

保險業監理處

香港金鐘道六十六號  
金鐘道政府合署二十一樓



OFFICE OF THE COMMISSIONER  
OF INSURANCE

21st Floor,  
Queensway Government Offices,  
66 Queensway,  
Hong Kong

圖文傳真 Fax: (852) 2869 0252

覆函請註明本處檔號

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2 January 2007

來函檔號 Your ref.

電話 Tel. 2867 2564

To : Chief Executive of insurers authorized to carry on general business

Dear Sirs,

**Merchant Shipping (Local Vessels) Ordinance (Cap. 548)**

I write to inform you of legislative changes associated with the Merchant Shipping (Local Vessels) Ordinance (Cap. 548) (“LVO”) which commenced operation today.

**Compulsory Insurance Requirements for Vessels**

In the past, Part XIVA of the Merchant Shipping Ordinance (Cap. 281) (“MSO”) imposed a requirement for launches, ferry vessels and pleasure vessels to obtain third party liability (death or bodily injury) insurance cover. Upon commencement of the LVO, this requirement has been repealed and replaced by new ones stipulated under Part VA of the LVO (as introduced by the Merchant Shipping (Local Vessels and Miscellaneous Amendments) Ordinance 2005 gazetted on 9 December 2005) and Part 8 of the Merchant Shipping (Local Vessels) (General) Regulation made under the LVO (gazetted on 6 October 2006). The new requirements provide for local vessels to take out insurance against third party liabilities (bodily injury and death), starting immediately with launches, ferry vessels and pleasure vessels, to be followed by other vessels six months after commencement of the LVO.

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## **Amendments to the Insurance Companies Ordinance (Cap. 41) (“ICO”)**

Furthermore, the Merchant Shipping (Local Vessels and Miscellaneous Amendments) Ordinance 2005 introduced consequential amendments to the definition of “statutory business” under Part 1 as well as Form 5 of the Hong Kong General Business Returns (“HKGBR”) under Part 8 of the Third Schedule to the ICO, replacing references to compulsory insurance requirement under the MSO with those under the LVO and its subsidiary legislation. Such consequential amendments have also taken effect upon commencement of the LVO.

### **Reporting of “Statutory Business” for “Ships, Damage and Liability” Business**

Amendments to the definition of “statutory business” under Part 1 of the Third Schedule to the ICO affects reporting of statistics relating to the direct business of “Ships, Damages and Liability” business (“Ships Business”) in Forms 1, 1A and 5 of the HKGBR. Forms 1 and 1A cater for, among others, accounting information on “statutory business” and “others” for Ships Business that stretches over a financial period while Form 5 facilitates reporting of particulars for the “statutory business” of Ships Business as at the end of a financial period. A third party liability (death or bodily injury) insurance policy issued for launches, ferry vessels or pleasure vessels will continue to be classified as “statutory business” for Ships Business but that for other local vessels will need to be reclassified as “statutory business” for Ships Business on or after 2 July 2007. As some of these policies may have issued before and run beyond 2 July 2007, we recognise that insurers may need to deploy different apportioning methods.

**To minimize inconsistency, insurers are requested to treat those policies for local vessels (other than launches, ferry vessels and pleasure vessels) as “statutory business” for Ships Business and accounted for as such in the HKGBR if they are issued or renewed for the purposes of the LVO and its subsidiary legislation on or after 2 July 2007. The same basis should apply for reporting of the Ships Business statistics under the quarterly returns for general business.**

### **Electronic Input Templates of HKGBR**

We have updated the electronic input templates to reflect amendments made to Form 5 of the HKGBR and uploaded them onto our website (www.oci.gov.hk). **Please use the updated templates for electronic submissions in relation to a financial year ending on or after 2 January 2007 to the Insurance Authority.** The existing templates (denoted “Old Input Templates”) will be maintained in our website until 1 May 2007 to facilitate reporting of statistics relating to a financial year ending before 2 January 2007.

### **Effect on Insurers Authorized to Carry on Class 12 of General Business**

The authorization status of those insurers authorized to carry on direct business under class 12 of General Business (Liability for ships) but presently restricted from carrying on compulsory insurance business under the MSO will also be affected. We shall be writing to these insurers separately to deal with the matter.

### **Enquiries**

Should you have any enquiries on the above, please feel free to contact Ms Fion Tam at 2867 2552 or Ms Frances Tong at 2867 2564.

Yours faithfully,

(Clement Cheung)  
Commissioner of Insurance

c.c. Chairman, The Hong Kong Federation of Insurers