



Our Ref. : L/M (33) to TAR 2/2091/78 Pt III

Tel: 2810 3525

Fax: 2801 4458

12 July 2002

Mr Andy Lau
Clerk to LegCo Panel on Economic Services
c/o Council Business Division 1
Legislative Council
3/F Citibank Tower
Central,
Hong Kong
[By fax: 2121 0420]

Dear Mr Lau,

**Extending the scope of the
Travel Industry Compensation Fund (TICF)
to cover medical evacuation
for outbound travel accidents**

At the LegCo Panel on Economic Services meeting held on 20 February 2002, the Administration agreed to refer the suggestion of extending the ambit of the TICF to cover medical evacuation for injured travellers in the event of an outbound tour accident to the two relevant bodies, the Advisory Committee on Travel Agents (ACTA) and the Travel Industry Compensation Fund Management Board (TICFMB) for consideration. I now write to report on their deliberations on this subject.

The ACTA and TICFMB are statutory bodies established under the Travel Agents Ordinance (TAO). The former advises the Chief Executive on matters relating to the administration of the TAO and such matters considered to be in the interests of travel agents and travellers. The latter is entrusted with the responsibility to hold, manage and apply the Travel Industry Compensation Fund in accordance with the TAO.

The ACTA met on 16 May 2002 to discuss the desirability of including medical evacuation into the ambit of TICF. The Committee unanimously agreed that it would not be desirable to do so on the following grounds:

(a) Basic consideration:

- (i) TICF was established primarily to offer protection to outbound travellers in the event of a default or collapse of a travel agent.
- (ii) When the TICF was extended to cover specified expenses in relation to outbound travel accidents in 1996, it was meant to provide basic assistance only. It complements, but does not replace, private insurance coverage taken out by individual travellers. Claimants who have purchased travel insurance coverage will be requested to refund any ex gratia payment made under the TICF if in the end they obtain compensation for the same coverage from the insurance company. In the TICF booklet distributed to members of the public, it is also stressed that travellers should take out their own travel insurance.

(b) Availability of travel insurance packages

Almost all travel insurance packages cover medical evacuation. These are easily obtainable from the market at very reasonable prices. There does not appear to be a strong case for the TICF to step in to provide comprehensive and free travel insurance scheme for travellers. As travel is a discretionary activity, we encourage travellers to take out insurance to protect themselves.

(c) Possibility of abuse

It will be difficult to prevent abuses as travellers or irresponsible travel agents may take advantage of this coverage to repatriate injured travelers back to Hong Kong for treatment regardless of the medical requirements of the travelers involved. Any dispute over the payment for repatriation is likely to be drawn out and difficult to resolve.

(d) Prohibitive cost of medical evacuation

According to the available cost statistics, medical evacuations are generally expensive. This level of expenditure would impose a huge financial burden which TICF could hardly afford. A cost list obtained from one of the world's largest service providers is at Annex A. But there are medical insurance to provide for this.

Annex A

(e) Discretionary authority by TICF Management Board

The TICF Management Board had agreed at its meeting held in July 2001 that discretion could be exercised for medical evacuation costs in genuine emergency cases. It is felt that this arrangement adequately caters for emergency situations. Members may wish to know that for the medical evacuation case mentioned at the LegCo Panel meeting of 20 February 2002 in connection with an accident in Guangxi during the Lunar New Year holiday, TICF has paid out \$100,000, which is the maximum amount allowed for medical expenses, to the injured person.

The ACTA had also considered other possible options including making it compulsory for travel agents to take out travel accident insurance for travellers by building the premium into the package tour price or compulsorily requiring travellers to buy their own travel insurance before they are admitted to join a package tour. These were however considered impracticable and undesirable from the business operation and fairness points of views. On the other hand, ACTA members favoured the idea of stepping up the education to encourage travellers to buy their own insurance to suit their own need.

The TICFMB also had a meeting on 24 June 2002 to discuss the same subject. The Board re-visited the issue and went through all the arguments for and against the inclusion of medical evacuation into TICF thoroughly. All members agreed that the TICF should not be expanded to cover medical evacuation cost. They also shared ACTA's view that travellers should be encouraged to buy their own travel insurance.

Members may wish to note that the Travel Industry Council of Hong Kong (TIC) has issued a circular on 29 May 2002 to their member travel agents requesting them to advise travellers to buy travel insurance when they come to enrol in the package tour and to record the necessary information if they have purchased their own travel insurance. Those who refuse to buy travel insurance will be requested to sign a statement (on an optional basis) to indicate that they have been advised to do so. Moreover, in TIC's annual publicity programme for the levy scheme, the design of both the newspaper advertisements and posters will be revised to include a message to advise travellers to take out their travel insurance. In addition, the Consumer Council also helps to publicise similar message in their publication, the "CHOICE", on 17 June 2002.

Information from TIC is that there is a significant increase of travellers purchasing their own travel insurance (from 20% to 60%) in the past few months. The trend is encouraging. We believe that through continuing education, it will become a more common practice among travellers to take out travel insurance for their own protection.

Yours sincerely,

(Wu Kam Yin)
for Commissioner for Tourism

**Costing for evacuations/repatriations
from various destinations to Hong Kong**

<u>Destination</u>	<u>Costing range (HK\$)</u>
Mainland China	20,000 to 400,000
Taiwan	30,000 to 250,000
Japan/Korea	40,000 to 400,000
Singapore/Malaysia/Thailand	30,000 to 300,000
Australia/New Zealand	60,000 to 600,000
USA/Canada	100,000 to 1,000,000
Europe	100,000 to 1,200,000
Africa	60,000 to 700,000
Mediterranean	100,000 to 1,000,000
India	40,000 to 400,000