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CARRIER'S LIABILITY INSURANCE IN THE FUNCTION OF TRANSPORTATION SERVICE QUALITY

ABSTRACT

The quality of transportation services understands quickness, accuracy and safety at minimal costs for the carrier and the service user. Possible emergency situations may bring substantial material and business damage both to the service user and to the transportation service provider. Carrier's liability insurance gives the carrier security in case of evidenced full or partial loss or damage of goods, as well as in case of delay in delivery. The insurance allows annulment of carrier's costs generated by emergency situations which favourably affects the operation of transportation companies and allows maintenance of the quality of the carrier's services. The work analyses the presence of carrier's liability insurance in the Republic of Croatia at five insurance companies, through the analysis of the total number of insurances and the number of insured vehicles, following the trend in this type of insurance and its influence on the quality of the carrier services.

KEY WORDS

carrier's liability insurance, transportation services quality

1. INTRODUCTION

Convention on the Contract for the International Carriage of Goods by Road (CMR) in Croatian was first published in 1958 and it stipulates cases when the carrier is liable for total or partial damage or loss of goods consigned for the transportation between two states. Currently, the Republic of Croatia is applying regulations based on the Decision on the publishing of multilateral international contracts, one party being the Republic of Croatia based on the notification on succession /Official Gazette – International contract, No. 1/1992, of 14 Nov. 1992.

The Convention is applied to every contract on the carriage of goods by road when the place of taking over of the goods and the place designated for delivery are situated in two different countries. By defining the risks in international transport of goods accepting the Convention resulted in the need for a carrier's liability insurance policy. The concluded carrier's liability insurance policy insures the carrier that, in case of damage to the goods during transportation, the liability is carried by the insurance company. The carrier's liability is determined primarily according to the Convention, and then according to the Act on Road Transportation and the Obligatory Relations Act.

2. CARRIER'S LIABILITY INSURANCE POLICY

The carrier's liability insurance policy covers the carrier's liabilities. The insurance company shall inform the user that this policy is not to insure the goods themselves, but that it covers the carrier's liability for the goods taken over during the transport in domestic and international road transportation. The goods can be insured by a separate cargo insurance policy.

There are two types of carrier's liability insurance policies, depending on the number of transportation units.

1. For the carriers who perform the carrier activity and take out insurance for a maximum of three transportation units the insurance premiums are determined on the basis of the permitted loading capacities of the transport means.

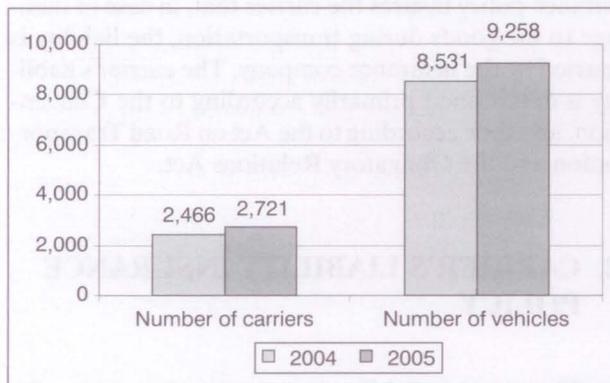
2. For the carriers who perform the carrier activity and take out insurance for more than three transportation units, the insurance premiums are determined on the basis of the sum of all the freights during the year (without V. A. T.).

In taking out a carrier's liability insurance policy for group insurance it is also essential whether it is a carrier primarily engaged in carrier's activities or the carriage has been subcontracted (if the user, e. g. is primarily involved in production or trade, and is registered for the transportation activity as well).

The user may take out a carrier's liability insurance policy for a year or a shorter period, but more benefits may be obtained for a longer period of time. By taking out a policy for a period of one year, the carrier acquires special bonifications which directly affect the insurance premium, which is not the case in short-term policies.

3. ANALYSIS OF CARRIER'S LIABILITY INSURANCE IN THE REPUBLIC OF CROATIA

With the aim of quantifying the carrier's liability insurance market Graph 1 shows the number of road carriers as well as the number of cargo vehicles registered for the carriage of goods in the Republic of Croatia during 2004 and 2005.

