



Research Office
Legislative Council Secretariat

Fact Sheet

Measures to promote the adoption of safety enhancements by the taxi trade

FS05/20-21

1. Introduction

1.1 In Hong Kong, there are concerns that rising insurance premiums¹ might increase the cost of taxi operations and pose business difficulties for the taxi trade.² According to the Insurance Authority, the average premium for third party taxi insurance rose from HK\$20,636 in 2015 to HK\$26,189 in 2020, representing an increase of 27% over the period.^{3, 4} In general, insurance companies make reference to related data including past accident rate when underwriting and determining the premium levels for motor insurance. In view of this, it has been suggested that insurance premiums may be lowered if taxis install safety enhancements⁵ to reduce the occurrence of traffic accidents. However, at present, there are no compulsory requirements nor government incentive schemes for taxis to be equipped with safety enhancements in Hong Kong.⁶

¹ Under the Motor Vehicles Insurance (Third Party Risks) Ordinance (Cap. 272), vehicle owners are required to ensure the availability of valid insurance for third-party liabilities incurred in connection to the use of their vehicles. The above requirement applies to taxi owners as well.

² Among others, the rising insurance cost might reduce the income of existing taxi drivers as well as discourage newcomers from joining the industry.

³ The increase was the most pronounced in 2020 when the average third party taxi insurance premium surged by 17.9% over the previous year. Among others, the surge was to make up for the loss incurred by insurance companies in previous years amid the increased amount of claims made by the taxi trade. See Transport and Housing Bureau (2021b) and 《解決的士保險費飆升的問題》(2021).

⁴ There are some among the taxi trade who remarked that third party taxi insurance premiums had in recent years increased at a faster rate than the figures provided by the Insurance Authority. See 自由黨(2021).

⁵ Safety enhancements include, among others, driving recorders and collision alert devices.

⁶ It is not uncommon for some taxis to be installed with dash cameras to record traffic conditions, which may help clarify the related liability issues in case of a traffic accident. See Transport and Housing Bureau (2021a).

1.2 In comparison, some overseas places provide direct subsidies or discounts on insurance premiums to incentivize taxis to make wider use of safety enhancements. These places include Massachusetts of the United States, British Columbia of Canada, and New South Wales of Australia. At the request of the Joint Subcommittee on Issues Relating to Insurance Coverage for the Transport Sector, the Research Office has prepared a fact sheet on the measures adopted in the aforementioned places to promote the adoption of safety enhancements by the taxi trade.

2. Measures to promote the adoption of safety enhancements by the taxi trade in selected places

2.1 In **Massachusetts**⁷, the government provides **subsidies** for the taxi trade to adopt safety enhancements. Since 2020, the government agency MassDevelopment⁸ has been administering the Taxi & Livery Business Support Grant to equip the taxi, livery and hackney industries⁹ with tools that will help them achieve improved safety, operational and service capabilities. The Grant is financed by the state government's levy of US\$0.2 (HK\$1.6) per passenger trip on transportation network companies ("TNCs"), i.e. business platforms such as Uber and Lyft that utilize digital networks to connect riders and drivers to provide transportation. Since 2016, as part of the new regime to regulate TNCs, the Massachusetts government has directed 25% of the receipts from the per-trip levy on TNCs to support the taxi and livery industries to adopt new technologies amid the rapidly evolving market of for-hire transportation.¹⁰

⁷ As at January 2018, there were 3 150 active taxi registrations in Massachusetts. The average annual insurance premium for taxis amounted to US\$4,867 (HK\$38,152) in 2018.

⁸ MassDevelopment is the economic development and finance authority of the state of Massachusetts.

⁹ In general, a taxi or hackney carriage is any vehicle used for the conveyance of persons for hire within specified areas. On the other hand, a livery vehicle is any limousine or other vehicle which is used to carry 15 or less passengers on pre-arranged transportation.

¹⁰ See The 192nd General Court of the Commonwealth of Massachusetts (2016).

