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

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

**Purpose**

This paper reports on the deliberations of the Joint Subcommittee on Issues Relating to Insurance Coverage for the Transport Sector ("the Joint Subcommittee").

**The Joint Subcommittee**

2. At the meeting of the Panel on Transport ("TP Panel") held on 20 November 2020, members agreed to appoint a subcommittee to study and follow up on the problems encountered by the transport sector in procuring insurance. In view of the nature of the issues to be discussed, TP Panel decided at its meeting on 5 January 2021 that the Panel on Financial Affairs ("FA Panel") should be invited to join the subcommittee to jointly study the problems involved and to recommend solutions. Members of FA Panel were consulted on the proposal by way of circulation on 8 January 2021 and they expressed support to it. The House Committee endorsed at its meeting on 29 January 2021 the proposal of setting up a joint subcommittee under TP Panel and FA Panel to study issues relating to insurance coverage for the transport sector. The terms of reference and membership of the Joint Subcommittee are set out in **Appendices I and II** respectively.

3. Under the chairmanship of Hon Frankie YICK Chi-ming, the Joint Subcommittee, on the basis of its terms of reference, decided to focus its deliberations on exploration of possible measures to tackle the problems encountered by the taxi trade in obtaining insurance coverage. The Joint Subcommittee held a total of five meetings between February and September

2021, including four meetings with the Administration at which representatives of the Insurance Authority ("IA") and the Hong Kong Federation of Insurers ("HKFI") participated. The Joint Subcommittee has invited interested parties to give views on related issues. A list of the deputations which have provided views to the Joint Subcommittee is in **Appendix III**.

4. To facilitate members' discussion, the Joint Subcommittee has requested the Research Office of the Legislative Council Secretariat to study measures to promote the adoption of safety enhancements by the taxi trade.

## **Deliberations of the Joint Subcommittee**

### Causes of high insurance premiums

5. According to the Motor Vehicles Insurance (Third Party Risks) Ordinance (Cap. 272), any vehicle owner must procure insurance from authorized insurance company to insure such person or drivers authorized by such person against the liability incurred by personal injury or death to a third party due to use of motor vehicles. The Joint Subcommittee takes note of the concerns of the taxi owners/dealers about the soaring insurance premiums, surcharges imposed by insurance companies for different reasons (e.g. elderly drivers, old vehicle age, etc.) and arrangement of deduction of no claim discount ("NCD") in recent years. The Joint Subcommittee notes with concern that according to the statistics provided by IA and the Transport Department ("TD"), the average premium for third party taxi insurance rose from HK\$20,435 in 2016 to HK\$26,189 in 2020 representing an increase of 28%, while the numbers of traffic accidents involving taxis have remained relatively stable over the period.

6. The Administration has advised that the main function of insurance is to reduce the loss to be borne by policyholders in the event of unforeseen circumstances via risk management and mitigation, thereby facilitating various socio-economic activities. For motor insurance, insurance companies will make reference to data including accident rate and claims amount in the past when underwriting and determining premium levels. Generally speaking, policy holders with good claims history will enjoy a higher NCD when taking out motor insurance policies. The insurance sector considers that renting out taxis to drivers with good driving records can help the insurers to differentiate risk at source. However, since currently taxi owners/dealers 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.

7. Some members consider it unsatisfactory that there are only a few insurance companies underwriting taxi insurance in Hong Kong which might give rise to lack of competition in the market. The Administration has advised that whether an insurance company provides taxi insurance service is purely a commercial decision. According to the information from IA, the taxi insurance business registered loss in 11 years during the 16-year period between 2005 and 2020. This has become one of the factors which insurance companies have taken into consideration when deciding whether to participate in this type of business. In this connection, HKFI has also explained that there is a long-standing underwriting loss in the taxi insurance business and such loss expanded drastically in 2019, making relevant insurance companies increase the premiums to a larger extent so as to recoup the loss suffered. Instead of subsidizing the loss-making insurance product by the profit-making one, insurance companies will strive to adopt a suitable premium rate for every product to ensure that each of the products would achieve breakeven.

