC of 14 May 1990 on the approximation of the laws of the Member States relating to insurance against civil liability in respect of the use of motor vehicles, OJ L 129, 19.05.1990, p. 0033 – 0035. Available on: <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:31990L0232:EN:HTML>. Accessed May 1, 2018.

¹⁹ Directive 2000/26/EC of the European Parliament and of the Council of 16 May 2000 on the approximation of the laws of the Member States relating to insurance against civil liability in respect of the use of motor vehicles, OJ L 181, 20.7.2000, p. 65–74. Available on: <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32000L0026>. Accessed May 1, 2018.

²⁰ Directive 2005/14/EC of the European Parliament and of the Council of 11 May 2005 amending Council Directives 72/166/EEC, 84/5/EEC, 88/357/EEC and 90/232/EEC and Directive 2000/26/EC of the European Parliament and of the Council relating to insurance against civil liability in respect of the use of motor vehicles (Text with EEA relevance), OJ L 149, 11.6.2005, p. 14–21. Available on: https://eur-lex.europa.eu/legal-content/EN/ALL/?uri=uriserv:OJ.L_.2005.149.01.0014.01.ENG. Accessed May 1, 2018.

²¹ Motor Insurers’ Information Centre. The fifth EU Motor Insurance Directive. Available on: http://miic.org.uk/documents/general_docs/The_Fifth_EU_Motor_Insurance_Directive_0806.pdf. Accessed April 10, 2018.

to be provided by a guarantee fund, etc. The five separate Motor Insurance Directives have been consolidated by one Consolidated Directive²² which was adopted in 2009.

For objectives of this Thesis it is essential to trace origin and development of the concept “use of vehicles”, therefore, First MID which determined the duty of countries to ensure motor insurance, as well as the last Codified Directive further are analysed. Later in this paper the reference is made to the CMID as at present time it constitutes the main EU legal act regulating this area.

1.2.2 First MID and CMID

Nevertheless, the First MID has a reference to the proposal from the Commission, the Register of Commission Documents does not have any documents dated earlier than 2000. Thus, the proposal from the Commission for First MID is not available and will not be analysed in the Thesis.

The Council shall issue directives that have “a direct incidence on the establishment or functioning of the Common Market.”²³ The preamble of the First MID defines its main objective as a creation of a common market. The common market should be similar to the domestic one, and free movement of goods and persons is an important component of the common market. The second main objective defined in the preamble is to safeguard the interests of injured persons in the accidents caused by the use of motor vehicles.

One may notice that the First MID provides two objectives whereas the European Convention on Compulsory Insurance against Civil Liability in respect of Motor Vehicles had four objectives. Both regimes identify protection of victims in the accidents as the main goal. Whereas Convention had no reference to the creation of common market, it is indicted as Directive’s core value. In addition, the Directive similarly to the Convention requires the establishment of insurers’ bureaus.

Article 3(1) of the First MID obliges the Member States to ensure that civil liability in respect of the “use of vehicles” normally based in its territory is covered by insurance. Whereas the notion “vehicle” is defined as “any motor vehicle intended for travel on land and propelled by mechanical power, but not running on rails, and any trailer, whether or not coupled”²⁴. The definition is almost identical to one provided in the European Convention on Compulsory Insurance against Civil Liability in respect of Motor Vehicles. Several improvements are noticed, e.g. the Directive includes specification “for travel”, word “ground” is replaced by word “land”.

The definition of the concept “use of vehicles” used in Article 3(1) is not found in the Directive. If the drafters of the Directive desired to provide the definition because of the vagueness of the concept they most probably would do so. Nevertheless, it can be assumed, they did not perceive this concept as ambiguous and considered its meaning is clear from the context. Consequently, the genuine meaning of the concept stems from the objectives of the Directive. Therefore, examination of the following questions shall be carried out: whether the meaning of the concept “use of vehicles” shall be within its widest or narrowest borders

²² Directive 2009/103/EC of the European Parliament and of the Council of 16 September 2009 relating to insurance against civil liability in respect of the use of motor vehicles, and the enforcement of the obligation to insure against such liability (Text with EEA relevance), OJ L 263, 7.10.2009, p. 11–31. Available on: <https://eur-lex.europa.eu/legal-content/EN/ALL/?uri=CELEX:32009L0103>. Accessed May 1, 2018.

²³ The Treaty of Rome (signed on 15 March 1957, effective as from 1 January 1958), Article 100.

²⁴ Council Directive 72/166/EEC, Article 1(1).

bearing in mind the objective of protection of injured persons in the accidents. An analysis of material and territorial scope of the concept “use of vehicles” is performed below.

Firstly, in order to determine the territorial scope of the concept, it shall be established whether from the wording of Article 1 or the First MID as a whole originate some limitations regarding the location of the “use of vehicles”. Article 1 of the First MID defines the “territory in which the vehicle is based” as “the territory of the State in which the vehicle is registered”. One may join an opinion that it is a general reference to the territory without any explicit distinctions between private or public area, or “areas that are designated for motor vehicles to travel through and areas that are not”²⁵.

Consequently, the location is not anyhow limited, *vice versa*, the broadest meaning has been encompassed in the First MID – whole territory of the Member States. Therefore, no distinction is made between public or private territory.

Secondly the material scope of the concept “use of vehicles” shall be analysed. The word “vehicle” is defined in the First MID as a “motor vehicle intended **for travel** [emphasis added] on land”²⁶. One may notice that vehicle means the one intended for travel. Thus, intention to travel applies to the concept “use of vehicles”. Consequently, the definition indicates the aim of the “use of vehicles” as travel, in other words “to move from point A to point B”²⁷. Advocate General M. Bobek elaborated on this definition and pointed out that the definition refers to the objective purpose of the vehicle²⁸.

In fact, CMID made no substantive changes to the law set by previous five superseded Directives. The term “vehicle” was not modified anyhow since the First MID. The definition in Article 1 of the CMID coincides with definition encompassed in Article 1 of the First MID. Article 3(1) of the CMID identically to Article 3(1) of the First MID obliges the Member States to “ensure that civil liability in respect of the use of vehicles normally based in its territory is covered by insurance”²⁹. Therefore, the CMID is not treated in much detail in the present Thesis.

In conclusion, Motor Insurance Directives developed within the EU are perceived as a more harmonised system than one provided by the European Convention on Compulsory Insurance against Civil Liability in respect of Motor Vehicles. The First MID had two objectives. Firstly, the aim was to ensure the free movement of goods and persons which is one of the constituents of the creation of a common market across the EU. Secondly, the aim of the First MID was to safeguard the interests of persons injured in the accidents occurred out of use of vehicles. Whereas the provisions of the First MID do not limit territorial scope of the concept “use of vehicles”, the material scope of the concept shall encompass “use of vehicles” aimed at travel.

1.3 CJEU Interpretation

Since the field of motor insurance is a subject of the EU regime, it became a large basis of a whole row of CJEU decisions³⁰. It is of crucial importance to make an analysis of

²⁵ Opinion of Advocate General Michal Bobek in *Juliana*, C-80/17, EU:C:2018:290, para 71.

²⁶ Council Directive 72/166/EEC, Article 1(1).

²⁷ Opinion of Advocate General M. Bobek in *Juliana*, para 74.

²⁸ Opinion of Advocate General M. Bobek in *Juliana*, para 64.

²⁹ Directive 2009/103/EC of the European Parliament and of the Council, Article 3(1).

³⁰ Schulze, *Compensation of Private Losses: The Evolution of Torts in European Business Law*, p. 215.

interpretations of the concept “use of vehicles” provided by the CJEU in four cases. This Chapter will first address the normal function of a vehicle (C-162/13 *Vnuk*). Then aim of use and characteristics of the terrain (C-334/16 *Núñez Torreiro* and C-514/16 *Rodrigues de Andrade*) will be analysed. Lastly, intention to use a vehicle (C-80/17 *Juliana*) will be considered. Each subchapter will arrive at specific conclusion relating to the interpretation made.

1.3.1 Normal Function of a Vehicle

A case of *Damijan Vnuk v Zavarovalnica Triglav* was the first case when CJEU has interpreted the definition of “use of vehicles” and definitely still is one of the most well-known cases in relation to the interpretation of the concept “use of vehicles”. The case has been considered as “the most important ruling on motor insurers’ liability in decades”³¹. It resonated across the EU Member States, insurance companies and organisations directly or indirectly connected with motor insurance.

On 13 August 2007, a tractor coupled with a trailer when reversing in the courtyard of the farm in order to position the trailer in a barn struck the ladder on which Mr. Vnuk had climbed. Mr. Vnuk fell down out from the ladder and, as a consequence was injured. The question referred to the CJEU was whether this situation falls within the concept “use of vehicles”.

The CJEU noted that Germany, Ireland and the European Commission submitted their observations on the matter. Both Germany and Ireland had an opinion that the insurance obligation provided in Article 3(1) of the First Insurance Directive relates only to situations involving road use, therefore, it does not apply to circumstances such as those at issue³². However, the European Commission claimed the opposite, interpreting the concept within its broadest meaning, that is use of vehicle “whether as a means of transport or as machines”³³, in any area (public and private), and “whether those vehicles are moving or not”³⁴.

Firstly, the CJEU provided its reasoning in relation to the subject which caused the accident. The CJEU has held that tractor with attached trailer satisfies the definition of the “vehicle” provided by Article 1(1) of the First MID.

Secondly, the interpretation of the concept “use of vehicles” and, therefore, whether manoeuvre of a tractor falls within the scope of “use of vehicles”, should not be up to the discretion of Member States. Neither Article 1(1) defining the term “vehicle”, nor Article 3(1) defining motor insurance, nor any other provision of the First MID or of the other directives relating to motor insurance refers to the law of the Member States as regards that concept³⁵. The CJEU declared that the provision “must be interpreted by reference to the general scheme and purpose of the rules of which it forms part”^{36,37}. It by reference to the case law³⁸ focused

³¹ “Immediate impact of Vnuk on third party motor insurance,” *New Law Journal* 7628 (2014). Available on: <https://www.newlawjournal.co.uk/content/immediate-impact-vnuk-third-party-motor-insurance>. Accessed March 22, 2018.

³² Judgement in *Vnuk*, C-162/13, EU:C:2014:2146, para 34.

³³ *Ibid.*, para 35.

³⁴ *Ibid.*

³⁵ *Ibid.*, para 42.

³⁶ Judgement in *Vnuk*, para 46.

³⁷ See, for example, Judgement in *ZVK*, C-300/05, EU:C:2006:735, para 16 and case law cited, Judgement in *Haasová*, C-22/12, EU:C:2013:692, para 48, Judgement in *Drozdovs*, para 39.

³⁸ Judgement in *Omejc*, C-536/09, EU:C:2011:398, para 19 and 21.

on two values settled in the EU law, namely, (1) the need for a uniform application of EU law and (2) the principle of equality. These values require the concept to be interpreted independently and uniformly across all EU Member States³⁹.