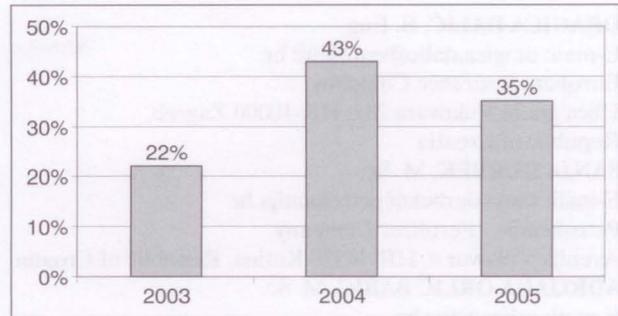


Graph 1 - Number of carriers and cargo vehicles 2004 – 2005

Source: Croatian Chamber of Economy

It should be noted that the presented data refer to the carriers involved in the transportation activity as their primary activity, and the number of cargo vehicles does not include the working machinery, but rather cargo vehicles registered for the transportation of goods.

Since the data required for the insurance market analysis in the Republic of Croatia also affect the operation of individual insurance companies, the carried out analysis has been mainly based on the available data of the respective insurance company.



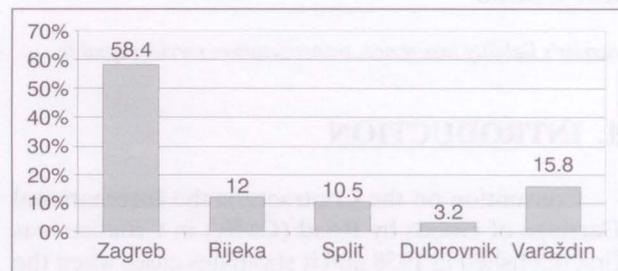
Graph 2 - Share of carrier's liability insurance in the total insurance volume of the respective insurance company

Source: author's estimate

Graph 2 presents the share of the respective carrier's liability insurance policies in the total number of policies for 2003, 2004 and 2005.

In relation to the number of carrier's liability insurance policies concluded in 2003, the respective insurance company almost doubled the share in the total number of policies in 2004, but the share in 2005 was 35%.

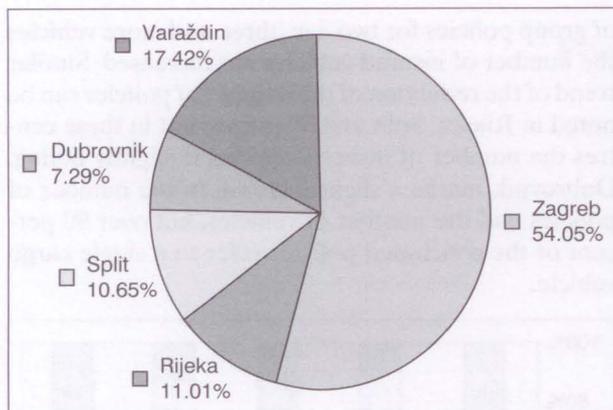
The detailed analysis of carrier's liability insurance in the period between 2003 and 2005 refers to five centres in the region of the Republic of Croatia, and these are: Zagreb, Rijeka, Split, Dubrovnik and Varaždin. The analysis included the number of carrier's liability insurance policies and their structure in the period from 2003 to 2005. First of all, however, Graph 3 tends to provide an overview of the markets of individual centres through the distribution of the number of cargo vehicles registered in the respective counties. One has to take into consideration also the possible deviation due to the fact that the used data on the number of vehicles of individual centres refer to the counties (in case of Zagreb centre: both the city and the county), and the policy can be contracted also for vehicles from the region of the neighbouring, i. e. other counties.



