

## **THE HONG KONG HOUSING AUTHORITY**

### **Memorandum for the Home Ownership Committee**

#### **Insurance Renewal for Home Ownership Scheme 2000/2001**

#### **PURPOSE**

To inform Members of the insurance arrangements for Home Ownership Scheme (HOS) estates covered by pre-1998 Deeds of Guarantee (D of G) for the period from 1 April 2000 to 31 March 2001.

#### **BACKGROUND**

2. The Housing Authority (HA) arranges collective insurance on behalf of HOS flat owners to cover fire and other risks listed at [Annex A](#). The policy covers domestic blocks and car parks, if any, in linked structures. Such practice has been continued since completion of the first estate under the HOS. The power is derived from relevant Deed of Mutual Covenant of the estate. 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.

3. Under the D of G executed before 1998, HA is obliged to insure and to renew annually 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. The insurance renewal arrangement for estates covered by the pre-1998 D of G is summarized in the ensuing paragraphs. For estates covered by the revised D of G executed in 1998 and thereafter, the insurer is selected by tender and the insurance arrangement for these estates will be reported in a separate HOC paper.

4. The total sum insured is as follows -

<u>1999/2000</u>	<u>2000/2001</u>
\$69,156 M	\$68,660 M

## **PREMIUM RATES**

5. Premium rates for 1999/2000 were 0.0168% and 0.0108% of the insured sum for domestic flats and carparks respectively (Paper No. HOC 31/99). After negotiation, the leading insurer (i.e. HSBC Insurance Limited) has offered premium rates for 2000/2001 at 0.0181% for domestic flats (7.7% increase over the expiring rate) and 0.0108% for carparks ( same as expiring rate). These rates are considered reasonable having regard to the market trend of insurance premium and the increasing claims due to the aging effect of the estates.

6. The 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 for HOS flats to be completed in 2000/2001 and for existing HOS flats are shown at [Annex C](#).

## **INFORMATION**

7. This paper is issued for Members' information.

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**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
- (xii) Bush Fire

### Comparable Insurance Premium Rates

	Annual Premium Rate for 2000/2001	Insurance Coverage
<b>HOS Estates managed by Owners' Corporation</b> (estate basis)		
Yat Nga Court (Tai Po)	0.012%	All Risks
Siu Pong Court (Tuen Mun)	0.0214%	Fire
Tsz On Court (Tsz Wan Shan)	0.024%	All Risks
<b>PSPS Estates</b> (estate basis)		
South Wave Court (Aberdeen)	0.011%	All Risks
Sunningdale Garden (Sheung Shui)	0.015%	All Risks
Fu Fai Garden (Ma On Shan)	0.022%	All Risks
Hong Sing Garden (Tseung Kwan O)	0.0299%	All Risks

## Typical Insurance Premia for HOS Estates

Estate	Block Type	<u>Estimated Annual Premium Per Flat</u>	
		1999/2000	2000/2001
<b>Estates to be completed in 2000/2001</b>			
Kam Tai Court (Ma On Shan)	Special Design & Concord 1	-	\$111.9- \$142.8
Cheong Shing Court (Fanling)	Concord 1	-	\$96.9 - \$123.7
Tung Shing Court (Shau Kei Wan)	New Cruciform	-	\$69.2 - \$110.3
<b>Existing estates</b>			
Ching Nga Court (Tsing Yi)	Trident 3	\$44.2 - \$63.1	\$39.9 - \$56.9
Ching Shing Court (Tsing Yi)	Trident 2	\$45.0 - \$65.5	\$39.1 - \$56.8
Chun Wah Court (Ngau Tau Kok)	Flexi 3	\$58.8 - \$63.2	\$65.7 - \$70.6
Kam Hay Court (Ma On Shan)	New Cruciform	\$55.3- \$94.8	\$67.6 - \$115.9
Tin Yau Court (Tin Shui Wai)	Harmony 1	\$69.5 - \$104.3	\$70.2 - \$105.4