The Court made an analysis of the EU legislation concerning motor insurance which is analogous to one made in Chapter 2 of the Part I. Taking it into considerations, the Court made the following conclusion:

“[T]he view cannot be taken that the European Union legislature wished to exclude from the protection granted by those directives injured parties to an accident caused by a vehicle in the course of its use, if that **use is consistent with the normal function of that vehicle** [emphasis added]”⁴⁰.

Although the accident in the present case, in the CJEU opinion, seems to have been caused by the use of vehicle consistent with its normal function, what constitutes a normal function of a vehicle is a matter for the referring court to determine. Therefore, the CJEU set the direction how national courts should determine “the use of vehicles”. It did not explicitly support the opinion of the European Commission which suggested a detailed definition, nor did it provide its definition of the concept which would ensure the application of the harmonised concept in the Member States. Instead, the CJEU avoided any specific definition of the particular notion and highlighted two aspects that courts need to take into account: the objective of protection of injured persons in the accidents and consistency of the use of vehicle at the moment of accident with its normal function.

Finally, the Court held that the accident at issue, i.e. manoeuvre of a tractor in the courtyard of a farm, is covered by the concept “use of vehicles”. Therefore, one may conclude that the Court does not limit the concept by use only on a road.

Consequently, the CJEU made an analysis concentrating on different aspects and came to the conclusion that the concept “use of vehicles” shall be interpreted unanimously throughout the EU and, it shall cover any use of a vehicle that is consistent with the normal function of that vehicle. However, the CJEU did not provide further considerations what is normal use of vehicles, therefore, a final determination of what constitutes normal use of vehicles left for MS national court.

1.3.2 Aim of Use and Characteristics of the Terrain

In case Rodrigues de Andrade the CJEU limited the scope of motor insurance by separating the use of vehicles as means of transport and as machines for carrying out work, in addition, it stated that characteristics of the terrain do not have any impact on the scope of motor insurance. The latter idea was later supported in the case Núñez Torreiro.

The facts of the case Rodrigues de Andrade were as following. Mrs. Maria Alves was employed by Mr. and Mrs. Rodrigues de Andrade. Her job duties included an application of herbicide to the vines in the vineyard. This procedure involved an agricultural tractor engine which was running to drive the spray pump for the herbicide⁴¹. On 18 March 2006, during the performance of work duties by Maria Alves was, the vibrations produced by the engine of the tractor, heavy rainfall, weight of the tractor and its position on the slope caused a landslide

³⁹ Judgement in *Vnuk*, para 42.

⁴⁰ Judgement in *Vnuk*, para 56.

⁴¹ Judgment in *Rodrigues de Andrade*, C-514/16, EU:C:2017:908, para 9.

which carried the tractor down⁴². In the result, four workers have been injured and Mrs. Maria Alves died. The issue arose whether use of vehicle at issue was within the scope of the concept “use of vehicles” provided by Article 3(1) of the First MID.

Firstly, the CJEU, by referring to considerations made in *Vnuk* case, called the concept “use of vehicles” as “an autonomous concept of EU law”⁴³ and stated that an agricultural tractor falls within the definition of vehicle encompassed in the First MID. Moreover, focusing on the place of accident, the CJEU stated that there is no limitation of the concept in relation to the terrain where “use” is occurring⁴⁴.

In addition to the foregoing consideration, attention can be paid to the case *Núñez Torreiro*⁴⁵ which discussed further the characteristics of the terrain within the scope of the motor insurance. A case involved Mr. Núñez Torreiro, an officer in the Spanish army, which was manoeuvring in the “all-terrain military vehicle fitted with anibal wheels” at a military exercise area in Spain (to which access was allowed only for military vehicles). The vehicle in the result of manoeuvring overturned. Due to this accident, Mr. Núñez Torreiro was injured. The military vehicle had motor insurance in the insurance company AIG from which Mr. Núñez Torreiro claimed payment of compensation for injuries received in the result of the accident. However, AIG refused to pay compensation claiming that this act is not classified as “use of vehicles”.

Although the accident occurred on the territory to which access is prohibited for non-military vehicles, it cannot have an effect on the scope of motor insurance. Therefore, the CJEU declared that the extent of motor insurance cover cannot depend on the characteristics of the terrain where vehicle is used⁴⁶ (as it was in the national law of Spain). One may arrive at a conclusion that any distinction of terrain for determination of the “use of vehicle” should be avoided. Therefore, the terrain out of the road, private territories and any other territories constitutes the terrain where the accident may potentially occur. The scope of motor insurance in the Member States’ domestic laws cannot be dependent on the characteristics of the terrain.

Further, in case *Rodrigues de Andrade*, the CJEU declared that vehicles falling in the scope of the motor insurance are those “intended normally to serve as means of transport”⁴⁷. Therefore, vehicles used at the time of accident as “machines for carrying out work”⁴⁸ fall outside of the scope of the motor insurance.

In a case where a passenger is driving the car from point A to point B (irrespective of the territory where driving occurs) indicates that car is being used as means of transport and it falls within the concept “use of vehicles”. In *Vnuk* case tractor was reversing in order to position the trailer in a barn, i.e. it was parking in a barn, what constitutes an action of a vehicle as being used as means of transport.

One may arrive at a conclusion that the scope of the “use of vehicles” covers vehicles used with transportation aim and excludes vehicles used as machines carrying out a work. Some vehicles are combined, in other words, they have multiple purposes: they may be used for transportation or for carrying out a work. An example of such vehicle with multiple purposes

⁴² *Ibid.*, para 10.

⁴³ Judgment in *Rodrigues de Andrade*, para 31.

⁴⁴ *Ibid.*, para 36.

⁴⁵ Judgment in *Núñez Torreiro*, C-334/16, EU:C:2017:1007.

⁴⁶ *Ibid.*, para 30.

⁴⁷ Judgment in *Rodrigues de Andrade*, para 37.

⁴⁸ *Ibid.*, para 40.

is a tractor, which may drive to the field and the same tractor may dig a ditch the field. Moreover, a vehicle may be used for those two aims simultaneously, for example, a tractor ploughing a field involves both transportation of a tractor and carrying out a specific work. In circumstances as such, it is assumed that as long as transportation function is involved, the vehicle is used as means of transport cover of which is provided by the motor insurance under the CMID.

Lastly, the CJEU indicated that stationary vehicle involved in the accident does not “in itself, preclude vehicle at that time from falling within the scope of its function as a means of transport”⁴⁹. Therefore, one may assume that accident occurred, for instance, in the result of opening a door on the parking lot involving two stationary vehicles falls within the concept “use of vehicles” and is covered by motor insurance.

In conclusion, although CJEU does not provide the definition of the concept and did not express its opinion regarding the proposed definition by the European Commission, the case law on the matter frames the definition of the concept. The scope of the concept “use of vehicles” has been narrowed since *Vnuk* judgment, in other words, it includes not any use of a vehicle which is consistent with its normal use, but it has been specified that normal use shall be as means of transport (transportation function). Moreover, it was declared that it does not, in itself, exclude stationary vehicles. In addition, the concept is not limited to use of the public road and does not depend on the characteristics of the terrain on which the motor vehicle is used⁵⁰.

1.3.3 Intention to Use a Vehicle

A case of Juliana involved Ms. A. Juliana who due to the medical problems stopped driving her car and left it without motor insurance in the yard. Her son took the keys from the car, drove it out of the yard, and caused an accident on the road. The son and two passengers died in the result of the accident. The guarantee fund paid out compensation for non-material losses to the families of the deceased passengers and brought a subrogation claim against Ms. A. Juliana as an owner of the vehicle and Ms. Cristiana Juliana (deceased driver’s daughter and successor). The issue of whether there was an obligation to insure a car arose.

The question regarding the obligation to insure a vehicle was first brought to the attention of the CJEU. Although the CJEU did not issue a judgment in this case, Advocate General Michal Bobek delivered its opinion on 26 April 2018. M. Bobek declared that “beginning and end points of the obligation to insure”⁵¹ are connected with the registration of a vehicle in a Member State. He acknowledges that although the First MID has no reference on the registration of a vehicle and Article 3(1) of the First MID implies obligation insure vehicles which are registered, there may be cases where a temporary deregistration or suspension of registration is necessary. Therefore, if a vehicle is registered it demonstrates an owner’s intent to use it.

Nevertheless, this is a general perception and does not mean that anything that is in practice done with registered vehicles constitutes “use of vehicles”⁵² for the purposes of determining liability. Therefore, vehicles which are used only in a warm weather (e.g. summer and spring), such as mopeds and motorcycles, should have an insurance even during the unfavourable

⁴⁹ Judgment in *Rodrigues de Andrade*, para 39.

⁵⁰ Judgment in *Rodrigues de Andrade*, para 35.

⁵¹ Opinion of Advocate General M. Bobek in *Juliana*, para 93.

⁵² Opinion of Advocate General M. Bobek in *Juliana*, para 96.

season (e.g. winter an autumn) or, alternatively, they should be deregistered, or registration should be suspended.

To sum up, the CJEU did not yet issue a decision concerning the obligation to insure a vehicle. Nevertheless, the Advocate General suggests considering the moment of registration of a vehicle. One may assume that CJEU will support opinion provided by the Advocate General, as a car stationary in the yard falls within the scope of “use of vehicle” according to the ruling in Rodrigues de Andrade. Moreover, an intention of the owner should not have any impact on the obligation to insure a vehicle.

II UK LEGISLATION

In the meantime, the UK in due course will be leaving the EU, however, at this moment it still remains an EU member and likewise any other EU Member State it shall “continue to negotiate, implement and apply EU legislation”⁵³. The regulation of motor insurance in the UK is established through analysis of a notion of “motor vehicle”, determination of the territorial scope of the concept “use of vehicles” and meaning of the word “use”.

2.1 Definition of “Motor Vehicle”

This Chapter will first address the definition of “motor vehicle” in the UK law. Afterwards, the definition will be compared with definition “vehicle” in the EU law. Finally, the interpretation of the definition in the case law is analysed. The analysis is arriving at a conclusion that definition “motor vehicle” in the UK law is narrower than one included in the CMID.

The EU law obliges to insure any vehicle, defined in Article 1(1) of the CMID, specifically,

“any motor vehicle intended for travel on land and propelled by mechanical power, but not running on rails, and any trailer, whether or not coupled”⁵⁴.

Nevertheless, RTA defines term “motor vehicle” in a different way. To be more specific, Section 185 defines a motor vehicle as “a mechanically propelled vehicle intended or adapted for use on roads”. Professor R. Merkin notes that it is not enough that vehicle can be used on a road, it shall be “intended or adapted” for such use⁵⁵.

Considering the similarities between these two definitions, the first and apparently the last one is that in both “vehicle” refers to a mechanically propelled vehicle. What differ are the terms as such. The CMID encompasses term “vehicle”, whereas, in RTA term “motor vehicle” is used. Further, terms refer to different areas, CMID refers to a vehicle “intended for travel on land” as opposed to “intended or adapted for use on roads”⁵⁶. Lastly, RTA limits the meaning of word vehicle by not including the reference to the trailers, whether or not coupled.

