

LCQ8: Insurance premiums for taxis

Following is a question by the Hon Frankie Yick and a written reply by the Secretary for Transport and Housing, Mr Frank Chan Fan, in the Legislative Council today (February 26):

Question:

Some members of the taxi trade have relayed that the insurance premiums for taxis rose by nearly 50 per cent during the first nine months of last year, with comprehensive insurance premiums increasing to over \$40,000 per annum and third party risks insurance (third party insurance) premiums increasing to over \$30,000 per annum. They have also pointed out that currently the limited number of insurance companies operating insurance business for taxis has resulted in a lack of competition in the market, which has in turn caused an incessant rise in insurance premiums for taxis. Soaring insurance premiums, together with a drastic drop in the patronage for taxis over the past six months arising from the social movements, have caused business difficulties to the taxi trade. On the other hand, some insurance companies have indicated that due to the rampant illegal activities such as insurance frauds and champerty in recent years, the number of traffic accident claims and the compensation amounts have increased significantly, leading to the soaring insurance premiums for taxis. In this connection, will the Government inform this Council:

- (1) whether it knows, in respect of the top five insurance companies which had the highest market shares in the taxi insurance market in each of the past five years, (i) the market shares achieved, (ii) the numbers of taxis insured, and (iii) the total premiums received, respectively by them each year;
- (2) of the respective average amounts of comprehensive insurance premiums and third party insurance premiums for taxis, as well as the respective rates of changes of such premiums, in each of the past five years;
- (3) of the respective numbers of suspected insurance frauds and champerty cases in respect of which the Police took the initiative to conduct investigations in the past five years; the relevant (i) number of prosecutions instituted, (ii) number of persons convicted and (iii) penalties imposed; the new measures put in place to step up efforts in combatting such illegal acts; and
- (4) as third party insurance must be taken out for taxis before they are allowed to be used on roads, of the measures put in place by the Government to assist the taxi trade in addressing the problem of high and soaring insurance premiums?

Reply:

President,

The consolidated reply, prepared in consultation with the Financial Services and Treasury Bureau, Security Bureau and Department of Justice, to the Hon Frankie Yick's question is as follows:

(1) The total market shares, total number of taxis insured and total gross premiums received each year by the top five insurance companies which had the highest market shares in the taxi insurance market for the period between 2015 and the third quarter of 2019 are provided in the table below:

Year	2015	2016	2017	2018	First three quarters of 2019
Total market shares	99.9%	97.8%	96.7%	94.4%	95.9%
Total number of taxis insured	18,356	18,040	17,703	17,369	13,335
Total gross premium (HK\$ million)	407.1	400.7	400.2	397.2	322.2

(2) The respective average amounts of comprehensive insurance premiums and third party insurance premiums for taxis as well as the respective rates of changes of such premiums each year for the period between 2015 and the third quarter of 2019 are provided in the table below:

Year	2015	2016	2017	2018	First three quarters of 2019
Average comprehensive insurance premiums (HK\$)	26,565	25,911	25,859	25,537	27,218
Comparison with same period in preceding year	Not applicable	-2.5%	-0.2%	-1.2%	+6.9%
Average third party insurance premiums (HK\$)	20,636	20,435	20,381	20,670	21,545
Comparison with same period in preceding year	Not applicable	-1.0%	-0.3%	+1.4%	+4.2%

(3) Insurance fraud

The number of insurance-related fraud cases according to Police's records and the respective monetary loss between 2015 and the third quarter

of 2019 are as follows:

Year	2015	2016	2017	2018	First three quarters of 2019
Number of cases	50	74	42	60	41
Monetary loss (HK\$ million)	3.0	8.1	5.4	9.1	6.5

Depending on the circumstances, each individual case may involve "theft", "fraud", or "obtaining property by deception" under the Theft Ordinance (Cap. 210), and/or the common law offence of "conspiracy to defraud", with maximum penalties of ten to 14 years of imprisonment. As insurance-related fraud is not itself a specified offence, the breakdown of prosecution, conviction and penalty figures cannot be provided.

Police have been conducting professional investigations into insurance fraud, including the establishment of a task force under the Commercial Crime Bureau to monitor emerging trends of organised fraud cases, and conducting targeted investigation and analysis. Police have also maintained close contacts with other government departments, regulators (including the Insurance Authority), and stakeholders (such as the Hong Kong Federation of Insurers), while at the same time enhanced intelligence gathering for intelligence-led operations. On publicity and education, Police disseminate information on the latest modus operandi of various common fraud cases and anti-deception messages via different media platforms, including online platforms, "Police Report", and traditional media. The Anti-Deception Coordination Centre's "Anti-Scam Helpline 18222" provides 24-hour immediate assistance.

ChamPERTY

Between 2015 and the third quarter of 2019, there were two cases of champerty, where seven persons were prosecuted and none were convicted.

Maintenance and champerty are common law offences and are punishable by a fine and up to seven years' imprisonment. As in the past, the Government and the two legal professional bodies take the view that maintenance and champerty by recovery agents should be prohibited. Those injured at accidents who wish to pursue their legal claims should seek professional legal advice from or through solicitors or assistance from the Law Society of Hong Kong or the relevant government departments such as the Legal Aid Department, Labour Department and Social Welfare Department. On public education, the Government has been strengthening public awareness against such illegal acts through broadcasting of Announcements in the Public Interest on TV stations and radio stations. The newly-produced versions have been on air since May 2019 and uploaded onto the Government's website for public viewing and listening.

(4) As evident from part (2) of the reply, the average third party insurance premiums per year for the period between 2015 and the third quarter of 2019 was generally stable, i.e. in the range of \$20,381 per year and \$21,545 per year. Similar to other commercial services, insurance companies determine the level of premiums for individual commercial vehicles based on commercial principles by considering their underwriting risks (including the accident rate), claim factors, etc.

In view of the serious impact caused by the current epidemic, the Government applied to the Finance Committee of the Legislative Council to set up the Anti-epidemic Fund last Friday, where such Fund would provide financial support to assist the transport sector in this difficult period. The Transport Department (TD) will implement the relevant measures as soon as practicable upon the establishment of the Fund. In addition, with the consent of MTR Corporation Limited, the TD has made short term monthly parking arrangements for taxis at the car park at Hong Kong West Kowloon Station of the Express Rail Link. The TD will continue to identify suitable sites for short term monthly parking of taxis (including the car park at the Hong Kong-Zhuhai-Macao Bridge Hong Kong Port), in order to tide the trade over the current difficulties.