

**立法會**  
**Legislative Council**

LC Paper No. CB(4)465/20-21(01)

Ref. : CB4/PS/2/20

**Panel on Transport and Panel on Financial Affairs**

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

**Background brief on issues relating to insurance coverage for  
the transport sector**

**Purpose**

This paper provides background information and summarizes deliberations by the relevant committees of the Legislative Council ("LegCo") on issues relating to insurance coverage for the transport sector.

**Background**

2. According to section 4 of the Motor Vehicles Insurance (Third Party Risks) Ordinance (Cap. 272), it shall not be lawful for any person to use, or to permit any other person to use, a motor vehicle on a road unless the vehicle concerned is covered by valid third party risks insurance. Offenders shall be liable to a fine of \$10,000 and to imprisonment for 12 months on conviction.

3. Since 2009, the taxi and public light bus ("PLB") trades had raised concerns about the soaring taxi and PLB insurance premium. The trade operators complained that exorbitant claims caused by rampant insurance frauds were the major causes for underwriting losses incurred by the insurance industry. They said that there were examples of staged incidents, i.e. injury caused deliberately by third party and material misinterpretation or exaggeration of injury. They considered that it was unfair for those innocent taxi/PLB trade operators to bear the consequences.

4. According to the Administration, pricing of the insurance business is based on risk assessment. Insurance companies will consider the risks assumed, mainly the accident rate and quantum of claims, in determining the premium levels. Premium rates therefore reflect the level of risks assumed by insurers, while the underwriting results are largely impacted by the frequency and severity of claims. In addition, Hong Kong has an open insurance market. There is no entry barrier for insurance companies to enter the motor insurance market provided that they are able to meet the prudential requirements set out in the Insurance Companies Ordinance (Cap. 41) ("ICO"). There are fewer insurers in the market engaging in taxi and PLB insurance business primarily because it involves more specialized underwriting knowledge and experience, and the industry has experienced continuous underwriting losses in recent years.

5. According to the Administration, the level of premiums to be charged by insurers should best be left to market forces. In fact, section 26(3A) of the ICO has expressly stipulated that the Insurance Authority should not intervene into the premium rates or terms and conditions of insurance policies set by insurers.

6. The Administration further advised that the increase in taxi and PLB premium rates (mainly in 2009 and 2010) was mainly caused by the heavy underwriting losses and the need to restore premium rates to a more reasonable sustainable level. The insolvency of a taxi insurer in early 2009 highlighted the fact that persistent unreasonable level of premiums that was not adequate to meet claims was not sustainable and could lead to insurer insolvency.

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

7. In view of the concerns on insurance matters raised by the taxi and public light bus ("PLB") trades, a joint meeting of the Panel on Transport and Panel on Financial Affairs ("the Panels") was held on 28 February 2011 to discuss with deputations and the Administration issues relating to the difficulties encountered by the transport sector in obtaining insurance coverage. In order to follow up the relevant issues in a comprehensive and focused manner, members of the Panels agreed at another joint meeting on 18 March 2011 that a joint subcommittee should be formed under the Panels to study the matter.

8. The House Committee approved the activation of the Joint

Subcommittee on Issues Relating to Insurance Coverage for the Transport Sector ("the Joint Subcommittee") in July 2011. Between October 2011 and May 2012, the Joint Subcommittee held 9 meetings with the Administration to discuss, inter alia, the following issues:

- (a) concerns of the taxi and PLB trades over high insurance premium;
- (b) limited number of insurers willing to underwrite taxi and PLB insurance;
- (c) problems of insurance fraud and champerty;
- (d) making of false statements in legal proceedings of civil claims arising from traffic accidents;
- (e) deduction of no claim discount;
- (f) private settlement and late reporting of traffic accident; and
- (g) insurance coverage for cross-boundary transportation operators.

9. Having studied the various issues relating to the difficulties encountered by the transport trade in obtaining insurance coverage and the possible measures to tackle the problems, the Joint Subcommittee had put forward a number of recommendations in its report to the Panels (LC Paper No. CB(2)2446/11-12).<sup>1</sup> A summary of the recommendations of the Joint Subcommittee is set out in **Appendix I**.

### **Latest development**

10. At the meeting of the Panel on Transport held on 20 November 2020, members agreed to appoint a subcommittee to study and follow up on the difficulties encountered by the transport sector in procuring insurance and related issues ("the Subcommittee"). In view of the nature of the issues to be discussed, the Panel on Transport further decided at its meeting on 5 January 2021 that the Panel on Financial Affairs should be invited to join the Subcommittee to study the problems involved and to recommend solutions. Members of the Panel on Financial Affairs were consulted on the proposal by way of circulation on 8 January 2021 and the

---

<sup>1</sup> The report of the Joint Subcommittee is hyperlinked in Appendix III.

Panel expressed support to it. The House Committee endorsed at its meeting on 29 January 2021 the proposal of setting up a joint subcommittee under the two Panels to study issues relating to insurance coverage for the transport sector.