However, by making a reference to the judgment in Vnuk case, Professor R. Merkin in the book “The Law of Motor Insurance” acknowledges that there is “no obvious difference”⁵⁷ between approach provided in the judgment and the one adopted in the UK.

Professor develops further understanding of the notion “vehicle” and expands its frames. In his opinion, “a vehicle which is temporarily out of action remains a motor vehicle for statutory purposes”⁵⁸. The idea behind is that a vehicle even though out of action can be involved in the road traffic accident⁵⁹. Such considerations are quite similar to ones provided by the Advocate General M. Bobek in the opinion for case Juliana.

⁵³ Technical consultation on motor insurance: Consideration of the European Court of Justice ruling in the case of Damijan Vnuk v Zavarovalnica Triglav d.d (C-162/13) Summary of responses, 2017. Available on: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/630069/summary-of-vnuk-public-consultation-responses.pdf. Accessed March 22, 2018.

⁵⁴ Directive 2009/103/EC of the European Parliament and of the Council, Article 1(1).

⁵⁵ Robert Merkin, *Colinvaux's Law of Insurance*, 8th edition (London: Sweet&Maxwell, 2006). p. 755.

⁵⁶ Merkin, *The Law of Motor Insurance*, p. 364.

⁵⁷ *Ibid.*

⁵⁸ *Ibid.*

⁵⁹ *Ibid.*

In relation to vehicles “out of action” was raised a problem of determining such a condition. The Court developed a special test in case *Lawrence v Howlett*⁶⁰. The idea of the test is to determine whether there is a reasonable prospect of “mechanically propelled vehicle” ever being made mobile again⁶¹. Therefore, if there is no reasonable prospect of vehicle to be mobile again, then use of that vehicle is impossible and there is no criminal offence of such vehicle being left on the parking lot without insurance.

To sum up, the definition “motor vehicle” in the RTA is narrower than one included in the CMID as the latter provides wording encompassing vehicle intended for travel on land, whereas in the UK meaning is limited to the vehicle used on the roads. Nevertheless, as will be analysed in the following Chapter, the motor insurance in the UK includes vehicles used on a road or other public place.

2.2 Territorial Scope of “Use of Vehicles”

The motor insurance required for vehicles in the UK law is regulated by the RTA. This Chapter will focus on Section 143 of the RTA. Afterwards, an amendment made in 2000 expanding the territorial scope of the cover required will be addressed. Lastly, the considerations of the courts in the UK in relation to this concept will be considered. This Chapter will conclude that the material scope of the concept “use of vehicles” is limited to the road or another public place.

Section 143 of the RTA precludes a person to use a motor vehicle on a road or other public place unless there is in force a policy of insurance or such a security in respect of third party risks⁶². For the matter of clarity it is worth providing a direct citation of Section 143:

“Users of motor vehicles to be insured or secured against third-party risks:

- (a) a person must not use a motor vehicle on a road or other public place unless there is in force in relation to the use of the vehicle by that person such a policy of insurance or such a security in respect of third party risks as complies with the requirements of this Part of this Act, and
- (b) a person must not cause or permit any other person to use a motor vehicle on a road or other public place unless there is in force in relation to the use of the vehicle by that other person such a policy of insurance or such a security in respect of third party risks as complies with the requirements of this Part of this Act.”⁶³

⁶⁰ *Lawrence v Howlett* [1952] 1 Lloyd's Rep. 483.

⁶¹ Merkin, *The Law of Motor Insurance*, p. 364.

⁶² The English law provides negligence liability rules for damages caused by motor vehicles (see Cees van Dam, *European Tort Law*, 2nd edition (Oxford: Oxford University Press, 2013), p. 413.). In the meantime, most continental legal systems have liability without establishing fault as precondition. Nevertheless, the courts of the UK developed negligence liability to such an extent (See, for instance, *Nettleship v Weston* [1971] 2 Q.B. 691 (C.A.); *Roberts v Ramsbottom* [1980] 1 WLR 823; *Worsley v Hollins* [1991] R.T.R. 252) that in practice it is artificial to continue calling it by name (see, for example, Simon F. Deakin, Angus Charles Johnston, Basil Markesinis, *Markesinis and Deakin's Tort Law*, 6th edition (Gloucestershire: Clarendon Press, 2008). p. 226). The courts require a high level of care from drivers, especially towards pedestrians and cyclists (Cees van Dam, *European Tort Law*, 2nd edition (Oxford: Oxford University Press, 2013). p. 413). Therefore, the borders between liability without establishing fault as precondition and liability based on fault in the UK almost disappeared.

⁶³ Road Traffic Act 1988, Chapter 52, adopted on November 15, 1988. Available on: <https://www.legislation.gov.uk/ukpga/1988/52/contents>. Accessed May 1, 2018.

In the case *Randall v The Motor Insurers' Bureau*⁶⁴ Court examined a situation where a vehicle passed over person's leg, fracturing it with vehicle's rear wheel. At the moment of the accident the front wheels of the vehicle were already located on the public road, whereas rear wheels were on the private territory. The main question was whether the injuries were caused by or arose out of the use of a vehicle on a "road"⁶⁵. The Court has answered affirmatively on that question as the greater part of the vehicle was on the road and the vehicle as a whole was using the road⁶⁶.

As one can notice, it was crucial to determine the territory where the accident occurred in the case *Randall v The Motor Insurers' Bureau* which happened before the First MID has been issued. Initially, the provision regarding the motor insurance did not contain words "other public place". Therefore, accident occurring out of the "road", which is defined by Section 192 of the RTA as "any highway and any other road to which the public has access and includes a bridge" would fall out of scope designated and imply no obligation to insure⁶⁷. For example, as it was confirmed by UK case law, this would not normally include a car park⁶⁸. Although the Directive has been issued in 1972, an amendment to the Section 143 by inserting words "other public place" has been made in 2000⁶⁹.

Nevertheless, the amendment has been made, the wording "road or other public place" appears not to be equal to the "land" included in the CMID. A land may constitute any place, whether there is road or not, whether public or not. Therefore, the motor insurance required by the RTA and definitions related to it establish a narrower territorial scope of the concept "use of vehicles" than one provided by the CMID.

To sum up, although the obligation of motor insurance provided by the RTA was subject to amendments with objective to insure the consistency with EU law, the "use of vehicle" is limited by the wording "road or other public place". This constitutes a limitation of the territorial scope of the concept. Moreover, a separate subject of analysis is meaning of the word "use".

2.3 Meaning of "Use"

The meaning if the word "use" has been a subject to discussions among professors in the motor insurance in the UK. This Chapter will first focus on test of the control over a vehicle. Secondly, the test considering the purpose of the use of vehicle will be addressed. Lastly, the considerations regarding the consistency with EU law will be made. This Chapter will conclude that material scope of the concept "use of vehicles" is broad and does not include use of a vehicle where there is no direct control over it.

As was already discussed in Chapter 2 of this Part, Section 143 consists of two parts. First having a reference to "use of vehicles", second to causing and permitting use, therefore, Professor M. Merkin declares word "use" has a restricted meaning⁷⁰ taking into account existence of offences causing and permitting use.

⁶⁴ *Randall v The Motor Insurers' Bureau* [1968] 1 W.L.R. 1900.

⁶⁵ John Birds, *Birds' Modern Insurance Law*, 9th edition (London: Sweet & Maxwell, 2013), p. 412.

⁶⁶ *Randall v The Motor Insurers' Bureau* [1968] 1 W.L.R. 1900.

⁶⁷ Birds, *Birds' Modern Insurance Law*, p. 411.

⁶⁸ *Cutter v Eagle Star Insurance Co Ltd* [1998] 4 All E.R. 417.

⁶⁹ The Motor Vehicles (Compulsory Insurance) Regulations 2000, Statutory Instruments 2000 No. 726, made on March 10, 2000, laid before Parliament on March 13, 2000, effective as from April 3, 2000.

⁷⁰ Merkin, *The Law of Motor Insurance*, p. 376.

In order to determine “use” of vehicle Professor R. Merkin in the book “The Law of Motor Insurance” suggests to test whether there was a control over a vehicle. Although one may consider this test narrow and strict to the actual “control” over a vehicle, this test implies wide comprehension of the word “control”. Specifically, not only the actual process of driving the vehicle but as well as including the situation when the vehicle is parked on the parking lot⁷¹. However, Professor R. Merkin claims vehicle incapable of any form of movement shall not be perceived as the vehicle⁷² (as was discussed before in Chapter 1 of this Part), consequently, no questions of its use can arise.

In case *Saycell v Bool*⁷³ Court interpreted the meaning of word “use” by examining the following situation. Owner of the van has the intent to put it in the garage. Therefore, he has pushed it from the incline making it move down and then owner had occupied the driver’s seat in order to control the van. Nevertheless, there was no fuel in the tank and the engine was not running, the Court concluded that the van was used, as it actually was moving and was under owner’s control.

In the Case *Radil v. Nat’l Union Fire Ins. Co*⁷⁴ the Appellate Court declared that term “use” is not restricted to the actual driving process of the vehicle. Riding in the vehicle as a passenger as well constitutes a “use of vehicle”⁷⁵.

Professors in Law Robert H. Jerry II and Douglas R. Richmond indicate that above-mentioned case involving the passenger is a simple case, whereas a lot of cases involving interpretation of the concept “use of vehicles” are more difficult and usually Courts in such cases apply “transportational function” test⁷⁶. The test involves examination of whether the vehicle has been used with transportation purpose, for example, the vehicle has been used in order to get from destination A to destination B. This situation falls within transportation function of the vehicle and in this case, coverage exists. Alternatively, the vehicle can be used for another purpose, such as “a housing facility of sorts, as an advertising display (such as at a dealers’ showroom)”⁷⁷. In this case, there is no coverage.

As one can notice, this test satisfies interpretation provided by CJEU and corresponds to the Advocate General M. Bobek interpretation of the concept. The vehicle which has been placed on the display in the dealers’ showroom does not constitute “normal function” of a vehicle. However, the tractor which is moving cargo on the field does perform its normal function, therefore, this case shall be covered by motor insurance. Thus, it is considered “transportation function” test is correct and consistent with the CJEU rulings in the *Vnuk*, *Núñez Torreiro*, and *Rodrigues de Andrade* cases an Advocate General’s opinion in the *Juliana* case.

To summarise, several tests are applied by courts in the UK to verify whether particular accident is considered as “use of vehicles”, for example, “control” and “transportational function” tests. Therefore, a vehicle parked on the parking lot is considered as “use” and riding in the vehicle as a passenger as well constitutes a “use”. However, the vehicle used for purpose other than movement is considered as falling out of the scope of the “use”.

⁷¹ Merkin, *The Law of Motor Insurance*, p. 376.

⁷² *Ibid.*

⁷³ *Saycell v. Bool* [1948] 112 J.P. 341.

⁷⁴ *Radil v. Nat’l Union Fire Ins. Co. of Pittsburgh, Pa.* [2010] 233 P.3d 688.

⁷⁵ Robert H. Jerry II and Douglas R. Richmond, *Understanding Insurance Law, 5th edition* (New York: LexisNexis, 2012), p. 937.

