

Report of the Standing Committee on Bar Insurance 2020

Insurance Premium for 2021

The Primary insurer for the Bar Professional Indemnity Insurance remains as Chubb HK Ltd (“the Insurer”). The mandatory coverage of the Bar Professional Indemnity Insurance is HK\$10,000,000. The renewal premium for the year 2021 is HK\$2,000,000 which has remained the same as the premium for the year 2020.

Premium for the Bar Professional Indemnity Policy effected by the Hong Kong Bar Association Bar for and on behalf of the members with the Insurer is payable in advance each year. The amount payable is agreed beforehand and set out in the Master Policy. The premium payable is intended to be shared amongst all practising members in the following manner. Each year the Bar Secretariat makes a forward projection of the number of practising members for the following year and works out a table of premium allocation. It sets out the different levels of premium prescribed for members of different seniority and practice. Each member who applies for a practising certificate then pays directly to Willis Hong Kong Limited (“Willis”) his or her share of premium as prescribed. The aggregate (hopefully) makes up the agreed premium. Despite the best effort by the Bar Secretariat, the aggregate is however never the same as the agreed premium. After the end of the year concerned, the Insurer will prepare a full account informing the Bar of the exact amount it has received over that year (inclusive of the total amount paid by pupils who started practice in the course of that year). In some years there were surpluses; in some shortfalls. The Bar Council has set up a “surplus account” for such surpluses accumulated over the years.

It has been the practice of the Bar to maintain a healthy margin for the surplus account for the Bar compulsory insurance which can be used to pay for any shortfall. However, it is to be noted that we are in the process of negotiating with the Insurer for the renewal of the 3-year Master Policy which is to expire on 31 December 2021. Willis has informed us that the Insurer’s inclination at the moment is not to have a long term (i.e. 3-year) agreement on premium with us but to negotiate the premium with us year by year which may lead to some uncertainties as to the premiums in the future. While we are still optimistic that we can secure a long term agreement from the Insurer, we consider it prudent to leave a safer buffer in the surplus account.

In view of the impact of COVID 19 on our economy, the Committee considered that with the accumulated surplus premium standing in the region of HK\$1.76 million as in October 2020, there was room for the Bar Council to make use of a good portion of the surplus premium to reduce the payment of the premium in the forthcoming year. We considered that a sum in the region of HK\$1.2 million to be used for the purpose was appropriate, and it would still leave our surplus account in good shape. The Committee had considered whether the Bar Council should apply the sum to make a reduction for all members on a pro rata basis or whether we should use the fund to pay for the entire premiums of members of certain seniority. While a

pro rata reduction may seem to be fair, the benefit of a pro rata deduction to the junior end may not be too meaningful, bearing in mind that the premiums shared by all practising members have fortunately been maintained at a reasonably low level over the years. On the other hand, the senior members may also not consider a pro rata reduction of the premium too significant.

The estimated total premium to be paid by junior members of 20 years' call and below for 2021 is in the region of HK\$1.2 million. If the Bar would use the accumulated surplus premium to pay for this sum, it would benefit some 1,085 junior members who would not be required to pay any insurance premium for 2021 at all. We considered that this approach would be more attractive and meaningful than a pro rata deduction. Hence upon the recommendation of the Committee, the Bar Council passed a resolution to use part of the accumulated surplus premium to pay for the insurance premiums of junior members of 20 years' call and below for the year of 2021. As a result, junior members of 20 years' call and below as at 1 January 2021 (namely, those who were called to the Hong Kong Bar on or after 1 January 2001) are not required to pay any insurance premiums for compulsory professional indemnity insurance under the Bar's Master Policy for 2021.

Electronic Platform for the Renewal of Bar Insurance

In 2016 a pilot scheme for electronic renewal of the Bar Insurance was introduced providing an option to members to have their Insurance renewed on the internet. Willis has informed us that in 2019, over 60% of the members made use of the electronic platform for the renewal of the Bar Insurance. We consider that the Bar should make eco-friendly efforts and be heading for paperless renewal. For the year of 2021, instead of sending out paper invitations for renewal to members, Willis would send out emails to members inviting them to renew the Bar Insurance online. Those members who still prefer to receive a hard copy of the proposal form can advise Willis by email or phone and will be sent one by post. However, in the long run, we aim at only offering the electronic platform for the renewal process.

We will continue to focus on meeting members' needs and improving all aspects of the Bar Insurance. However, nothing can be achieved by this Committee without the time and commitment of all its members. It remains for me to thank all members of the Standing Committee on Bar Insurance for their assistance and contributions: Vanessa Kwok (Vice Chairman), Richard Khaw SC, Vincent Lung, Lincoln Cheung and Jeffrey Lee.

Kenny Lin
Chairman
Standing Committee on Bar Insurance

31 December 2020