



THE HONG KONG INSTITUTE OF SURVEYORS

22 October 2007

Subcommittee on Building Management
(Third Party Risks Insurance) Regulation
Legislative Council, HKSAR
Legislative Council Building
Jackson Road
Central, Hong Kong

**Attention: Honourable James TO Kun-sun,
Chairman of Subcommittee**

Dear Hon TO,

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

Thank you for your letter (Ref.: CB2/SS/11/06) of 15 October 2007 inviting the Hong Kong Institute of Surveyors to comment on the proposed Building Management (Third Party Risks Insurance) Regulation.

There had been several tragic accidents in Hong Kong which caused tremendous hardship to respective owners' corporation in suffering from having to pay significant amount of compensation. As a professional institute in Hong Kong, we welcome government's initiation to enact the captioned Regulation which we consider is able to provide useful aid against third party liability claims while needed.

Upon reviewing the draft Regulation, we would like to offer the following comments for your consideration.

1. It is noted that the insurance policy would only cover approved building works under the Buildings Ordinance and unauthorised building works would be excluded. However, there remains certain building works that will be exempted under Part V of the Buildings Ordinance which have not been explicitly covered and not to mention the forthcoming enactment of minor works under the Buildings Ordinance.
2. It is also noted that only the corporation of a building will be covered by the insurance. It appears that any agent appointed and acting for and on behalf of the corporation will be excluded. It is suggested that agent of the corporation, essentially property management company, should also be covered by the insurance policy. Bear in mind that there are buildings which would have property management companies appointed under the deed of mutual covenant without any corporation being formed. It seems that the agent under this circumstance has not been fallen into the mandatory insurance requirement.



3. The proposed mandatory insurance requirement appears to exclude "property and consequential damage". If it was the intention of the government, we would suggest a soft requirement such as "*corporation may consider extending the third party risk insurance to cover property and consequential damages*" could be incorporated into the Regulation.
4. In respect of the amount insured, the requirement of \$10million appears on the low side. There had been numerous incidents which result with a compensation amount far more than this minimum requirement. The more prominent example is Albert House of Aberdeen. We would suggest the amount insured shall at least be \$20million.

We appreciate the effort of the government and the Legislative Council on preparing and examining the draft Regulation and hoping that our comments would be useful for your finalization of the formal Regulation.

Please feel free to contact the undersigned should you have any further queries and thank you for your attention.

Yours truly,

A handwritten signature in black ink, appearing to read 'Y.M.', with a long horizontal stroke extending to the left.

Raymond CHAN Yuk-ming
President
The Hong Kong Institute of Surveyors

c.c. Home Affairs Bureau