⁷⁶ *Ibid.*

⁷⁷ *Ibid.*

III LATVIAN LEGISLATION

Law regulating motor insurance in Latvia was developed in 1997. However, a new act was created when Latvia entered the EU with the aim to facilitate the procedure of transposition of EU law. Therefore, Motor Insurance Directives have been transposed into Latvian legislation since 2004. Whereas the CMID is transposed into the Compulsory Civil Liability Insurance of Owners of Motor Vehicles Law, examination of other laws related to the field of civil liability in respect of motor vehicles is made in the Thesis as laws are interrelated with each other and, therefore, require further elaboration of the Civil Law and Road Traffic Law.

3.1 Liability

In order to understand the meaning of the term “use of vehicles” in Latvia it should be analysed how liability arises from the use of vehicles. The Civil Law is a general law and it establishes a general framework of civil liability in Latvia. Civil liability in accordance with provisions can be established either on fault or without establishing fault as a precondition. This Chapter will establish types of liability arising from the “use of vehicles”, arriving at a conclusion that liability arising from the “use of vehicles” can be established both on general liability regime and liability without fault.

3.1.1 General Liability Regime

A person who suffered harm⁷⁸ from a wrongful act, alternatively called delict, has the right to claim satisfaction from the offender⁷⁹ as long as offender’s fault can be established for such act⁸⁰ (Article 1635 of the Civil Law). Professor Kalvis Torgāns notes that “act” also means “inaction” or omission to act.

⁷⁸ Note that the type of harm can differ in its nature. The wrongful act may cause material losses or moral harm, as one of the aims of civil liability is to restore victim's financial position (see Agris Bitāns, *Civiltiesiskā atbildība un tās veidi* (Civil Liability and Its Types), (Rīga: Izdevniecība AGB, 1997), p. 51), compensation in case of material losses is in the amount of direct economic losses caused by wrongful and in the case of moral harm compensation is aimed on providing of solace, satisfaction, reconciliation with offender (see Kalvis Torgāns, *Saistību Tiesības 1 daļa* (Law of Obligations 1st part), (Rīga: Tiesu Namu Aģentūra, 2006), p. 207). In relation to the non-material damage in case Drozdovs it was held that the Court shall not be limited to the amount of compensation defined in the law (see Decree No 331 of the Council of Ministers “Noteikumi par apdrošināšanas atlīdzības apmēru un aprēķināšanas kārtību par personai nodarītajiem nemateriālajiem zaudējumiem” (on the amount and method of calculating insurance compensation for non-material damage caused to persons), Article 7: Latvijas Vēstnesis, 2005, No 80 (3238). The compensation awarded in Drozdovs case amounted to 42 000 EUR (whereas law set 100 LVL limit). Later, the law was amended⁷⁸ (see Decree No 340 of the Council of Ministers “Noteikumi par apdrošināšanas atlīdzības apmēru un aprēķināšanas kārtību par personai nodarītajiem nemateriālajiem zaudējumiem” (on the amount and method of calculating insurance compensation for non-material damage caused to persons), Article 1.4.: Latvijas Vēstnesis, 133 (5193), 10.07.2014.) and now it establishes compensation in the amount of 30 minimum monthly wages. According to the court practice (see 2015. gada 7. decembra spriedums Rīgas apgabaltiesas spriedums lietā Nr. C04330607 (Regional Civil Court of Riga December 7, 2015 Judgment of the Case No. C04330607). Unpublished material; and 2016. gada 22. novembra spriedums Rīgas apgabaltiesas spriedums lietā Nr. C30430715 (Regional Civil Court of Riga November 22, 2016 Judgment of the Case No. C30430715). Unpublished material) a fair compensation for moral losses shall be awarded, the courts are not limited anyhow, rather than each case should be determined individually evaluating harm person suffered.

⁷⁹ Latvijas Republikas Civillikums (The Civil Law of the Republic of Latvia): Valdības Vēstnesis, 41, 20.02.1937, Article 1635.

⁸⁰ Uģis Ieviņš, *Apdrošināšanas pamati* (The Basis of the Insurance), (Rīga: Latvijas Vēstnesis, 2017), p. 29.

Article 1779 of the Civil Law obliges a person to compensate losses he has caused through his wrongful acts or, *vice versa*, failure to act⁸¹. Acts or failure to act can result in three types of losses: direct, indirect and accidental. However, not every claim for the compensation of losses is legitimate. To classify as such the claim should fall under preconditions established by the Civil Law. Accordingly, three following preconditions should be satisfied: wrongful act, existence of losses and causation between wrongful act and losses^{82,83}.

To sum up, a person can be held liable for material or moral harm caused due to his/her action or omission to act. To establish liability on the basis of Article 1635, 1779 and first paragraph of Article 2347 (which will be analysed further in this paper) the element of fault is essential⁸⁴. This general regulation on civil liability in respect of delict is particularly applicable in the case of road traffic accident. So, the driver of the vehicle who violated road traffic regulations and caused road traffic accident shall be held liable for harm caused to the third party in accordance with Article 1635 and 1779 of the Civil Law. However, the specific regulation in respect of the use of vehicle shall be analysed further to define insurance coverage regarding motor insurance.

3.1.2 Liability Without Establishing Fault as a Precondition for Liability

A liability for harm arising from the source of increased risk does not require fault as a precondition in Latvia. In other jurisdictions similar approach recognizing liability irrespective of fault, liability without fault, non-fault accident⁸⁵ or strict liability⁸⁶ is adopted.

Agris Bitāns⁸⁷, affirms that liability without establishing fault as a precondition was developed to exclude the situation when person liable for damages is trying to avoid consequences by claiming that there is no fault of his. A. Bitāns states that everyone shall be responsible for harm made, and, usually, victims are not interested in the cause of harm, rather than they are interested in compensation for harm suffered⁸⁸. Prof., Ph.D. George E. Rejda in “Principles of Risk Management and Insurance” defined following:

“[L]iability coverage [...] is the most important part of the PAP [Personal Auto Policy]. It protects a covered person against a suit or claim arising out of the negligent ownership or operation of an automobile. [...] In the insurance agreement, the company agrees to pay any damages for bodily injury or property damage for which an insured is legally responsible because of an automobile accident.”⁸⁹

⁸¹ *Supra* note 79, Article 1779.

⁸² Torgāns, *Saistību Tiesības I daļa* (Law of Obligations 1st part), p. 209.

⁸³ More information on this topic in the book Agris Bitāns, *Civiltiesiskā atbildība un tās veidi* (Civil Liability and Its Types), (Rīga: Izdevniecība AGB, 1997), pp. 65-72.

⁸⁴ See Kalvis Torgāns, *Saistību Tiesības II daļa* (Law of Obligations 2nd part), (Rīga: Tiesu Namu Aģentūra, 2008).

⁸⁵ Bitāns, *Civiltiesiskā atbildība un tās veidi* (Civil Liability and Its Types), p. 75.

⁸⁶ K. Abbott, N. Pendlebury and K. Wardman, *Business Law* 6th edition, (London: DP Publications Ltd, 1983), p. 113.

⁸⁷ Agris Bitāns is a lecturer at the University of Latvia in the Faculty of Law in department of the Civil Law and attorney at law.

⁸⁸ Agris Bitāns, “Personisko aizskārumu veidi un atbildības īpatnības to veidos” (Types of Person Liability and Specificities of Liability) presentation of 2006. Available on: http://home.lu.lv/~gunarss/parskata%20lekc/saistibu%20ties/DELIKTI%C4%ABsaisP%C4%81rsk_2006.ppt. Accessed April 10, 2018.

⁸⁹ George E. Rejda, *Principles of Risk Management and Insurance*, 4th edition (New York: HarperCollins Publishers Inc., 1992), p. 207-208.

In accordance with the second paragraph of Article 2347, a person is obliged to compensate “losses” arising from the “source of increased risk” (transport, etc.), unless losses are proven to be considered risen from (1) the intention of the victim himself, (2) gross negligence of the victim himself or (3) force majeure are involved⁹⁰. The Civil Law associates means of transport, specifically a vehicle, with a source of increased risk. However, an explanation of what is “source of increased risk” is not provided in the Law. Professor K. Torgāns associates this concept with an activity over which human does not possess control, e.g. over technical equipment. In fact, vehicle as such cannot drive (with exception of the self-driving vehicles which are separate subject for discussions) and the person controlling the vehicle, i.e. driver, is an essential constituent of the driving process. However, the vehicle is not in full extent under the driver’s control. Let us assume a situation when a driver noticing an obstacle is able to react straight away and would stop the vehicle, nevertheless, the vehicle cannot stop immediately, and it needs additional braking distance before it completely stops.

Another aspect to analyse is whether drafters of the Civil Law had adopted concept “use of vehicles” or not in the second paragraph of Article 2347. It provides the following: if person’s “activity is associated with increased risk for other persons [then he] shall compensate for losses caused by the source of increased risk”. In other words, if a person is using a vehicle, he is obliged to remunerate losses caused by the vehicle. By rephrasing the wording of this Article from general clause to specific one related to the vehicle, the reference to the “use of vehicles” becomes apparent. Therefore, one may arrive at a conclusion that in the second paragraph of Article 2347 concept “use of vehicles” has been adopted as the use of “source of increased risk” in the context of the road traffic becomes “use of vehicles”.

Paragraph 1 of Article 44 of the Road Traffic Law provides that losses arose in the result of violations of this Law or any other law or an act regulating road traffic safety shall be compensated. Further, this Article specifies that losses resulted out of the exploitation of the vehicle shall be covered by owner or possessor of a vehicle, unless it is proven that “losses arose from *force majeure*, the intention of the victim himself or gross negligence of the victim himself”⁹¹. If the vehicle was in the possession of holder (or user) another than owner or possessor this holder is liable for losses unless otherwise was agreed with the owner of the vehicle. If neither owner, nor possessor, nor holder had possession of the vehicle, the person in whose possession the vehicle was is liable for damages.

By analysing the legal norm, one can notice that wording “exploitation of the vehicle” has a reference to the concept “use of vehicles” used in the First MID (as exploitation of the vehicle is considered a use of vehicle). Moreover, exploitation of the vehicle similarly to the paragraph 2 of Article 2347 of the Civil Law is linked to the use of the source of increased risk. Jeļena Alfejeva points out that in the Article 44 of the Road Traffic Law civil liability of the owner of a motor vehicle in relation to losses upon using a vehicle is presumed and fault element is not needed. Consequently, one may arrive at conclusion that Article 44 establishes both liabilities based on fault and liability without fault as a precondition. This is confirmed by the fact that Article 35 of Compulsory Civil Liability Insurance of Owners of Motor Vehicles Law provides exceptions from the insurance cover which are established by the

⁹⁰ Latvijas Republikas Civillikums (The Civil Law of the Republic of Latvia), Article 2347.

⁹¹ Ceļu satiksmes likums (Road Traffic Law): Latvijas Vēstnesis, 274/276 (989/991), 21.10.1997, Article 44(2).

paragraph 2 of Article 2347. However, some Courts interpret this Article differently which does not correspond to the whole system of legal acts and objectives⁹².

