

**For discussion
on 6 September 2021**

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

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

**Progress of the Follow-up Work to Address the Problems Encountered by the
Transport Sector in Procuring Insurance**

Purpose

This paper briefs Members on the progress of follow-up work to address the problems encountered by the transport sector in procuring insurance.

Progress of follow-up work and way forward

2. The Joint Subcommittee on Issues Relating to Insurance Coverage for the Transport Sector (“the Subcommittee”) held meetings on 7 April, 4 May and 4 June this year to discuss the situation of procurement of motor insurance by the transport sector, problem of insurance fraud and champerty and measures to reduce traffic accidents involving taxis and public light buses respectively. During the course of meetings, Members of the Subcommittee, the Hong Kong Federation of Insurers (“HKFI”) and taxi trade have provided a number of views and suggestions on how to address the problems encountered by the trade when procuring taxi insurance. Further to the Government’s earlier response to the views and suggestions, the latest progress of follow-up work and way forward are set out below.

(a) Suspension of motor insurance levies

3. Having regard to the current net asset value of the First Fund and the Insolvency Fund, some Members had earlier suggested exploring the feasibility of suspending the motor insurance levies or reducing the levy rate. In this regard, the Insurance Authority (“IA”) liaised with the Motor Insurers’ Bureau (“MIB”) and

reflected Members' views. After considering actuarial advice and consulting the Government and the IA, the MIB announced suspension of the levies on motor insurance for a year with effect from 1 October 2021 (previously levies amounted to 3% of the gross premium of motor insurance policies), so as to alleviate the financial burden of the public amidst the impact of COVID-19. This measure will directly reduce the cost of motor insurance and benefit various transport sectors, including the taxi and public light bus trades.

(b) Combat insurance fraud and champerty

4. The Police has all along been conducting professional investigations into insurance fraud, including the establishment of the Insurance Fraud Focus Group ("Focus Group") under the Commercial Crime Bureau to monitor emerging trends of organised fraud cases, and conduct targeted investigation and analysis. The Police will also continue to keep track of the trend of champerty cases and investigate relevant crimes.

5. To foster exchange with the industry, the Focus Group met with HKFI in June 2021 to share latest information. Also, the Focus Group collaborated with HKFI in July 2021 to hold an experience sharing session on collection of evidence and investigation on suspected insurance fraud cases so as to provide the insurance industry with a better understanding of the prevention, investigation and reporting of such cases. The Police will continue to maintain close liaison with various stakeholders in the insurance industry on insurance fraud cases and conduct regular sharing sessions to exchange experience with the industry.

6. In addition, the IA collaborated with HKFI in organising a meeting in July 2021 to provide authorised motor insurers with updates about the deliberation of the Subcommittee as well as to encourage their participation in the Insurance Fraud Prevention Claims Database ("IFPCD") established by the IA. The IFPCD identifies suspected cases on claims fraud through artificial intelligence and data analysis. Taking into account the three new motor insurers who have recently agreed to join the IFPCD, the participating companies account for around 80% of the motor insurance market coverage. The IA will continue to work with HKFI to step up promotion efforts with a view to increasing participation rate and data flow as well as enhancing the effectiveness of the IFPCD.

(c) Review of the Traffic Accident Victims Assistance Scheme

7. To further guard against abuse and fraud under the Traffic Accident Victims Assistance (“TAVA”) Scheme, the Social Welfare Department (“SWD”) has clearly stated the legal consequences of fraudulent act on the application form and website. SWD will also include reminders on the applicant’s declaration form as well as the certificate issued by SWD to the self-employed professional driver applicant for referring to the car rental agent and the vehicle owner for certifying the applicant’s rental status, so as to strengthen the deterrent effect. In addition, the staff of TAVA section have stepped up efforts to vet the income statements and information of all applicants, including requiring self-employed professional drivers to provide all relevant documentary proof relating to car rental agents and car owners concerned. SWD will further discuss with the insurance industry on how to improve the correspondence templates with the insurers.

8. Moreover, SWD has installed a closed-circuit television system at the office of TAVA Section and put up notices against touting activities. SWD will continue to enhance the publicity on application channels other than approaching the TAVA Section in person, e.g. submitting applications through email, online form, fax or post, so as to reduce the number of applicants gathering outside the office. SWD will continue to monitor the implementation of the TAVA Scheme and maintain close collaboration with the Police, the Hospital Authority and the Department of Health to combat fraud cases. Any person who has information on attempts to obtain assistance payment by deception can report to the SWD or the Police.

(d) Encourage the trade to adopt technology to reduce traffic accidents

9. The Government is open-minded about innovation and technologies that can effectively improve road and driving safety, and welcomes the introduction of advanced driver assistance systems by vehicle manufacturers for various classes of vehicles. According to TD’s understanding, the taxi trade is actively participating in the testing of various Anti-collision Warning, Lane Keeping Warning and devices that could monitor drivers’ condition/driving behavior. TD will continue to follow up closely with the trade on the testing progress and effectiveness with a view to identifying suitable safety devices to be installed on taxis. If car owners are interested in installing such systems, TD will examine and approve the vehicles in accordance with the legislation to ensure road safety.

