



香港房屋協會

HONG KONG HOUSING SOCIETY

Founded 1948  
Incorporated by Government Ordinance 1951

Our Reference D(PM)/RY/Legco/2007-0029/bk

Your Reference CB2/SS/11/05

24 October 2007

**By Fax and By Mail**

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

Dear Miss Tai,

**Building Management (Third Party Insurance) Regulation**

Thank you for your letter of 15 October 2007 to Miss L C Wong, our Executive Director, regarding the captioned Regulation. We are pleased to offer the following comments for the Subcommittee's consideration.

1. **Overall Comment**

We are supportive of the Regulation which protects the interests of property owners, the property management industry and the public. The proposed third party risk insurance is an effective risk averse measure to tackle liabilities arising from common parts of the building.

2. **Minimum Insured Amount**

Having regard to the preceding case of *Albert House* involving a huge claim of more than \$20million, it is questionable whether the minimum insured amount of \$10 million for any prescribed liability under Section 4 of the Regulation is sufficient to cover claims for compensation. But in consideration of the affordability of many small-sized buildings on such a hefty insurance premium, the prescribed minimum insured amount appears to be a reasonable compromise. In this context, Government should encourage owners, particularly of those aged and small-sized buildings, to engage the service of professional property managers in order to reduce risk.

..... / pg 2

3. Coverage of the Regulation

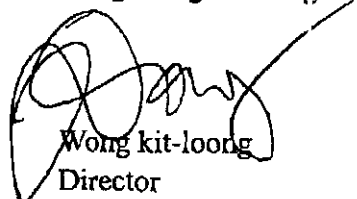
Notwithstanding that the Regulation only applies to all incorporated building owners in Hong Kong, its underlying purpose is to extend to all buildings in the territory, regardless of whether an owners' corporation (OC) has been formed or not. With the Mandatory Building Inspection Scheme (MBIS) to be implemented in 2010, it is hoped that more building owners will incorporate themselves to tackle their building repair and maintenance problem. Although we fully understand the increased risk exposure which the insurance industry will be facing in insuring against claims arising from unauthorized building structures (UEW), it is felt that the exclusion of this risk will significantly undermine the effectiveness of the Regulation in protecting the residents and the public.

4. Reasonable Diligence

Whilst we concur with the views as stipulated in Section 6(4) of the Regulation to set out the conditions on which the owners' corporation may be considered as having failed to exercise reasonable diligence, we envisage that it might create disputes on the interpretation of the terms in the relevant sections of the Regulation including, among other things, those matters involving conditions and maintenance of a building, etc. We see the need to have a clear definition of the word "reasonable" under this Section in order that unnecessary disputes arising from the interpretation of this wording may be avoided.

We shall be pleased to further discuss with the Subcommittee on this matter. Should you have any queries, please feel free to contact Mr. Ricky Yuen, our General Manager (Property Management) at 2839-7636.

Yours sincerely  
For and on behalf of  
Hong Kong Housing Society

  
Wong kit-loong  
Director  
(Property Management)