8. The Joint Subcommittee shares the view that the sustained losses reported in taxi insurance business is mainly due to increase in claims cost, which might have resulted from bad driving behaviour of some drivers as well as insurance frauds and cases of champerty that should be addressed at root from a risk management perspective. To address the problem of high insurance premiums, the Joint Subcommittee has examined various measures to improve driving safety of taxi drivers and combat insurance frauds and champerty. Meetings have been conducted between different parties, including TD, the Hong Kong Police Force ("the Police"), IA, HKFI, the taxi trade and stakeholders concerned to exchange views on possible solutions to address the problems.

#### Measures to improve driving safety of taxi drivers

##### *Implementing driver responsibility system on taxis*

9. Some members consider it undesirable that taxi owners/dealers have to bear a heavy burden of soaring third party insurance premiums owing to the bad driving behaviour of some taxi drivers. Such situation has caused business difficulties to the taxi trade, which leads to increased pressure on taxi rental, thereby affecting all drivers including those with good driving behaviour. There is a suggestion of requiring taxi drivers to procure their own third party risks insurance so that they will be held responsible for their own driving behavior. Reduction of taxi rental could be offered by taxi owners/dealers to those drivers who had purchased third party insurance.

10. The Administration has advised that views on the suggestion of requiring taxi drivers to procure their own third party risks insurance remain diverse among the taxi trade. While some support the suggestion as they believe that the drivers could then be held responsible for their own driving behaviour, some others oppose to the suggestion as they opine that it is unfair to only target taxi drivers and the suggestion will 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. 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, 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 Administration, after careful consideration and balancing the views of various stakeholders, considers it not appropriate to implement the taxi driver responsibility system at this time.

11. The Administration has also advised that similar to the practice of car rental companies, taxi owners/dealers will collect a deposit from taxi drivers when renting out taxis. Such deposit will be forfeited if there is a traffic accident involving the drivers' fault. If there is no accident, the deposit will be returned to the rentee-driver after the rental period. It is believed that such arrangement can provide certain incentive for taxi drivers to pay attention to driving safety with a view to reducing the accident rate.

*Encouraging the taxi trade to hire drivers with good driving records*

12. The Joint Subcommittee considers that encouraging taxi owners/dealers to hire drivers with good driving records may reduce traffic accidents and claims at source, which may in turn help reduce the insurance premiums. Members have urged the Administration to facilitate the taxi trade to establish a database on traffic accidents and claims of taxi drivers so that taxi owners/dealers could identify drivers with poor driving records, thereby encouraging taxi drivers to cultivate good driving behaviour and reducing traffic accidents.

13. The Administration has advised that it welcomes the taxi trade's own initiative to establish such a database which will facilitate taxi owners/dealers to provide information on traffic accidents or claims of individual drivers to insurance companies when taking out insurance, so that the insurance companies will be able to more accurately assess the risks involved and determine the appropriate amount of premiums. According to IA, 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. Since the database will involve collection and storage of personal data of individual taxi drivers, the Administration advises that the trade must be cautious about the collection, storage, access and transfer of personal data to a third party when setting up the database so as to ensure that the use of the database complies with the Personal Data (Privacy) Ordinance (Cap. 486) and other relevant legislation.

14. While the establishment of such a database may require further consideration, some members consider that, in the short term, it will be useful if taxi owners/dealers can provide the Certificate of Previous Conviction ("the Certificate") of relevant drivers issued by the Police when taking out insurance to facilitate insurance companies to assess the risk and determine the appropriate amount of premiums. The Joint Subcommittee notes that during recent meetings between the taxi trade and TD, the taxi trade has initially agreed to ask rentee-drivers to provide the Certificate to taxi owners/dealers 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. TD will maintain communication with the trade and relevant government departments to explore appropriate measures to facilitate application for the Certificate by the taxi trade, such as streamlining the application procedures.

