

LCQ3: Taking out insurance policies for taxis

Following is a question by the Hon Luk Chung-hung and a reply by the Secretary for Transport and Housing, Mr Frank Chan Fan, in the Legislative Council today (January 19):

Question:

Some taxi owners have relayed that they have all along been facing the problems of "difficulties in taking out insurance policies and high insurance premiums". Earlier on, an insurance company which provided insurance services for about 10 000 taxis suddenly issued notices on termination of insurance policies to its taxi insurance policyholders, almost causing 10 000 taxis to cease operation. Subsequently, the Insurance Authority (IA) invoked the powers under the Insurance Ordinance to appoint managers to take full control of the affairs and property of the insurance company concerned. The managers revoked such notices immediately afterwards, and the issue was settled temporarily. In this connection, will the Government inform this Council:

(1) whether it will conduct a study on the issues of taxi owners taking out insurance, so as to completely resolve the problem of "difficulties in taking out insurance policies and high insurance premiums";

(2) whether the authorities have conducted investigations into whether the insurance company concerned violated the relevant legislation or the guidelines issued by IA; if so, of the details, and how the authorities will hold the company responsible; and

(3) whether it will improve the existing notification mechanism for termination of taxi insurance policies by extending the notice period for termination of insurance from seven days currently to one month?

Reply:

President,

In consultation with the Financial Services and the Treasury Bureau (FSTB) and the Insurance Authority (IA), my reply is as follows:

(1) As regards taxi insurance, like other motor insurance businesses, insurers underwrite and determine premium level based on commercial principles, taking into account factors such as accident rates, accident severity, past claim records, etc. In recent years, there has been an increase in taxi accident rate, the business environment of the taxi insurance industry has been unsatisfactory and taxi insurance premiums have risen. The Government understands the taxi trade's concerns about insurance matters and has been maintaining close communication with the taxi and

insurance trades in this regard. The Joint Subcommittee on Issues Relating to Insurance Coverage for the Transport Sector (Subcommittee) was set up last year in the last term of Legislative Council (LegCo) to explore and discuss the problems encountered by the taxi sector in procuring insurance and to make recommendations to tackle such problems. At present, the Government is actively following up on the recommendations of the Subcommittee.

The IA notes that currently some insurers have adopted measures to enhance risk differentiation in order to facilitate more accurate underwriting decisions and setting of premium for individual policies. These measures include deducting the excess for policy holders who can provide video footage of the accident at the time of claim application and offering discount on premiums to policy holders who can provide specified information concerning the drivers (including traffic offence records of the drivers) at the time of application.

In addition, with the coordination of the FSTB and IA, the Motor Insurers' Bureau of Hong Kong has suspended the levies on motor insurance for a year with effect from October 1, 2021 (equivalent to 3 per cent of the gross premiums of policies), so as to alleviate the financial burden of the public amidst the impact of the epidemic. This measure will directly reduce the cost of motor insurance and benefit various transport sectors, including the taxi trade.

The Government has all along been highly concerned about the problems encountered by the taxi trade when taking out insurance, which are not only related to insurance matters but also to the overall taxi operation and management. The Government is reviewing and will submit a host of measures to improve the development of the taxi industry, which include exploring how to enhance taxi service quality through professional fleet management so as to provide better service to passengers. We also aim to provide passengers with better protection through introducing the taxi-driver-offence points system and increasing penalties for illegal carriage of passengers for hire or reward by motor vehicles. The Government will consult the LegCo Panel on Transport on relevant suggestions later.

According to the understanding of the Transport Department (TD), the taxi trade is exploring various measures to reduce traffic accidents, which include requiring rentee taxi drivers to provide Certificate of Previous Conviction to taxi operators, centralising the management through fleet operation and strengthening training to drivers, etc. The taxi trade is also participating in the testing of various anti-collision warning, lane keeping warning and devices that could monitor drivers' condition and driving behavior. TD will continue to follow up closely with the trade on the testing progress and effectiveness with a view to identifying suitable safety devices to be installed on taxis. TD will also continue to work with the Police to enhance drivers' awareness of driving safety through various measures including regulation, enforcement, publicity and education, etc.

(2) The IA is an independent regulatory body established under the Insurance Ordinance (Cap. 41) (IO). Pursuant to the IO, the IA performs statutory

supervisory functions, which include requiring insurers to consistently maintain sufficient solvency for the promotion of stable development of the insurance industry as well as protection of existing and potential policy holders.

Through its supervisory work and the market intelligence collected, the IA discovered that the investment activities and asset allocation of Target Insurance Company Limited might have breached the statutory requirements under the IO, and there were also suspected deficiencies in its corporate governance. The IA thus decided to exercise its power to appoint Deloitte Touche Tohmatsu on January 7, 2022 to take control of the affairs and assets of the company to ensure its normal operation and conduct a detailed assessment of its financial position. The IA will, upon analysis and examination of all the evidence, decide on the way forward, including taking action against any illegal acts or misconduct in accordance with the law.

(3) An insurance policy is a commercial contract under which both the policy holder and the insurer are entitled to terminate the policy in accordance with the relevant provisions of the contract. Prevailing third party risk insurance policies for motor vehicles (including taxis) generally require a notice period of seven days for policy termination. This arrangement aims to provide convenience to policy holders who have decided to sell off their vehicles to recover the residual premiums as early as possible. The Government and the IA welcome the views of stakeholders, and will discuss with the insurance industry on how to improve the arrangement.

Thank you, President.