

LegCo Panel on Manpower

Mid-term Review of the Employees' Compensation Insurance Residual Scheme

Purpose

This paper informs Members of the outcome of the mid-term review of the Employees' Compensation Insurance Residual Scheme ("Scheme") conducted by the Employees' Compensation Insurance Residual Scheme Bureau Limited ("ECIRSBL").

Background

2. Launched by the insurance industry on 1 May 2007, the Scheme seeks to address concerns over the potential non-availability of employees' compensation insurance ("ECI") cover and escalating premium costs for certain high-risk occupations. Its objective is to act as a market of last resort to assist employers who have difficulties in acquiring ECI cover.

3. The Hong Kong Federation of Insurers has begun discussion within the insurance industry and with other relevant stakeholders on the proposed setting up of the Scheme since 2005. In the process, Members of the Labour Advisory Board and the Manpower Panel of the Legislative Council have been briefed on the framework, key features and implementation schedule of the Scheme.

4. ECIRSBL has agreed to conduct a mid-term review of the Scheme one year after its implementation and an overall review after operating the Scheme for two years.

Mid-term Review of the Scheme

5. The mid-term review report on the progress of the Scheme

covering the period 1 May 2007 to 30 April 2008, prepared by the ECIRSBL, is at the Appendix.

6. The Scheme has not been used thus far. Of the 12 applications received during the period, 11 were accepted by individual insurance companies during circulation and the remaining case was closed as the company was no longer in operation.

Way Forward

7. The ECIRSBL will conduct an overall review of the Scheme in May 2009, i.e. two years after it has come into operation, to gauge the effectiveness of the Scheme.

Office of the Commissioner of Insurance
Labour Department
July 2008

Report of a Mid-term Review on the Progress of the Employees' Compensation Insurance ("ECI") Residual Scheme for the period from 1 May 2007- to 30 April 2008

Introduction

On 18 March 2005, the Hong Kong Federation of Insurers ("HKFI") presented a paper to the Labour Department outlining the core objectives and concepts of setting up a residual scheme to act as a market of last resort for employers seeking ECI cover. HKFI believed the existing services rendered by Employees' Compensation ("EC") insurers, coupled with an ECI Residual Scheme ("Scheme"), should be able to address the needs and concerns of employers having difficulty in seeking ECI cover. The proposal was presented to the Labour Advisory Board and the Manpower Panel of the Legislative Council in April and May 2005 respectively.

Since then, the HKFI has worked closely with the Labour Department, the Insurance Authority and member companies to map out the scope, basic structure and mode of operation of the proposed Scheme. After detailed deliberation both within the industry and with relevant stakeholders, the HKFI further briefed Members of the Labour Advisory Board and the Manpower Panel in January and March 2007 respectively.

The Scheme was launched on 1 May 2007. The Employees' Compensation Insurance Residual Scheme Bureau Limited ("Scheme Bureau") has agreed to conduct a mid-term review of the Scheme one year after its implementation and a comprehensive review after operating it for two years. The Scheme has been in operation for one year. This paper reports on the mid-term review of the Scheme covering the period from 1 May 2007 to 30 April 2008.

