

INSURANCE AS A MECHANISM FOR PROTECTING THE PROPERTY INTERESTS OF PERSONS INVOLVED IN ROAD ACCIDENTS

(Recibido el 01-06-2017. Aprobado el 08-09-2017)

**Gulnara Nailevna
Kaigorodova**
*Kazan Federal
University, Institute of
Management,
Economics and
Finance, Kazan,
420008, Russia*

**Alfiya Anasovna
Mustafina**
*Kazan Federal
University, Institute of
Management,
Economics and
Finance, Kazan,
420008, Russia*

**Guzel Kharisovna
Pyrkova**
*Kazan Federal
University, Institute of
Management,
Economics and
Finance, Kazan,
420008, Russia*

**Ayaz Avzalovich
Ishbaev**
*Kazan Federal
University, Institute of
Management,
Economics and
Finance, Kazan,
420008, Russia
Email address:
golsuorsil@mail.ru*

Annotation. Insurance is an effective mechanism for protecting the property interests of both persons injured in road accidents and persons responsible for causing harm. With the insurance of civil liability of vehicle owners, it is achieved the goals of protecting the economic interests of possible damage causers, as well as protecting the property interests of third parties who may be injured. The introduction of compulsory motor vehicle liability insurance in our country has made it possible to remove a number of issues, both material and social, arising from the road accidents. The development of this segment is now difficult, since it is a low-profitable sphere of insurance business due to a whole range of problems. The state is trying to solve current problems, but these measures often have a point nature and the positive result of their impact is quickly exhausted. It is necessary to solve a whole series of issues not only in the economic sphere. The purpose of the study in this article was to study the status of the civil liability insurance market for vehicle owners in Russia, to identify the factors that affect its functioning, as well as negative trends that impede its normal development. We made a conclusion about the need for a systematic approach to solving the problems of this segment.

Key words: civil liability, insurance protection, damage causers, insurance premiums, insurance payments.

1. INTRODUCTION

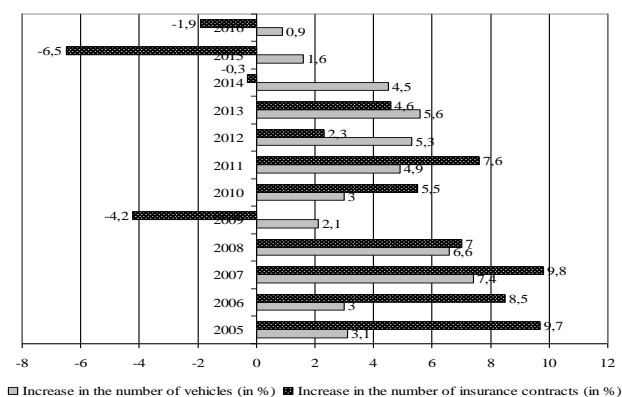
Despite the fact that the number of accidents and the number of persons injured with severe consequences as a result of these accidents has been reduced on the roads of Russia in recent years, the issues of compensation for damage do not lose their relevance. One of the key mechanisms is insurance (Schwarzer, 2005). This is due to the fact that the violator of the rights of the persons injured often lacks the means to compensate for damage in the value equivalent. And the existence of a certificate of insurance enables to pay damages within the insurance coverage. This line of insurance stipulated that the third party is the damage carrier, and not the policy holders themselves; the unintentional actions of the policy holder are the basis for the occurrence of damage (Velichko & Osadchaya, 2015, p. 103).

A number of factors influence the processes motor vehicle liability insurance. For the most part, the implementation of this type of insurance in a mandatory form is unprofitable for a large number of regions of the Russian Federation.

Due to the fact that this type of insurance is unprofitable, and its termination is difficult due to legislative restrictions, the insurance companies are currently considering a mandatory form of civil liability insurance for vehicle owners solely as a burdensome activity with the need to minimize losses from its implementation (Fedorenkov, 2016, p. 26).

2. INVESTIGATION OF FACTORS AFFECTING THE MOTOR VEHICLE LIABILITY INSURANCE MARKET IN RUSSIA

As such factors we considered: the quantitative composition and structure of the vehicle fleet; the number of road accidents (RAs); the number of individuals injured; the share of RAs with serious consequences; the share of RAs with material damage; the RAs causes.



Drawing 1. Increase in insurance contracts and vehicles

The analysis showed that there has been a dynamic increase in the number of vehicle fleet in Russia over the past 13 years. In 2016 there was an increase in the number of vehicle fleet with a decrease in the number of persons injured in RAs.

After a certain decrease in the growth rate in 2008-2010, the growth rate was about 5% per year in 2011-2014. Crisis phenomena in the economy in 2014-2016, which led to a decline in the purchasing power of the population, fall in sales of cars, led to a fall in the growth rate of the vehicle fleet (0.9% in 2016). On the other hand, the demand for motor vehicles has reached a certain saturation and demand has somewhat decreased. The structure of the Russian vehicle fleet remains almost unchanged (the share of cars is slightly higher than 82%).