2.2 The Taxi & Livery Business Support Grant provides subsidies of up to US\$50,000 (HK\$387,850) for small taxi businesses to install safety enhancements, dispatch systems, and ride-hailing systems.¹¹ In 2020, MassDevelopment awarded a total of US\$4.5 million (HK\$34.9 million) to support 104 small businesses and two associations in the taxi and livery industries.¹² It is expected that a second round of the grant scheme will be launched in 2021.

2.3 Unlike Massachusetts, **British Columbia**¹³ incentivizes the taxi trade to adopt safety enhancements by providing **discounts on insurance premiums**. Since September 2019, the Insurance Corporation of British Columbia ("ICBC")¹⁴ has provided a 10% insurance discount for vehicles equipped with autonomous emergency braking ("AEB"). AEB is a safety feature which anticipates when a vehicle is about to have a front-end collision and automatically breaks without the driver's action. According to ICBC, AEB is statistically shown to be effective in preventing traffic accidents. The discount is applicable to both commercial fleet and commercial non-fleet insurance policies¹⁵ for taxis in British Columbia.

2.4 In contrast with Massachusetts and British Columbia, the **New South Wales**¹⁶ government has enacted legislation requiring taxis to be equipped with **safety devices**.¹⁷ This includes vehicle tracking which makes use of global positioning system ("GPS") to monitor the information pertaining to the position, speed and direction of travel of individual taxis. The data collected are received by the monitoring facilities put in place by taxi operators.

¹¹ The Massachusetts government also provides funding of up to US\$1 million (HK\$7.8 million) for industry associations to advance aggregated improvements that will have a collective impact on the trade. Thus far, funding has been provided to non-profit trade associations that represent the overall interests of the taxi and livery trades in Massachusetts.

¹² See MassDevelopment (2021b).

¹³ As at 20 November 2020, there were 4 316 taxis operating in British Columbia.

¹⁴ ICBC is a Crown corporation that has worked with the British Columbia government since 1973 to ensure access to auto insurance products and services at the lowest rate possible. Among others, it provides auto insurance for taxis and other commercial fleets.

¹⁵ Commercial fleet insurance is applicable to a fleet of five or more vehicles which are insured for commercial or business use. If a taxi operator has less than five vehicles, each vehicle is insured individually (i.e. non-fleet) and not as a fleet. If a taxi operator has between 5 to 19 vehicles they can choose between non-fleet or fleet insurance. For a taxi operator with 20 or more vehicles, commercial fleet insurance is mandatory.

¹⁶ As at March 2021, there were 6 711 taxi licences in New South Wales.

¹⁷ The related requirements are set out in Division 3 of the Point to Point Transport (Taxi and Hire Vehicles) Regulation 2017.

2.5 The availability of granular driving data has enabled the State Insurance Regulatory Authority ("SIRA")¹⁸ of New South Wales to introduce more efficient third party insurance pricing to reward taxis with lower risk profiles.¹⁹ Since April 2018, taxis may opt for usage-based pricing where the premium paid is adjusted according to the actual distance travelled.²⁰ Under the new pricing scheme, taxis that travel less than the prescribed annual distance²¹ can enjoy lower insurance premiums, whereas those that travel more than the prescribed distance may cap their insurance amount by choosing the fixed premium option instead.

2.6 According to SIRA, introduction of usage-based pricing has lowered the average insurance premium for taxis by some 50%. The annual average insurance premium for taxis in New South Wales had fallen from A\$7,800 (HK\$46,644) in 2017 to A\$3,859 (HK\$20,684) in 2020.²² At present, SIRA is exploring further means of innovative pricing by taking into account other safety factors such as number of trips, fare-paid distance travelled, and information about safer driving.²³

2.7 A summary table is given in **Appendix** to compare salient features of the promotion measures adopted in Massachusetts, British Columbia and New South Wales.

