

THE HONG KONG HOUSING AUTHORITY

Memorandum for the Home Ownership Committee

Insurance Renewal for Home Ownership Scheme 1999/2000

PURPOSE

To inform Members of the insurance arrangements for Home Ownership Scheme (HOS) estates from 1 April 1999 to 31 March 2000.

BACKGROUND

2. HOS properties are covered by a Collective Fire Insurance taken out by Housing Authority (HA) on behalf of the flat owners. Such practice has been continued since completion of the first estate under the HOS. The power is derived from relevant Deed of Mutual Covenants of the estate. The HOS Collective Fire Insurance Policy is arranged according to the Deed of Guarantee and is renewed annually by HA through negotiation with HSBC Insurance Limited, the leading insurer nominated by the four major banks, namely, Standard Chartered Bank, Hang Seng Bank Limited, The Bank of East Asia Limited and The Hong Kong and Shanghai Banking Corporation Limited, as a condition for providing mortgage finance to HOS flat buyers.

3. HA insures and keeps insured on behalf of HOS flats owners to cover fire and other risks listed in **Annex A**. The policy covers domestic blocks and carparks, if any, in linked structures. HOS flat owners may discontinue these arrangements, if they wish, by a decision of an Owners' Corporation (OC) of their estate once an OC has been formed.

4. The estimated total sum insured is as follows -

1998/1999 (\$M)
77,174

1999/2000 (\$M)
65,637

PREMIUM RATES

5. Premium rates for 1998/1999 were 0.0198% and 0.0123% of the insured amount for domestic flats and car parks respectively (Paper No. HOC 32/98). After negotiation, the leading insurer (i.e. HSBC Insurance Limited) has offered premium rates for 1999/2000 at 0.0168% and 0.0108% (15.2% and 12.2% below 1998/1999 rates) for domestic flats and carparks respectively.

6. The above premium rates and renewal terms are recommended for acceptance by the Authority's insurance consultant and have been accepted under delegated authority. Insurance premium rates for HOS estates managed by OCs and Private Sector Participation Scheme estates are listed at **Annex B** for comparison.

ESTIMATED PREMIA

7. Estimated premia for HOS flats to be completed in 1999/2000 and for existing HOS flats are shown at **Annex C**. Premia reflect the general reduction in reinstatement costs of about 10.4% over the past year, and vary according to the reinstatement cost of each block type.

INFORMATION

8. This paper is issued for Members' information.

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Date : 12 April 1999

Major Perils Covered in HOS Insurance Policy

- (i) Fire and Lightning,
- (ii) Aircraft Damage,
- (iii) Earthquake, Fire Shock and Flood,
- (iv) Explosion,
- (v) Landslip and Subsidence,
- (vi) Malicious Damage,
- (vii) Riot and Strike,
- (viii) Smoke Damage,
- (ix) Sprinkler Leakage,
- (x) Typhoon Windstorm and Flood,
- (xi) Vehicle Impact,
- (xii) Water Tanks, Apparatus and Pipes, and
- (xiii) Bush Fire

Comparable Insurance Premium Rates

	Annual Premium Rate	Insurance Coverage
HOS Estates managed by Owners' Corporations <i>(estate basis)</i>		
Wang Fuk Court (Tai Po)	0.02%	Fire
Yat Nga Court (Tai Po)	0.012%	Fire
Siu Pong Court (Tuen Mun)	0.0214%	Fire
PSPS Estates <i>(estate basis)</i>		
Cheerful Garden (Chai Wan)	0.014%	All Risks
Saddle Ridge Garden (Ma On Shan)	0.018%	All Risks
Chevalier Garden (Ma On Shan)	0.0158%	All Risks
Sunningdale Garden (Sheung Shui)	0.015%	All Risks

Typical Insurance Premia for HOS Estates

Estate	Block Type	Estimated Annual Premium Per Flat	
		1998/1999	1999/2000
Estates to be completed in 1999/2000			
Yi Fung Court Kwai Chung	New Cruciform	-	\$51.5 - \$82.2
Cheong Shing Court Fanling	Concord 1	-	\$97.4 - \$125.1
Yuet Tsui Court Chai Wan	New Cruciform	-	\$54.1 - \$86.2
Existing estates			
Ching Nga Court Tsing Yi	Trident 3	\$61.0 - \$87.2	\$44.2 - \$63.1
Ching Shing Court Tsing Yi	Trident 2	\$71.0 - \$88.7	\$45.0 - \$65.5
Chun Wah Court Ngau Tau Kok	Flexi 3	\$82.1 - \$88.2	\$58.8 - \$63.2
Hiu Tsui Court Chai Wan	New Cruciform	\$70.9 - \$120.6	\$70.0 - \$93.9
Tin Yau Court Tin Shui Wai	Harmony 1	\$84.4 - \$126.6	\$69.5 - \$104.3