Graph 3 - Distribution of the number of cargo vehicles per centres during 2005

Source: Croatian Chamber of Economy

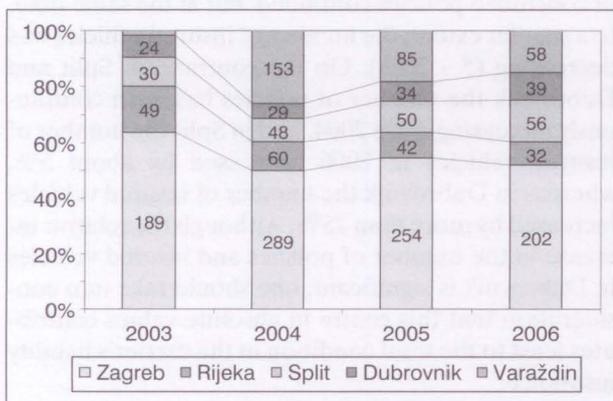
The distribution of the carrier's liability insurance policies per insurance centres in the Republic of Croatia for the period from 2003 to 2006 is presented in Graph 4.



Graph 4 - Distribution of carrier's liability insurance policies per centres in the period from 2003 to 2006

Source: Euroherc osiguranje d. d.

It can be seen that the share of the concluded policies in the centre Zagreb of 54 percent follows somewhat the share of the cargo vehicles for that region of 58.4 percent. For Rijeka, Split, Dubrovnik, and Varaždin it may be said that the share of the concluded carrier's liability insurance policies correlates with the share of cargo vehicles. It should be noted that in 2004 compared to 2003 only the share of concluded policies in Zagreb, Rijeka, Split and Dubrovnik has been reduced in favour of the share of concluded policies in Varaždin, whereas the number of policies in all centres was increased in absolute value.

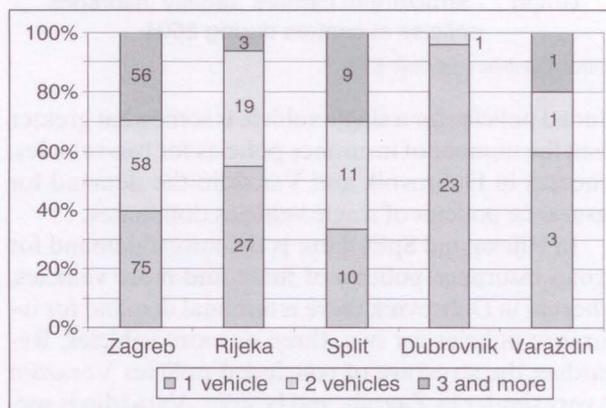


Graph 5 - Distribution of carrier's liability insurance policies at centres per years

Source: Euroherc osiguranje d. d.

The region of the centres Zagreb and Varaždin shows most expressed oscillations in the number of the concluded carrier's liability insurance policies during the analyzed period. The share of policies in Zagreb ranges between 47.45 percent and 63.64 percent (difference of 16.19 percent), whereas in Varaždin the range of oscillations is even greater (28.37 percent). Thus, the share of carrier's liability insurance policies in 2003 in Varaždin was 1.68%, in 2004 it amounted to 30.05 percent and in 2005 the share was 18.28 percent. It is not to be excluded that the increase in the number

of policies in Varaždin is related to the simultaneous reduction in the number of policies in Zagreb, but such thesis, based on the available data, is difficult to support by arguments. A more likely reason to the growing trend in the number of policies in Varaždin is the opening of the free zone as a significant generator of goods flows both in domestic and in international road transportation of goods. Here, an almost doubled absolute total number of the concluded policies in 2004 compared to 2003 should be taken into consideration. In 2005 and 2006, however, the total number of policies was reduced by about 28 percent, i. e. 20 percent compared to the previous year.



Graph 6 - Structure of carriers' liability insurance policies at centres during 2003

Source: Euroherc osiguranje d. d.

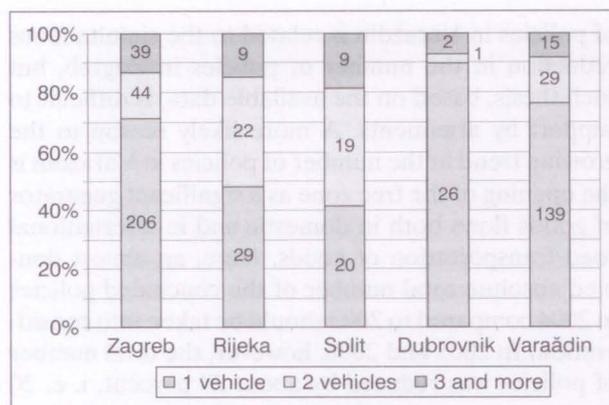
Graph 6 shows the difference in the demand for a certain type of the carrier's liability insurance policy regarding the number of transportation units in 2003.

