

For information  
on 31 October 2011

**Legislative Council  
Panel on Transport and Panel on Financial Affairs**

**Joint Subcommittee on Issues Relating to  
Insurance Coverage for the Transport Sector**

**Current Difficulties Encountered  
by the Taxi and Public Light Bus Trades in  
Obtaining Insurance Coverage**

**PURPOSE**

Further to the meeting on 28 February 2011 when the Panel on Financial Affairs and Panel on Transport met with deputations to discuss the difficulties encountered by the transport sector in procuring insurance, this paper updates Members on the concerns of the taxi and public light bus (“PLB”) trades on insurance matters as reflected to the Transport Department (“TD”).

**BACKGROUND**

2. At the joint Panel meeting on 28 February, TD reported the following concerns raised by the taxi and PLB trades -

- (a) high insurance premium;
- (b) limited number of insurers;
- (c) deduction of No Claim Discount (“NCD”);
- (d) refusal of processing claim applications; and
- (e) alleged exaggeration of claims by recovery agents.

They are outstanding issues leading to an increasing insurance premium and hence operating costs for the trades. They require attention and resolution in order to provide the transport sector with appropriate insurance coverage.

## CURRENT POSITION

### (a) *High insurance premium*

3. Ever since 2009, the taxi and PLB trades have been raising concerns about the soaring taxi and PLB insurance premium. Based on the statistics released on the website of the Office of the Commissioner of Insurance (“OCI”), the average annual insurance premium per vehicle, inclusive of third party risk and comprehensive insurance, paid by the owners of taxis, red mini-buses (“RMBs”) and green mini-buses (“GMBs”) from 2006 to 2011 (Jan – Jun) are as follows -

Year	Average annual insurance premium per vehicle		
	Taxi	RMB	GMB
2006	\$8,623	\$29,012	\$17,702
2007 (change over 2006)	\$7,801 (-9.5%)	\$28,241 (-2.7%)	\$17,552 (-0.8%)
2008 (change over 2007)	\$9,252 (+18.6%)	\$26,253 (-7.0%)	\$18,129 (+3.3%)
2009 (change over 2008)	\$12,378 (+33.8%)	\$39,318 (+49.8%)	\$26,842 (+48.1%)
2010 (change over 2009)	\$17,368 (+40.3%)	\$45,908 (+16.8%)	\$35,804 (+33.4%)
2011 (Jan – Jun) (change over 2010)	\$17,161 (-1.2%)	\$45,213 (-1.5%)	\$37,346 (+4.3%)

4. According to some taxi and PLB trade leaders, the third party risk insurance premium could be as much as \$19,000 per annum for a taxi and \$50,000 per annum for a PLB, while the comprehensive insurance premium could be up to \$27,000 per annum for a taxi and \$60,000 per annum for a PLB. It is estimated that insurance costs constituted about 16%<sup>1</sup> of the average total operating expenses of the owners of the urban and the New Territories taxis, and about 6%<sup>2</sup> of the average total operating expenses of GMB<sup>3</sup> operators.

<sup>1</sup> The percentage is calculated based on the operating statistics of rentor-owners of urban and the New Territories taxis in the first half of 2011.

<sup>2</sup> The percentage is calculated based on the operating statistics of GMB operators in 2010/11.

<sup>3</sup> As operations of RMBs are not regulated by TD, similar statistics are not available for RMBs.

5. In September 2010, the taxi trade reflected that some insurance companies started to impose a further 25% increase in insurance premium by introducing an “old vehicle age loading” charge on taxis with a vehicle age of 10 years or above. According to the taxi trade representatives, the insurance companies have withheld the imposition of the loading charge since October 2010 due to the strong objections raised by taxi owners. Nevertheless, the taxi owners remain worried that the insurance companies would reinstate such loading in future.

**(b) *Limited number of insurers***

6. Similar to what was reported in February 2011, the taxi and PLB trades are of the view that the number of insurance companies willing to underwrite taxi and PLB insurance is too limited. Moreover, some insurance companies refuse to underwrite taxis and PLBs which have been involved in claims before, or charge very high premium for these vehicles upon renewal of the insurance policies.

**(c) *Deduction of NCD***

7. It remains a concern for the taxi and PLB trades that there is unfair deduction of their NCD by the insurance companies under the following circumstances -

- (a) traffic accidents in which the taxi or PLB drivers are eventually found not at fault; and
- (b) reduction in NCD of the other PLBs when one PLB of the same fleet has been involved in a traffic accident.

8. The Hong Kong Federation of Insurers issued on 16 November 2010 a “Market Understanding on Reinstating No Claim Discount for Taxi and Public Light Bus” (“the Market Understanding”) setting out the circumstances under which NCD would be reinstated. The taxi and PLB trades however consider the Market Understanding not that useful. They advise that in the past, depending on the claim records, insurance companies would offer staggered levels of NCDs on insurance premiums to taxi and PLB owners. But now insurance companies only offer a single discounted premium level for all owners who are entitled to NCDs. The trades consider that the present practice has in effect reduced the amount of NCDs previously enjoyed by the taxi and PLB owners.

*(d) Refusal of processing claim applications*

9. There are still cases where insurance companies do not process claims for accidents in which reconciliation agreements have been signed. As a result, the taxi/PLB owners might have to make compensation payment for the accidents out of their own pockets.

10. The trades consider the above arrangement unfair and have submitted their views to OCI, hoping that OCI can influence the insurance companies to stop the practice. In particular, the trades would like the insurance trade to provide guidelines on the signing of reconciliation agreements for compliance by the taxi and PLB drivers. Insurance companies can also take the guidelines as reference in processing claims.

*(e) Alleged exaggeration of claims by recovery agents*

11. The taxi and PLB trades still have complaints about fraudulent or illegal activities practised by some recovery agents. These agents exaggerate the degree of injuries sustained by their clients to substantiate a claim for a higher amount of compensation, contributing to a significant increase in insurance premium to be borne by the taxi and PLB trades.

12. The trades have reported their concerns to OCI and requested the Police to step up its enforcement actions against these recovery agents, so that taxi and PLB owners do not need to bear excessive compensation unnecessarily.

**ADVICE SOUGHT**

13. Members are invited to note the content of this paper.

**Transport and Housing Bureau  
Transport Department  
October 2011**