*Encouraging the taxi trade to adopt technology to reduce traffic accidents*

15. The Joint Subcommittee is of the view that collision avoidance and recording devices for vehicles can effectively reduce traffic accidents and promote good driving attitude. Insurance companies may also provide concessionary insurance discount for taxis which have installed with recognized safety devices. To encourage the taxi trade to adopt technology to reduce traffic accidents, members have called on the Administration to assist the taxi trade to identify suitable devices which can effectively reduce traffic accidents and clarify the related liability issues in case of a traffic accident. To facilitate retrieval of driving records and prevent insurance frauds, members also request the Administration to facilitate the taxi trade and insurance sector to use cloud platforms for storage of footages of traffic accidents.

16. The Administration has advised that it maintains an open mind 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. Currently, the taxi trade is actively participating in the testing of various Anti-collision Warning, Lane

Keeping Warning and devices that can monitor drivers' condition/driving behaviour. TD will continue to follow up closely with the taxi 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.

17. IA has advised that the insurance sector considers that measures such as encouraging vehicle owners to install dash cameras on vehicles can help 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 incentivize 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.

18. The Joint Subcommittee welcomes the launch of the \$1 billion Smart Traffic Fund to provide funding support to local organizations 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. Apart from providing funding support to research on driving safety, some members suggest that the Administration should follow the practice of some overseas places to provide subsidies to incentivize the taxi trade to make wider use of safety devices to reduce traffic accidents, and in the long run, mandate the installation of safety devices on all taxis.

*Adopting fleet management to strengthen the management of taxis and drivers*

19. In response to some members' suggestion of formulating suitable policies and measures to encourage the taxi trade to adopt fleet management so as to strengthen the management of taxis and drivers, the Administration has advised that it has all along endorsed the general direction of centralizing the management of taxi service quality through professional fleet management. Currently, some taxi operators are 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 behaviour. 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. Meanwhile, TD will also continue to collaborate with the Committee on Taxi Service Quality to organise the Taxi Service Commendation Scheme to recognize outstanding taxi drivers and taxi service management teams.

20. Regarding measures to enhance taxi drivers' awareness of safe driving, the Administration has advised that it will continue to enhance its work through various measures, which include stepping up enforcement actions; 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, etc. Starting from October 2020, the Administration has also required all applicants for full taxi driving licences to attend and complete a pre-service taxi course in addition to passing the relevant written test before they can be issued with a full driving licence.

21. Some members have expressed concern about the health condition of taxi drivers, especially the senior drivers. The Administration has advised that TD organizes 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 public light bus drivers recently. Under the Road Traffic (Driving Licences) Regulations (Cap. 374B), 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. To ensure that taxi drivers are medically fit to drive so as to reduce traffic accidents, the Chairman suggests that instead of providing voluntary health tests, the Administration should introduce measures under which taxi drivers of a certain age are required to attend free health tests to safeguard the safety of road users.

#### *Attracting drivers to join the taxi industry*

22. To alleviate the current shortage of taxi drivers and facilitate the sustainable development of the taxi trade, the Joint Subcommittee notes that 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. The Administration has also 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.

23. On the suggestion that the Administration should speed up the vetting and approval of fare increase applications submitted by the taxi trade with a view to increasing taxi drivers' income and attracting young people to join the industry, the Administration has advised that TD has been closely monitoring the operating environment of the taxi trade and maintaining close communication with the trade in this regard. In view of the impact of public order events in 2019 and the COVID-19 epidemic on the economy, the Administration is reviewing the fare increase applications afresh and collecting latest data. The Administration 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.