Comparing paragraph 2 Article 44 and paragraph 2 Article 2347 of the Civil Law it is clear that wordings of both legal norms are identical. So, it can be concluded, that Article 44 of the Road Traffic Law and Article 2347 of the Civil Law establish both kinds of liabilities, i.e., based on fault and liability without fault as a precondition. Moreover, a vehicle constitutes a “source of increased risk”. Therefore, owner of the vehicle can be held liable for harm caused without fault as a precondition established by Paragraph 2 Article 2347 of the Civil Law. Moreover, the obligation to remunerate losses arising from the “use of vehicles” provided by the Article 3(1) of the First MID is adopted in the second paragraph of Article 2347.

3.2 Insurance Cover in Motor Insurance

Upon Latvia acquiring the EU membership and joining the EU in 2004, a special law called Compulsory Civil Liability Insurance of Owners of Motor Vehicles Law has been adopted in the motor insurance field in order to transpose into national law four Motor Insurance Directives existing at that moment. The previous law regulating this field since 1997 and which had the same title has been replaced in 2004. Later, the CMID has been transposed into the Compulsory Civil Liability Insurance of Owners of Motor Vehicles Law^{93,94}. This Chapter will emphasise the object of motor insurance and provide an analysis of losses which are compensated by insurers in Latvia. This Chapter will arrive at a conclusion that the object of the motor insurance is a civil liability of the owner or legal user of a motor vehicle, and some limitations are established by the Law regarding the compensation of losses which arise out of “use of vehicle”.

3.2.1 Insured Event

The object of the motor insurance is a civil liability of the owner or legal user of a motor vehicle (Article 3 of the Compulsory Civil Liability Insurance of Owners of Motor Vehicles Law). However, according to the EU law and CJEU rulings, this regulation is inaccurate as it confuses insured (drivers of vehicles) with persons who shall conclude a motor insurance contract (an owner or a legal user of a vehicle)⁹⁵. The Law defines “insured event” as “a road

⁹² Jeļena Alfejeva, *Apdrošināšanas tiesības* (The Law of Insurance), (Rīga: Turība Biznesa augstskola, 2017), p. 55-56.

⁹³ The date of accident defines which law is applicable to the accident (see Dr. iur. Vadims Mantrovs. *Augstākās tiesas Civillietu departamenta prakse sauszemes transportlīdzekļu vadītāju civiltiesiskās atbildības obligātās apdrošināšanas (OCTA) lietas. Tiesu prakses apkopojums* (Practice of the Department of Civil Cases of the Supreme Court of Motor Third Party Liability Compulsory Insurance cases. Judicial Practice Summary), Rīga, 2015, p. 10)

⁹⁴ The law applicable to the accident is the one which was in force at the moment (date) of accident. See Dr. iur. Vadims Mantrovs. *Augstākās tiesas Civillietu departamenta prakse sauszemes transportlīdzekļu vadītāju civiltiesiskās atbildības obligātās apdrošināšanas (OCTA) lietas. Tiesu prakses apkopojums* (Practice of the Department of Civil Cases of the Supreme Court of Motor Third Party Liability Compulsory Insurance cases. Judicial Practice Summary), Rīga, 2015, p. 10.

⁹⁵ Dr. iur. Vadims Mantrovs. *Augstākās tiesas Civillietu departamenta prakse sauszemes transportlīdzekļu vadītāju civiltiesiskās atbildības obligātās apdrošināšanas (OCTA) lietas. Tiesu prakses apkopojums* (Practice of the Department of Civil Cases of the Supreme Court of Motor Third Party Liability Compulsory Insurance cases. Judicial Practice Summary), Rīga, 2015, p. 16.

traffic accident, upon which a payment of an insurance indemnity is provided for”⁹⁶. Therefore, the insured event occurs when a road traffic accident occurs and person (driver or owner of the vehicle) shall be held liable for the road traffic accident. The Law does not explain the meaning of the term “road traffic accident”. The Road Traffic Law contains the definition of this concept which has been analysed in Chapter 2 of this Part. The uncertainties of the definitions lead to rise of case law made by Latvian courts. More details on this will be given below.

A case⁹⁷ discussed further involves the following situation: passenger opened a door and damaged nearby driving motorcycle. Jurmala City Court considered the first paragraph of Article 3 of the Compulsory Civil Liability Insurance of Owners of Motor Vehicles Law which defines the object of civil liability and declared that passenger is neither the owner, nor the legal user of a vehicle⁹⁸, but is just a user of a vehicle which falls outside of the scope of the insured event. One may join the opinion, that Court did not analyse this situation by considering provisions of the First MID, specifically, the Article 3(1) which obliges the Member States to ensure that civil liability in respect of the use of vehicles normally based in its territory is covered by insurance. Instead of determining the person who caused the accident, it could be examined whether the process of opening a door by the passenger can be considered as “use of vehicles”. One may agree that otherwise neither driver nor passenger can enter or leave the car. The purpose of the opening a door is passenger’s intention to be moved from one place to another. Therefore, it could be considered as use of the vehicle. Consequently, one may arrive at conclusion that this situation should be covered by motor insurance.

The matter described above recently has been referred by the Supreme Court of Latvia in the case *Balcia Insurance SE against AS “Baltijas Apdrošināšanas Nams”*⁹⁹ for a preliminary ruling to the CJEU¹⁰⁰.

3.2.1 Compensation for Insured Event

The Compulsory Civil Liability Insurance of Owners of Motor Vehicles Law defines a specific list¹⁰¹ of losses (material and non-material) for which compensation shall be paid by insurers. Article 19 indicated following material losses: (1) medical treatment; (2) temporary incapacity for employment; (3) loss of ability to work; (4) death. Non-material losses are losses that involve pain and mental suffering due to: (1) a physical trauma of the injured person; (2) the crippling or disablement of the injured person; (3) the death of a breadwinner, dependant or spouse; (4) Group I disability of a breadwinner, dependant or spouse.

⁹⁶ Sauszemes transportlīdzekļu īpašnieku civiltiesiskās atbildības obligātās apdrošināšanas likums (Compulsory Civil Liability Insurance of Owners of Motor Vehicles Law): Latvijas Vēstnesis, 65 (3013), 27.04.2004, Article 1.

⁹⁷ 2009. gada 27. maija Jūrmalas pilsētas tiesas spriedums lietā Nr. C17135008 (Jurmala City Court’s judgment of 27 May 2009 in the case No. C17135008), entered into force on June 26, 2009, p. 4. Unpublished material.

⁹⁸ *Ibid.*

⁹⁹ Rihards Gulbis, “Augstākā tiesa nolemj uzdot Eiropas Savienības Tiesai jautājumus prejudiciāla nolēmuma pieņemšanai par direktīvas 72/166/EEK normu iztulkošanu” (The Supreme Court decides to refer preliminary question to the CJEU regarding the interpretation of the norms of Directive 72/166/EEK), Latvijas Republikas Augstākā Tiesa, November 13, 2017. Available on: <http://www.at.gov.lv/lv/jaunumi/par-tiesu-lietam/augstakata-tiesa-nolemj-uzdot-eiropas-savienibas-tiesai-jautajumus-prejudiciala-nolemuma-pienemsanai-par-direktivas-72166EEK-normu-iztulkosanu-8461?> Accessed May 9, 2018.

¹⁰⁰ See case *Balcia Insurance SE*, C-648/17, *OJ C* 72, 26.2.2018, p. 27–28.

¹⁰¹ See *Supra* note 96, Article 19.

A careful reader may arrive at the conclusion that all the other losses which are not specified in the Law are considered as only driver's liability for which insurer is not liable. Such expenses of the suffered person are, for example, legal expenses, rent expenses for a temporary vehicle for a time of repair of the damaged vehicle, etc. These types of losses insurers are not compensating for in Latvia¹⁰². Thus, drivers and owners of the vehicle are held liable and must compensate such excluded from the insurance coverage damages by themselves. One may acknowledge that this arrangement contradicts the requirements of the EU law on motor insurance.

To sum up, according to the Compulsory Civil Liability Insurance of Owners of Motor Vehicles Law the insured event is a road traffic accident. Although this Law does not provide a definition of this concept, the Road Traffic Law contains the definition of notion "road traffic accident". However, the Compulsory Civil Liability Insurance of Owners of Motor Vehicles Law contains a list determining specific losses that insurers shall compensate according to the motor insurance. It appears that any other losses, e.g. legal expenses, are outside of the scope of motor insurance and may be requested directly from the owner or driver of a vehicle.

3.3 Meaning of Terms "Motor Vehicle" and "Road Traffic Accident"

As it was established above, the insured event is defined as "road traffic accident" which will be subject to analysis in this Chapter, as well as the term "motor vehicle" will be analysed. This Chapter will arrive at a conclusion that territorial scope of the concept "use of vehicles" is similar to one required by First MID, whereas some uncertainties exist in relation to the material scope of the concept.

The Compulsory Civil Liability Insurance of Owners of Motor Vehicles Law provides following definition of a motor vehicle:

"a road motor vehicle, a trailer (a semi-trailer), a moped that shall be registered with the Road Traffic Safety Directorate or the State Technical Supervision Agency, or with a local government or which has been registered in a foreign state".¹⁰³

Although the definition does not provide any indication of area where vehicle is used, or any intention of such use, the definition of the "road traffic accident" provided by the Road Traffic Law includes an indication of the place where the vehicle is used. A notion "road traffic accident" is defined as follows:

"an accident that has occurred in road traffic [...] as well as when an accident has occurred in any other place, where driving with a vehicle is possible [...]"¹⁰⁴.

The scope of the provision is wide, nevertheless at the beginning of the definition road traffic accident is referred to the road traffic, then it is added: "in any other place, where driving is possible". The private territory of oil terminal was recognized falling under the meaning of "any other place where driving is possible" provided by Paragraph 7 Article 1 of the Road Traffic Law¹⁰⁵. The Supreme Court noticed that drafters of the law had the intention to

¹⁰² Interview on 28 March 2018 with attorney at law practicing in compulsory civil liability insurance in Latvia.

¹⁰³ *Supra* note 96, Article 1.

¹⁰⁴ *Supra* note 91, Article 1.

¹⁰⁵ 2012. gada 28. septembra Latvijas Republikas Augstākās tiesas spriedums lietā SKC-369/2012 (Department of Civil Cases of the Supreme Court's judgment of 29 September 2012 in case SKC-369/2012), p. 9. Available on:

expand the scope of the concept “road traffic accident” including accident occurred not only in the road traffic on the road but as well in any other place with one remark – where driving is possible¹⁰⁶.

