

**LEGISLATIVE COUNCIL
PANEL ON HOME AFFAIRS**

**Procurement of Third Party Risks Insurance by
Owners' Corporations**

Purpose

This paper briefs Members on the measures taken by the Government to assist owners' corporations (OCs) in the procurement of third party risks insurance.

Background

2. In 2007, the Legislative Council passed amendments to the Building Management Ordinance (the Ordinance) and the Building Management (Third Party Risks Insurance) Regulation (the Regulation) to provide for mandatory procurement of third party risks insurance by OCs. This statutory requirement seeks to reduce the risks of huge amount of compensation faced by owners in case of accidents and, at the same time, offer better protection for members of the public. After consultation with the Panel on Home Affairs of the Legislative Council in December 2008, the Government announced that the concerned legislative provisions would come into effect on 1 January 2011.

3. The Regulation requires that the third party risks insurance policy should cover liabilities incurred by an OC in relation to the common parts of the building and the property of the OC in respect of the bodily injury to and/or the death of a third party. The minimum insured amount of the policy shall be \$10 million for each event.

4. Upon commencement of the legislative provisions, if an OC fails to comply with the legislative requirement, every member of the management committee (MC) of the OC concerned shall be guilty of an offence and shall be liable on conviction to a fine of \$50,000. It would be a defence for MC members if they can demonstrate that they have already exercised due diligence to procure insurance.

5. As at October 2010, 15 571 or 95.5% of the total number of buildings with OCs have already procured insurance. About 730 or 4.5% have not yet procured third party risks insurance. Of these 730 buildings, about 30% have indicated that their buildings are under repair and they would procure insurance upon completion of the repair work, while about another 20% are seeking quotations.

Support Measures

6. The Home Affairs Department (HAD) has been proactively assisting OCs in procuring insurance. We have contacted individual OCs and, taking into account their circumstances, provided them with a full range of support. These include explaining to owners the importance of procuring insurance, providing information on insurance procurement and assisting OCs in convening meetings to discuss matters on insurance procurement.

7. Upon receiving an OC's request for procurement of insurance, an insurance company will conduct a risk assessment based on a number of factors, including building age, repair and maintenance conditions, location, uses of the building, existence of unauthorised structures, etc. We are aware that the OCs of some buildings without proper maintenance or those with unauthorised structures have experienced difficulty in procuring insurance, including high premium relative to buildings of similar age. We have been assisting the OCs concerned in applying for various building maintenance loan and assistance schemes and encouraging them to carry out maintenance works to improve the conditions of their buildings. Once the required maintenance work is completed, the premium would come down to reflect the improved conditions of the buildings concerned.

8. Having regard to the spirit of the legislation which provides for a defence provision, we will not prosecute an OC immediately upon the commencement of the legislative provisions if the OC concerned has already made its best endeavour to procure insurance by taking the following steps :

- (a) OCs should contact the District Office in their respective district immediately. We will provide them with information on insurance procurement and assist the OCs in convening meetings to discuss matters related to insurance procurement;

- (b) If an OC is unable to procure insurance, we shall make case referral to the Hong Kong Federation of Insurers (HKFI). We shall also provide the OC with a list of insurance companies authorised by HKFI as insurers of third party risks insurance for buildings and a list of insurance consultant companies provided by the Professional Insurance Brokers Association to facilitate the OC's procurement of an insurance policy; and
- (c) If the OC of an old building needs assistance in co-ordinating repair works, we shall arrange for housing managers to visit the OC and help the OC to secure insurance coverage within a reasonable period of time. The housing managers will help owners to elect members to fill vacant posts of the MC, give advice on measures to improve the maintenance conditions of the building, help the OC to invite tenders, and apply for the appropriate loan and assistance schemes administered by the Government and other supporting organisations.

9. We have already issued letters to all OCs, informing them of the above arrangements and invited owners to attend a new round of public forums jointly organised by HAD and HKFI in November 2010.

Advice Sought

10. Members are invited to note the above measures taken by the Government in assisting OCs in procuring third party risks insurance.

Home Affairs Department
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