



**Employees' Compensation Insurance (ECI) Standardised Practice –
Report of Earnings Declaration
FAQ**

Public / Employer

1. In the past, employers were not requested to submit these certificates and documents when taking out ECI policies. Why is there such an additional requirement now? Is it a tactic for insurers to increase premiums?

ECI policy covers employer's liability to compensate the employee who sustains an injury or dies from an accident arisen out of his/her employment. Under the Employees' Compensation Ordinance, employers are obliged to take out ECI policies for its employees. When taking out a new / renewing an ECI contract, employers must disclose all material facts as requested, including (but not limited to) the actual number and actual earnings of their employees. The information must cover all employees, irrespective of their length of employment contract or working hours, contract type (i.e. part time / full time, permanent / temporary), work location, occupation or position. For the report on actual earnings, employers are required to provide evidence such as MPF contribution records/ tax returns / accounting records in the relevant period.

It is a requirement under the Employees' Compensation Ordinance (Chapter 282) that no employer shall employ any employee in any employment unless there is in force a policy of insurance to cover his/her liabilities under the laws (including the common law). It has also been stipulated in the policy terms and conditions that employers must report the actual number and earnings amount of their employees to facilitate the risk assessment by the insurance company and to reflect the actual risks borne by insurers. The Standardized Practice only serves to reinforce the long-standing requirements and enhance awareness of employers' contractual obligations.

2. What are earnings?

According to the Employees' Compensation Ordinance (Chapter 282), earnings means any wages paid in cash to the employee by the employer and any privilege or benefit which is capable of being estimated in money and includes the value of any food, fuel, or quarters supplied to the employee by the employer if as a result of the accident the employee is deprived of such food, fuel or quarters; and any overtime payments or other special remuneration for work done, whether by way of bonus, allowance or otherwise, if of constant character or for work habitually performed and including tips if the employment be of such a nature that the habitual giving and receiving thereof is open and notorious and is recognized by the employer: but shall not include remuneration for intermittent overtime, or casual payments of a non-recurrent nature, or the value of a travelling allowance, or the value of any travelling concession or a contribution paid by the employer of an employee towards any pension or provident fund, or a sum paid to an employee to cover any special expenses entailed on him by the nature of his employment.

3. What kind of information and documents are required when taking out ECI policies?

Employers are responsible for providing the following information and/or documents:

- Company information
e.g. nature of business, business registration, etc.
- Employees' information
e.g. actual number of employees, contract type (part time / full time, permanent / temporary work), working hours, work location, occupation / position, actual earnings, requirement to work or take business trips outside of Hong Kong, etc.
- Past claims records
- Wageroll records with evidence-based supporting documents
e.g. Mandatory Provident Fund (MPF) contributions records in the previous 12 months, relevant tax returns / accounting records etc., and/or any other documentary evidence to substantiate the declared earnings

***Unless there are requirements on specific ECI policies (e.g. ECI for domestic helpers), private information on the documentary proof such as Identity Card details, is not required and can be masked.*

To assist employers in reporting the actual earnings of their employees under the period of insurance as well as to facilitate the risk assessment by the insurance company, HKFI has prepared the ECI Proposal/Renewal Form, in which minimum information is sought for Know Your Customer (KYC) purpose. Individual insurers may put in additional requirements to collect extra information on a need basis at their own discretion.

4. What if the actual earnings of employees turn out to be different from the declared earnings?

Prior to the commencement of the period of insurance, employers shall provide the insurance company with a declaration estimating the earnings of their employees during the relevant period on the basis of which a deposit premium becomes payable to the insurers.

The employers shall, in general practice, within 90 days after the expiry of the period of insurance or upon cancellation of the policy provide the insurance company with a further declaration stating the actual earnings of employees during the period of insurance. If the actual earnings differ from the estimated earnings, the difference in premium shall be met by a further proportionate adjustment premium to be paid to the insurers or by a premium refund to the employers as the case may be. Adjustment of premium, if any, shall follow the terms and conditions stipulated in the policy.



5. What are the consequences if the number of employees is understated when taking out the ECI policy?

Employers are under obligation to provide accurate information when taking out ECI policies. If the employer fails to report the material facts with accurate particulars at the time of taking out / renewing the ECI policy, this may leave the employer open to legal action by the insurer for recovery of monies previously paid by the insurer to indemnify any claim under the policy.

6. If I have questions, who should I talk to?

For enquiries, please contact your insurance intermediaries or insurers.

Industry

7. The current mechanism of earnings declaration has been in operation for many years. Why is it necessary to make a change now?

There have been no changes on the reporting requirement of employees' information. Under the Employees' Compensation Ordinance, employers are obliged to take out ECI policies for its employees. When doing so, they must observe the policy terms and conditions and report the actual number of employees and earnings amount to facilitate the assessment of the actual risks borne by the insurers, and thus ensure that both employers and employees are protected accordingly.

The Standardized Practice only serves to reinforce the long-standing requirements and enhance awareness of employers' contractual obligations. It also helps to uphold proper standards of conduct as well as strengthen good governance and sound business practices by insurers.

8. If employers are uncooperative and refuse to provide the relevant documents, what should insurance intermediaries do?

While the responsibility lies with the employers who should disclose accurate information as required in compliance with the Employees' Compensation Ordinance and in accordance with requirements of ECI policies, it is also the duty of the insurance intermediaries to request employers to provide all material information and documents necessary for taking out ECI policies. In conducting the ECI business, insurance intermediaries are reminded to abide by the prevailing standards of conduct and use their best endeavours to ensure that the employers observe the requirements of the Ordinance and their contractual obligations under the ECI policies. Insurance intermediaries should explain to employers that it is a basic requirement to provide accurate information with documentary proof to insurers for policy application. They should also remind the employers to act in utmost good faith in the course of the application process and provide the insurers with true and accurate information.

If there are queries that such documents were not required in the past, intermediaries should make it clear that the Standardized Practice is now applicable to the entire insurance industry. Employers may arrange an ECI through insurance agents or brokers. But whichever option they choose, they are required to provide the same information.



9. Would an insurance intermediary be considered breaching the conduct requirement if he / she fails to take all reasonable steps to obtain the necessary information / documents from the employers?

Under the prevailing requirements, insurance intermediaries are required to conduct business in good faith and with integrity at all times. As a stakeholder, it is also the insurance intermediaries' obligation to explain to employers that employers are held responsible for the information provided to the insurer. If the employer provides the insurer with false information, this may leave the employer open to legal action by the insurer for recovery of monies previously paid by the insurer to indemnify any claim under the policy. If an intermediary instigates an employer to submit false information or fails to do his best in reminding the employer to submit the required information, he may be breaching the relevant conduct requirements.

10. If employers have doubts on the requirements of 'ECI Standardised Practice – Report of Earnings Declaration', where can they get further information?

Website of the Hong Kong Federation of Insurers: <https://www.hkfi.org.hk/eci/en/02.html>

They may also refer to 'Know More about Taking out Employees' Compensation Insurance', a flyer jointly published by the Insurance Authority and the Labour Department, at:

https://www.labour.gov.hk/eng/public/ecd/Know_more_about_taking_out_ECI_eng.pdf