Objective

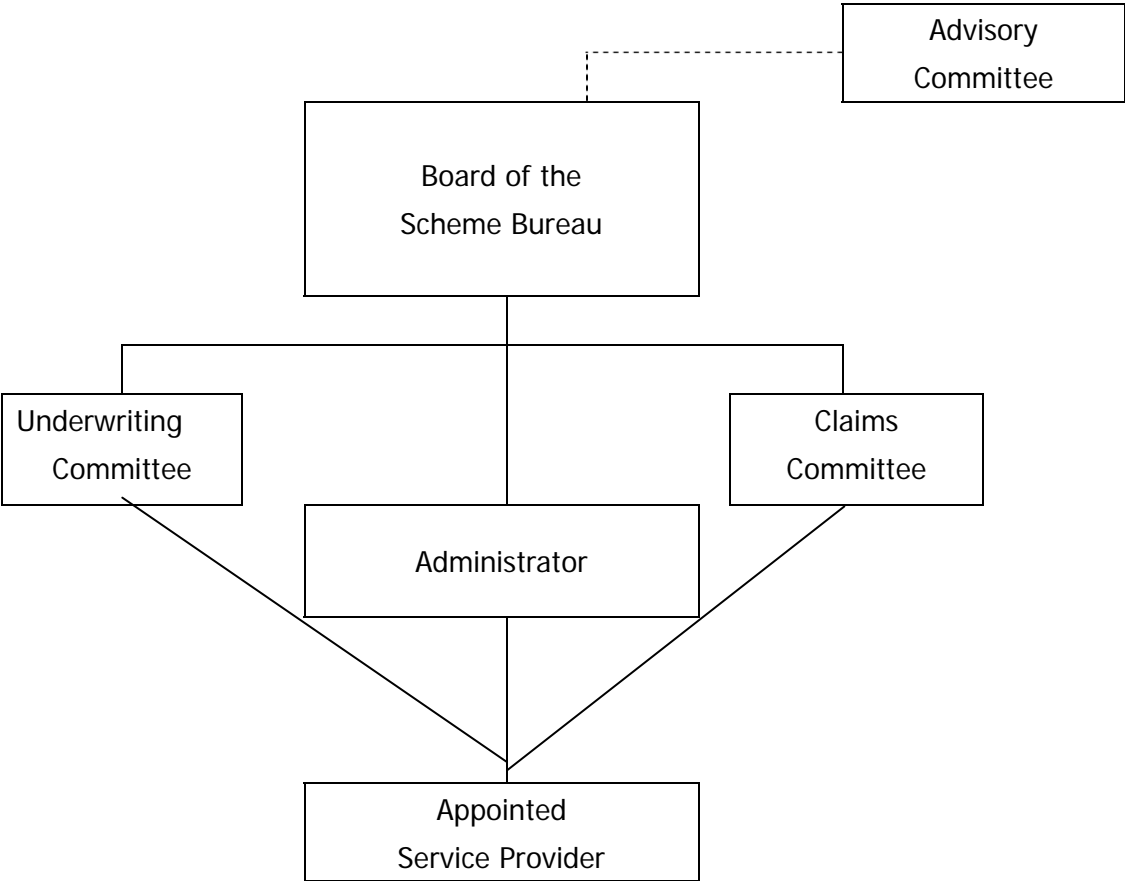
The objective of the Scheme is to act as a market of last resort to assist employers who might have difficulties finding ECI cover, especially employers of the High Risk Groups ("HRGs"). A list of HRGs is attached (Annex 1).

Scheme Structure

- 1 The Scheme Bureau is formed to take over the administration of the Scheme. All insurers writing ECI business in Hong Kong are members of the Scheme;
- 2 The Scheme is supervised by a Board currently comprising 15 EC insurers;
- 3 An Advisory Committee consisting of representatives from employers, employees, accounting, legal and insurance sectors, the Labour Department and the Insurance Authority, is formed to monitor and advise on smooth establishment and operation of the Scheme; a list of Advisory Committee members is attached (Annex 2).

- 4 An Underwriting Committee and a Claims Committee are formed to formulate underwriting guidelines and claims procedures respectively;
- 5 A Service Provider is appointed to accept risks, handle claims, issue policies to Qualified Employers (“QE”) and settle claims in accordance with the underwriting and claims guidelines and procedures laid down by the Underwriting and Claims Committees and approved by the Board; and
- 6 HKFI has been appointed as Administrator to conduct day-to-day operation of the Scheme.

