



Professional Liability Insurance Fund in the Tourism Services Industry

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Abstract: *The article deals with the features of operation of professional liability insurance fund in the tourism services industry. The authors review the foreign countries' practice and the Russian practice on travel insurance for tourists. Particular attention is paid to insurance activities of famous foreign assistance companies. The references to overseas experience for national insurance companies are made. Statistical data concerning the tourists travelling through Europe and their requests of insurance products. The authors point out that tourists' low-level awareness characterizes the domestic travel insurance in Russia. The most significant provisions of amendments of the Law on the framework of tourism containing the new approach to respect for the tourists' rights in overseas trip insurance are examined.*

Keywords: *insurance market of foreign countries, insurance protection, interests of tourists, professional liability insurance fund, tourist.*

I. INTRODUCTION

A. Defining the Problem

The active development of tourism industry forces the states to intervene to protect the citizens against unconscientious tour operators or travel agencies. For example, the state obliges a citizen to obtain the travel insurance policy for a length of stay in a foreign country when purchasing the vacation packages.

Emergence of international travel insurance in the Russian market is largely due to tourism boom in the 1990s [1], [2].

Forty years later, Russia started to develop this area of insurance market. Still, the European experience and approach to travel insurance did not work in Russia, because of limited resources of travellers visiting foreign countries and legal prohibition of non-contractual monetary transfer for health services. Solution to these problems was found in the practice popular in various European countries in the '50s: the

Russian insurance companies started cooperating with service companies.

The travel insurance funds are formed in companies and households on a voluntary basis. The exceptions are certain organizational and legal forms of companies (joint stock companies), that are legally obliged to form the reserve funds whose minimum amount is 15% of share capital.

"Ingosstrakh", "ROSNO", "Rossia" and "ASKO" were the first to issue the insurance policies to Russian travellers. By mid 90s there was a number of big and small assistance companies that provided almost identical set of services. This was due to the fact that they all were globally interrelated [3].

The first national service company was "TEAM-Assistance" established by the OSAO "Ingosstrakh". Originally, "TEAM-Assistance" is geared to provide services to the clients of their insurance company. Nowadays they cooperate with other Russian and foreign insurance companies.

B. Importance of the Problem

As mentioned earlier, there is a lot of situations where the insurance policy may be necessary. For example, 513 requests for medical assistance were submitted to Rosgosstrakh and one death occurred in Sri Lanka during the period from 12 January 2014 to 31 December 2014. Two insured tourists were transported on the stretcher to their homeland under the supervision of a doctor.

49% of insured persons are the tourists visiting European countries: Italy, Austria, France, Germany, Spain. 31% of calls came from the Russian tourists with the INGOSSTRAKH policies travelling in Thailand, Indonesia, Vietnam and China. The remaining calls came from the tourists visiting the Middle East (Israel, Egypt, the United Arab Emirates) or the tourists who choose the exotic countries.

A small proportion of Russian insurance companies provide insurance for tourists travelling abroad.

Admittedly, the vast majority of Russian tourists treat the insurance as a minimally necessary item or additional expenses. However, statistics show otherwise [4], [5]. "For example, according to the ROSGOSSTRAKH statistics transportation of injured tourists to their homeland constitutes the most significant costs of travel insurance - about \$14,5 thousand. The average cost of hospitalization is estimated at \$7 thousand. The highest cost for hospitalization of tourists is recorded during last New Year break in the USA and amounted to \$30 thousand" [6], [7].

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The usage of foreign products and assistance services on the Russian travel insurance market is possible and even successful provided that it is adapted to the Russian market and the Russian citizens.

II. PROPOSED METHODOLOGY

A set of general scientific (deduction and induction), private scientific (including the scientific method) and private law methods was used as the methodological foundation for this article, including formal legal and comparative legal methods, to compare the legal regulation of travel insurance services in the different legal systems, such as the Romano-Germanic and Anglo-Saxon legal systems. The historical method was applied to examine the development of the institution of professional liability travel insurance.

III. RESULT ANALYSIS

This study identifies that tourists have low awareness of domestic travel insurance possibilities in Russia. Insurance companies restrict the number of potential insured events as much as possible. Travel companies skimp on insurance policies to sell vacation packages cheaper. The authors believe that this is a result of citizens' low awareness of insurance policies' legal nature.

The authors state that the main purpose of legislature is to inform the citizens about importance of insurance policies and their goals and to improve the population's legal culture reflected in ability to enforce their rights upon the occurrence of insured event.

The authors suggest the following development options for the Russian market of insurance services in order to improve legislation:

- the implementation of home insurance for the duration of travel;
- the expansion of insurance services to the adoption of package of home and car insurance;
- to increase the car insurance tariff for the duration of travel by at least 25 per cent.

IV. DISCUSSION

The development of the procedure of international travel insurance in the Russian legislation started in November 1996, when the Law # 132-FZ on the framework of tourism regulating the activities of travel companies, insurers and citizens purchasing the packages for holidaying abroad was adopted.

Amendments to the act providing the additional guarantees for the citizens purchasing and using the tourism products (vacation packages, insurance policies, etc.) came into effect in December 1999. The act was supplemented in March 2016 by new provisions on compulsory insurance for tourists travelling abroad. The authors reviewed the most important provisions of the amendments to the Law # 132-FZ containing the new means of implementation of tourists' rights in international travel insurance. Amendments to the legislation, which entered into force in December 2015, state that every tourist travelling abroad has to obtain the insurance policy providing the financial help in case of an insured event. This policy of compulsory insurance has to include the

insurance recoveries of up to 2 000 000 rubles. A refusal to obtain the policy means that in case of emergency a person has to pay for his medical and transportation expenses himself.