### Measures to combat insurance frauds and champerty

#### *Actions taken by the Police*

24. On the measures to combat insurance frauds, the Joint Subcommittee notes that the Police has been conducting professional investigations into insurance frauds, including the establishment of the Insurance Fraud Focus Group ("the Focus Group") under the Commercial Crime Bureau ("CCB") to monitor emerging trends of organized fraud cases, and conduct targeted investigation and analysis. The Police has maintained close contacts with other government departments, IA, HKFI and other stakeholders while at the same time enhanced intelligence gathering for intelligence-led operations. On publicity and education, the Police has disseminated information on the latest modus operandi of various common fraud cases and anti-deception messages via different media platforms, including online platforms and traditional media. The Police has also set up the Anti-Deception Coordination Centre's "Anti-Scam Helpline 18222" to provide 24-hour immediate assistance to the public.

25. Members and HKFI in general appreciate the efforts taken by CCB in relation to traffic accident-related insurance frauds. To speed up the investigation process, HKFI suggests that the Police should expedite the provision of information required by the insurance sector on road traffic accidents and strengthen communication with the insurance sector. The Police has advised that in handling requests of insurance companies for details of traffic accidents, the Police will provide relevant information as appropriate upon request of the insurance companies in a timely manner under an established mechanism. Since the Police has to check the authenticity of the insurance information of both parties involved in the accident before the requested information can be passed to a third party under the existing legislation, it takes time for the Police to process relevant requests. The Police

notes the views of the insurance sector and will provide assistance as far as practicable so as to help the people in need. To expedite the process in getting the required information, the insurance companies are recommended to make such application as soon as possible after the accident and maintain communication with the case investigation officer for obtaining further information.

26. The Police has also advised that the Focus Group organizes regular meetings with IA and ad hoc meetings with HKFI. Other than IA and HKFI, the Focus Group also maintains close communication with various stakeholders in the insurance sector about insurance-related cases and matters. To provide the insurance sector with a better understanding of the prevention, investigation and reporting of fraud cases, the Focus Group met with HKFI in June 2021 to share latest information and collaborated with HKFI in July 2021 to hold an experience sharing session on collection of evidence and investigation on suspected insurance fraud cases. The Police will continue to maintain close liaison with various stakeholders in the insurance sector on insurance fraud cases and conduct regular sharing sessions to exchange experience with the sector.

27. On HKFI's suggestion that the Police should conduct investigations into suspected insurance fraud cases by the Focus Group or CCB which has professional knowledge and experience in this aspect, instead of by regional police stations, the Police has advised that when a report on insurance-related fraud is received, the report will be referred to the investigation units in the respective Police district where the case took place for commencement of investigation. Cases that are highly-syndicated, complicated in nature or cases that involve a substantial amount of money will be referred to and handled by CCB. In addition, the Focus Group will provide crime officers of different Police districts with training and sharing sessions on how to handle insurance-related fraud cases. An internal hotline is set up for crime officers to make enquiries to ensure thorough investigation into the cases.

28. The Joint Subcommittee also notes that insurance companies usually identify suspected cases for detailed review and consider whether the Police's assistance should be sought through the deployment of claims handlers. In order to enhance effectiveness and efficiency, HKFI established the Insurance Fraud Prevention Claims Database ("IFPCD") in 2018 to identify suspected cases on claims fraud through artificial intelligence and data analysis. In response to the suggestion of the Joint Subcommittee to further develop the database, IA collaborated with HKFI in organising a meeting in July 2021 to provide authorized motor insurers with updates about the deliberation of the Joint Subcommittee as well as to encourage their participation in IFPCD.

Taking into account the three new motor insurers who have recently agreed to join IFPCD, the participating companies account for around 80% of the motor insurance market coverage. IA will continue to provide support to HKFI's promotion efforts with a view to increasing participation rate and data flow as well as enhancing the effectiveness of IFPCD.

*Review of the Traffic Accident Victims Assistance Scheme*

29. The Traffic Accident Victims (Assistance Fund) Ordinance (Cap. 229) provides for the establishment of the Traffic Accident Victims Assistance Scheme ("TAVA"), which is administrated by the Social Welfare Department ("SWD"). The objective of TAVA is to provide speedy financial assistance to road traffic accident victims or their surviving dependents (in case of death of the victims) on a non-means-tested basis, regardless of the element of fault leading to the occurrence of the accident. Assistance payments are made for personal injuries, while loss of or damage to property is not covered.

