

**The Functionality  
of  
Motor Insurers' Bureau  
of Hong Kong  
and  
Employees Compensation  
Insurer Insolvency Bureau**

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**Motor Insurers' Bureau  
of Hong Kong  
("MIB")**

香港汽車保險局

# Motor Insurers' Bureau of Hong Kong

## MIB:

- A non-profit making company limited by guarantee
- Incorporated on 10 December, 1980
- All insurance companies and Lloyd's Underwriters authorized to write motor vehicle insurance in Hong Kong are required to be members of MIB

# Motor Insurers' Bureau of Hong Kong

## Funding:

- Contributions are financed by all members as may be required by MIB to meet its objectives
- The current funding rate is fixed at 3% of gross premium of motor vehicle insurance policies
- In the event the fund size falls short of the total amount of prospective claims, claimants shall have to queue for receipt of compensation

# **Motor Insurers' Bureau of Hong Kong**

**Two schemes currently operative under MIB:**

- First Fund Scheme (FFS)
- Insolvency Fund Scheme (IFS)

# MIB - First Fund Scheme

## Various Agreements entered between MIB and the Government:

- the First Fund Agreement dated 1 February 1981
- the MIB Undertaking dated 29 June 1995
- the Supplemental Memorandum of Agreement dated 24 June 2002

## Various Agreements entered between MIB and the authorized motor insurers:

- the Domestic Agreement dated 1 February 1981
- the Domestic Memorandum dated 29 June 1995
- the Supplemental Domestic Deed dated 24 June 2002
- Deed of Undertaking for new members

# MIB - First Fund Scheme

- MIB pledges to perform its functions as prescribed in the Agreements it entered into with the Government of the HKSAR
- The **FFS** is to secure the satisfaction of a claim in respect of liability, when there is not in force a policy, for ***death of or bodily injury to any person*** which arises from the use of a motor vehicle when such use and liability are by virtue of the Motor Vehicles Insurance (Third Party Risks) Ordinance required to be covered by insurance in respect of Third Party Risks

# MIB - First Fund Scheme

**FFS satisfies claims for compensation by the traffic accident victims:**

- Uninsured vehicles
- Claims over policy limit
- Claims arising from terrorists act by the use of motor vehicles, subject to a maximum aggregate amount of HK\$200 million

**Hit and Run Cases (pay claims at the discretion of MIB):**

- ✓ No legal obligation to pay victims of “hit and run” since no judgment can enter against an unidentified driver of such incident
- ✓ Sympathetic approach towards claimants of “hit and run” cases and pay claims on an ex-gratia basis

# MIB - First Fund Scheme

## Insurer Concerned:

- Motor Insurer may decline claim due to the breach of policy conditions by the Insured/insured drivers; and the claim will be filed to MIB for settlement.
- If MIB considers case is the one an Insurer is obliged to satisfy as the Insurer Concerned, MIB would have to inform the claimant and the Insurer.
- If Insurer Concerned is confirmed, MIB is not obliged to satisfy the claim. Insurer Concerned will pay claim out of their own funding in accordance with First Fund Agreement and Domestic Agreement.
- If the Insurer refuses to take up the case, MIB may (with prior notice to the Insurer) satisfy the claim and seek recovery from the Insurer. Disputes would have to be settled by Arbitration.

# MIB - First Fund Scheme

## Outside Scope of the Scheme:

- ◆ Defendant settles direct
- ◆ Employees' compensation
- ◆ Government vehicles
- ◆ Areas used for construction work or industry
- ◆ Claims declined by MIB

# **MIB - Insolvency Fund Scheme**

## **Various Agreements signed between MIB and the Government:**

- the Insolvency Fund Agreement dated 1 November 1985
- the Supplemental Agreement dated 24 June 2002

## **Various Agreements signed between MIB and the authorized motor insurers:**

- the Domestic Agreement dated 1 November 1985
- Deed of Undertaking for new members

# MIB - Insolvency Fund Scheme

The **IFS** is to satisfy any claim in respect of liability arising out of the ***death of or bodily injury to any person*** for which a policy must insure the use of a motor vehicle by a person in order to comply with the Motor Vehicles Insurance (Third Party Risks) Ordinance and its enactments where the policy of insurance is ineffective due to the inability of an Insurer to pay its debts by reason of its **insolvency**.

# **MIB - Insolvency Fund Scheme**

## **Outside Scope of the Scheme:**

- Third Party Property Damage Claims
- Any other kinds of claims

# MIB - Insolvency Fund Scheme

## When and how to operate the Insolvency Fund Scheme:

- MIB to take action **only** when an official and written notice is received from the Commissioner of Insurance that a Court Order has been issued to wind up an insurer
- MIB to operate **only** when an “Insurer” becomes insolvent within the definition of the Insolvency Fund Agreement
- MIB to meet with the Official Receiver or Liquidator with regard to the settlement of the claims falling within the jurisdiction of the Scheme, and to discuss and adopt the agreed MIB routine in handling TPBI or Fatal claims

## An Insurer in Provisional Liquidation:

- MIB can handle claims of the Insolvent Insurer whilst it is in provisional liquidation by reason of its authority under the First Fund Scheme

# MIB - Insolvency Fund Scheme

IFS has met claims unsettled by insolvent insurers which have gone into insolvency after 1st November 1985



**HIH**



**Grand Union**



**Anglo  
Starlite**



**Armour**



**Far East**

**Employees Compensation Insurer  
Insolvency Bureau  
("ECIIB")**

保險公司（僱員補償）無力償債  
管理局

# Employees Compensation Insurer Insolvency Bureau

## ECIIB:

- A non-profit making company limited by guarantee
- Incorporated on 18 February 2003
- To take over from the Employees Compensation Assistance Scheme (“ECAS”) the responsibility to protect EC policyholders from insurer insolvency, and to excise insurer insolvency from the scope of the existing ECAS
- To assume responsibility for the liabilities of **insurers** engaging in **EC** business that become **insolvent on or after 1 April 2004** In accordance with the Insolvency Fund Agreement

# Employees Compensation Insurer Insolvency Bureau

## Various Agreements:

- **Insolvency Fund Agreement** between ECIIB and the Government of the HKSAR dated 21 February 2003
- **Insolvency Fund Domestic Agreement** between ECIIB and authorized EC Insurers
- **Deed of Undertaking** for new members

# Employees Compensation Insurer Insolvency Bureau

## Funding:

- All insurance companies and Lloyd's Underwriters authorized to write EC insurance in Hong Kong are required to be members of ECIIB
- Contributions financed by all members calculated at 2% of gross premium of EC policies written with effect from **1 April 2003** until now
- In the event the fund size falls short of the total amount of prospective claims, claimants shall have to queue for receipt of compensation

# **Employees Compensation Insurer Insolvency Bureau**

## **Insolvency claims arising from:**

- Anglo Starlite

**Thank You**

**Q & A**