As one may notice, the wording “driving is possible” does not limit the scope of the concept as it encompasses all territories for which vehicles have access. Moreover, Riga City Vidzeme District Court in the judgment¹⁰⁷ established that the scope of the concept “road traffic accident” is not limited to the actual movement of the vehicles and accident occurred on the parking lot when the door of the stationary vehicle opened and hit nearby vehicle is qualified as road traffic accident. However, the case was brought further to the Riga District Court Department of Civil Cases which noted that road traffic is the relationship which arises from movement, not when vehicles are stationary. The Court declared that “road traffic accident” cannot occur when one of the vehicles involved is stationary¹⁰⁸. One may consider that the Court misinterpreted the meaning of the concepts “road traffic” and “road traffic accident”. Even if the vehicle is not in movement it can be used in the road traffic and therefore, it should fall within the concept “use of vehicles”. Moreover, according to the EU law and CJEU interpretation, normal use of vehicle as a means of transport is covered by motor insurance. One may join an opinion that passenger opening a door is normal function of a vehicle. Consequently, it is irrelevant for motor insurance to separate driver of a vehicle and passenger as motor insurance purpose is to safeguard interests of injured persons in the accidents and such a distinction precludes victims to receive a compensation of damages.

The similar uncertainty of the interpretation of the concept “road traffic accident” has been in a case¹⁰⁹ where the Court of First instance concluded that motion is an essential element of “road traffic accident”, whereas the Appellate Court noted that there are no objective reasons to exclude vehicle parked on the parking lot from the meaning of road traffic¹¹⁰, vehicle movement and manoeuvring is possible on the parking lot. Moreover, road traffic accident can occur on the parking lot. The Appellate Court declared that situation when the driver opens a door and hits another car falls within the meaning of the “road traffic accident”. A similar case¹¹¹ involved the Appellate Court’s considerations on Vnuk case which led to the conclusion that the concept “use of vehicles” covers vehicles that are in the movement.

In brief, courts were analysing similar situations involving identical factual composition, legislation relating to the road traffic and motor insurance, and they have come to different decisions resulting in judgments contradicting each other. One can establish problematic aspects in understanding of concepts related to the motor insurance, such as “road traffic accident”, “insured event” and “use of vehicles”. Moreover, a careful reader can notice that

http://at.gov.lv/files/uploads/files/6_Judikatura/Tiesu_prakses_apkopojumi/2015/OCTA%20tiesu%20prakses%20apkopojums_21-07-2016.docx. Accessed April 12, 2018.

¹⁰⁶ *Ibid.*

¹⁰⁷ 2010. gada 15. septembra Rīgas pilsētas Vidzemes priekšpilsētas tiesas spriedums lietā Nr. C30483409 (Riga City Vidzeme District Court’s judgment of 15 September 2010 in the case No. C30483409), p. 4. Unpublished material.

¹⁰⁸ 2011. gada 28. decembra Rīgas apgabaltiesas Civillietu tiesu kolēģijas spriedums lietā Nr. C30483409 (Riga District Court Department’s of Civil Cases judgment of 28 December 2011 in case No.C30483409), p. 3. Unpublished material.

¹⁰⁹ 2011. gada 28. septembra Jūrmalas pilsētas tiesas spriedums lietā Nr.17070710 (City Court of Jurmala September 28, 2011 Judgement of the Case No. 17070710). Unpublished material.

¹¹⁰ 2013. gada 5. jūnija Rīgas apgabaltiesas spriedums lietā Nr.17070710 (Regional Civil Court of Riga June 5, 2013 Judgment of the Case No.17070710). Unpublished material.

¹¹¹ 2014. gada 11. novembra Jelgavas tiesas spriedums lietā Nr.C30391514 (Court of Jelgava November 11, 2014 Judgement of the Case No.C30391514). Unpublished material

the courts mostly reviewed and interpreted national legislation, whereas no attention is paid on EU legislation which forms a base of the motor insurance in Latvia.

Bearing in mind uncertainties regarding the movement of a vehicle at the moment of the accident, situation involving passenger as a person causing the damages are more complicated for courts. The Zemgale Regional Court issued a judgment¹¹² regarding an accident where the passenger of the stationary vehicle opened a door and damaged a nearby passing vehicle. The Court noticed that owner filled an Agreed Statement of Facts on Motor Vehicle Accident and in the part “my notes” he did not indicate passenger’s name, surname, place of residence or phone number¹¹³. The Court recognized that owner of the vehicle has undertaken passenger’s liability for all losses occurred in the road traffic accident. The Court concluded that owner did not behave in the appropriate manner in this situation, as when he received a claim from insurer asking him to cover losses, he did not inform road police about passenger involved. Consequently, the Court did not analyse whether the situation at issue corresponds to the meaning “road traffic accident”. The Court held the owner of a vehicle liable for damages on the base of Article 1770 of the Civil Law owner with his omission to act did not ensure fixing of offense committed by the passenger.

To conclude, the definition of the “motor vehicle” in addition to the notion “road traffic accident” is similar to definition embodied in the First MID and there is no distinction between the “use of vehicles” on private or public property in Latvia. Road Traffic Law determines the place of road traffic accident as accident “[..] occurred in road traffic [..] as well as [..] where driving with a vehicle is possible”¹¹⁴. Therefore any place where vehicle potentially can be located is included in the definition. Dealing with the concept “road traffic accident” and “use of vehicles” courts are arriving at different conclusions. On the one hand, the road traffic accident is defined as movement of vehicles therefore some courts interpret “road traffic accident” as accident occurred during the process of driving (movement). Therefore, the vehicles located on the parking lot are stationary and fall outside of the scope of the “road traffic accident”. On the other hand, the courts declare that interpreting an accident as occurred during the process of driving is a literal interpretation. The essence of the law is not to limit the concept “road traffic accident” only to movement and, thus, included vehicle which is stationary.

¹¹² 2012. gada 7. marta Zemgales apgabaltiesas spriedums lietā Nr. C10092110 (Zemgale Regional Court’s judgment of 7 March 2012 in the case No. C10092110), p. 5. Unpublished material. Available on: http://at.gov.lv/files/uploads/files/6_Judikatura/Tiesu_prakses_apkopojumi/2015/OCTA%20tiesu%20prakses%20apkopojums_21-07-2016.docx. Accessed April 12, 2018.

¹¹³ *Supra* note 112.

¹¹⁴ *Supra* note 91, Article 1(7).

IV CJEU DECISION'S IMPACT ASSESSMENT

4.1 Inception Impact Assessment of the European Commission

The European Commission directed its attention to the decision in Vnuk case and its impact on the Member States. One of the stages of law-making process on EU level is evaluation and improvement of existing laws, therefore, the European Commission evaluates whether specific laws or policies ensure achievement of goals “at minimum cost”¹¹⁵ and have an effective and efficient impact on citizens and businesses¹¹⁶. This Chapter will review the European Commission actions regarding the evaluation of the impact of broad interpretation of the concept “use of vehicles” in Vnuk case. Afterwards, options suggested by the European Commission will be defined. Lastly, the most preferred option will be indicated.

The European Commission has published a Road Map document called “Adaptation of the scope of Directive 2009/103/EC on motor insurance” on 8 June 2016¹¹⁷ and one year later on 24 July 2017 it has published second Road Map document called “REFIT review of the Motor Insurance Directive”¹¹⁸. Whereas first Road Map considers the scope of the CMID, the second document indicates four specific issues under the Directive, one of which is its scope in relation to the CJEU decision in Vnuk case. In the second review the European Commission is seeking views of the same four alternative policy approaches (options) as were indicated in the first Road Map document.

One of the options is called “baseline option” and it implies that the Member States would be obliged to ensure motor insurance for vehicles “used in a way consistent with their normal function regardless of where the vehicles are used”¹¹⁹. In other words, Member States would need to require insurance for vehicles involved in activities outside of traffic, i.e. agricultural, construction, industrial, motorsports or fairground activities. Moreover, legal uncertainty in respect of interpretation of the concept “use of vehicles” still remains due to the diversity and variety of the particular circumstances of the accidents with the involvement of the vehicles.

The second option suggested is to oblige the Member States through legislation on EU level to establish guarantee schemes which will cover agricultural, construction, industrial, motorsports or fairground activities.

The third option is to limit the scope of the Directive requiring insurance for vehicles involved in traffic. The European Commission suggests the following:

¹¹⁵ European Commission. Refit – making EU law simpler and less costly. Available on: https://ec.europa.eu/info/law/law-making-process/evaluating-and-improving-existing-laws/refit-making-eu-law-simpler-and-less-costly_en. Accessed May 17, 2018.

¹¹⁶ *Ibid.*

¹¹⁷ See Initiative “Adaptation of the scope of Directive 2009/103/EC on motor insurance”, June 8, 2016. Available on: http://ec.europa.eu/smart-regulation/roadmaps/docs/2016_fisma_030_motor_insurance_en.pdf. Accessed April 22, 2018.

¹¹⁸ See Initiative “REFIT review of the Motor Insurance Directive”, July 24, 2017. Available on: https://ec.europa.eu/info/law/better-regulation/initiative/39849/attachment/090166e5b3f48c10_en. Accessed May 12, 2018.

¹¹⁹ European Cyclists’ Federation “Consequences of review of the Motor Vehicle Insurance Directive for pedelec/bicycle 3rd party insurance”, April 4, 2017. Available on: https://ecf.com/sites/ecf.com/files/ECF_Motor%20Vehicle%20Insurance_Explanatory%20document_Final.pdf. Accessed April 22, 2018.

“The use in traffic could mean where the use of a vehicle is for the transport of persons or goods, whether stationary or in motion, in areas where the public has access in accordance with national law.”¹²⁰

The question of how to proceed with activities outside of traffic would fall within Member States’ competence. Claims could be made either to the insurer or to the motor insurers’ bureau. In such scenario, CMID would not oblige the Member States to establish the guarantee funds.

Last option suggested by the European Commission is to make specific exclusions from the scope of the CMID, for example, to exclude tractors or motorsport vehicles from the scope of motor insurance. However, it appears ineffective when types of vehicles excluded from the scope participate in traffic as they are uninsured. Thus, the European Commission recognizes that an adequate level of protection of victims will not be ensured under this option.

The European Commission has recognized the third option a compromise in the first Road Map consultation. Thus, preference was given to limit the scope of the CMID to the use of vehicles in traffic. Contrary to the first Road Map document, the European Commission did not give preference in the second Road Map document.

To conclude, currently the European Commission issued already two Road Map documents where it has indicated identical four options that can be adopted for CMID. Whereas in the first document the Commission expressed its opinion in relation to the most preferred third option, in the last document it abstained to do so. Later the European Commission developed a Public Consultation embodying a questionnaire regarding the CMID.

4.2 Public Consultation

The European Commission developed a special questionnaire to take into consideration EU Member States’ opinions regarding the scope of the CMID. This Chapter will provide several answers on the questionnaire from the representatives of Latvia and the UK. Then, it will arrive at a conclusion that representatives of Latvia and the UK have uncertainties about the CMID.

The questionnaire is found in the consultation document called Regulatory Fitness and Performance Review of Directive 2009/103/EC on motor insurance. The Commission set three-month period from 28 July 2017 till 20 October 2017 during which private individuals, organisations or companies upon their discretion were able to submit responses. Totally 3478 responses have been received and the major part of the responses is already available on the Commission’s webpage.

