

Mechanisms for Compensation of Damage

Gulnara N. Kaigorodova*

Kazan Federal University, Russia

Guzel Kh. Pyrkova

Kazan Federal University, Russia

Alfiya A. Mustafina

Kazan Federal University, Russia

Darya P. Alyakina

Kazan Federal University, Russia

Ksenia A. Syvorotkina

Kazan Federal University, Russia

Abstract

Since 2013, insurance of liability of carriers to passengers in Russia is carried out without fail, what guarantees compensation for harm caused to passengers. The legislative base allows compensation for harm to the victims to guarantee, and also transfers issues of risk reduction from the passengers themselves (as it was earlier) to those who provide transportation services. The mechanism of insurance protection of interests of persons transported by intraurban and intercity transportation is studied in the paper. It was determined by the authors that this mechanism allows, in addition to compensation for damage, to increase the investment attractiveness of the transport sector. The statistical aspects of this type of insurance are investigated. Risky circumstances which cause growing unprofitability of compulsory insurance of carriers' liability to passengers have been identified. As such, the indicators of crush rate on the roads of Russia, the condition of the fleet, the qualifications of drivers and other factors have been studied. A decrease in the share of insured objects, despite the increase in the number of license holders for passenger transportation, was noted. The largest number of accidents falls on bus transport. The problematic aspects that reduce the effectiveness of the implementation of this mechanism are studied. Measures have been identified that will help to eliminate a number of problems in this type of insurance and increase the degree of protection of passengers.

Keywords: Liability insurance; Carrier; Passenger; Transport; Crush rate.



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1. Introduction

Since 2013, carrier liability insurance in the Russian Federation is compulsory according to Federal Law No. 67-FZ On compulsory insurance of civil liability of carriers for causing harm to life, health, property of passengers and the procedure for compensation of such harm caused during transportation of passengers by subways. Prior to the introduction of the law, passenger insurance was carried out on the basis of the Presidential Decree No. 750 On compulsory personal insurance of passengers and the cost of insurance was included in the cost of the travel document purchased by a passenger. The mechanism of implementation was complex and did not meet the basic principles of insurance protection, since, despite the fact that the passenger's interest in the safety of the insurance object was obvious, but the subject him/herself had no opportunity to influence the reduction of the probability of occurrence of the insurance event. The mechanism of insurance protection is built on the fact that the subject of insurance relations interested in the safety of the insurance object should be able to influence on the probability of risk realization in order to prevent the occurrence of an insured event. When a passenger entered into a compulsory personal insurance contract for the period of transportation, the essence of insurance protection was reduced to the emergence of contractual relations between the insurer and the insured person without the possibility of reducing the risk through preventive measures. This put in unprofitable conditions for both passengers and insurers, who did not have a mechanism of influence on a specific carrier through a system of discounts and surcharges. Under the liability insurance mechanism, the carrier itself becomes interested in reducing the accident rate (Ai *et al.*, 2018).

It is important for the state to develop liability insurance in all directions, as it allows harm caused to third parties to compensate for; ensure coverage of damages to economic agents; increase the investment attractiveness of the economy. The modern legislative base allows the following:

- To guarantee compensation for damage caused to passengers during their transportation;

- To consolidate the cause-effect relationship between multiple financial and economic aspects of the carrier's operation and the probability of occurrence of an insurance event, and, consequently, to identify points of influence to reduce this probability;

- To form unified conditions for the compensation of the harm caused (Kodolova et al., 2017).

2. Methodology

The purpose of our research was to study the mechanism for implementing insurance of carriers' liability to passengers and to identify factors affecting various aspects of this type of insurance. In the process of research, general scientific methods of induction and deduction were used, as well as a hypothetical approach. It is necessary to dwell on the problems and trends in the development of this type of insurance, since, we believe, this is a factor in the investment attractiveness of the transport sector. Compensation for damage to passengers enables victims to ensure the subsequent restoration of health, for example, through sanatorium-resort treatment, that is, it allows human costs to finance. Also, the development of transport is a factor that determines the development of tourism, especially in the light of Russia's various activities at the international level (Kaigorodova et al., 2017).