Organization Chart



Criteria for entering the Scheme as QE :

- 1 Employers have been declined insurance cover by at least three EC insurers, provided that the non-availability of insurance is not by reason of the employer failing to pay premiums due or meet statutory requirements on occupational health and safety imposed as a condition of the offer of insurance; or
- 2 The premium rates quoted by insurers are 30% over the corresponding premium benchmark rates of the relevant HRGs specified by the Scheme.

How the Scheme provides cover to QE

Upon receiving a completed proposal and the required information from the QE, the Administrator will circulate the risk to all EC insurers for consideration of coverage. If no offer of insurance has been received within two working days, the Service Provider will accept the risk according to the premium and terms prescribed by the Underwriting Committee. The QE will then be provided ECI cover necessary to meet the statutory requirement of the Employees' Compensation Ordinance within ten working days on receipt of the completed proposal.

Discount and Loading Mechanism

A discount and loading mechanism to the extent of up to 50% of the premium benchmark rates will be put in place to adjust the rates to be offered according to factors like the safety performance and preventive measures adopted by employers. By introducing the discount and loading mechanism, the Scheme helps promote good practices in occupational health and safety measures by providing incentives for QEs to reduce risks at work.

19 HRGs

An independent actuary, Sheng Yu & Partners ("SYP"), was commissioned as the project consultant by tendering. Based primarily on the data of the Insurance Authority and information collected by SYP, SYP has worked out suggested premium benchmark rates for the relevant HRGs. The methodology and approach adopted by SYP have been reviewed by the National Council on Compensation Insurance ("NCCI") - an independent body running the great majority of the ECI residual markets in the United States. From NCCI's point of view, the model employed by SYP is technically sound and appropriate.

Risk other than the HRGs

On receipt of an application from an QE for coverage of a risk outside the HRGs, the Underwriting Committee will take into account factors like risk type, the current market rate, past claim experience, actuarial opinion etc to come up with a premium quote.

Consideration will be given to including the risk as one of the HRGs in case risks of the same nature are repeatedly received during the year. SYP will then collect the relevant data of that particular risk and work out the premium benchmark rate accordingly.

The premium benchmark rates and the discount and loading mechanism will be reviewed periodically by the Board with the assistance of an independent actuary and in consultation with the Advisory Committee.

Publicity

In order to introduce the Scheme to the public, especially employers and employees, the Board has:

- 1 printed pamphlets detailing the objective, structure and operation of the Scheme for distribution to over 700 employers' associations and employees' unions, and to members of the public at the offices of the Labour Department and Home Affairs Department;
- 2 conducted briefings for employers, employees representatives and Tripartite Committee of the Labour Department;
- 3 issued a press release at the launching of the Scheme; and
- 4 developed a website on the Scheme (www.ecirsb.com.hk) for public information and for QEs to apply on line.

Membership

The total number of members in the Scheme is 57. A list of members is attached (Annex 3).

Applications received

12 applications have been received during the period. 11 of them were accepted and provided ECI cover by individual Scheme members during circulation and one application did not proceed as the Scheme was advised that the company was no longer in operation.

Only one application belongs to the HRGs. The remaining 11 QEs could not find cover in the market due to poor claim experience or change of job nature during the policy term. A summary of the applications is attached (Annex 4).

Observation and Way forward

Experience shows that the Scheme has been operating well and the original objectives of setting up the Scheme have been met. In order to further improve the operation of the Scheme, the Scheme Bureau will:

- 1 step up publicity efforts to promote the Scheme;
- 2 closely liaise with the Labour Department, Insurance Authority, employers and employees organizations, and Advisory Committee to identify possible areas of improvement; and
- 3 review the list of HRGs and the premium benchmark as well as the application procedures of the Scheme periodically.