30. The Joint Subcommittee is concerned about suspected fraudulent claims of TAVA. Members note from the taxi trade and the insurance sector that some recovery agents have sent representatives to station nearby the TAVA Section of SWD to enlist applicants of TAVA to make insurance claims and apply for legal aid for instituting legal proceedings to make claims while guiding them to exaggerate their injuries as a result of the accidents, with the intention of profiting from a higher level of insurance compensation. To prevent fraudulent claims of TAVA, members urge SWD to strengthen efforts to verify the information received from applicants of TAVA and explore ways to avoid touting activities conducted by recovery agents. Some members consider that the Administration should review the current eligibility criteria for applying TAVA to prevent abuse.

31. The Administration has advised that there is no requirement under Cap. 229 or the eligibility criteria of TAVA for the applicant to make insurance claims or take legal actions in respect of the traffic accident. According to Cap. 229, applicants who receive damages or compensation in respect of the same traffic accident must notify SWD within a specified period and repay the amount of money received from TAVA, or the amount of damages or compensation received, whichever is the less. An applicant who wilfully breaches the relevant undertaking of notifying SWD commits an offence and is liable on conviction to a fine and to imprisonment. To further guard against abuse and fraud under TAVA, 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.

32. The Joint Subcommittee is also informed that to curb the touting activities of recovery agents, 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 TAVA and maintain close collaboration with the Police, the Hospital Authority and the Department of Health to combat fraud cases.

33. The Joint Subcommittee notes the view of HKFI that data sharing between SWD and the insurance sector can help deter and prevent fraudulent claims. In this connection, SWD has advised that if the applicant for TAVA indicates his intention to make insurance claims, SWD will issue a notice to the insurance company concerned. SWD will refine the existing correspondence templates with insurance companies and include the name, address and telephone numbers of the applicant. SWD will further discuss with HKFI on how to improve the correspondence templates.

*Right of aided person to select lawyer under the Legal Aid Ordinance*

34. Some members have expressed concern that the right of an aided person to select his own lawyer under the Legal Aid Ordinance (Cap. 91) in legal aid cases may give rise to the activity of champerty. They urge the Administration to review the practice of allowing an aided person to select lawyers to represent him in civil claims for damages arising from traffic accidents. Suggestions raised by members include assigning legal aid cases to lawyers on the Legal Aid Panel ("the Panel") by rotation instead of allowing an aided person to nominate his own lawyer and reducing the limit set for the number of cases assigned to a Panel lawyer.

35. The Administration has advised that Cap. 91 provides that the Legal Aid Department ("LAD") may act for an aided person through an in-house professional lawyer, or assign a lawyer in private practice selected from the Panel by either the Director of Legal Aid or the aided person. Having regard to the interest of the aided person, when an aided person nominates a lawyer pursuant to Cap. 91 by himself, LAD will normally give weight to such a nomination. However, LAD may also reject the nomination if the lawyer

nominated by the aided person is considered not appropriate. LAD will consider the suggestion of requiring the aided persons to provide adequate justification when nominating their lawyers and direct handling of cases by LAD subject to available resources as appropriate.

36. The Administration has advised that to protect the interest of the aided person and ensure the proper use of public funds, LAD will consider a number of relevant factors before assigning a lawyer from the Panel for a legal aid case. LAD will act in accordance with established guidelines and criteria, taking into account the minimum experience requirements for the relevant area of work, the performance record of the lawyer in handling previous cases, whether the lawyer has exceeded the limit on assignments of legal aid work, as well as a series of relevant factors such as the nature and complexity of the cases, etc, before selecting a lawyer from the Panel. As LAD will consider the competence of lawyers according to the merits and requirements of the cases, legal aid work would not be distributed to lawyers on the Panel by rotation.

