

**SHENZHEN BAY PORT HONG KONG PORT AREA (HKPA)**

**Vehicle Third Party and  
Employees' Compensation Insurance Policies  
in existence before opening of the HKPA**

**Background**

Where territorial limits apply, the policies above at present do not cover the HKPA. The Hong Kong Federation of Insurers (HKFI) has been asked by Government to review the matter and see what can be done.

**Developments**

2. The matter was first brought to the attention of HKFI about three years ago. All along, we have made it very clear to the Security Bureau that we will work closely with Government to find a practical solution before the enactment of the relevant legislation and official opening of the HKPA.
3. Since mid-2006 we had requested further details of the bill in question so that we could consult member companies accordingly. We received the bill and background paper in February 2007 and right away we presented them to the Accident Insurance Association for review. At the same time we have engaged in active dialogue with Government and requested a site visit for a more accurate assessment of the potential risks involved, if any. Thanks to the Security Bureau and Insurance Authority, member companies were given a briefing and had a site visit on 23 March 2007.
4. About 30 member companies took part in the briefing and site visit. Our initial observation is that any additional insurance risks arising from the opening of the HKPA should be rather minimal.

**HKFI's Position**

5. For those policies in existence before the coming into force of the bill, we see the need to ensure that the coverage does not, by default, discontinue or get restricted in the HKPA.
6. We are firmly committed to doing our very best to work with the Government and all stakeholders to find a practical way forward. As a matter of fact, we have taken the initiative to suggest two possible options:
  - a. to issue endorsement on each of the policies involved extending their coverage accordingly to include the HKPA until their expiry/renewal; or

- b. to have some form of a market agreement between insurers on the one hand and the Government on the other to extend the coverage of such policies to the HKPA.
  
- 7. Option (a) would require a considerable amount of administrative work as the number of policies involved would be quite sizeable. On this we would also have to rely heavily on Transport Department and Labour Department to get the job done. Option (b) appears much simpler and easier to implement. That said, we have yet to clarify with our lawyers certain technical and legal points. We would then need to ascertain which option member companies would prefer. We hope to complete the exercise and come up with a firm recommendation on the way forward within April 2007. That should allow the making of the necessary insurance arrangements in time for the opening of the HKPA as scheduled.
  
- 8. The position of HKFI is thus very clear:
  - a. we are ready and keen to work with all parties concerned in particular the Government to find a practical and effective way to address the matter professionally and safeguard the interests of policyholders;
  
  - b. we have identified two possible solutions and given a bit more time, we should be able to ascertain which one is preferred by member companies;
  
  - c. once that's established, proper arrangements will be put in place to ensure that the relevant insurance coverage is extended to include the HKPA upon its official opening in line with the reasonable expectations of policyholders; and
  
  - d. this is a very unique situation, and we are prepared to recommend and encourage member companies to extend policy cover over and above their existing commercial obligations voluntarily without charging extra premiums. On such kind of market issues, however, we do share the view that ultimate decision should rest with individual insurers.