3. Results and Discussion

According to the results of 2017, the volume of the compulsory insurance segment of carriers' liability with regard to insurance premiums was 2.77 billion rubles, or 1.22% of the compulsory insurance market (0.22% of the total Russian insurance market). Relative to 2016, the segment decreased by 25.7% (in 2016, growth was 9.1%). The payout ratio in 2017 was 34.7% (19.7% a year earlier). The reduction in premium receipts in 2017 was due to the adjustment of tariffs made by the Bank of Russia. Tariffs for regular urban bus transportation decreased by 1.44 times; for custom city bus transportations, transportations by shuttle buses, and there was two-fold decrease in suburban transportation. Significant reduction in tariffs has occurred in inland waterway transportation associated with travel services. Tariff adjustments were made on the basis of analysis of loss factors for previous periods. Obviously, first of all, the adjustment is related to the high cost of policies for a number of modes of transport, which reduces the proportion of carriers who insured their liability. And the reduction of tariffs was aimed at increasing the number of licensees on bus transportations, insured their liability (Fedorenkov, 2017; Palei et al., 2016).

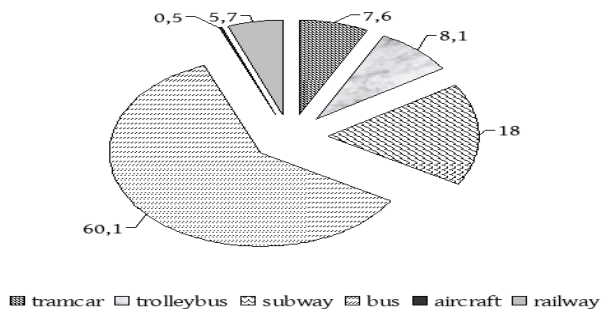
By the current moment, the methodology for calculating passenger traffic and, accordingly, the insurance tariff has been improved. The procedure for documenting the claim for insurance payment is simplified. However, there are a number of problems. It should be noted that to this day, there is low awareness of passengers about the rights granted to them by the Law on compensation for harm. According to the National Union of Liability Insurers, up to two thirds of the injured passengers do not apply for compensation payments. The carrier is obliged to inform passengers about the insurer, but often it is impossible to find such information, or it is offered in an incoherent version. Table 1 shows the change in passenger traffic in 2012-2016. The total number of passengers carried was reduced by 12.5% in total for 2012-2016. The largest decrease occurs in intra-urban transport (tram / trolley / bus), which is due to the growing number of personal vehicles and the desire of passengers to travel with comfort (Kokh et al., 2016).

Table-1. Dynamics of passenger transportation volumes

Mode of transport	Years								
	2012	2013	2014		2015		2016		
	million people	million people	change, in %	million people	change, in %	million people	change, in %	million people	change, in %
tram	1928	1629	84.5	1551	95.2	1478	95.3	1397	94.5
trolleybus	2051	1735	84.6	1803	103.9	1616	89.7	1483	91.7
subway	3446	3491	101.3	3437	98.5	3337	97.1	3312	99.3
bus	12470	11591	93.0	11563	99.8	11287	97.6	11072	98.1
Sea transport	1	1	100	7	700	11	157.1	13	118.2
Inland waterway	14	13	92.9	13	100	13	100	13	100.8
airlines	74	84	114.9	93	109.4	92	98.9	89	96.3
railway	1059	1080	102.0	1076	99.6	1025	95.2	1040	101.5
Total	21043	19624	93.3	19543	99.6	18859	96.5	18418	97.7

The structure of transport by the end of 2016 is shown in Figure 1. The largest volume of transported passengers is accounted for by buses of interurban and intercity communications - 60.1%. Analyzing the change in the structure of traffic in the dynamics, we noted an increase in the share of transportation by bus and subway. An increase in the proportion of passengers carried by the subway has also been noted. Subway transportation is associated with a whole range of risks that arise for passengers. Therefore, it is extremely important to establish here a system of adequate insurance protection, predetermined by the state. This is an actual notion in connection with the special status of the subway as a carrier under the law on insurance of civil liability of carriers (Ustinov et al., 2016).