Whereas Zagreb has an almost uniform demand for group insurance policies of two, three and more vehicles, in Split and Varaždin all the three policies are rather uniformly distributed. Rijeka features the lowest demand for the insurance policy of three and more vehicles, and the most demanded policy refers to a single vehicle. In Dubrovnik there was no demand whatsoever for the insurance policy for three and more vehicles, only one policy is for two vehicles, and 23 individual policies were concluded in total.

In Varaždin during 2003 a total of five carrier's liability insurance policies were made, and the uniform demand for all types of policies is expected. This centre has a negligible low influence on the total statistics of the carrier's liability insurance policies in 2003.

Graph 7 shows the demand for a certain type of carrier's liability insurance policy regarding the number of transportation units in 2004.

Since in relation to other centres the demand for group insurance policy of three and more vehicles in Zagreb in 2004 continues to be the largest, the demand for insurance policies of individual vehicles has greatly increased. In Rijeka and Split the number of con-



Graph 7 - Structure of carriers' liability insurance policies at centres during 2004

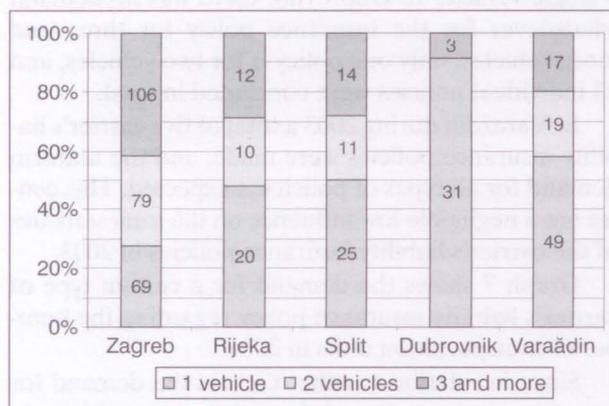
Source: Euroherc osiguranje d. d.

cluded policies for a single vehicle is somewhat greater than the number of insurance policies for two vehicles, whereas in Dubrovnik and Varaždin the demand for insurance policies of single vehicles dominates.

In Rijeka and Split there is the lowest demand for group insurance policies of three and more vehicles, whereas in Dubrovnik there is minimal demand for insurance policies for two, three or more vehicles. Regarding the structure of concluded policies Varaždin is very similar to Zagreb, and besides, Varaždin is second regarding the number of concluded policies following the centre Zagreb. If we take into consideration that the number of cargo vehicles registered in the Varaždin county is almost four times smaller than the number of registered cargo vehicles in Zagreb and the Zagreb County, the significance of Varaždin for the total market of carrier's liability insurance is even greater.

Graph 8 shows the demand for a certain type of carrier's liability insurance policy regarding the number of transportation units in 2005.

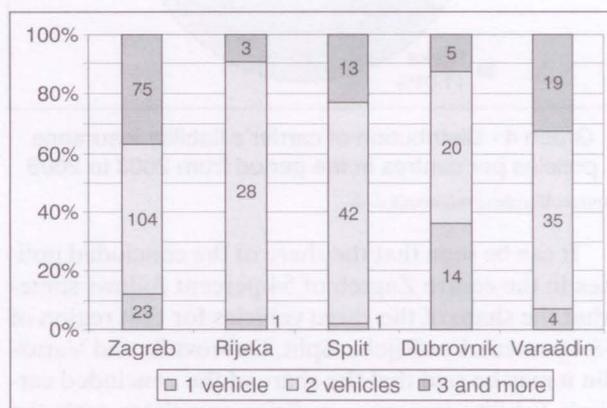
Whereas in Zagreb in 2005 there were 13.7 percent fewer policies because of the increase in the number



Graph 8 - Structure of carriers' liability insurance policies at centres during 2005

Source: Euroherc osiguranje d. d.

of group policies for two, i. e. three and more vehicles the number of insured vehicles has increased. Similar trend of the reduction of the number of policies can be noted in Rijeka, Split and Varaždin, but in these centres the number of insured vehicles is slightly falling. Dubrovnik marks a slight increase in the number of policies and the number of vehicles, but over 90 percent of the concluded policies refer to a single cargo vehicle.



