

政府總部
香港下亞厘畢道



GOVERNMENT SECRETARIAT
LOWER ALBERT ROAD
HONG KONG

本函檔號 OUR REF.:

來函檔號 YOUR REF.: CB2/BC/5/06

By fax: 2509 0775

Tel No. : 2810 2506

Fax No. : 2868 1552

13 April 2007

Clerk to Bills Committee
on Shenzhen Bay Port Hong Kong Port Area Bill
Legislative Council
8 Jackson Road
Central
Hong Kong
(Attn.: Mr Raymond Lam)

Dear Mr Lam,

**Bills Committee on Shenzhen Bay Port
Hong Kong Port Area ("HKPA") Bill**

Pursuant to discussions at the meeting on 11 April 2007, we provide an update on the consultation by the Hong Kong Federation of Insurers ("the Federation") with its member companies on the proposed market agreement.

As members noted at the meeting, the Federation has sounded out its member companies on their preference on the way forward and their willingness to become a signatory of the market agreement.

The Federation has advised that all the insurance companies that provide motor vehicle third party risks insurance ("motor insurance") and employees' compensation insurance ("EC insurance"), the two mandatory insurance relevant to the operation of the HKPA, have indicated their willingness to participate in the market agreement.

Given the industry's unanimous support to a voluntary undertaking to extend the coverage of pre-existing mandatory insurance policies to include HKPA, we believe that the market agreement provides the best way forward.

We are most grateful to the Federation and the industry for their positive efforts. If the industry did not offer to enter into a market agreement to undertake to extend the coverage of mandatory policies to the HKPA, individual policyholders would have to make their own arrangements to seek additional insurance coverage. This could cause some inconvenience and confusion to individual policyholders. The market agreement also means that policyholders will be conferred the benefits of having the protection under their existing insurance policies extended to include the HKPA at no extra premium. The market agreement can also relieve insurance companies of a considerable amount of administrative work and costs involved in issuing individual endorsements, which is considered less cost-effective particularly as a solution for a transient problem.

Market agreements have been proven effective for the insurance industry. All market agreements for the industry have been operating satisfactorily.

Furthermore, there are safeguards to ensure the smooth operation of the proposed market agreement. First, the agreement is legally binding between the Government and the insurers and in the very unlikely event that a participating insurer commits a breach of the market agreement and takes any legal proceedings to recover from a policyholder compensation paid to third parties, the Insurance Authority ("IA") will be prepared to render assistance to the policyholders. Secondly, IA is vested with a range of regulatory powers. Any failure to comply with the market agreement would reflect adversely upon the probity and integrity of the insurer concerned and attract adverse publicity as well as regulatory attention from the IA. Thirdly, the keen competition in insurance industry will create pressure for individual companies who have joined in the market agreement to comply with the market agreement.

We appreciate the industry's goodwill and efforts in recommending and implementing a most practical solution to extend the territorial coverage of pre-existing mandatory insurance policies at no

extra premium for the policyholders. The Government supports this as the way forward.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Alan K M CHU'.

(Alan K M CHU)
for Secretary for Security