We analyzed the ratio of the number of vehicle fleet and the number of compulsory motor vehicle liability insurance contracts (OSAGO) from 2004 to 2016 (Figure 1). The share of OSAGO contracts concluded throughout the analyzed period is less than 100% of the vehicle fleet. And if the share increased annually from the moment of introduction of this type of compulsory insurance, there has been a tendency to reduce the vehicle fleet insured under OSAGO in recent years. At the end of 2016, the share fell to an extremely low level of 68.5%. A third of the vehicle fleet owners in Russia did not insure their liability on a mandatory basis.

Over the past three years, the level of accidents on the roads has a tendency to decrease. In 2016, the number of RAs, in which the persons injured were caused harm to life or health, decreased by 5.6% compared to 2015. This is against the background of an increase in the number of vehicles. Such positive dynamics is evidently associated with the geography expansion of the use of instrumentation and video cameras.

We also analyzed the dynamics of the number of persons injured of different severity on the roads of Russia. We identified the tendency to decrease in number of persons injured and also the persons died as a result of RAs.

2016 showed a decrease in the number of RAs by 5.6% (compared to 2015) and a slight increase in the number of reported insured events (by 0.7%). In 2015, the decrease in RAs was 7.9%, while the increase in the claimed insurance events was 1.2%. According to the market analysts, the share of insurance fraud is very high in this segment - according to various estimates, the share of payments under OSAGO accounts for 15-20% of fraudulent ones (Trinchuk & Zelenitsa, 2017, p. 299).

The analysis of factors affecting the motor vehicle liability insurance market in Russia showed that there was an increase in the vehicle fleet with a simultaneous reduction in the number of OSAGO contracts.

3. FUNCTIONING FEATURES OF THE CIVIL LIABILITY INSURANCE MARKET OF VEHICLE OWNERS IN THE RUSSIAN FEDERATION

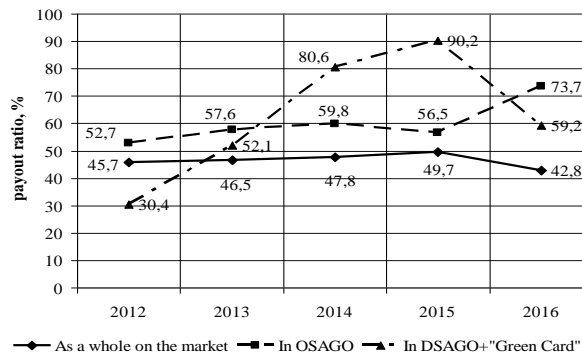


| в процентах | in percentages |
|------------------------|-----------------------------|
| Доля страховых взносов | Share of insurance premiums |
| Доля страховых выплат | Share of insurance payments |

Drawing 2. Share of the civil liability insurance segment of vehicle owners in the Russian insurance market

The payment dynamics in the analyzed segment deviates from general trends in the market development as a whole in 2015 - 2016. In 2016, the market payments decreased by 0.7%, and the payments for the segment studied increased by 36.7% (Central Bank of the Russian Federation, n. d). This indicates a high loss ratio for these types of liability insurance. The high growth rate of payments is associated with the growth of the cost of motor vehicle parts and the actions of traffic lawyers. The payment ratio for the insurance market does not exceed 50% as a whole (Figure 3). The OSAGO payment ratio grows, reaching a critical value of 73.7% by the end of 2016, which indicates the activities of policy holders almost at the break-even point. These lines of insurance are seemed to be low-profitable to the policy holders (Alyakina, 2012, p. 37).

The trends in collecting premiums in the motor vehicle liability insurance segment in 2012-2014 are close to the trends of the insurance market as a whole. In 2015, the insurance market slowed down its growth rate (3.6%), and the research segment grew by 42.5%, which was associated with a change in the OSAGO tariff rates (Figure 2).



Drawing 3. Change payout ratio

The predominant share of premiums and payments in this segment of the insurance market falls on OSAGO premiums (97.2% on premiums and 97.3% on payments in 2016). But the role of voluntary motor vehicle liability insurance is high in a market economy (De Mot, 2014). The OSAGO certificate may not cover the costs of the person injured for vehicle repairs. For example, if more than one vehicle has been injured in an accident, a compulsory insurance often does not cover the damage and the offender will have to compensate for the damage in excess of the insured amount at his own expense. Such problems may be removed by the voluntary motor vehicle liability insurance (DSAGO).