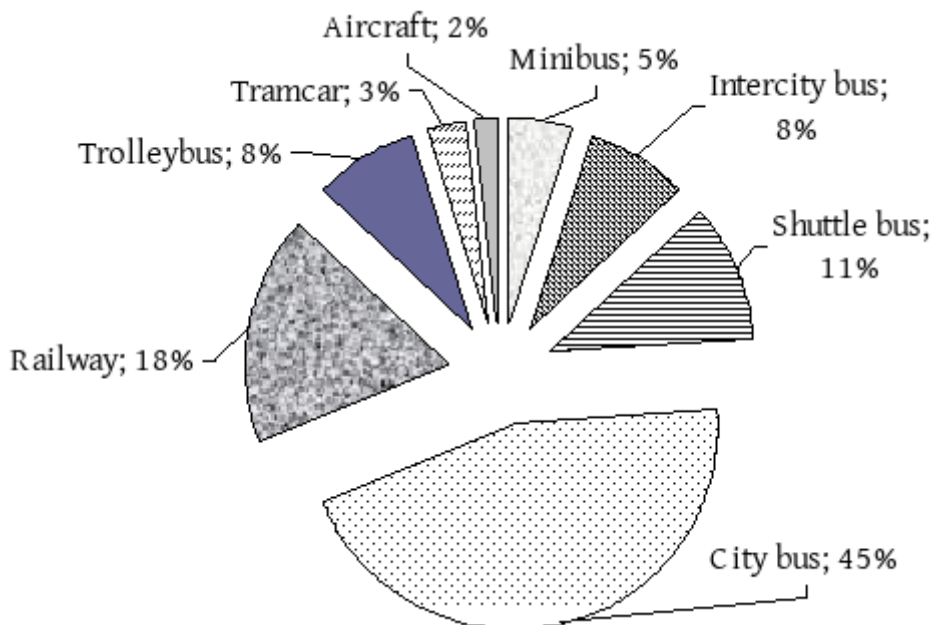
Figure-1. The structure of passenger transportation by modes of transport in Russia in 2016, in%



According to statistics, the greatest number of accidents with passenger traffic (more than 69%) occurs when carrying out various types of bus transportations (Figure 2). At the same time, bus transportation accounts for the highest share of payments - in 2016, 84% of payments were due to various passenger transportations by bus transport.

This state of affairs is connected with the high deterioration of vehicle fleets, often with low qualifications of transport personnel, frequent violation of traffic rules by bus drivers in pursuit of revenues. In addition, low qualification of foreign drivers from former Soviet republics, which are often attracted to work in this area (Abisheva et al., 2018; Mustafina et al., 2017).

Figure-2. Distribution of accidents by mode of transport in Russia in 2016



In 2017, on the roads of general use, drivers were killed by 324 passengers in an accident involving buses (table 2). If in general in 2017, in the Russian Federation there was a reduction in the number of accidents due to violation of traffic rules by drivers by 4.9% in relation to 2016, then as to bus traffic, there was an increase in the number of accidents up to 5.9%. Depressing it is the statistics on the number of deaths caused by drivers: in the whole in the Russian Federation the indicator has decreased by 7.3%, and as to bus transportation it grew by 26.1% (Velichko and Bubenets, 2016).

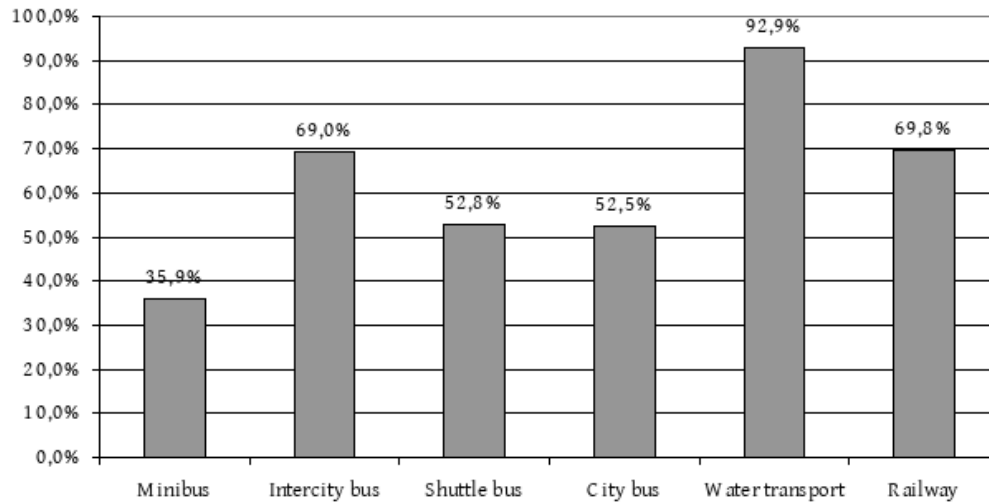
Table-2. The outcome of accidents for some types of public transport because of drivers' violation of traffic rules, 2017