37. The Administration has also advised that since cases are assigned on the basis of individual solicitor, LAD sets an assignment limit on individual solicitor but not on a law firm. The limit was adjusted recently in 2018. LAD will carefully take into account the number of cases taken up by various lawyers in the same law firm, such as whether necessary support can be obtained for handling the cases, and consider not assigning cases to other lawyers in the same law firm when necessary. LAD will review the assignment limit for a Panel lawyer as and when appropriate in consultation with the Legal Aid Services Council.

38. The Administration has further advised that LAD attaches great importance to and closely monitors the performance of assigned lawyers. Guidance Notes setting out the statutory provisions relating to legal aid and the criteria required by LAD in handling legal aid cases are issued to all solicitors and counsel on the Panel. LAD will assess the performance of assigned lawyers in accordance with the statutory provisions and guidelines specified and take actions against assigned lawyers with unsatisfactory performance, which include issuance of advisory letters, placing the lawyer on the Record of Unsatisfactory Performance/Conduct, removing the lawyer from the Panel, or/and re-assigning the case to other lawyers.

39. On HKFI's suggestion that LAD should consider referring cases involving minor injuries or undisputed responsibility to the insurance companies for direct follow-up, the Administration has pointed out that prior to the granting of legal aid certificates, LAD is not representing the applicants and thus is not in a position to provide legal advice to the applicants in respect of the amount of compensation. Hence, for cases involving minor injuries or

undisputed responsibility, the applicants have to decide for themselves how to negotiate with the insurance companies. Also, if a legal aid certificate is discharged or revoked, the injured person is no longer a legally-aided person. LAD can no longer act for that person.

#### Other issues

40. The Joint Subcommittee has also taken the opportunity to discuss issues on how to reduce the financial burden of the transport sector in procuring insurance. A brief summary is provided below.

#### *Suspension of the levies on motor insurance*

41. According to section 4 of the Motor Vehicles Insurance (Third Party Risks) Ordinance (Cap. 272), any person to use, or to cause or permit any other person to use, a motor vehicle on a road must have an effective policy of insurance which insures such person in respect of any liability which may be incurred by such person in respect of the death of or bodily injury to any person. The Motor Insurers' Bureau ("MIB") is a company established by the insurance sector, the members of which include all companies authorized to conduct motor insurance business in Hong Kong. MIB administers the First Fund and Insolvency Fund, which respectively provide compensation to victims of traffic accidents when the driver is uninsured or untraceable, or when the insurer concerned is insolvent. The two Funds are financed by levies on the premiums of motor insurance policies. Since July 2012, the levy rates of the First Fund and Insolvency Fund have been maintained at 1% and 2% of the gross premiums of motor insurance policies respectively.

42. Noting that as at 31 December 2019, the net assets of the First Fund and the Insolvency Fund were HK\$400 million and HK\$2,820 million respectively, members urge IA to explore with MIB the feasibility of suspending the motor insurance levies or reducing the levy rate having regard to the current net asset value of the two Funds. After considering actuarial advice and consulting the Administration and IA, 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, amounting to around \$143 million in 2020), 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 trade.

*Cross-boundary insurance for the transport sector*

43. On some members' suggestion of enhancing the cross-boundary motor vehicle insurance arrangement to provide flexible insurance products with premium calculated on a daily basis, the Administration has advised that Guangdong and Hong Kong cross-boundary coach, hire car and goods vehicle operators must procure statutory motor insurance for relevant vehicles in both jurisdictions in accordance with the laws and regulations of Hong Kong and the Mainland before such vehicles can be issued with relevant licences for usage of such vehicles on the road and provision of services. IA has maintained close contact with the insurance sector, with a view to facilitating vehicle owners who use the Hong Kong-Zhuhai-Macao Bridge to purchase motor insurance conveniently and developing products with short tenor. IA understands that there are individual insurance companies which provide consumers with cross-boundary motor insurance products with tenor ranging from seven days to one year.

