

立法會 CB(2)132/07-08(01)號文件
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22nd October 2007

Your ref. CB2/SS/11/06

BY FAX & POST

Ms. Flora Tai
 Clerk to Sub Committee on Building Management
 Legislative Council Building
 8 Jackson Road
 Central
 Hong Kong

Dear Madam,

**Legislative Council
 Subcommittee on Building Management
(Third Party Risks Insurance) Regulation**

Thank you for your letter of 15th October 2007. We would comment as follows:-

1. We suggest that the date of 1st January 2009 is too late for such a welcome initiative to take place. It is suggested that 1st April 2008 is more appropriate. Many buildings in Hong Kong already have adequate third party risk insurance, but it is better to have regulations in place, so that all accidents can be covered as early as possible. Delay will lead to more uninsured incidents taking place.
2. The amount per occurrence at \$10 million is small. Many property management companies already insure for amounts between \$30 million and \$50 million per occurrence. The Albert House is a sobering lesson of what can happen where there is no adequate insurance. The minimum amount should be \$20 million per occurrence, and owners encouraged and free to set higher levels. Under insurance of risk must be avoided.
3. This regulation should cover all property management organizations in Hong Kong and not just owners' incorporations. Agents acting on behalf of owners' incorporations should be included in the cover, and all property management organizations must be clearly required to obtain such insurance. The cost of this insurance must be part of the normal management fee of a building.
4. Government must ensure that this insurance is only offered through capable and strong insurance companies with a good record of service to the customers.

The whole purpose of this exercise is to ensure that owners are properly covered for third party risk. This will have failed if insurance is obtained from a company of little or not substance.

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5. Third party insurance should cover employees unless they are separately provided for.
6. The education of owners will be needed to ensure that they fully understand the effects of "avoidance or restriction of policy" in section 6. All owners must clearly and diligently act in the management and the maintenance of their buildings to avoid the detrimental effects of these clauses. They must be fully aware of their continuing responsibilities when buying insurance. The act of purchase alone is not going to be good enough.
7. The regulation must deal clearly and properly with the issue of insurance excesses. This should be set at a reasonable sum of say \$20,000 per incidence. It is common practice that the higher the excess, the lower the premium. It makes little sense for a small owners' incorporation to buy insurance with the excess of say \$500,000, just to keep the premium down, but it ends up paying most of a claim.

I hope you find these comments useful. Owners should be encouraged to ensure they have the insurance cover they need both for third party, all other relevant risks.

Yours sincerely,

A handwritten signature in black ink, appearing to be 'Michael Price', written over a horizontal line.

Michael Price
Group Estate Manager

MRP/rt