The Employees' Compensation Insurance Residual Scheme Bureau Limited
June 2008

高風險行業保費費率基準

PREMIUM BENCHMARK RATES OF THE HIGH RISK GROUPS ("HRG")

No. 號數	High Risk Groups 高風險行業	Premium Benchmark Rate (% of Payroll) 保費費率基準(工資百分比)
1	Blasting 從事爆破	32.29%
2	Demolition Work 建築物清拆工作	87.79%
3	Diving 潛水	55.20%
4	Earth Removal 搬泥	27.78%
5	Excavation 挖泥	27.78%
6	Filling & Reclamation 填土及堆填	27.78%
7	Gondola Worker/ Window Cleaner 吊船工人/ 抹窗工人	56.91%
8	Scaffolding 搭棚	18.40%
9	Ship Repairer 船隻維修工人	11.86%
10	Steel Bending & Erection 紮鐵及鋼架工程	8.66%
11	Stevedores 碼頭裝卸工人	31.37%
12	Tunnelling 隧道工程	58.92%
13	Well Sinkers and Borers 掘井工人及鑽井工人	30.47%
14	Worker on board Launch/ River Trade Vessel 在內河商船上工作人士	10.99%
15	Drain Repairer 修渠工人	6.85%
16	Air Conditioner Installation Worker/ Repairer 冷氣機安裝工人/ 維修工人	7.08%
17	Neon Light Signboard Installation Worker/ Repairer 霓虹燈箱安裝工人/ 維修工人	4.41%
18	Crane Operator 吊機操作員	14.86%
19	Steeplejacks 高空作業工人	66.21%

Membership list of the Advisory Committee

顧問委員會成員名單

Chairman 主席

Mr Leo Ma
馬陳鏗先生
Member of the Governing Committee of the HKFI
香港保險業聯會管治委員會委員

Members 成員

The Hon Kwong Chi Kin
鄭志堅議員
Legislative Councilor
立法會議員

The Hon Bernard Chan, GBS, JP
陳智思議員, GBS, JP
Legislative Councilor
立法會議員

Mr Paul Yin, BBS, JP
尹德勝先生, BBS, JP
Member of the employers' sector
僱主業界代表

Dr Wong Lung Tak, JP
黃龍德博士, JP
Accounting profession representative
會計專業代表

Ms Angela Yim
嚴淑兒小姐
Legal profession representative
法律專業代表

Mr Bernard Fung
馮紹禹先生
Member of the insurance brokers' sector
保險經紀業界代表

Mr O F Leung, JP
梁安福先生, JP
Member of the insurance agents' sector
保險代理業界代表

Mr K P Chan, JP
陳健波先生, JP
Member of the reinsurers' sector
再保公司業界代表

Mr. Barry Yeung
楊超群先生
Chairman of General Insurance Council of the HKFI
香港保險業聯會一般保險總會主席

Mr Henry Pun
潘克原先生
Representative from the ECI Residual Scheme Board
僱員補償聯保計劃管理局理事會代表

Mr Ros Lam
林家泰先生
Representative from the Office of the Commissioner of Insurance
保險業監理處代表