10. In addition, the Government has launched the \$1 billion Smart Traffic Fund (“STF”) to provide funding support to local organisations or enterprises for conducting research and application of innovation and technology related to vehicles, the scope of which also covers projects to improve driving safety. The STF has started to accept applications since 31 March 2021. If taxi trade-related enterprises and other organisations are interested in conducting research and application of innovation and technology to improve driving safety of taxis, they can consider applying for funding under the STF.

11. The IA understands that the insurance industry considers that measures such as encouraging vehicle owners to install dash cameras on vehicles can reduce the traffic accident rate at source and hence claims. Besides, installing dash cameras and providing footage of the relevant traffic accidents can help clarify the related liability issues. At present, insurers have devised different measures to incentivise the taxi trade to install dash cameras and provide footage when submitting claims to insurers. For instance, an insurer is partnering with a service provider to sponsor taxi owners to install dash cameras. In addition, if the taxi trade can provide footage of the relevant accident when submitting claims, some insurers will offer reduction in the amount of excess to be borne by the policy holders.

(e) Encourage the trade to enhance taxi driver and fleet management

12. Generally speaking, policy holders with good claims history will enjoy a higher “no claim discount” when taking out motor insurance policies. According to IA’s understanding, the insurance industry considers that renting out taxis to drivers with good driving record can help the insurers to differentiate risk at source. However, since at present, taxi owners generally do not provide insurers with information on individual drivers’ driving experience and driving offence records, etc., the insurers can only differentiate risk of vehicles based on their past claim records or on a fleet basis. Therefore, we encourage the taxi trade to provide insurers with information in relation to the fleet and drivers so as to facilitate underwriting on a “named driver” basis. This could help the insurers to collect the requisite information to differentiate risk. The IA understands that some insurers are underwriting on a “named driver” basis and offering premium discounts to policy holders who can provide the requisite information (including traffic offence records) of the taxi driver.

13. According to TD’s understanding, the taxi trade has initially agreed to ask rentee-drivers to provide “Certificate of Previous Conviction” to taxi operators so

that the latter will be aware of the past conviction records for driving offences of the rentee-drivers and be able to avoid renting out vehicles to taxi drivers with bad driving records, thereby reducing the risk of traffic accidents. The taxi trade will continue to discuss the detailed arrangements. TD will maintain communication with the trade and relevant government departments to explore appropriate measures to facilitate application for the “Certificate of Previous Conviction” by the taxi trade, such as exploring the feasibility of streamlining the application procedures. The taxi trade hopes that the insurers can make reference to the “Certificate of Previous Conviction” of the taxi drivers submitted by the trade when processing insurance applications from taxi operators, so as to determine the appropriate amount of premium.

14. The Government has all along endorsed the general direction of centralising the management of taxi service quality through professional fleet management. We understand that currently some taxi operators have been running taxi services as fleets and providing various channels for passengers to make suggestions and lodge complaints on taxi services so as to monitor drivers’ performance. In addition, some taxi operators have enhanced pre-service training for drivers, and will issue warning or provide training to in-service drivers who have repeatedly been involved in improper driving behavior or bad service attitude. TD will continue to encourage more members of the taxi trade to adopt fleet management and leverage on innovation and technology to enhance the operational efficiency and quality of management so as to enhance taxi service quality. TD will also continue to collaborate with the Committee on Taxi Service Quality (“CTSQ”) to organise the Taxi Service Commendation Scheme to recognise outstanding taxi service management teams. The Taxi Service Commendation Scheme 2021 is now open for nominations from 15 July to 30 September 2021.

(f) Encourage the trade to establish a database of traffic accidents and claims

15. TD welcomes and encourages the taxi trade to establish a database of taxi-related traffic accidents and claims on their own initiative. Through the provision and collation of information on taxi drivers, past traffic accidents and claims records by the trade, taxi operators can identify drivers with poor driving records from the database, thereby reducing the risk of traffic accidents. Taxi operators can also provide insurers with the records of individual drivers involved in traffic accidents or claims when taking out insurance policies, so that the insurers can more accurately assess the risk and determine the appropriate amount of premium. Since the database

may store personal data of individual drivers, the trade must be cautious about the collection, storage, access and transfer of personal data to a third party to ensure that the use of data complies with the Personal Data (Privacy) Ordinance (Cap. 486).

