

For Information

Legislative Council Panel on Financial Affairs

Employees Compensation Insurance – Reinsurance Coverage for Terrorism

Introduction

At the special meeting of the Legislative Council Panel on Financial Affairs held on 20 December 2001 to discuss the \$10 billion facility to cover terrorism risks in respect of employees compensation (“EC”) insurance (“the Facility”), the Administration undertook to provide quarterly reports on –

- (a) operation of the Facility;
- (b) updated market situation on availability of reinsurance coverage for terrorism in the EC insurance market; and
- (c) the need to maintain the Facility.

The Facility was approved by the Finance Committee on 11 January 2002.

2. The Facility has been maintained given the absence of reinsurance coverage for terrorism risks in the local EC insurance market. The Government and the Insurance Authority (“IA”) continue to monitor developments closely, and will withdraw the Facility should reinsurance capacity return to the market on a long term basis. To streamline the process, reports are provided on an annual basis starting from 2022-2023.

Update

3. As at December 2024, the Government has received about \$3.63 billion from the charge imposed on the participating insurers since establishment of the Facility in January 2002. The Facility has not been invoked ever since. The total number of participating EC insurers currently stands at 50.

4. The IA has obtained confirmation from the insurance industry that reinsurance cover is not available in the market on a treaty arrangement¹ basis, and the reinsurers operating in Hong Kong are not yet prepared to provide terrorism reinsurance cover for EC business in Hong Kong on a treaty arrangement basis.

Background

5. The Facility was set up to cater for terrorism risks in respect of EC insurance policies, enabling insurers to underwrite work-related death or injury arising out of terrorist activities, so as to ensure that employees can be protected by the relevant insurance coverage. Participation in the Facility is voluntary. Insurers who decide not to participate in the Facility but nonetheless wish to underwrite EC policies in Hong Kong have to demonstrate to the IA that they are able to secure alternative reinsurance cover, while those participating in the Facility are required to pay to the Government a charge pitched at 3% of the gross premium of EC policies they underwrite in Hong Kong.

**Financial Services and the Treasury Bureau
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¹ Arrangement whereby a standing facility is provided by the reinsurers for reinsurance coverage on all businesses accepted by the direct insurer during the year without individual assessment of the risks by the reinsurers.