



THE
LAW SOCIETY
 OF HONG KONG

香港律師會

3/F WING ON HOUSE · 71 DES VOEUX ROAD
 CENTRAL · HONG KONG DX-009100 Central 1
 香港中環德輔道中71號
 永安集團大廈3字樓

TELEPHONE (電話) : (852) 2846 0500
 FACSIMILE (傳真) : (852) 2845 0387
 E-MAIL (電子郵件) : sg@hklawsoc.org.hk
 HOME PAGE (網頁) : <http://www.hklawsoc.org.hk>

From the President

Our Ref. : PRES/PIS/1719

8th November 2005

The Hon. Margaret Ng,
 Member of Legislative Council,
 Room 116, New Henry House,
 10 Ice House Street, Central,
 Hong Kong.

(fax no. 2179 5190)

Dear Margaret,

Insured: Rene Hout & Co.
Claim No. PI/2001-072

Thank you for your letter of 3rd November. I have no objection to your passing on my letter as requested.

In the context of QIS the Law Society's interest is in ensuring that any instance of unprofessional conduct disclosed in the course of claims investigation is brought to the notice of the Law Society as a regulatory body. It was principally for this reason that there has been a suggestion that some form of the present Claims Committee should be retained in the intended QIS.

However, we understand the position of intending insurers is that they would do their own claims management. The Law Society has no interest in claims management where indemnity is provided by insurers under a QIS. The discussions with intending insurers will therefore focus on how to ensure that instances of unprofessional conduct will be brought to the notice of the Law Society rather than the establishment of a claims committee.

Regarding the case of Rene Hout & Co. there seems to be a suggestion in your letter that the Fund declined to defend the claim against the firm even though the claim was "unmeritorious". I should point out that the claim was brought on the basis of two similar cases which had the effect of rendering a solicitor's firm liable. The claim against Rene Hout & Co. could not therefore be regarded as "unmeritorious".

The Law Society of Hong Kong

From the President

8th November 2005

The Hon. Margaret Ng

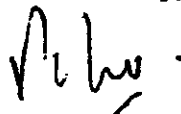
- 2 -

What Rene Hout & Co. had was an arguable defence which leading counsel considered was unlikely to succeed at first instance but might succeed if the case went further.

It was in such a context that the Claims Committee made the decisions regarding the claim. Whatever the views of the insured firm and leading counsel on the correctness of the two precedent cases, the fact that there were two precedents adverse to the case of the insured firm could not be ignored by the Claims Committee in making decisions on the conduct of the case.

It is understandable that an insured firm will sometimes take a different view from the Claims Committee, but it must not be suggested that the Claims Committee acts to "penalize" a firm against which a claim is made where the Claims Committee has to take into account the harsh realities of litigation and the position of the Fund in which all members of the Law Society have an interest..

Yours sincerely,



Peter C. L. Lo
President

c.c. Mr. Rene Hout (fax no. 2650 4188)
Mrs. Percy Ma (fax no. 2509 9055)