

Passenger Insurance Law Faces Major Problems

By [The Moscow Times](#)

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The enforcement of a law introducing mandatory passenger liability insurance is facing major obstacles, and most passenger carriers have not yet concluded contracts with insurers, Vedomosti reported.

The law, which obliges all carriers, with the exception of taxis, to buy passenger insurance, came into force on March 14.

In the first five months of this year, there were about 400 accidents in Russia involving overground public transport, the president of the National Union of Liability Insurers Andrei Yuryev said. More than 1,200 people were injured, and 78 were killed. A further seven people were killed in helicopter accidents. The National Union of Liability Insurers, or NSSO, gathers its information from the mass media.

Only 10-15 percent of carriers have bought policies, and it will take until May of next year to understand how the new law works.

These figures account for only 1 percent of total casualties in accidents involving ground transportation from January to May, according to traffic police data.

The payout in the event of death is just more than 2 million rubles (\$60,000), while for the average injury it is 350,000 rubles. Total insurance payouts, calculated using Yuryev's accident data for the first five months of 2013, which he admits may be significantly understated, come to 615 million rubles (\$19 million).

By May 17, a total of 1.5 billion rubles had been collected by insurers.

As many as 21.4 billion passengers were transported last year, according to the Transportation Ministry. Since the law has been in force, 7.8 billion passengers have been insured, according to the NSSO.

"The market has faced its first serious problems: the deliberate underreporting of passenger numbers and manipulation of transportation types for the purpose of reducing insurance payments," the deputy CEO of insurer Sogaz Nikolai Galushin said.

The number of carriers that have concluded passenger liability insurance contracts is still small, he said, adding that only 10 to 15 percent of companies had bought policies so far.

It will take at least until May of next year to understand how the law works and what the insurance rates should be, Ingosstrakh deputy CEO Ilya Solomatin said. Insurers began to make their first payouts only a few weeks ago, he said.

"The main problem is that passengers are not aware that they are entitled to insurance compensation, and transportation companies do not inform them," Yuryev said. Insurers polled by Vedomosti said the fundamental issue was minibuses, both in terms of registration and information.

For a company, the penalty for not having an insurance policy is up to 1 million rubles. But many minibuses are registered to sole proprietorships, which carry a penalty of only 50,000 rubles. Added to this, penalties can be doled out only by employees of the Federal Service for Ecological, Technological and Nuclear Supervision and not the traffic police.

If minibus taxis are excluded, accidents caused by drivers of public transport are rare, said Mikhail Blinkin, head of the Transport and Road Research Institute.

It is still early to be talking about increasing liability, Yuryev said. We need to learn how to disclose those who do not have insurance policies, he said.

In every vehicle, there ought to be visible information about the insurer and the procedure by which passengers can receive compensation, Nikolai Galushin said.

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