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30 June 2003

Ms Anita Sit,
Clerk to Panel,
Legislative Council Secretariat,
Legislative Council Building,
8 Jackson Road,
Central, Hong Kong.

Dear Ms Sit,

LegCo Panel on Financial Affairs
Follow-up to Meetings on 15 and 22 March 2003

Thank you for your letter of 1 April 2003.

We note the concerns raised by some organisations from the public transport trade regarding the difficulties in obtaining motor insurance and the increase in the premiums for such insurance.

Hong Kong has an open insurance market. The Administration believes that the level of premium rates should best be set by market forces. Having said so, we are mindful of the need to help those persons who face genuine difficulties in obtaining mandatory motor insurance. Towards this end, the Commissioner of Insurance has already written to all insurers authorised to underwrite motor insurance urging them to provide insurance to the trade as far as practicable. He has also appealed to the relevant insurers to give sufficient advance notice to policyholders if they do not intend to renew the policy, to terminate or cancel the policy, or to renew the policy with significant change in premium level or terms and conditions. The arrangement aims to enable policyholders to seek alternative cover in a timely fashion.

We have further suggested that a regular forum be established between the insurance industry and the public transport trade so that both sides could maintain a dialogue on motor insurance matters and exchange their views regularly. The insurance industry has responded positively to this suggestion. We would further liaise with the parties concerned to follow up on the detailed arrangements.

Insurance is a risk assessing and pricing business. In determining the premium of motor insurance, an insurer would take into account factors such as the use and value of the motor vehicle concerned, as well as the driving experience/competencies and claim histories of the motorists. We would encourage insurers in this process to take into account the motorist's production of proof of a clean traffic conviction record and attendance of Driving Improvement Courses.

While the provision of motor insurance coverage for third parties serves to protect both the victims of traffic accidents and the motorists, a more urgent priority is to find ways to minimise accident risks. Over the past years, we have enacted a number of road safety-related legislation including the tightening of the drink driving legislation; prohibition of the use of hand-held phones and telecommunications equipment while driving; increase in the penalties for excessive speeding offences; extension of the fitting and wearing requirements of seat belts to rear seats of taxis; and introduction of the Driver Improvement Scheme. In addition, territory-wide publicity activities to promote road safety messages have been organised every year in collaboration with District Councils, driving associations and transport operators.

We hope that the above measures would help to address the concerns of the public transport trade. We will continue to pursue with the relevant bodies of the trade, the Financial Services and the Treasury Bureau, the Office of the Commissioner of Insurance and the insurers to explore if there are further measures that could be carried out.

Yours sincerely,

(Mrs. Sharon Yip)
for Secretary for the Environment,
Transport and Works

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