### **Motion debate at Council meeting and Council questions**

11. At the Council meeting of 14 December 2011, a debate was held on a motion on "Alleviating the difficulties of small and medium enterprises in taking out insurance". The motion urged that, as many retail consumption and business services industries in Hong Kong, when taking out employees' compensation insurance and motor vehicle third party risk insurance as required by the law, often encountered significant premium increases or even refusal of underwriting insurance policy by insurance companies for various reasons, the Administration should proactively discuss with the insurance sector to make efforts to reduce the costs and difficulties of various industries in taking out the relevant insurance, so as to avoid affecting their business operation and effective protection for employees. The wording of the motion passed is in **Appendix II**. Relevant hyperlinks to the motion and the Administration's response are in **Appendix III**.

12. At the Council meetings on 20 May 2009, 27 January 2010, 2 June 2010, 22 October 2014, 12 July 2017, 26 February 2020 and 10 June 2020, Hon Miriam LAU, Hon CHEUNG Hok-ming, Hon Frankie YICK and Hon CHAN Kin-por raised questions about, inter alia, commercial vehicle insurance provided by insurance companies, regulating the activities of recovery agents, third party risks insurance for taxis, fraudulent insurance claims involving loss adjusters, establishing an insurance claims database to assist in combating fraudulent insurance claims and insurance premiums for taxis.

### **Relevant papers**

13. A list of relevant papers is in **Appendix III**.

### **Recommendations made by the Joint Subcommittee on Issues Relating to Insurance Coverage for the Transport Sector formed under the Panel on Transport and Panel on Financial Affairs of the Fourth Legislative Council**

The Joint Subcommittee on Issues Relating to Insurance Coverage for the Transport Sector has made the following recommendations –

1. the Administration should study the feasibility of introducing Independent Assessment Service in Hong Kong with a view to addressing the issue of prolong recovery of injuries and providing support to the injured to return to work;
2. to tackle the problem of exaggeration of injuries and abuse in the issuance of sick leave certificates, the Administration should, in collaboration with the Hospital Authority or any other relevant authority, study the feasibility of:
  - (i) establishing an independent medical review system jointly with the insurance sector;
  - (ii) implementing a central reporting mechanism to receive complaints relating to exaggeration of injuries from insurance companies; and
  - (iii) introducing "a fit note system" as a replacement of the conventional sickness certificate making reference to the UK experience;
3. the Administration should study the feasibility of issuing a copy of Notice of Intended Prosecution to or other possible ways to notify the taxi or PLB owner in the event that the person driving his vehicle is alleged to have committed a traffic offence;
4. the Office of the Commissioner of Insurance ("OCI") should, in collaboration with the Hong Kong Federation of Insurers ("HKFI")/taxi and PLB underwriters, study the feasible options to address the issue of private settlement agreement signed between the driver involved in the traffic accident where there is only damage to the vehicle and no third party involved, on the premise that the insured taxi or PLB owner reports to his insurer the occurrence of the accident; and
5. to address the concern of the cross-boundary transport trade, OCI should, in collaboration with HKFI, study the feasibility of providing one insurance policy covering both Hong Kong and the Mainland.

(Translation)

**Motion on  
"Alleviating the difficulties of small and medium enterprises  
in taking out insurance"  
moved by Hon Tommy CHEUNG  
at the Council meeting of 14 December 2011**

**Motion as amended by Hon CHAN Kin-por and Hon WONG Kwok-hing**

That, as recently, many retail consumption and business services industries in Hong Kong, when taking out employees' compensation insurance and motor vehicle third party risk insurance as required by the law, often encountered significant premium increases or even refusal of underwriting insurance policy by insurance companies for various reasons, causing the employers of many small and medium enterprises great anxiety and significant increases in costs, this Council urges the Government to proactively discuss with the insurance sector to make efforts to reduce the costs and difficulties of various industries in taking out the relevant insurance, so as to avoid affecting their business operation and effective protection for employees; the relevant measures should include:

- (a) to enhance the Employees' Compensation Insurance Residual Scheme by, in addition to the existing list of 19 high-risk occupations, including those occupations such as retail consumption and business services, which are of lower-risk but have practical difficulties in taking out employees' compensation insurance, and to set relevant premium benchmark rates to serve as market reference indicators, so as to provide support as the last resort to enterprises in need of insurance coverage;
- (b) to require the police to rigorously combat illegal acts such as champerty and conspiracy to make fraudulent insurance claims, etc., and to establish a reporting channel for the public and insurance companies to report cases of suspected fraudulent insurance claims;
- (c) to request the Hospital Authority to combat attempts to make fraudulent insurance claims through obtaining prolonged sick leave certificates by exaggerating clinical conditions and degrees of injuries;
- (d) to request the Department of Justice to initiate prosecution against civil contempt of court, so as to deter misstatement with the intent of making fraudulent insurance claims; and

- (e) to increase the transparency of matters such as pricing, operation, risk assessment and complaint handling, etc. of the insurer sector, and strengthen the efforts of the Government, various industries, the media and the public in monitoring insurance companies, so as to prevent law-abiding employers from bearing unnecessary burden; and
- (f) when enhancing the Employees' Compensation Insurance Residual Scheme, to include recycling industry as well.

