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**By fax & by post**  
**Fax No.: 2523-3207**

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

Dear Sirs

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

The undersigned, as Chairman of The Hong Kong Federation of Insurers, is pleased to submit our response to the Fourth Report. We look forward to your favourable response in due course.

Yours sincerely

(Signed)

Roddy Anderson  
Chairman

RA/IW/vc

Encl

c.c. The Hon. Bernard Chan, JP, Legislative Councillor  
The Commissioner of Insurance

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**Response by the Hong Kong Federation of Insurers to  
The Fourth 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  
(Fourth Report)**

Background

1. The Hong Kong Federation of Insurers (HKFI) presents our response to the following issues raised in the Fourth Report:
  - a. The replacement of corporate voting by individual voting;
  - b. Retention or abolition of the functional constituencies in the long run;
  - c. The delineation and size of the electorate of functional constituency; and
  - d. The number and members of the Election Committee.

Position of the HKFI

2. With respect to 1(a), we have already made known our position, in our previous submission dated 15 October 2004, that the existing corporate voting system should be maintained. This is particularly applicable to the insurance functional constituency, which is represented by insurance companies, similar to the finance constituency which is represented by banks or deposit-taking institutions. We have already expressed in our previous submission the reasons why insurance companies, as the ultimate providers of insurance service, are most suitable to represent the insurance industry, which includes approximately 49,000 insurance agents and technical representatives.

Insurance agents make up part of the whole operation by acting as agents for insurance companies by signing an agency agreement with the insurance companies, unlike an employer-employee relationship. Therefore, if the insurance constituency were to be represented by individual electors, it would be difficult to define who are the individuals most eligible to vote within the constituency, i.e. insurance agents, technical representatives or all employees of insurance companies. A more important consideration is insurance agents and technical representatives are engaged/appointed by insurance companies to perform a very specific function, namely to service the customers of the insurance companies. Servicing customers is only one element of the many functions and responsibilities performed by the insurance industry.

The core value of insurance to society is protection and risk management. This core value is delivered and can only be delivered by the insurance companies at the corporate level. It is therefore necessary for the insurance industry to be represented at the corporate level because only insurance companies at the corporate level will have the necessary perspective to represent the collective interests of the insurance industry and offer considered, balanced and professional advice on the well being and future development of the industry, which is one of the key pillars of the success of the Hong Kong financial industry.

Additionally, the replacement of corporate voting by individual voting would undermine the original purpose of introducing functional constituencies as stipulated in the *White Paper on The Further Development of Representative Government in Hong Kong (November 1984)*.

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*"The main guidelines which have been applied in determining the composition of these functional constituencies and eligibility to vote in them are as follows:*

*(a) In the case of economic and social constituencies, these will be based on well-recognized major organizations, associations, and institutions with a territory-wide coverage."*

3. With respect to 1(b), we support that functional constituencies should be retained in the long run. In particular:
  - a. We fully agree with the views of the Secretary for Constitutional Affairs, Mr Stephen Lam, in that functional constituencies have brought into the Legislative Council the voices of the commercial and industrial sector, the professional sector, trade unions and other sectors. Elected representatives of these sectors can also make use of their professional knowledge to contribute to the work of the Legislative Council (LegCo), enriching the deliberations of the Council in terms of diversity and coverage and realizing the principle of balanced participation.
  - b. The abolition of the functional constituencies would contradict Annex II of the Basic Law of Hong Kong wherein it is stated that the members to be returned to the LegCo by functional constituencies and geographical constituencies through direct elections are 30 respectively.
  - c. The abolition of the functional constituencies would also contradict the 26 April 2004 Decision of the Standing Committee of the National People's Congress on Issues Relating to the Methods for Selecting the Chief Executive of the Hong Kong Special Administrative Region in the Year 2007 and for Forming the Legislative Council of the Hong Kong Special Administrative Region in the Year 2008 in which it is stated that:

*"The ratio between members returned by functional constituencies and members returned by geographical constituencies through direct elections, who shall respectively occupy half of the seats, is to remain unchanged."*
4. With respect to 1(c), the Fourth Report states that there are quite a number of views that the delineation and size of the electorate of functional constituencies should be broadened and the number of functional constituencies increased. We have expressed in our previous submission that this is a progressive way forward.
5. With respect to 1(d), we iterate our view that any change, if adopted, should maintain the proportion of representation of each subsector as reflected in the current number of members allocated.

18 May 2005  
The Hong Kong Federation of Insurers