According to the above, the main problem of OSAGO and DSAGO is the high loss ratio. We could note the following OSAGO problem: reduction in sales of certificates by insurance companies in regions with a high level of unprofitability; sale of other insurance products as an obligatory condition for the sale of OSAGO certificate; dissatisfaction of consumers by payment understating; violation of the payment terms due to imperfections in the technology of settlement of losses and business processes in the insurance companies; low level of awareness of citizens.

In terms of solving the problems, it is necessary to implement the following. The examination control should be a function of the policy holder. It is necessary to develop relevant documents regulating these issues. It is required to introduce some measures of economic responsibility for the examination unreliability.

It is necessary to develop a national concept for ensuring traffic safety, taking into account the requirements of the legislation on regulation of relations for compulsory insurance liability of vehicle owners. We consider it necessary to toughen the responsibility measures for the violation of the Road Regulations.

All this will contribute to the improvement of the insurance mechanism of the motor vehicle liability insurance.

4.CONCLUSIONS

The civil liability insurance of vehicle owners enables to compensate for all or part of the losses of the persons injured, regardless of the financial condition of the damage causer (Faure, 2014). The analysis made revealed the following.

1. There is an increase in the number of vehicles with a simultaneous decrease in accidents on the roads and fatalities in RAs in Russia. But there is a decrease in the share of vehicle owners who have insured their civil liability under OSAGO, at least.

2. The motor vehicle liability insurance market occupies one fifth of the insurance market, so the problems of this segment negatively affect the market as a whole.

3. The overwhelming role is taken by OSAGO in the segment, the role of voluntary insurance is negligible. The payments are growing at a rapid pace and the loss ratio is very high. The segment becomes unprofitable for the policy holders.

5. It is required to solve a number of issues not only in the economic sphere: development of the state concept of insurance of motor vehicle liability, development of insurance service standards, improvement of liability measures.

5.SUMMARY

One of the most important areas of the insurance market development should be civil liability insurance of vehicle owners (Derrig & Tennyson, 2011). The state should pay special attention to this segment. The motor vehicle liability insurance performs not only compensation and economic, but also social function (Sun, 2013).

The analysis shows that a lot of unsolved problems have accumulated in this segment over the years. The main one is the high unprofitableness of this segment, which forces the policy holders to reduce the volume of operations under OSAGO and DSAGO. The increase in tariffs is currently an extensive way of development and will not allow solving the

problem of unprofitability. The share of vehicle owners who have insured their liability on a mandatory basis is declining annually.

It is necessary to revise the state's approaches to the motor vehicle liability insurance in the part of offering some point measures. It is necessary to develop a national concept of traffic safety, within its framework - the "road maps" for the development of motor vehicle liability insurance.

ACKNOWLEDGEMENTS

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

REFERENCES

- Schwarzer R., Wein T. Is the market classification of risk always efficient? Evidence from German third party motor insurance // German risk and insurance review (GRIR). – University of Cologne. – 2005. – Vol. 1 (4). – pp. 173-202. – URL: <http://www.risk-insurance.de/aufsaeetze/216/>.
- Velichko N.Yu., Osadchaya N.N. On Risk Management in Insurance // Science Time. – 2015. – No. 4 (16). – p. 102-109.
- Fedorenkov V.V. Payment Level as an Indicator of Real Unprofitability of Compulsory Liability Insurance of Vehicle Owners // Potential of Modern Science. – 2016. – No. 9 (26). – p. 25-32.
- Trinchuk V.V., Zelenitsa I.M. Insurance as a Method of Risk Management of Road Accidents in Ukraine // Insurance and Risk Management: Problems and Prospects. – Moscow, 2017. – p. 298-314.
- Central Bank of the Russian Federation [Electronic source] // Official web-site URL: <http://www.cbr.ru>
- Alyakina D.P. Management of the Insurance Company Branch Network // Insurance Business. – 2012. – No. 12 (238). – p. 36-38.
- De Mot J., Faure G.M. Special Insurance Systems for motor vehicle liability // The Geneva papers on risk and insurance – issues and practice. – 2014. – Vol. 39. – issue 3. – pp. 569-584. – URL: <https://link.springer.com/article/10.1057/gpp.2014.23>.

Faure G.M. The complementary roles of liability, regulation and insurance in safety management: theory and practice // *Journal of Risk Research*. – 2014. – Vol. 17. – Issue 6. – pp. 689-707, URL: <http://www.tandfonline.com/doi/abs/10.1080/13669877.2014.889199?src=recsys&journalCode=rjrr20>.

Derrig R., Tennyson S. The impact of rate regulation claims: evidence from Massachusetts automobile insurance // *Risk Management and Insurance Review*. – 2011. – Vol. 14(2). – pp. 173-199. – URL: <https://www.casact.org/pubs/dpp/dpp08/08dpp1.pdf>.

Sun T.S., Yannelis C. The real effects of the uninsured on premia. May, 2013. URL: https://mpa.ub.uni-muenchen.de/48264/1/MPRA_paper_48264.pdf.