Indicators	Road accidents		Killed people		Wounded people	
	Number	In % to 2016	Number	In % to 2016	Number	In % to 2016
In general, in Russia	143458	-4.9	156910	-7.3	191648	-4.5
Accident involving public motor vehicles carrying out bus transportation	5608	5.9	324	26.1	8693	6.1
Accident involving trolleybuses	339	-15.7	3	-70.0	383	-11.8
Accident involving trams	133	-10.7	1	-85.7	158	-21.4

It is also for this type of transport that the number of contracts concluded is decreasing. The objective reason is a decrease in the number of carriers, and a decrease in passenger traffic. At the same time, according to the data

presented by the Ministry of Transport of the Russian Federation and the National Union of Liability Insurers, the share of insured passengers and insured licensees is low here. The share of insured passengers in the total passenger traffic for transportation by bus was only 83.9% in 2016 (but in 2014 the figure was 74.2%). The share of insured licensees only for long-distance bus transportation is 69.0%, for buses of suburban and intracity communication - about 53%, and for shuttle buses - 35.9% (Figure 3). In general, as to bus transport, the share of insured licensees in 2016 was only 57.2%, that is, slightly more than half. For comparison, at the city electric transport their share is 100%. All this leads not only to the risk of a low level of compensation for harm to the victims, but also to the accumulation of risks of the insurance system as a whole, as the coverage of facilities decreases, and the concentration of risks increases (Villalobos, 2016).

Figure-3. Types of transport carrying out passenger transportation, with the least proportion of insured licensees in 2016



There is a need to include the subways in the system of compulsory insurance of civil liability in the capacity of a carrier under uniform conditions. Currently, this type of carrier is not subject to compulsory insurance, but makes payments to victims in subway at their own expense in the amount determined by law. This puts unequal conditions for passengers, since the issue of recognizing an event as an accident that has caused harm to life and health, as well as to the property of passengers, is decided by the carrier itself. There is no available statistics on such incidents and payments made. The existing legislative norms apply to commercial transportations. It is necessary to cover non-commercial transportation with insurance. In particular, it is necessary to introduce norms allowing the extension of liability insurance for transportation by school buses. Actual is the study of the issue on compensation for harm caused during transportation of children not by commercial leased vehicles, but by school buses, that is, registered in the balance sheet of a school. And here the issue is not only in the revision of the existing mechanism for providing financial protection, but also that the availability of the liability insurance policy disciplines a carrier to a certain extent (Shpakovych, 2018; Velichko *et al.*, 2017).

Obviously, it is necessary to improve the system of statistical monitoring of carriers, especially for bus and inland waterway transport, which would allow more active detection of unscrupulous carriers that do not fulfill their responsibilities for liability insurance. At present, there is no practical possibility of exercising total control over the availability of a corresponding policy for carriers. Checks reveal the facts of such insurance policy of the carrier, when not all vehicles that are operated by it, are included in this policy. It is necessary to integrate the information system of the National Union of Liability Insurers with the systems that control the organization of passenger transportation. It is required to introduce an effective mechanism for levying fines from unscrupulous licensees. In addition, greater awareness of passengers would allow more active use of legal norms in the event of harm, which in turn would be an incentive for carriers to reduce the level of risks in this area (Yermoshenko and Trynchuk, 2016).

4. Summary

As a result of our study, the factors influencing on carriers' liability insurance and on the level of unprofitability of this type of insurance have been identified. It is established that in Russia there is a slight decrease in passenger transportation, due to the increase in the number of personal transport units. Despite the reduction in the number of road accidents in Russia as a whole, the number of deaths and injuries in passenger traffic of various types is increasing. Bus transport of various types has the highest level of accidents. At the same time, there is low percentage of insured licensees among the bus carriers. This significantly reduces the level of insurance protection for passengers using bus transportation services. However, there are other problems that do not allow in full to compensate for the damage caused to passengers in adverse events.

5. Conclusions

It is necessary to implement certain measures to improve the insurance protection of passengers:

- To include a subway as a carrier in the system of compulsory civil liability insurance on unified terms;

- To cover not only commercial, but also non-commercial transportation with insurance. In particular, it is necessary to extend liability insurance up to transportation by school buses;
- To improve the system of statistical monitoring of carriers, especially for buses; actively identify unfair carriers who do not fulfill their responsibility for liability insurance;
- To integrate the information system of the National Union of Liability Insurers with systems controlling the organization of passenger transport;
- To introduce an effective mechanism for levying fines from unscrupulous licensees;
- To achieve a wider awareness of passengers about this type of insurance.

Acknowledgments

The work is carried out according to the Russian Government Program of Competitive Growth of Kazan Federal University.

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