

Our Ref: CIHAPB/2007/10/08

22 October 2007

Miss Flora Tai
Clerk to Subcommittee on Building Management
(Third Party Risks Insurance) Regulation
Legislative Council Secretariat
Legislative Council Building
8 Jackson Road
Central
Hong Kong



立法會 CB(2)134/07-08(01)號文件
LC Paper No. CB(2)134/07-08(01)

By Fax & Email

Dear Miss Tai,

Building Management (Third Party Risks Insurance) Regulation (the "Regulation")

We refer to your letter of 15 October 2007 and would like to submit our views on the subject.

Under the Regulation, we understand that the policy for owners' corporations (OCs) shall provide insurance of not less than HK\$10 millions in respect of any liability that may be incurred in respect of the death, or bodily injury, or both of a third party, arising out of one event. It is not a mandatory requirement for the third party risks insurance policy of OCs to cover any liability arising out of a breach of duty imposed by law in relation to unauthorized building works. And such compulsory insurance for all OCs shall commence on 1 January 2009.

As asserted before, our Institute is supportive of this new Regulation as a risk averse measure to safeguard the interest of building owners and the public; however, we have the following concerns:

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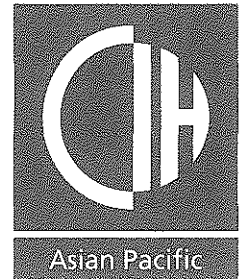
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1. In light of the Albert House and other major claim incidents, where compensation exceeding HK\$20 millions, we view that the minimum insured amount of HK\$10 millions per event will not be adequate. Such requirement should be reconsidered in line with recent compensation awards and market practice.
2. The Regulation requires only OCs to provide this compulsory insurance to buildings under their management. However, we notice that there are lots of buildings whose owners have still yet to incorporate themselves; and it provides loophole to the Regulation to achieve its objective and undermines its effectiveness in protecting the best interests of the building owners and third parties in concern. It is recommended the Regulation to extend its jurisdiction to all building owners, incorporated or not.
3. Although there are insurance companies who are willing to consider to provide insurance policies to those buildings which have stepped up and improved the management and maintenance of their buildings, the Regulation has no mandatory requirement for the third party risks insurance policy to cover any liability arising out of a breach of duty imposed by law in relation to unauthorized building works. We are of the opinion that the Regulation should also require any insurance policy under this Regulation to cover those unauthorized building works found in common parts of buildings; otherwise, should such unfortunate event happen with these unauthorized building works, the building owners and third parties will not be protected.
4. The Regulation will be effective from 1 January 2009. Together with the point 2 mentioned above, we believe that it is very important for the administration to intensify their effort in propagating the message of this Regulation in coming year to all building owners and the public to further arouse their awareness of the importance and implications of the Regulation. And the professional bodies of the industry including our Institute will be more than happy to assist in the promotion.

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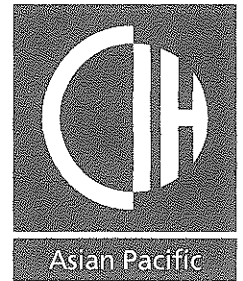
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To summarize, our Institute is supportive of the Regulation with the above views; and shall be glad to have further communication or be consulted on the subject.

Yours sincerely,

Victor Chow

Chairman

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