The questionnaire attracted little attention of private and legal persons from Latvia, therefore, a comprehensive response of LTAB is analysed in this paper. The LTAB points out that there are terminology or definition issues in the CMID. The LTAB explains that the concept “use of vehicles” does not have a single meaning, therefore, shall be clarified. It indicates that CJEU decision in Vnuk case does not bring clarity to the matter. The LTAB is of opinion that scope of the motor insurance shall be determined by taking into account purpose of ensuring free movement of persons and, therefore, should be limited to traffic. Such areas as agricultural, construction, industrial, motorsports or fairground activities should be separated from motor

¹²⁰ Initiative “Adaptation of the scope of Directive 2009/103/EC on motor insurance”, June 8, 2016. Available on: http://ec.europa.eu/smart-regulation/roadmaps/docs/2016_fisma_030_motor_insurance_en.pdf. Accessed April 22, 2018.

insurance and covered by another type of insurance. The LTAB summarised legislation in Latvia in relation to this issue and states that concept “road traffic accident” is an accident occurred on a road or in another place where driving with a vehicle is possible. Therefore, it is not essential whether the accident occurred on the road or another place.

To sum up, Motor Insurers’ Bureau of Latvia believes that “traffic aim” is a core element of the concept “use of vehicles”. Use of vehicle with traffic aim, i.e. the movement of the vehicle at any place with the aim to transport people or goods¹²¹, should be considered as “use of vehicles” within the meaning of the CMID. At the same time, “use of vehicles” with aim of professional activities, e.g. agricultural, construction, industrial, motorsports, should not be included in the meaning of the concept “use of vehicles”.

The opposite situation regarding the amount of attention to the questionnaire in Latvia is in the UK. The vast majority of available responses, to be precise 81% of all responses, are from individuals, organisations or companies from the UK. A high level of activity indicates the urgency of these issues in the UK legislation system. Moreover, a huge number of responses has the identical wording of responses to questions. These responses declare that motorsport activities should not be covered by motor insurance.

The General Council of the Bar of England and Wales¹²² accurately describes the situation from its perspective. Firstly, the Bar Council indicates the importance of free movement of trade and wealth ideas underlying the CMID. The Bar Council indicates that road traffic is a legitimate and desirable target for the CMID as a huge number of humans are involved in and regulation of this area constitutes an economic necessity. Thus, EU Member States have come to a decision to ensure appropriate compensation for victims in the road traffic¹²³. Furthermore, the Bar Council considers this decision consistent with the objective of the Directive. As opposed to this object of insurance, the Bar Council defines engagement in voluntary activity such as motorsport events. The solution proposed by the Bar Council is to draw a distinct line between these two areas. Therefore, it claims approach used in the UK is suitable and acceptable under the Directive (as was analysed in Chapter 2.2, separation of accidents occurring on road or another public place from accidents occurring on private property). This is justified by the argument that agricultural and construction activities usually are organised on private property. In such situation employer’s and public liability insurance can be adequately ensured. The one may consider this method similar to one suggested by LTAB.

Summarising the General Council of the Bar of England and Wales opinion, it considers that interpretation made by CJEU of the concept “use of vehicles” is too broad and does not fall within the objectives of the EU. The Bar Council proposes that accidents occurring on private property must not be covered by motor insurance.

Another organization in the UK, the IUA has similar position to the LTAB and the Bar Council. The IUA states that broad application of the concept “use of vehicles” extends the

¹²¹ Response of the Motor Insurers’ Bureau of Latvia (LTAB) on Public consultation on REFIT review of Directive 2009/103/EC on motor insurance. Available upon the request on: https://ec.europa.eu/info/consultations/finance-2017-motor-insurance_en. Accessed April 20, 2018.

¹²² See Response of the General Council of the Bar of England and Wales on Public consultation on REFIT review of Directive 2009/103/EC on motor insurance. Available upon the request on: https://ec.europa.eu/info/consultations/finance-2017-motor-insurance_en. Accessed April 20, 2018.

¹²³ Response of the International Underwriting Association of London on Public consultation on REFIT review of Directive 2009/103/EC on motor insurance. Available upon the request on: https://ec.europa.eu/info/consultations/finance-2017-motor-insurance_en. Accessed April 20, 2018.

current motor insurance regime to accidents occurring on private property and many other vehicles. The IUA declares that the CMID is not a legal mechanism initially intended and developed for such broad areas. Based on analysis made at PWC, a leading UK consultancy firm, the IUA calculated that premiums will increase for approximately £200-£800 million only for vehicles falling in the scope of CMID before the decision in Vnuk case.

In addition, the IUA brought into the discussion a significant effect on vulnerable areas of the population, e.g. elderly and disabled. According to the study carried out by the Research Institute for Consumer Affairs approximately 350,000 people in the UK use mobility scooters. The IUA argues that ruling in Vnuk case implies an obligation to purchase motor insurance for mobility scooters which cannot be used on the road. The IUA estimates costs for this around £90 per annum per one person what constitutes a significant social concern¹²⁴.

In summary, the organisations in the UK (the General Council of the Bar of England and Wales and the IUA) and Latvia (the LTAB) declare that interpretation the concept “use of vehicles” made by CJEU is broad and does not fall within the objectives of the EU. The LTAB indicates that there is no single meaning of the concept “use of vehicles” in Latvia and suggests limiting the scope of the concept to the use in traffic, whereas representative of the UK suggest limiting the scope to the use only on public territory.

4.3 Impact Assessment in the UK and Latvia

Both Latvian and UK domestic laws, as it was analysed in Chapters 2.1 and 3.3, currently are not complying with ruling in Vnuk case, particularly, they interpret autonomous concept “use of vehicles” differently than CJEU interpreted it. Therefore, this Chapter will address an impact assessment which is conducted for both countries in order to determine consequences of changing the existing domestic laws.

The Department for Transport has been examining implications of Vnuk decision for the UK in the Impact Assessment called “Extending the Scope of Compulsory Motor Insurance”¹²⁵. The matrixes have been developed by the UK government which accordingly have been complemented to Latvian position (see Annex 1). Three options are analysed which the European Commission may adopt in due time: the first is not to alter the current legislation in Latvia and UK (as well called as “do nothing” option), the second option is to amend national laws in Latvia and in the UK in accordance with Vnuk judgment, the third option to limit the scope the CMID and to amend national law accordingly.

Under the first policy option representing current national laws in the UK and Latvia, drivers are not obliged to obtain insurance for newly in-scope vehicles (vehicle that has not been in the scope of motor insurance before decision in Vnuk case). Approaches in the UK and Latvia differ in relation to the insurance of vehicles used exclusively on private land. The Department for Transport has indicated that currently victims are not compensated in the UK if accidents occur on private land to which public has no access. However, the scenario is different for Latvia. As the Department of Civil Cases of the Supreme Court in its judgment¹²⁶

¹²⁴ Response of the International Underwriting Association of London on Public consultation on REFIT review of Directive 2009/103/EC on motor insurance. Available upon the request on: https://ec.europa.eu/info/consultations/finance-2017-motor-insurance_en. Accessed April 20, 2018.

¹²⁵ See Department for Transport, *Impact Assessment “Extending the scope of compulsory motor insurance”*, No. DfT00343, September 20, 2016.

¹²⁶ 2012. gada 28. septembra Latvijas Republikas Augstākās tiesas spriedums lietā SKC-369/2012 (Department of Civil Cases of the Supreme Court’s judgment of 29 September 2012 in case SKC-369/2012), p. 9. Available

and LTAB pointed out, the concept “road traffic accident” includes accidents occurred not only in the road traffic on the road, but as well in any other place where driving is possible, the concept does not separate private and public land. Therefore, if a road traffic accident occurs on private land to which public has no access, then the victim will be compensated through the insurer or if the vehicle is uninsured through LTAB which acts as a guarantee fund and later can seek recovery from the driver.

Consequently, level of victims’ protection is low in the UK as compensation cannot be received if the accident is caused by newly in-scope vehicle or on private land. Level of victims’ protection is higher in Latvia than in the UK as victims are compensated if the accident is caused by vehicle intended for use on the road and accident occurs on private land to which public has no access. Nevertheless, victims are not compensated in Latvia if an accident occurred involves stationary vehicle which sometimes in Latvia is considered as not use of vehicle as “road traffic is the relationship which arises from movement”.

Therefore, current national laws of UK and Latvia do not comply with the broad interpretation of the concept “use of vehicles” provided by CJEU in the Vnuk case. Consequently, “do nothing” option means that domestic laws continue to conflict with CMID what constitutes a breach of EU law. This could lead to the European Commission's commencement of proceedings against the UK or Latvia for a failure of the fulfilment of its obligations under the CMID.

In comparison to “do nothing” option, the second policy option covers newly in-scope vehicles of the CMID. Presumably, newly in-scope vehicles are motorsports vehicles, industrial vehicles (such as construction plant, forklifts¹²⁷), go-karts, mobility scooters, electrically assisted pedal cycles, segways, agricultural vehicles, forklift trucks, motorised lawn mowers and fairground vehicles (such as dodgems)¹²⁸. Nevertheless, it is hard to foresee types of vehicles for which motor insurance would be required. Boris Johnson, the Foreign Secretary of the UK, in relation to the scope of the CMID ironically stated following: “It seems to mean anything from dodgems to segways to scooters to your granny’s motorised bath-chair.”¹²⁹

According to the LTAB data (see Annex 2) each year approximately 107 000 tractors are registered in Latvia. Whereas the number of registered tractors is quite stable, the number of insured tractors is increasing within the last six years but does not exceed 50% of the total amount of registered tractors. Moreover, according to data provided by the State Technical Supervision Agency (see Annex 3), the number of accidents caused by tractor machinery is growing each year. In addition, compensation for such accidents is rising. The average amount of compensation constitutes 1 350 EUR for last four years. It appears that cost of premiums for tractors would be high and agricultural sector would suffer non-existent earlier losses.

The comprehension problems arising in relation to this option are not only in theory but in practice as well. It is expected that main groups affected by increased costs are insurers and

on:

http://at.gov.lv/files/uploads/files/6_Judikatura/Tiesu_prakses_apkopojumi/2015/OCTA%20tiesu%20prakses%20apkopojums_21-07-2016.docx. Accessed April 12, 2018.

¹²⁷ Crendon Insurance Brokers Ltd, “Vnuk Case Prompts Amendment of Road Traffic Act” *Zywave, Inc*, 2015.

¹²⁸ Department for Transport, *Impact Assessment “Extending the scope of compulsory motor insurance”*, No. DfT00343, September 20, 2016, p. 12.

¹²⁹ Jon Sharman, “Boris Johnson attacks EU court ruling that may force British people to insure mobility scooters” *Independent*, January 2, 2017.

motor insurers' bureaus. The LTAB and MIB would have a higher number of claims what would increase administrative costs for processing the claims. These costs most probably will be transferred to insurers who would be obliged to pay larger levies to the motor insurers' bureaus¹³⁰. Moreover, insurers will have additional costs arising from the development of policies for newly in-scope vehicles and assessment of relevant risks. Increase in costs of insurers and motor insurers' bureaus would be transferred onto consumers in terms of increased premiums¹³¹. In other words, consumers would be affected by increased costs both of insurers and motor insurers' bureaus.

