

3 May 2002

**URGENT & IMPORTANT**

The Hon. Mr James Tien, GBS, JP  
Chairman of the Liberal Party  
Room 611, Hutchison House  
10 Harcourt Road  
Hong Kong

Fax: 2368 5292

Dear Hon. Mr Tien

**Employees Compensation Assistance (Amendment) Bill 2002**

We would like to thank you once again for sparing your valuable time in listening to the concerns raised by the insurance industry regarding the long term implications of separation of the Insolvency Fund from the Employees Compensation Assistance Scheme (ECAS).

The purpose of this letter is to draw your special attention to the following two important points:

1. According to rough estimation, employers would have to pay a charge of at least 6.5% extra on their EC premium, instead of only 1% as originally suggested, in order to ensure that sufficient fund would be collected within the first two years of the establishment of the proposed New Insolvency Fund to meet the insolvency of a medium-sized insurance company such as the HIH. That means employers may have to pay a total levy of 15.8%\* on their EC premium.

\* = 8.3% current levy (5.3% basic levy + 3% terrorism levy) + 1% to ECAS proposed by the Government + 6.5% to the proposed New Insolvency Fund

2. The Legislative Council will **NOT** have the power to regulate the fee charged by the proposed New Insolvency Fund.

We strongly hold the view that with the implementation of the new Amendment Bill, the financial status of ECAS will improve significantly but it is **NOT** in the employers' interest to split the insolvency fund from the ECAS.

We would therefore urge you to seek clarification with the Administration with regard to the above in order for you to evaluate the full and future impact of the setting up a new Insolvency Fund to all employers in Hong Kong.

Yours sincerely

K P Chan  
Chairman  
General Insurance Council

c.c. The Hon. Mr Bernard Chan  
Mr. Benjamin Tang, Commissioner of Insurance