(g) Improve driving safety of taxi drivers

16. The Government attaches great importance to the driving safety of taxi drivers and will continue to enhance drivers' awareness of driving safety through various measures, which include stepping up enforcement actions such as combatting inattentive driving and dangerous driving with a view to improving the driving safety of drivers (including taxi drivers); disseminating promotional videos and leaflets to remind drivers to stay attentive, avoid using smart phones or devices while driving and observe speed limit, etc.; organising seminars and talks on safe driving to remind taxi drivers to observe traffic regulations and pay attention to road safety. Starting from October 2020, the Government has also required all applicants for full taxi driving licences to attend and complete a pre-service taxi course and obtain a course certificate, in addition to passing the relevant written test, before they can be issued with a full driving licence.

17. As regards the health condition of taxi drivers, under the Road Traffic (Driving Licences) Regulations (Cap 374B) ("the Regulations"), all driving licence holders, including taxi drivers, are responsible for ensuring that they are physically fit to drive before they are allowed to drive a vehicle. Also, unlike the normal driving licences that are valid for ten years, the driving licence of a person aged over 60 but under 70 is generally valid for three years or until the day before that person reaches the age of 70 (whichever is longer). The Regulations also stipulate that when a person who has reached the age of 70 applies for a full driving licence of any class of vehicle, that person must provide a medical certificate to prove that he/she is medically fit to drive or control that particular class of vehicle.

18. In addition, TD organises the Safe Driving and Health Campaign for commercial vehicle drivers (including taxi drivers) each year to provide free health tests for participating drivers. To encourage the public transport trade to receive the COVID-19 vaccination, TD has also provided a one-off medical check-up service for taxi and PLB drivers this year. With the active participation of the trade, so far 3 600 taxi and PLB drivers have completed the medical check-ups and about 60% of them have booked the vaccination service/received vaccination. TD has also been urging taxi operators to ensure a good balance between work and rest for their drivers

to avoid fatigue, and formulated guidelines on working hours for taxi drivers in September 2019 for the trade's reference.

(h) Attract drivers to join the taxi industry

19. To alleviate the current shortage of taxi drivers and facilitate the sustainable development of the trade, TD has enhanced the taxi written test with effect from 14 February 2020, including adjusting the content, number of questions and passing criteria on the premise of ensuring the rigour of taxi written test and robustness of the test system, so as to attract more new blood to join the taxi trade. Also, the Government has relaxed the requirement for applying a commercial vehicle (including taxi) driving licence since 1 October 2020, from the original requirement that the applicant must have held a driving licence of private car or light goods vehicle for at least three years to at least one year.

20. Regarding taxi fare adjustment, the Government has been closely monitoring the operating environment of the taxi trade and maintaining close communication with the taxi trade. In view of the impact of public order events in 2019 and the COVID-19 epidemic on the economy, the Government is reviewing the fare increase applications afresh and collecting latest data. We will carefully consider the financial viability of taxi operation, taxi operating costs, reasonable fare differential between taxis and other public transport modes, overall supply and demand situation, service quality as well as public acceptability of the magnitude of fare increases. The Government will submit the recommendation on fare increases to the Executive Council and Legislative Council for review as soon as practicable after the completion of relevant assessment.

(i) Implement taxi driver responsibility system

21. Since the last meeting of the Subcommittee, TD has listened to the views of the trade again in recent months on the proposal of the implementation of taxi driver responsibility system. However, as reflected in the written submissions submitted by various taxi associations to the Subcommittee earlier, views on the suggestion remain diverse among the taxi trade. While some support the suggestion as they believe that the drivers could then be held responsible for their driving behavior, some others oppose to the suggestion as they opine that it is unfair to only target taxi drivers and the suggestion will greatly discourage newcomers from joining the taxi

industry and may even cause the part-time elderly drivers to leave the trade, which in turn will aggravate the problem of manpower shortage in the taxi trade.

22. In view that the suggestion will bring significant impact and changes to the taxi industry and involve complicated issues including the impact on manpower of the trade (including part-time and replacement drivers), insurance premium levels as well as impact on the procedures, time and cost involved in processing the insurance claims, and that existing legislations in other jurisdictions generally require owners (but not drivers) of commercial passenger vehicles to take out third party risks insurance, the Government, after careful consideration and balancing the views of various stakeholders, considers it not appropriate to implement the taxi driver responsibility system at this time.

23. To conclude, we consider that a multi-pronged strategy should be adopted, including encouraging the taxi trade to enhance driver and fleet management and to establish a database of traffic accidents and claims, etc., in order to enable taxi operators to identify drivers with poor driving records more effectively and also encourage taxi drivers to pay attention to driving safety and maintain a good driving record, thereby reducing the traffic accidents at source. We will continue to work with the taxi trade through the CTSQ to improve the quality and safety of taxi services. We will also keep in view the latest development of relevant requirements for taking out motor insurance in other jurisdictions for reference.

Advice Sought

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

**Transport and Housing Bureau
Financial Services and the Treasury Bureau
Transport Department
Hong Kong Police Force
Social Welfare Department
Insurance Authority
August 2021**