Insurance payments cover the assistance procedure in following situations:

- a refund for the services not rendered;
- a payment in case of substantial damages arising from non-performance of contractual obligation (including the event of a forced escape and transportation from a foreign trip).

Furthermore, the tour operator is obliged to insure its risks that can occur because of termination of its activities. In this case, the fact of non-performance of obligations due to the liquidation of the business is an insured event [8], [9].

Amendments to the Law # 132-FZ adopted in March 2016 came into force in early 2017 and changed the management system of "Tourist Help" fund. Henceforth, the tour operators is obliged to contribute to two funds - reserve fund and personal responsibility fund. The amount of money that should be paid to reserve fund is directly dependent on the number of tourists and total cost of the travel services sold [3].

Nowadays the main challenge of international insurance companies is a formation of professional insurance system that allows to minimize the risks of insured events happening to the people travelling abroad, to provide comfortable conditions of stay for the clients travelling abroad and to fulfil the obligations of reparation in case of insured events. First of all, such system has to ensure an individual approach to life and health insurance of tourists. Travel insurance companies cooperate closely with the special service assistance companies [10], that mainly guarantee the protection of insured persons travelling abroad.

The famous foreign assistance companies with good reputations have an extensive worldwide network of offices and coordinators who speak all necessary languages, correctly and quickly organize the work of their coordinators, have multilingual qualified doctors. Every assistance company has a network of regional call centres and bureau to whom insurance policies applies for provision of the related services [11].

As we know, there should be an insurance contract between the insurer and the insured to obtain the travel insurance. Usually this type of insurance is included in pre-paid vacation package, but if a person wants to arrange vacation himself, without the involvement of a tour operator, he or she has to buy a policy separately.

In authors' view, it is interesting to analyse and compare foreign and Russian experience of travel insurance. To examine the matter the following companies are chosen: TuGo Canada Travel Insurance & Travellers Assistance, Aviva (Insurance, Savings & Investments). The most of the Russian companies have no specialization and provide a wide range of services that is quite unusual for our tourists. On the contrary, the foreign companies divide the market between themselves and each provides only certain set of products.

TuGo Canada Travel Insurance & Travellers Assistance is the first the authors would like to compare the Russian travel service market to. Their insurance package include emergency medical care, trip cancellation or interruption insurance, accidental death benefit and baggage insurance.

By examining the foreign companies the authors define the distinction between them and our companies. The most important distinction is that in contrast to the Americans Russian citizens have no alternative in medical insurance as it is already included in insurance package.

By choosing the Non-medical Package we receive the same set of services, except for the emergency medical insurance. By comparing different approaches it is also interesting to indicate that you are being offered to insure your house when buying the travel insurance in Russia.

When you buy the travel insurance in the USA, you are being offered to insure your car. However, the car insurance is more expensive than an initial insurance fee in the USA, while the flat insurance costs on average 300 Rubles in Russia. Trip cancellation or interruption insurance is included in both Russian and foreign insurance policies [12].

The United Kingdom is yet another country where travel insurance system different from the Russian one. Aviva (Insurance, Savings & Investments) is the most famous insurance company in the United Kingdom and one of the leading European life and health insurance companies. Their reimbursement amounted to 10 millions pound sterling, while our companies offer only 75 000 Euro at most. This is a big difference. Both foreign and Russian companies offer the option of money insurance and valuable papers and records coverage. Aviva (Insurance, Savings & Investments) provide legal services in their standard insurance packages, unlike previously mentioned TuGo Canada Travel Insurance & Travellers Assistance and most other foreign and Russian companies. For example, skiing injuries are one of the top reasons to seek assistance in ROSGOSSTRAKH [13].

Assistance companies pay and provide the following list of services: hospital services, repatriation, escorting of a patient, repayment to the certain insurers.

Foreign travel insurance and assistance companies provide a wide range of services that include about 15-23 programmes for the protection of tourists. Generally, these programmes can be divided into three broad groups with various categories.

The foreign experience of travel insurance protection is more varied and developed, because foreign insurance market was formed and developed earlier than in Russia. That is why it is so important and useful to study the foreign travel insurance market, as the Russian insurance companies can adopt some of their products and services.

Tourists have low awareness of domestic travel insurance possibilities in Russia. Many people perceive the insurance policy as an imposed useless service and an instrument which helps companies to make more profit. In that regard, the insurance companies limit a number of insured events as much as possible and travel companies skimp on insurance policies to sell vacation packages cheaper [14], [15].

As a result, only cheap insurance options can be offered through the Internet portal [16], [17].

If a tourist plans to engage in sports and activities, he or she can obtain an additional, more expensive insurance

policy. For those who want to get the maximum possible package of services there is an option "Additional coverage", that includes:

- travel expenses of accidentally neglected kids;
- travel expenses of one relative in case of hospitalization of insured tourist;
- hotel accommodation costs of tourist after hospital treatment and one relative during treatment lasting for more than 15 days or after the scheduled day of the return.

V. CONCLUSION

In the view of foreign experience of travel insurance the authors suggest the following development options for the Russian market of insurance services:

- the implementation of home insurance for the duration of travel. This option is available for tourists travelling abroad for a long time and has been successfully used in practice. So far, Russian companies offer home insurance, but usually for the long term only (at least half a year);
- the expansion of insurance services to the adoption of package of home and car insurance;
- to increase the car insurance tariff for the duration of travel by at least 25 per cent. As car insurance service is in demand and its price is quite low in comparison with foreign companies, the authors suggest raising the price in order to increase the insurance companies' profit. Nowadays Russian insurance companies sustain great losses while pursuing the mandatory insurance program, such as the compulsory third-party insurance [18], [19].

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