

**Decisions taken by the Labour Advisory Board
at its meeting on 20 April 2005**

Improving the employees' compensation insurance system in Hong Kong

Following the "911" terrorist attack and outbreak of Severe Acute Respiratory Syndrome, the Legislative Council (LegCo) as well as employer and employee groups were concerned with the non-availability of employees' compensation insurance (ECI) cover for certain risks. LegCo urged the Administration to study the desirability and feasibility of establishing a central employees compensation scheme. The Labour Advisory Board (LAB) was briefed in October 2004 on the key findings of the Government's study, including central ECI schemes in Australia and Canada, the mode of operation of the residual market mechanism in USA, and the positive features and risk factors of these schemes. The LAB was subsequently consulted on 20 April 2005 on ways to improve the ECI system in Hong Kong.

Having considered the overseas experience in running ECI schemes, the positive features and risks associated with a central ECI system vis-à-vis those of a residual scheme, and the views of relevant bodies, the LAB agreed to test run the residual scheme proposed by the Hong Kong Federation of Insurers to address the availability, affordability, accessibility and transparency issues in the ECI market. However, the LAB made it clear that if the proposed residual scheme did not live up to public expectation and failed to address the major concerns, it would revive discussion on a central scheme. The LAB considered it necessary that a mechanism be put in place to monitor the effectiveness of the residual scheme, the transparency in premium setting for high-risk occupations, and the difficulties for small and medium enterprises in taking out ECI cover.