## List of relevant papers

Meeting date / Issue date	Committee	Minutes/Paper	LC Paper No.
28.2.2011	Panel on Transport and Panel on Financial Affairs	Administration's paper on insurance coverage for taxis and public light buses	CB(1)1377/10-11(01) <a href="https://www.legco.gov.hk/yr10-11/english/panels/tp/papers/fatp0228cb1-1377-1-e.pdf">https://www.legco.gov.hk/yr10-11/english/panels/tp/papers/fatp0228cb1-1377-1-e.pdf</a>
		Administration's paper on difficulties encountered by the transport sector in obtaining insurance coverage	CB(1)1377/10-11(02) <a href="https://www.legco.gov.hk/yr10-11/english/panels/tp/papers/fatp0228cb1-1377-2-e.pdf">https://www.legco.gov.hk/yr10-11/english/panels/tp/papers/fatp0228cb1-1377-2-e.pdf</a>
		Minutes of meeting	CB(1)2085/10-11 <a href="https://www.legco.gov.hk/yr10-11/english/panels/tp/minutes/fatp20110228.pdf">https://www.legco.gov.hk/yr10-11/english/panels/tp/minutes/fatp20110228.pdf</a>
18.3.2011	Panel on Transport and Panel on Financial Affairs	Minutes of meeting	CB(1)1699/10-11 <a href="https://www.legco.gov.hk/yr10-11/english/panels/tp/minutes/fatp20110318.pdf">https://www.legco.gov.hk/yr10-11/english/panels/tp/minutes/fatp20110318.pdf</a>
22.6.2012	Joint Subcommittee on Issues Relating to Insurance Coverage for the Transport Sector	Report of the Joint Subcommittee	CB(2)2446/11-12 <a href="https://www.legco.gov.hk/yr11-12/english/panels/icts/reports/ictscb2-2446-e.pdf">https://www.legco.gov.hk/yr11-12/english/panels/icts/reports/ictscb2-2446-e.pdf</a>
20.5.2009	Council meeting	Hon Miriam LAU raised a question on commercial vehicle insurance provided by insurance companies	<a href="https://www.info.gov.hk/gia/general/200905/20/P200905200151.htm">https://www.info.gov.hk/gia/general/200905/20/P200905200151.htm</a>
27.1.2010		Hon Miriam LAU raised a question on regulating the activities of recovery agents	<a href="https://www.info.gov.hk/gia/general/201001/27/P201001260254.htm">https://www.info.gov.hk/gia/general/201001/27/P201001260254.htm</a>



Meeting date / Issue date	Committee	Minutes/Paper	LC Paper No.
2.6.2010	Council meeting	Hon CHEUNG Hok-ming raised a question on third party risks insurance for taxis	<a href="https://www.info.gov.hk/gia/general/201006/02/P201006020194.htm">https://www.info.gov.hk/gia/general/201006/02/P201006020194.htm</a>
14.12.2011		Hansard – Motion debate on "Alleviating the difficulties of small and medium enterprises in taking out insurance"	<a href="https://www.legco.gov.hk/yr11-12/english/counmtg/hansard/cm1215-translate-e.pdf">https://www.legco.gov.hk/yr11-12/english/counmtg/hansard/cm1215-translate-e.pdf</a> (p. 3807 – p. 3869)
		Progress report on the motion	<a href="https://www.legco.gov.hk/yr11-12/english/counmtg/motion/cm1214-m7-prpt-e.pdf">https://www.legco.gov.hk/yr11-12/english/counmtg/motion/cm1214-m7-prpt-e.pdf</a>
22.10.2014		Hon Frankie YICK Chi-ming raised a question on fraudulent insurance claims involving loss adjusters	<a href="https://www.info.gov.hk/gia/general/201410/22/P201410220500.htm">https://www.info.gov.hk/gia/general/201410/22/P201410220500.htm</a>
12.7.2017		Hon CHAN Kin-por raised a question on establishing an insurance claims database to assist in combating fraudulent insurance claims	<a href="https://www.info.gov.hk/gia/general/201707/12/P2017071200485.htm">https://www.info.gov.hk/gia/general/201707/12/P2017071200485.htm</a>
26.2.2020		Hon Frankie YICK Chi-ming raised a question on insurance premiums for taxis	<a href="https://www.info.gov.hk/gia/general/202002/26/P2020022600360.htm">https://www.info.gov.hk/gia/general/202002/26/P2020022600360.htm</a>
10.6.2020		Hon Frankie YICK Chi-ming raised a question on taking out insurance for taxis	<a href="https://www.info.gov.hk/gia/general/202006/10/P2020061000439.htm">https://www.info.gov.hk/gia/general/202006/10/P2020061000439.htm</a>