

Employees' compensation and insurance coverage

Figure 1 – Occupational injuries and deaths

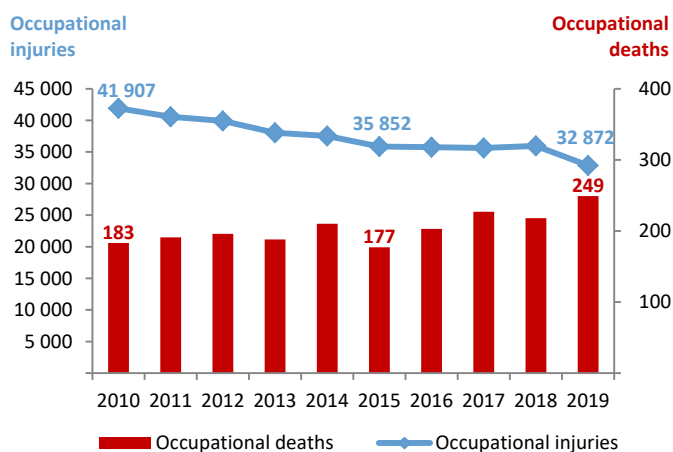
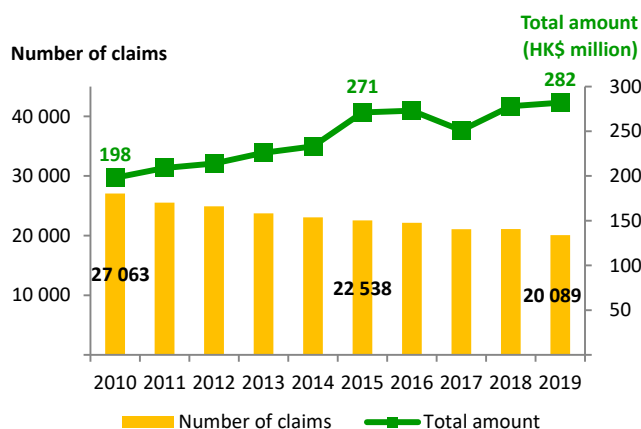
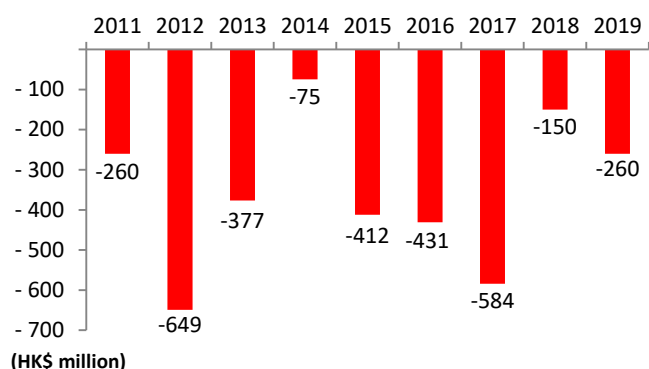


Figure 2 – Number and amount of employees' compensation claims settled⁽¹⁾



Note: (1) Including only claims involving incapacitation of employees for more than three days and settled in the same year.

Figure 3 – Underwriting loss of ECO-related business



Highlights

- The number of occupational injuries in Hong Kong has fallen by 22% in nine years to 32 872 in 2019 (**Figure 1**). The injury rate likewise fell from 15.5 to 10.8 per 1 000 employees, along with growing awareness of occupational safety in society. However, within these injuries, the number of occupational deaths rose by 36% to 249 during 2010-2019, mainly because of increased deaths at work unrelated to accidents (e.g. heart disease). Analysed by type of accident, "slip, trip or fall" was the largest category in 2019, accounting for 33% of overall injuries. This was followed by "injured whilst lifting or carrying" (20%) and "striking against or struck by moving object" (9%).
- The Employees' Compensation Ordinance (Cap. 282) ("ECO") mandates all employers to take out insurance policies for compensation to employees on occupational injuries or deaths. During 2010-2019, annual number of claims decreased by 26% to 20 089 cases, in line with the downtrend in occupational injuries (**Figure 2**). Yet the amount of compensation settled surged by 42% to HK\$282 million, due in part to continued upward revision in the compensation amount upon biennial reviews, with the latest one effective in April 2019.
- While the labour groups ask for annual review of the compensation amount to catch up with economic developments, insurance companies are not enthusiastic in running this line of business due to continued loss. During 2011-2019, the insurance sector suffered significant underwriting loss in the ECO-related business, averaging at HK\$355 million each year (**Figure 3**). To address public concerns over a lack of insurance cover for certain high-risk occupations (e.g. construction), Employees' Compensation Insurance Residual Scheme was launched in May 2007. Employers with difficulties in acquiring insurance can apply for insurance coverage under the scheme. By 2019-2020, a total of 863 applications for employees' compensation were accepted under this scheme.

