



THE

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9 April 2010

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Ms. Flora Tai
Clerk to the Panel on Administration of Justice and Legal Services
Legislative Council Secretariat
Legislative Council Building
8 Jackson Road
Central, Hong Kong

By E-mail

Dear Ms. Tai,

Panel on Administration of Justice and Legal Services – Amendments to the Solicitors (Professional Indemnity) Rules Cap. 159M (“Rules”)

I am writing to advise the Panel that the Law Society has proposed amendments to the Rules to provide flexibility in determining the amount of annual Professional Indemnity contributions payable by its members. The amendments have been approved by the Chief Justice and the Solicitors (Professional Indemnity) (Amendments) Rules are being prepared by the Department of Justice.

The amendments are enclosed for your reference.

Yours sincerely,


Huen Wong
President

Encl.

133889

SCHEDULE 1

[rule 2, 4 & 9]

CONTRIBUTIONS TO FUND

1. Obligation to make contributions

Every principal in Practice shall, in respect of himself and of all assistant solicitors and consultants in his firm, make or cause to be made the contributions as are set out in paragraph 2 in respect of that Practice.

2. Calculation of contribution

(1) (a) Save in the cases referred to in subparagraphs (2) (when the amount of contribution shall be assessed by the Company as therein provided), (3) (which provides that the amount of the basic contribution shall be not less than the minimum amount as therein provided) and (4) **and (7)** (when the amount of contribution may be reduced as therein provided), the amount of all contributions for the first indemnity period and for each subsequent indemnity period shall be calculated -

(i) according to the formula - $C = (N \times \$20,000) + (M \times \$13,000) + S$

Where-

* = multiplied by;

C = the amount (subject to any appropriate adjustment made under subparagraph (3)) of the basic contribution which may also be the contribution;

N = number of principals (as at 31 July immediately preceding such indemnity period);

M = number of assistant solicitors and consultants (as at 31 July immediately preceding such indemnity period); and

S = the amount established from the following table-

	Gross fee income of the firm \$ Million	Amount \$
income	over 0 but not exceeding 5	2.64% x gross fee
	over 5 but not exceeding 6	142,000
	over 6 but not exceeding 7	161,000
	over 7 but not exceeding 8	181,000
	over 8 but not exceeding 9	197,000
	over 9 but not exceeding 10	212,000
	over 10 but not exceeding 11	228,000
	over 11 but not exceeding 12	241,000
	over 12 but not exceeding 13	253,000
	over 13 but not exceeding 14	265,000
	over 14 but not exceeding 15	274,000
	over 15 but not exceeding 16	281,000
	over 16 but not exceeding 17	286,000
	over 17 but not exceeding 18	290,000
	over 18 but not exceeding 19	295,000
	over 19 but not exceeding 20	299,000

Solicitors (Professional Indemnity) Rules

- (vi) If claims so paid exceed 400% of the total amount of premiums or contributions paid in respect of the Practice in the 4 indemnity periods preceding the indemnity period but do not exceed 500% of premiums or contributions so paid, a factor of 1.98 shall be applied to the contribution.
 - (vii) If claims so paid exceed 500% of the total amount of premiums or contributions paid in respect of the Practice in the 4 indemnity periods preceding the indemnity period but do not exceed 600% of premiums or contributions so paid, a factor of 2.18 shall be applied to the contribution.
 - (viii) If claims so paid exceed 600% of the total amount of premiums or contributions paid in respect of the Practice in the 4 indemnity periods preceding the indemnity period but do not exceed 700% of premiums or contributions so paid, a factor of 2.43 shall be applied to the contribution.
 - (ix) If claims so paid exceed 700% of the total amount of premiums or contributions paid in respect of the Practice in the 4 indemnity periods preceding the indemnity period but do not exceed 800% of premiums or contributions so paid, a factor of 2.63 shall be applied to the contribution.
 - (x) If claims so paid exceed 800% of the total amount of premiums or contributions paid in respect of the Practice in the 4 indemnity periods preceding the indemnity period but do not exceed 900% of premiums or contributions so paid, a factor of 2.88 shall be applied to the contribution.
 - (xi) If claims so paid exceed 900% of the total amount of premiums or contributions paid in respect of the Practice in the 4 indemnity periods preceding the indemnity period but do not exceed 1 000% of premiums or contributions so paid, a factor of 3.00 shall be applied to the contribution.
 - (xii) If claims so paid exceed 1 000% of the total amount of premiums or contributions paid in respect of the Practice in the 4 indemnity periods preceding the indemnity period, a factor of 3.50 shall be applied to the contribution.
- (7) (a) Notwithstanding anything to the contrary in ~~subparagraph (2), this paragraph 2~~, the Company may, with the authority of a resolution of the Council at any time during an indemnity period, reduce the total amount of the contributions established in accordance with ~~subparagraph (2), this paragraph 2~~, which are payable by firms, during the next indemnity period by such amount as is authorized by the Council.
- (b) The benefit of such reduction shall be available only to those firms which are entitled to indemnity during both the indemnity period when the resolution of the Council referred to in sub-subparagraph (a) is passed and during the next indemnity period and shall be obtained by reducing the amount of the contribution payable by any such firm for such next indemnity period by the amount established in accordance with sub-subparagraph (c).
- (c) The amount by which the contribution of any such firm referred to in sub-subparagraph (b) shall be reduced shall be that proportion of the authorized reduction amount as the total amount of the contributions payable after appropriate adjustment as provided in subparagraph (1)(b)(iv) by that firm for the indemnity period when the resolution of the Council is passed