



Ref: Lv083/12

LC Paper No. CB(2)2084/11-12(01)

By Fax Only (2509 9055)

18 May 2012

Hon Miriam Lau Kin-ye, GBS, JP
Chairman
Joint Subcommittee on Issues Relating to
Insurance Coverage for the Transport Sector
Panel on Transport and Panel on Financial Affairs
Legislative Council

Dear Hon Lau

As per your request made at the meeting of the Joint Subcommittee held on 12 April 2012, we hereby set out our understanding of the market practice on handling the following issues for Taxi and Public Light Bus ("PLB") insurance:

Private Settlement of Traffic Accident -

According to the motor insurance policy terms and conditions, no admission, promise, or payment should be made without the prior written consent of insurance company. Hence, any private settlement arrangement between the drivers involved in the event of a traffic accident shall warrant the related claims uncovered.

Nonetheless, in accordance with the requirements under the Motor Vehicles Insurance (Third Party Risks) Ordinance, insurance companies are required to handle third party bodily injury claims arising from traffic accidents notwithstanding private settlement agreements having been made between the drivers involved. Insurer's right of recovery from the relevant policyholder is reserved.

Late Reporting of Traffic Accident -

According to the terms and conditions of motor insurance policy, policyholders should notify their relevant insurers of any occurrence which may give rise to a claim either on an immediate basis or within a required period of time after the occurrence, say 14 days. Late reported cases would not be covered. Yet, in practice, depending on individual merits of each case, insurance companies may waive such condition subject to reasonable justification.



註冊有限公司 Incorporated with limited liability
香港灣仔駱克道 353 號三湘大廈 29 樓
29/F, Sunshine Plaza, 353 Lockhart Road, Wanchai, Hong Kong
電話 Tel: 25201868 傳真 Fax: 25201967
網址 Website: <http://www.hkfi.org.hk> 電郵 E-mail: hkfi@hkfi.org.hk



Page 2

Ref: Lv083/12

18 May 2012

Hon Miriam Lau Kin-yee, GBS, JP
Chairman
Joint Subcommittee on Issues Relating to
Insurance Coverage for the Transport Sector
Panel on Transport and Panel on Financial Affairs
Legislative Council

No Claim Discount ("NCD") for Taxi and PLB -

The Market Understanding on Reinstating NCD for Taxi and PLB has been in place since November 2010. For your immediate reference, a copy is attached. The Office of Commissioner of Insurance and/or HKFI would coordinate a meeting between the insurance sector and transport sector for further clarification, if necessary.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Jimmy Poon', is written over a faint, circular stamp or watermark.

Jimmy Poon
Chairman
General Insurance Council

JP/JW/sw

Encl.

**Market Understanding on Reinstating No Claim Discount (NCD) for
Taxi and Public Light Bus**

Introduction

It is a general practice for taxi and public light bus insurers to give a progressive discount, i.e. No Claim Discount (NCD) to the renewal premium if the previous year's motor insurance policy has been claim-free. Given the nature of this discount, NCD will only be given when there is no claim made under the policy. It is important to note that NCD will not be allowed, irrespective of whether the insured/insured driver is at fault, once the insurer has been given a notice of accident in which:

- 1) An 'Own Damage' claim is being made;
- 2) 'Third Party Property Damage' is involved; or
- 3) 'Third Party Bodily Injury' is involved.

Despite the above general practice, there are occasionally disputes on the issue of reinstating NCD in respect of taxi and public light bus insurance policies. For the purpose of minimizing these disputes, this Market Understanding, as agreed by most taxi and public light bus insurers, is prepared to clarify the issue and set out the circumstances where NCD will be reinstated. To be eligible, the insured must maintain the motor insurance with the same insurer throughout the material time (i.e. from the date of accident to the date when the NCD is to be reinstated).

1) In respect of 'Own Damage'

- a) When the insurer receives a notice of accident with an 'Own Damage' claim made, the NCD will be affected accordingly.
- b) The NCD can be reinstated if the insured has eventually decided to relinquish the rights under the insurance policy in connection with the particular accident at issue by signing a declaration letter to that effect before the next insurance renewal.
- c) The taxi and public light bus insurer may also reinstate the NCD to the insured if:
 - i. the insured/insured driver is not at fault in the accident;
 - ii. the third party at fault is traceable; and
 - iii. the insurer succeeds in recovering the claim payment.

2) In respect of 'Third Party Property Damage'

- a) When the insurer receives a notice of accident involving 'Third Party Property Damage', the NCD will be affected accordingly.
- b) The NCD can be reinstated if the insured/insured driver has eventually decided to relinquish the rights under the insurance policy in connection with the particular

(as at 16 November 2010)

accident at issue by signing a declaration letter to that effect before the next insurance renewal.

- c) The taxi and public light bus insurer may also reinstate the NCD to the insured if:
 - i. the insurer is satisfied that the insured/insured driver is not at fault in the accident;
 - ii. the insurer takes over the defence of the claim; and
 - iii. the claim is concluded and the insurer needs not make any payment.

3) In respect of 'Third Party Bodily Injury'

- a) When the insurer receives a notice of accident involving 'Third Party Bodily Injury', the NCD will be affected accordingly.

- b) The NCD may be reinstated if the insured/insured driver has eventually decided to relinquish the rights under the insurance policy in connection with the particular accident at issue by signing a declaration letter to that effect before the next insurance renewal. However the insurer must first be satisfied that:
 - i. the insured/insured driver is not at fault in the accident;
 - ii. the third party bodily injury sustained and the potential claim arising therefrom are slight; and
 - iii. the insured/insured driver will defend and pay the 'Third Party Bodily Injury' claim if found liable.

Conclusion

It must be stressed that to be eligible for reinstating NCD, the insured must maintain the motor insurance with the same insurer throughout the material time. The reinstatement of NCD represents concessions granted by the insurer concerned on an ex-gratia basis and hence each case is to be handled based on individual merits; and the insurer reserves the right to refuse reinstatement if circumstances warrant.

Note:

This Market Understanding is agreed by the following insurers:

- 1) Bank of China Group Insurance Company Limited,*
- 2) China Taiping Insurance (Hong Kong) Company Limited,*
- 3) Dah Sing Insurance Company Limited,*
- 4) The Pacific Insurance Company Limited,*
- 5) Target Insurance Company Limited,*
- 6) Trinity General Insurance Company Limited, and*
- 7) Wing Lung Insurance Company Limited.*

(as at 16 November 2010)