Employees' compensation and insurance coverage (cont'd)

Figure 4 – Annual amount of assistance payment under ECAF over the past five years ending 2018-2019

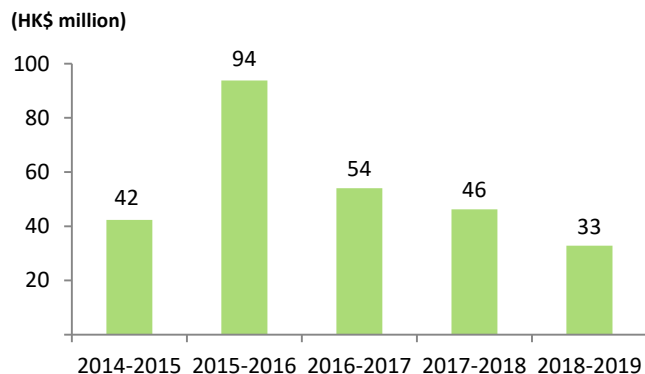
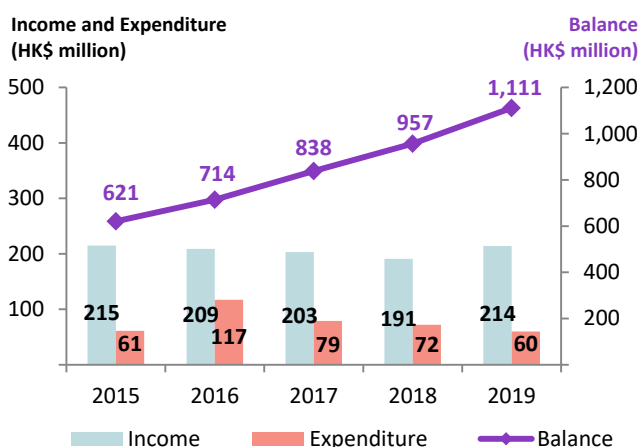
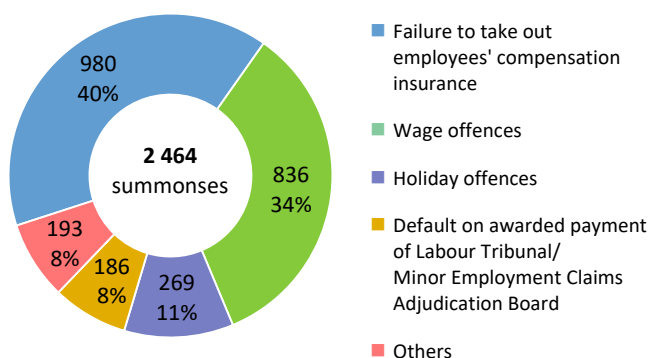


Figure 5 – Financial position of ECAF⁽¹⁾



Note: (1) As at 31 March each year.

Figure 6 – Convicted summonses related to employees' rights and benefits in 2019



Highlights

- In July 1991, the Employees Compensation Assistance Fund ("ECAF") was established to provide safety net of the last resort to those employees injured at work or family members of deceased employees. Those employees unable to receive compensation from employers after exhausting all legal and financially viable means are eligible for assistance payments from ECAF. Over the past five years ending 2018-2019, ECAF approved assistance payments amounting to HK\$269 million to 203 applicants (Figure 4). Nearly half of the applicants (48%) worked in construction industry, followed by transport industry (20%) and personal services industry (17%).
- ECAF is financed by a levy payable by employers when they take out employees' compensation insurance policies, as stipulated by the Employees' Compensation Insurance Levies Ordinance (Cap. 411). The levies allotted to ECAF are equivalent to 3.1% of the premiums at present. During 2015-2019, 91% of annual income of ECAF sourced from such levy, averaging at HK\$188 million. As average annual expenditure was just HK\$78 million, there was an annual surplus of HK\$129 million over the past five years. Accumulated surplus of ECAF has increased by 79% in four years to reach HK\$1.1 billion in 2019 (Figure 5).
- Under ECO, employer failing to take out insurance for employees' compensation is liable to a maximum fine of HK\$100,000 and two-year imprisonment. In 2019, 980 summonses were made on "failure to take out employees' compensation insurance", accounting for the largest share of 40% in summonses on employers violating legal protection of employees (Figure 6). The average fine for such convictions was HK\$2,319 in 2019, just 2% of the maximum fine stipulated by ECO. There are public concerns that the amount of fine is too low to have a deterrent effect.

Data sources: Latest figures from Labour Department, Insurance Authority, Employees' Compensation Insurance Residual Scheme Bureau Limited and Employees Compensation Assistance Fund Board.

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