

## Press release

### LCQ14: Commercial vehicle insurance provided by insurance companies

Wednesday, May 20, 2009

Following is a question by the Hon Miriam Lau and a written reply by the Secretary for Financial Services and the Treasury, Professor K C Chan, in the Legislative Council today (May 20):

Question:

Some people from the transport industry have relayed to me that currently there are only a few insurance companies operating the business of commercial vehicle insurance. Due to insufficient competition, the premiums concerned have all along been on the high side. Most owners of taxis and public light buses have therefore chosen to take out insurance with a small-scale insurance company which charged lower premiums, against which the court has recently issued a provisional liquidation order. In this connection, will the Government inform this Council:

(a) whether it knows which insurance companies currently operate the business of commercial vehicle insurance, the general level of the premiums charged by them and the respective highest and lowest premiums;

(b) whether it knows the rate of increase in the premiums concerned in the past three years; whether it has looked into the causes for the substantial increase in premiums for commercial vehicles in recent years;

(c) as I have learnt that some insurance companies are planning to increase premiums for commercial vehicles substantially, whether the authorities have any regulatory measure to ensure that the premiums for commercial vehicles are set at a reasonable level; whether they will adopt measures to encourage more insurance companies to operate such business, with a view to increasing market competition so that the premiums can be maintained at a reasonable level or even lowered; and

(d) whether it has explored if public confidence in insurance companies has been shaken by the liquidation of the aforesaid insurance company; if so, what measures the Government has to strengthen the regulation of insurance companies (such as specifying the statutory financial requirements), so as to avoid the recurrence of similar incidents?

Reply:

President,

(a) In 2008, there were a total of 47 insurance companies in Hong Kong (names of the companies listed at Annex 1) providing insurance services for various classes of commercial vehicles including taxis, public light buses, goods carrying vehicles and tractors.

Based on the provisional data provided by the insurance companies to the Office of the Commissioner of Insurance (OCI) on the total premiums receivable (Note) and the number of vehicles insured in 2008, OCI has calculated the average premiums for the three different classes of commercial vehicles viz. taxis, public light buses, and goods carrying vehicles and tractors to be \$9,252, \$20,846 and \$5,547 respectively.

As OCI does not have information on the premiums chargeable to individual commercial vehicles by individual insurance companies, they cannot provide data on the highest and lowest premiums.

(b) The average premiums calculated based on the operating statistics provided by the insurance companies to OCI in respect of various classes of commercial vehicles in the past three years are shown in the table at Annex 2.

The figures show a reduction in the average premiums receivable for all classes of commercial vehicles in 2006 and 2007. There was a 19% increase in the average premiums receivable for taxis based on provisional figures for 2008, which is believed to be related to the increasing amount of compensation required to be paid out by insurance companies to claims arising from traffic accidents that has resulted in continued losses suffered by the commercial vehicle insurance market in the past three years.

(c) There was a reduction in the insurance premiums chargeable to all classes of commercial vehicles in both 2006 and 2007 (see part (b) of the reply). 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, claim factors, etc. OCI will closely monitor the market situation and promote the healthy development of the insurance industry.

(d) OCI has been exercising prudential supervision of all insurance companies. The Insurance Companies Ordinance provides that insurers carrying on general insurance business shall maintain assets in Hong Kong to match their local insurance liabilities. OCI will closely monitor the financial position of the insurance companies, regularly collect and analyse their key operating statistics, and conduct on-site inspections and stress tests, etc. Where necessary, OCI will exercise its statutory powers conferred by the Insurance Companies Ordinance to take appropriate intervention actions, such as restricting the amount of premiums that an insurance company can underwrite, or requiring an insurance company to make bank deposits of specified amounts in the name of the Insurance Authority to protect the interests of policyholders.

As regards the case of Anglo Starlite Insurance Company Limited which was taken over by the provisional liquidators due to suspected forgery of its deposit receipts, OCI has taken effective measures to protect the interests of the insured and the insurance claimants. OCI will continue to dutifully discharge its statutory regulatory functions to promote the overall stability of the insurance industry and protect the policyholders.

(Note: The premiums receivable are net of all discounts, including no claim discount.)

Ends