**Recommendations**

44. The Joint Subcommittee has observed that insurance premiums for taxis have been soaring in recent years. There are many causes for this situation but in general the relatively high accident rate of taxis and the undesirable occurrences of insurance frauds and champerty are regarded as the main causes. To tackle the problem, the Administration should take into account the views and concerns expressed by members and stakeholders, and continue to strengthen its work in enhancing the driving safety of taxi drivers and combating insurance frauds and champerty as well as establishing a regular communication mechanism with different stakeholders.

45. The Joint Subcommittee also recommends that the Administration should:

Measures to improve driving safety of taxi drivers and reduce traffic accidents

*The Transport and Housing Bureau and TD*

- (a) consider introducing legislative amendments to implement the driver responsibility system on the taxi trade in the long run so that taxi drivers will be held responsible for their driving behaviour;

- (b) encourage the taxi trade to hire drivers with good driving records by devising measures to facilitate the trade to apply for the Certificate;
- (c) encourage the taxi trade to adopt technology to reduce traffic accidents by assisting the trade to identify suitable safety devices and to use cloud platforms for storage of footages;
- (d) consider subsidizing the taxi trade to install suitable safety devices and in the long run, mandating the installation of such devices on all taxis;
- (e) formulate policies and measures to encourage the taxi trade to adopt fleet management with a view to strengthening the management of taxis and drivers;
- (f) introduce measures under which taxi drivers of a certain age are required to attend free health tests to ensure that they are fit to drive so as to enhance driving safety;
- (g) speed up the vetting and approval of fare increase applications submitted by the taxi trade to increase taxi drivers' income and attract young people to join the industry;

#### Measures to combat insurance frauds and champerty

##### *The Police*

- (h) strengthen communication between the Police and the insurance sector and arrange experience sharing sessions on a regular basis so as to speed up the investigation process;
- (i) expedite the provision of information required by the insurance sector on road traffic accidents;

##### *LAD*

- (j) review the legal aid system, in particular, the current practice of nomination of lawyers by aided persons and the mechanism for allocation of cases to prevent abuse;

*SWD*

- (k) strengthen efforts to verify the information received from applicants of TAVA;
- (l) review whether to tighten the current eligibility criteria for applying TAVA to prevent abuse;
- (m) maintain close liaison with the insurance sector and provide the information required by the sector on TAVA applications; and
- (n) monitor the possible touting activities conducted by recovery agents nearby the office of the TAVA Section.

46. Meanwhile, IA should continue to facilitate discussion between the insurance sector and the taxi trade to adopt a risk management-based approach in the underwriting and pricing of taxi insurance based on the driving safety of taxi drivers, traffic accidents rates and the resultant claims in order to achieve sustainability in taxi insurance.

**Advice sought**

47. Members are invited to note the work of the Joint Subcommittee.

Council Business Division 4  
Legislative Council Secretariat  
30 September 2021

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

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

**Terms of reference**

To study and follow up on the problems encountered by the transport sector in procuring insurance, and to make recommendations to tackle such problems where appropriate.

## Appendix II

### Panel on Transport and Panel on Financial Affairs

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

##### Membership list

<b>Chairman</b>	Hon Frankie YICK Chi-ming, SBS, JP
<b>Members</b>	Hon CHAN Kin-por, GBS, JP Hon Mrs Regina IP LAU Suk-ye, GBM, GBS, JP Hon YIU Si-wing, SBS Ir Dr Hon LO Wai-kwok, GBS, MH, JP
	(Total : 5 members)
<b>Clerk</b>	Ms Shirley CHAN
<b>Legal Adviser</b>	Mr Alvin CHUI

## **Appendix III**

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

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

##### **List of deputations which have provided written views to the Joint Subcommittee**

1. Hong Kong Federation of Insurers
2. Hong Kong Taxi Council
3. Hong Kong Taxi Owners' Association Limited
4. Liberal Party
5. Taxi Dealers and Owners Association Limited
6. Transport Industry Committee of The Federation of Hong Kong and Kowloon Labour Unions