The second policy option would have a great impact, for instance, on motorsport. Costs of motor insurance for motorsports vehicles could be extremely high due to the high level of risks involved. Moreover, it has been anecdotally stated that insurance in this circumstance might be unavailable. In other words, insurance might be so expensive that only limited number of persons would be able to acquire it.

Lastly, enforcement mechanism of insurance embracing private land would be extremely complicated. The IUA points out that the result of such regulation is not only widespread uninsured driving but also fraud. One may join the IUA statement that "protection provided under the legislation can only be effectively applied and enforced on public roads"¹³².

The scope of the third policy option differs from the second as it does not include vehicles used only on private land to which public has no access. Nevertheless, comparing to the "Do nothing" option, the number of newly in-scope vehicles will increase. The vehicles potentially requiring motor insurance would be electrically assisted pedal cycles and mobility scooters as they are used with transportation aim and usually where the public has access, e.g. shopping malls.

Increase in costs for insurers and motor insurers' bureaus would be caused in terms of the greater number of claims. Additionally, insurers would face significant transition costs due to setting up new insurance policies¹³³. These costs are likely to be transferred onto consumers of newly in-scope vehicles through premiums (similarly to the second policy option).

Summarising all three options, it can be concluded that third policy option constitutes the most cost-effective and therefore most appropriate option for the UK and Latvia. This option is a compromise between currently existing laws in the UK and Latvia and interpretation of the concept "use of vehicles" provided in the Vnuk decision. This option extends the borders of the vehicles covered by the CMID, thus, victims of the accidents would have a greater protection than it is now. Therefore, the balance shall be found by the European Commission in the regulation of the motor insurance in the EU.

¹³⁰ Department for Transport, *Impact Assessment "Extending the scope of compulsory motor insurance"*, No. DfT00343, September 20, 2016, p. 2.

¹³¹ *Ibid.*

¹³² Luke Gallin, "IUA urges scope of EU Motor Insurance Directive to not be extended", *Reinsurance News*, November 9, 2017.

¹³³ Department for Transport, *Impact Assessment "Extending the scope of compulsory motor insurance"*, No. DfT00343, September 20, 2016, p. 2.

CONCLUSION

Coming back to the research question posed at the beginning of this study, it shall be concluded that the meaning of the concept “use of vehicles” has been interpreted broadly by the CJEU in several cases and the EU Member States are bound by these interpretations. Moreover, the CJEU declared that the concept “use of vehicles” constitutes an autonomous concept of EU law and cannot be left to the discretion of each Member State. The concept was recently interpreted by CJEU in the following cases: *Vnuk* (2014), *Núñez Torreiro* (2017), *Rodrigues de Andrade* (2017) and *Juliana* (2018). By combining the interpretations provided by the CJEU and Advocate General opinion analysed in the Thesis, the notion of “use of vehicles” must be interpreted as covering uses consistent with the normal function of that vehicle¹³⁴ as a means of transport, irrespective of the stationary state of the vehicle¹³⁵ or specific place¹³⁶ it is being used but excluding cases where the principal use at the time of the accident is something other than as a means of transport¹³⁷, such as carrying out works as machines.

It was concluded that the interpretation made by CJEU does not go beyond the objectives laid down in the First MID or other directives relating to motor insurance. The term “vehicle” is defined as a motor vehicle intended for travel. The CJEU interpreted the material scope of the concept “use of vehicles” as covering “any use of vehicles that is consistent with the normal [vehicles’] function”. Advocate General M. Bobek considered that the use of vehicle for travel constitutes “normal function” of a vehicle¹³⁸. Therefore, the movement of a vehicle from one destination to another for whatever purposes constitutes “use of vehicles” according to its “normal function”.

The amount of the requests from national courts for the interpretation of the concept “use of vehicle” demonstrates uncertainty in applying the concept by national courts. For example, in the case *Balcia Insurance SE against AS “Baltijas Apdrošināšanas Nams”* (Civil Case No. C30483409) Supreme Court of Latvia shall interpret whether the situation of opening the door of the vehicle on the parking lot shall be considered as “use of vehicle” within the scope of the motor insurance. The question regarding interpretation has been referred recently to the CJEU and currently is pending. Although the CJEU already provided interpretations of the concept in several cases, the legal uncertainty still remains and in specific cases where factual circumstances differ from those already referred to the CJEU, national courts still may request CJEU for new interpretations.

Analysing the UK and Latvian legislation applicable to the particular field of liability and insurance, firstly, it shall be noted that while a large number of opinions, discussions and analysis is available in relation to the regulation in the UK, there is a lack of sources on this topic in Latvia, therefore an analysis of legislation was carried out in different ways. It was found that the UK legislation excludes from the scope of motor insurance accidents occurred on private land. Moreover, the concept “use of vehicles” is directly related to the road traffic. While in accordance with Latvian legislation motor insurance scope embodies road traffic accidents on road and any other place where movement of the vehicle is possible. Applying respective laws Latvian courts do not separate accidents in respect of the place of occurrence,

¹³⁴ Judgement in *Vnuk*, para 56.

¹³⁵ Judgment in *Rodrigues de Andrade*, para 39.

¹³⁶ Judgment in *Núñez Torreiro*, para 30.

¹³⁷ Judgment in *Rodrigues de Andrade*, para 37.

¹³⁸ Opinion of Advocate General M. Bobek in *Juliana*, para 74.

rather the scope of motor insurance depends on the notion “use of vehicles”. Thus, Latvian Courts have interpreted “use of vehicle” quite narrowly - just as being in motion, used by a driver (not by a passenger), etc. Comparing the respective UK and Latvian legislation with requirements of the CMID as well previous directives it shall be concluded that legislation observed does not correspond to the necessary level of motor insurance.

The analysis of the Members States’ responses on the Public consultation on REFIT review of CMID indicates that Member States consider the interpretation of the concept made by CJEU as being broad and going beyond initial objectives of the First MID. The impact assessment carried out in the UK and in this Thesis demonstrates the negative financial impact on (1) motor insurers’ bureaus in MS due to the increased number of claims; (2) insurers due to the necessity of developing new insurance policies, increased number of claims and obligation to pay a larger levy to the motor insurers’ bureaus; (3) consumers who will finally pay increased insurance premiums compensating additional expenses of insurers and motor bureaus. Moreover, in order to make further in-depth impact assessment it shall be based on statistical data of newly in-scope vehicles, such as electrically assisted pedal cycles, segways, agricultural vehicles, motorised lawn mowers, etc, which at current stage are unavailable. The result of this analysis demonstrates that organisations in the UK and Latvia support the idea of narrowing the scope of the concept by appropriate EU legislative procedure.

The amendments preferred by the organisations, associations, and citizens of the UK are intended for the adoption of the system incorporated in the UK legislation, i.e. to limit the scope of the concept to the public land or to which public has an access. In the meantime, the legislation system in Latvia already provides protection of injured persons in the accident occurred on private land, but explicitly refers to the road traffic relationships. So, in respect of Latvia the organisations prefer to remain with the existing system, i.e. not to extend motor insurance cover to the newly in-scope vehicles and new risks such as agricultural or constructional. Therefore, the European Commission must consider whether there is a necessity to amend the CMID. One may consider that the reasonable balance shall be found, and more clear regulation shall be established in the motor insurance regulation. Taking into consideration essential differences between risks in the usual road traffic, on one hand, and specific risks in the agricultural, constructional and another sphere of national economy, on the other hand, it is reasonable to narrow meaning of the concept “use of vehicles” relating it only to the road traffic.

ANNEX 1

The table No. 1 represents the matrix of model situations in what circumstances drivers would be obliged to obtain a motor insurance.

	Current legislation in Latvia and UK (“do nothing” option)	Amendment of national laws in accordance with Vnuk judgment	Limitation of the scope of the MID and according amendments of national laws
Insurance required for motor vehicles intended for use on the road which must be registered in the relevant institution	Yes	Yes	Yes
Insurance required for motor vehicles newly within scope of the MID	No	Yes	Yes
Insurance required on roads and other public places	Yes	Yes	Yes
Insurance required on private land to which public has no access	Yes/No	Yes	No

The table No. 2 represents the matrix of model situations in what circumstances victims would be protected and have compensation for damages caused by uninsured vehicle or vehicle which cannot be traced.

	Current legislation in Latvia and UK (“do nothing” option)	Amendment of national laws in accordance with Vnuk judgment	Limitation of the scope of the MID and according amendments of national laws
Victim is hit by user of a vehicle intended for use on the road – and the accident occurs on a road or public place	Yes	Yes	Yes
Victim is hit by a newly in-scope vehicle – and the accident is on road or another public place	No	Yes	Yes
Victim is hit by user of a vehicle intended for use on the road – but accident occurs on private land to which	Yes/No	Yes	No

public has no access			
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Source: Department for Transport, Impact Assessment “*Extending the scope of compulsory motor insurance*”, No. DfT00343, September 20, 2016, p. 7. Available on: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/579383/motor-insurance-vnuk-judgement-impact-assessment.pdf. Accessed May 12, 2018.

ANNEX 2

	The number of registered vehicles	The number of insured tractors	Percentage of insured tractors from registered
2012	110 637	36 939	33,4%
2013	113 371	38 766	34,2%
2014	115 186	39 782	34,5%
2015	117 547	40 722	34,6%
2016	102 595	50 933	50,0%
2017	100 543	45 316	45,1%

Source: Results of Compulsory Civil Liability Insurance of Owners of Motor Vehicles for 2012, 2013, 2014, 2015, 2016 and 2017 years published by Motor Insurers' Bureau of Latvia. Available on: <https://www.ltab.lv/octa-sistema/statistika/>. Accessed April 27, 2018.

ANNEX 3

Year	The number of road traffic accidents caused by tractor machinery	The amount of compensation paid (EUR)
2012	185	194,826
2013	188	230,092
2014	149	219,484
2015	171	223,914
2016	195	287,783
2017	64	73,197

Data of 2017 year are represented as of July 25, 2017.

Source: Valsts tehniskās uzraudzības aģentūra (State Technical Supervision Agency). Traktortehnikas izraisīto negadījumu skaits un izmaksāto atlīdzību apmēri (The number of road traffic accidents caused by tractor machinery and the amount of compensation paid) Available on: <http://www.vtua.gov.lv/lv/aktualitates/137>. Accessed April 27, 2018.

ANNEX 4

Ethical Standards for the Interview

The Interview was conducted with utmost care and ethical standards were followed according to recognised international standards. The interview procedure was explained clearly to interviewee before interview proceeded. Confidentiality of the personal information of the interviewee has been treated with appropriate respect. The interviewee has been addressed in the manner agreed and without compromising his personal information. All recorded contribution, in written form, on tape, or in notes, taken during the interview by the interviewer, has been used in accordance with the desires of the interviewee. Information used for the research has been published only after a consent of the interviewee has been received. All information collected for the purpose of this research shall be destroyed after successful defence of the Thesis.

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