Graph 9 - Structure of carriers' liability insurance policies at centres during 2006

Source: Euroherc osiguranje d. d.

During 2006 in Zagreb (25.7%), Rijeka (31.3%) and Varaždin (46.6%) the trend in the falling number of concluded policies continued, but at the same time, to a smaller extent, the number of insured vehicles was decreasing (5 - 20%). On the contrary, in Split and Dubrovnik the number of policies has been continuously increasing since 2004, and in Split the number of insured vehicles in 2006 decreased by about 5%, whereas in Dubrovnik the number of insured vehicles increased by more than 75%. Although the relative increase in the number of policies and insured vehicles in Dubrovnik is significant, one should take into consideration that this centre in absolute values contributes least to the total condition in the carrier's liability insurance.

4. CONCLUSION

The analysis of traffic by means of carrier's liability insurance policies in the period from 2003 to 2006 in several cities of the Republic of Croatia has shown that the demand for this type of insurance is significantly increasing. This number is expected to continue to grow as the date of the integration of the Republic of Croatia into the European Union is coming nearer, especially if one takes into consideration the legal provisions of the European Union, according to which all the deliveries in road transport have to be insured. The research shows that the demand for carrier's lia-

bility insurance policies is the highest in Zagreb, followed by Varaždin, Rijeka, Split and Dubrovnik. Thus, the demand for carrier's liability insurance policies corresponds to the concentration of carriers i. e. cargo transport means. The number of carriers and the number of cargo vehicles is affected by the geo-traffic location of a certain city, i. e. county, but also its economic development level and the size of the gravitation area. The opening of the free zones in the cities is followed by the increased generation of goods flows, out of which, in our conditions, a large part is accounted for by road transport (Varaždin).

The relatively low price of carrier's liability insurance policy (about one fourth of the amount of the insurance policy for a car of the highest category) renders it acceptable for all the carriers. Since it is a voluntary type of insurance the prices differ depending on the insurance company, and the growth in the demand for the new type of insurance should result in further reduction in the price of the policies.

An aggravating circumstance results from the fact that the carriers are insufficiently informed about the benefits of carrier's liability insurance. Better information of carriers and their knowledge about the possible advantages of this type of insurance is one of the precondition of increasing the quality of the carrier service. Increase in the quality of the carrier services continues to be the basic precondition of increasing the competitiveness of Croatian road carriers in the market competition in the region of entire Europe, and especially on the markets of the European Union countries.

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SAŽETAK

OSIGURANJE OD PRIJEVOZNIČKE ODGOVORNOSTI U FUNKCIJI KVALITETE PRIJEVOZNE USLUGE

Kvaliteta prijevozne usluge podrazumijeva brzinu, točnost i sigurnost uz minimalne troškove za prijevoznika i minimalnu

cijenu za korisnika usluge. Moguće izvanredne situacije mogu donijeti znatnu materijalnu štetu i gubitak ugleda kako korisniku tako i davatelju prijevozne usluge. Osiguranje od prijevoznike odgovornosti daje sigurnost prijevozniku kod dokazanog potpunog ili djelomičnog gubitka ili oštećenja robe, kao i u slučaju zakašnjenja pri njejoj isporuci. Osiguranje omogućuje anuliranje prijevoznčkih troškova nastalih izvanrednim događanjima što povoljno djeluje na poslovanje prijevoznčkih tvrtki i omogućuje održavanje kvalitete prijevozne usluge. U radu se analizira zastupljenost osiguranja od prijevoznike odgovornosti u Republici Hrvatskoj u pet osiguravateljskih centara, kroz analizu ukupnog broja osiguranja i broja osiguranih vozila, prateći trend kretanja ove vrste osiguranja i njegov utjecaj na kvalitetu prijevozne usluge.

KLJUČNE RIJEČI

osiguranje od prijevoznike odgovornosti, kvaliteta prijevozne usluge

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