

Press release

LCQ5: Third party risks insurance for taxis

Wednesday, June 2, 2010

Following is a question by the Hon Cheung Hok-ming and a reply by the Secretary for Financial Services and the Treasury, Professor K C Chan, in the Legislative Council today (June 2):

Question:

I have received complaints from members of the taxi trade about the pressure on the operating costs of the taxi trade caused by the existing high third party risks insurance premiums for taxis, which in general have been increased from \$8,000 to the level of \$18,000. Moreover, some taxi operators have recently introduced a data recording device specially for taxis, commonly known as "black box". They believed that the installation of "black boxes" in taxis may substantially enhance taxi drivers' awareness of safe driving, which will in turn reduce accidents and safeguard the safety of road users. In this connection, will the Government inform this Council:

(a) of the number of insurance companies operating the business of third party risks insurance for taxis at present; whether it knows the third party risks insurance premiums for taxis charged in general by such insurance companies and how such premiums compare with those for private cars; of the respective rates of increase in the third party risks insurance premiums for taxis and private cars in the past three years;

(b) whether the authorities had, in the past three years, studied if the increase in the third party risks insurance premiums for taxis was related to the frequent occurrence of traffic accidents involving taxis; if it was related, of the situation of traffic accidents involving taxis and the resultant increase in third party risks insurance premiums for taxis during this period; and

(c) whether the authorities will study further the feasibility of installing "black boxes" in all taxis; if they will, of the implementation timetable; if not, of the factors considered by the authorities?

Reply:

President,

(a) Currently there are 9 insurance companies in Hong Kong providing insurance services for taxis.

Based on the data on premium incomes (Note) provided by motor insurance companies to the Office of the Commissioner of Insurance (OCI), which comprises information on both third party risks and comprehensive risks policies, the average premium per vehicle (net of no claim discount and other discounts) from 2007 to 2009 were \$3,566, \$3,661 and \$3,417 respectively for private cars, and \$7,797, \$9,259 and \$12,378 respectively for taxis. Accordingly, over the past three years, the average premium for private cars remained at about \$3,500. The average premium for taxis increased by 19% and 34% in 2008 and 2009 respectively.

(b) 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.

According to the statistics provided by the Transport Department, there are currently about 18,000 taxis in Hong Kong. From 2007 to 2009, the number of taxis involved in accidents was 4,004, 3,926 and 3,801 respectively. The accident rate of taxis was one of the highest among all classes of motor vehicles. During the same period, the number of taxis involved in fatal and serious traffic accidents was 543, 474 and 469 respectively.

The net claims incurred in taxi insurance business amounted to \$104 million, \$135 million and \$108 million for 2007, 2008 and 2009 respectively, while underwriting loss reached \$31 million, \$51 million and \$26 million. These figures have not included the insurance claims made against Anglo Starlite Insurance Company Ltd, which was put into provisional liquidation in 2009 and its outstanding claims which were taken up by the Motor Insurers' Bureau of Hong Kong. The total claims are estimated to exceed \$600 million.

(c) "Black box", a data recording device installed on a vehicle, records such parameters as vehicle speed, mileage and travel time. These data are mainly used by transport operators for fleet and service management. The parameters recorded can also facilitate traffic accident investigation.

On traffic accident investigation, as "black box" can provide circumstantial information (such as pre-accident speed and vehicle signals) of accidents, it can assist the Police to understand the details of the accidents.

Taxi service in Hong Kong is mainly operated by small individual entities, where most taxi drivers are rentee-drivers or owner-drivers. The taxi trade generally does not need to organise or manage a fleet. Besides, taxis mainly provide point-to-point personalised passenger service without fixed schedule, routing or operation hours. As such, the installation of "black box" may not serve to enhance the organisation management and service quality of the taxi trade.

In view of the above, the Government does not have any plan at the moment to require the mandatory installation of "black box" on all taxis. However, the Government welcomes the taxi trade's initiatives to explore and introduce tools or equipment that may improve driving attitude and enhance road safety.

Note: The Office of the Commissioner of Insurance does not separately collect information on the premiums of third party risks insurance.

Ends