

Compulsory Third Party Risks Insurance of Local Vessels

The Existing Legislation

Under sections 23C and 23D of the Merchant Shipping (Local Vessels) Ordinance (Cap. 548), it is a mandatory requirement for a local vessel to be insured against third party risks in respect of deaths or personal injuries up to a specified minimum amount of liability cover.

2. On 1 September 2016, the new statutory minimum amounts of liability cover for the compulsory third party risks insurance of local vessels specified under section 3 of the Merchant Shipping (Local Vessels) (Amount of Insurance Cover) Notice (Cap. 548 sub. leg. K) will be effective. Summaries on the current and new minimum amounts for various local vessels are outlined on the table below —

Types of vessels	Current minimum liability cover	New minimum liability cover
(a) Certificated local vessels* permitted to carry more than 12 passengers, except – (i) Class I primitive vessels; and (ii) Class IV vessels not let for hire or reward	\$5 million	\$10 million
(b) Certificated local vessels* permitted to carry 12 or less than 12 passengers	\$1 million	\$5 million
(c) Class I primitive vessels		
(d) Class IV vessels not let for hire or reward		

* Certificated local vessels mean all local vessels certificated as Class I to Class IV.

Commencement and Transitional Period

3. The new statutory minimum amount of liability cover will be effective on 1 September 2016. For local vessels with their policies of insurance made and in force immediately before 1 September 2016, the current statutory minimum amount of liability cover will continue to be applicable until one of the following circumstances, whichever is the earliest, arises—

- (i) the expiry of the policy;
- (ii) the expiry of one year beginning on the commencement date of the Amendment Notice; or
- (iii) the terms or conditions of the policy are altered in any way that would cause the policy to cease to be in compliance with the Ordinance, even if the former statutory amounts of liability cover applied.