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15 October 2004

URGENT

Secretariat
Constitutional Development Task Force
Constitutional Affairs Bureau
3/F Main Wing
Central Government Offices
Lower Albert Road
Hong Kong

Dear Sirs

**The Third Report of the Constitutional Development Task Force
(Third Report)**

The Hong Kong Federation of Insurers is pleased to submit its response to the Third Report.

Please do not hesitate to contact us should you require any further information.

Yours sincerely

(Signed)

K P Chan
Chairman

KP/IW/vc

Encl

c.c. The Hon. Bernard Chan, JP, Legislative Councillor

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**Response by the Hong Kong Federation of Insurers to
The Third Report of the Constitutional Development Task Force:
Areas which may be considered for amendment in respect of
The methods for selecting the Chief Executive in 2007
And for forming the Legislative Council in 2008
(Third Report)**

Background

1. The Hong Kong Federation of Insurers (HKFI), as the representative body of authorized insurers in the industry, is presenting this note in response to the consultation paper on the Third Report above published by the HKSAR Government in May 2004.
2. The HKSAR Government Preparatory Committee's Panel of Making the Method for Forming the First Legislative Council suggested that based on the White Papers on the Development of Representative Government in 1984 and 1988, one of the criteria in choosing functional constituencies is: functional bodies should be social, economic and professional bodies which serve an important function in the society. Accordingly, an independent insurance constituency was established in July 1997 to enable the voice of our industry to be fully and effectively represented in the Legislative Council, thus ensuring the stability and prosperity of Hong Kong and further strengthening the leading position of Hong Kong as an international financial centre.
3. As for the election of the Chief Executive, insurance belongs to the First Sector (industrial, commercial and financial sector) where we have 12 members.
4. In this Third Report, the Government calls for public comments on areas which may be considered for amendment in respect of methods for:
 - (a) selecting the Chief Executive in 2007; and
 - (b) forming the Legislative Council in 2008.

Position of the HKFI

5. On 4(a) above, there is a body of public opinion suggesting an increase in the size of the Election Committee to broaden its representativeness. We at the HKFI believe that this is a progressive way forward but we wish to stress that any change, if adopted, should maintain the proportion of representation of each subsector as reflected in the current number of members allocated.
6. On 4(b) above, the HKFI is of the view that the present system of one-company-one-vote based on registered insurers is working well and should therefore continue. In adopting this position, we are mindful of the fact that the

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above arrangement would meet the objective of enabling the legitimate business interests of the insurance industry to be effectively represented in the political structure. Our position also has full regard to the important role being played by the insurers in the economy of Hong Kong as evidenced by the fact that:

- (a) the 182 insurance companies in Hong Kong are now providing employment for over 60,000 people (including around 50,000 registered persons);
- (b) they are serving holders of 6.4 million life insurance policies in Hong Kong;
- (c) the total gross/office premiums amounted to over \$101 billion in 2003; and
- (d) they are providing insurance coverage essential to the smooth operation of the key economic pillars of Hong Kong including transportation, shipping, aviation, property development, catering, construction and tourism, etc.

7. Through the HKFI and in collaboration with the Office of the Commissioner of Insurance, the insurers have established good channels of communication with insurance brokers, agents, consultants and other related professionals. The overall interests of the insurance industry, therefore, are being effectively represented under the present political structure.
8. The present arrangement has also proven conducive to the promotion of self-regulation within the industry, with insurers driving the necessary initiative and providing firm support in this regard. It would therefore be in tune with the fundamental interests of the industry and the public for the present political structure to continue.

Way Forward

9. The current review of our political structure is a matter of vital importance to the community of Hong Kong including the insurance sector. We need to proceed with great care to ensure that the final outcome of the review contributes to, rather than undermines, Hong Kong's political stability and economic well-being. To that end, we at the HKFI are more than prepared to provide the Government with the necessary input from our member companies and we look forward to the opportunity of further dialogue with the Government in the months ahead.

15 October 2004

The Hong Kong Federation of Insurers