Mr Stanley Ng
吳家光先生
Representative from the Labour Department
勞工處代表

Members' List**會員名冊**

ACE Insurance Limited	安達保險有限公司
Allianz Insurance (Hong Kong) Limited	安聯保險(香港)有限公司
American Home Assurance Company	美安保險公司
American International Assurance Company Limited	美國友邦保險(百慕達)有限公司
Anglo Starlite Insurance Company Limited	星輝保險有限公司
Asia Insurance Company Limited	亞洲保險有限公司
Assicurazioni Generali Societa per Azioni	忠利保險有限公司
AXA China Region Insurance Company (Bermuda) Limited	國衛保險(百慕達)有限公司
AXA General Insurance Hong Kong Limited	安盛保險有限公司
Bank of China Group Insurance Company Limited	中銀集團保險有限公司
Blue Cross (Asia-Pacific) Insurance Limited	藍十字(亞太)保險有限公司
CAF International Insurance Company Limited	農銀國際保險有限公司
California Insurance Company Limited	加州保險有限公司
Chevalier Insurance Company Limited	其士保險有限公司
China BOCOM Insurance Company Limited	中國交銀保險有限公司
China Merchants Insurance Company Limited	招商局保險有限公司
China Overseas Insurance Limited	中國海外保險有限公司
China Pacific Insurance Company (Hong Kong) Limited	中國太平洋保險(香港)有限公司
China Ping An Insurance (Hong Kong) Company Limited	中國平安保險(香港)有限公司
Chong Hing Insurance Company Limited	創興保險有限公司
Concord Insurance Company Limited	合群保險有限公司
Dah Sing General Insurance Company Limited	大新保險有限公司
Dao Heng Insurance Company Limited	道亨保險有限公司
Falcon Insurance Company (Hong Kong) Limited	富勤保險(香港)有限公司
Federal Insurance Company	聯邦保險公司
GAN Assurances IARD	/
Hang Seng General Insurance (Hong Kong) Company Limited	恒生財險(香港)有限公司
Hang Seng Insurance Company Limited	恒生保險有限公司
HDI-Gerling Industrie Versicherung AG	/
HSBC Insurance (Asia) Limited	滙豐保險(亞洲)有限公司
ING General Insurance Company Limited	安泰保險有限公司

Members' List**會員名冊**

Kono Insurance Limited	工安保險有限公司
Liberty International Insurance Ltd.	利寶國際保險有限公司
Min Xin Insurance Company Ltd.	閩信保險有限公司
The Ming An Insurance Company (Hong Kong) Ltd.	香港民安保險有限公司
Mitsui Sumitomo Insurance Company (Hong Kong) Ltd.	三井住友海上火災保險(香港)有限公司
MSIG Insurance (Hong Kong) Ltd.	/
National Union Fire Insurance Company of Pittsburgh, Pa	/
The New India Assurance Company Ltd.	新印度保險有限公司
Nipponkoa Insurance Company (Asia) Ltd.	日本興亞保險(亞洲)有限公司
The Pacific Insurance Company, Ltd.	太平洋保險有限公司
Paofong Insurance Company (Hong Kong) Limited	寶豐保險(香港)有限公司
The People's Insurance Company of China (Hong Kong), Ltd.	中國人民保險(香港)有限公司
Pioneer Insurance & Surety Corporation	信孚保險有限公司
The Prudential Assurance Company Ltd.	英國保誠保險有限公司
QBE Hongkong & Shanghai Insurance Ltd.	昆士蘭聯保保險有限公司
Royal & Sun Alliance Insurance plc	皇家太陽聯合保險有限公司
Sompo Japan Insurance Inc.	
Sun Hung Kai Properties Insurance Ltd.	新鴻基地產保險有限公司
Symbol Underwriters Ltd.	先寶保險有限公司
The Tokio Marine & Fire Insurance Company (Hong Kong) Ltd.	東京海上火災保險(香港)有限公司
Tugu Insurance Company Ltd.	德高保險有限公司
UOB Insurance (Hong Kong) Limited	/
United Builders Insurance Company Limited	建安保險有限公司
Wing Hang Zurich Insurance Company	永亨蘇黎世保險有限公司
Wing Lung Insurance Company Ltd.	永隆保險有限公司
Zurich Insurance Company	蘇黎世保險

RECORD OF APPLICATIONS RECEIVED UNDER THE ECIRS

	Nature of business of the applicant	Number of employees
1.	Labour Association	1
2.	Courier/ Express Service	8
3.	Electrical Engineer	1
4.	Courier/ Express Service	58
5.	Jewelry Trade	2
6.	Crane Operators	6
7.	Scaffolding [Case closed as the company was no longer in operation]	4
8.	Consultant & Surveyors Company	8
9.	Travel Agency	33
10.	Food Stuff / Woof Arts Trading	2
11.	Campsite for Youth Training	20
12.	Dyeing Factory	16