¹⁸ SIRA regulates the statutory insurance schemes in New South Wales, including but not limited to the compulsory third party ("CTP") insurance scheme for all vehicles.

¹⁹ The change in CTP insurance pricing was introduced in 2017 as part of the new regulatory regime for point-to-point transport to regulate taxis, hire cars and rideshare in New South Wales.

²⁰ The introduction of distance-related pricing reflects the fact that road safety diminishes, and the likelihood of road accidents increases, with distance driven.

²¹ For taxis in the metro area, the prescribed annual distance is 107 000 kilometres.

²² See State Insurance Regulatory Authority (2021b) and Greenslips (2020).

²³ See State Insurance Regulatory Authority (2021a).

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	Massachusetts (The United States)	British Columbia (Canada)	New South Wales (Australia)
Number of taxis	<ul style="list-style-type: none"> 3 150 (as at January 2018). 	<ul style="list-style-type: none"> 4 316 (as at 20 November 2020). 	<ul style="list-style-type: none"> 6 711 (as at March 2021).
Average annual taxi insurance premium	<ul style="list-style-type: none"> US\$4,867 (HK\$38,152) in 2018. 	<ul style="list-style-type: none"> No information available. 	<ul style="list-style-type: none"> The average premium fell from A\$7,800 (HK\$46,644) in 2017 to A\$3,859 (HK\$20,684) in 2020.
Scheme	<ul style="list-style-type: none"> Taxi & Livery Business Support Grant. 	<ul style="list-style-type: none"> Insurance discount for safety device. 	<ul style="list-style-type: none"> Usage-based¹ third party insurance.
Year introduced	<ul style="list-style-type: none"> 2020. 	<ul style="list-style-type: none"> 2019. 	<ul style="list-style-type: none"> 2018.
Responsible authority	<ul style="list-style-type: none"> MassDevelopment. 	<ul style="list-style-type: none"> Insurance Corporation of British Columbia ("ICBC"). 	<ul style="list-style-type: none"> State Insurance Regulatory Authority ("SIRA").
Purpose	<ul style="list-style-type: none"> To help the taxi industry enhance their safety, operational and service capabilities. 	<ul style="list-style-type: none"> To enhance road safety and lower insurance costs for vehicles installed with AEB. 	<ul style="list-style-type: none"> To ensure affordable, sustainable and efficient provision of third party insurance policies.
Type of support	<ul style="list-style-type: none"> Subsidy provided by the government for taxis to install safety devices. The subsidy scheme is financed by the government levy of US\$0.2 (HK\$1.6) per passenger trip by transportation network companies. 	<ul style="list-style-type: none"> Discount on insurance policy premised on the improved safety outcome for vehicles with autonomous emergency braking ("AEB"). 	<ul style="list-style-type: none"> Flexible insurance pricing using vehicle tracking data to determine insurance premiums based on actual distance travelled.
Incentive provided	<ul style="list-style-type: none"> A government subsidy of US\$50,000 (HK\$387,850) for small taxi businesses to install safety enhancements and other systems; and A grant of US\$1 million (HK\$7.8 million) for industry associations to make aggregate improvements to the taxi trade. 	<ul style="list-style-type: none"> 10% discount on the insurance coverages for vehicles with AEB, applicable to both commercial fleet and commercial non-fleet policies for taxis. 	<ul style="list-style-type: none"> Usage-based third party insurance to provide a more affordable option for taxis.
Other relevant information	<ul style="list-style-type: none"> US\$4.5 million (HK\$34.9 million) in funding was provided to 104 small businesses and two industry associations. 	<ul style="list-style-type: none"> According to ICBC, AEB is statistically shown to be effective in preventing traffic accidents. 	<ul style="list-style-type: none"> According to SIRA, taxi premiums have been reduced by some 50% since the usage-based scheme was introduced.

¹ New South Wales has a statutory requirement for taxis to install safety devices such as vehicle tracking to provide data on vehicle usage and driver behaviour.

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