

To: Bills Committee, the Legislative Council

From: The Hong Kong Federation of Insurers

Comments on Building Management (Third Party Risks Insurance) Regulation
Annex B of the Building Management (Amendment) Bill 2005

1. Separation of Insureds

Item 2 of Annex E of the Amendment Bill has specified that the insured party will be the OC and the owners of the building as a whole. The Regulation has also defined "assured" to mean the assured corporation and the assured owners. However, no provision has been made to the various issues that could arise from cross liability and severability of interest between those parties.

2. Apportionment of policy limit between OC and owners of building

As a consequent of item 1 above, the Regulation has no provision in the apportionment of policy limit between OC and owners of building.

3. Availability of Insurance Cover

For two reasons, it is more appropriate to include an Asbestos Exclusion in the Regulation (under Clause 3 (2) of Annex B)

Firstly, due to the fact that Asbestos-Related injuries/disease has been taken care of by the Pneumoconiosis (Compensation) Ordinance (Cap.360) and is also excluded from the Employees' Compensation insurance

Secondly, without such exclusions, the providers for this insurance may be limited in the market or confined to a few major insurers who have the ability to retain the risk even without reinsurance protection.

Date: 28 June 2005