

EMPLOYEES COMPENSATION INSURER INSOLVENCY BUREAU
(Limited by guarantee)

REPORT AND ACCOUNTS

FOR THE YEAR ENDED

31 DECEMBER 2023

EMPLOYEES COMPENSATION INSURER INSOLVENCY BUREAU

REPORT OF THE COUNCIL MEMBERS

The Council Members have pleasure in submitting their annual report together with the audited financial statements for the year ended 31 December 2023.

Principal activities and business review

A fair review of the Bureau's business

The Bureau has a limited scope as a specific public service dictated by its Articles of Association in administering a fund, namely the Employees Compensation Insurer Insolvency Scheme to assume responsibility for the liabilities of insurers engaging in employees' compensation business that become insolvent on or after 1 April 2004, as set out in Legal status, Note 1 on page 11 to the Financial Statements which forms part of this Business Review and as also detailed in the Bureau's website at www.eciib.com.hk.

There were no significant developments in the business of the Bureau during the year and it remains in good financial health as summarized by the below key financial information. However, the Target Insurance Company Limited insolvency gathered pace in 2023 as also evidenced in the financial information below, but the Bureau implemented clause 7(a) of the Insolvency Fund Agreement with the Government from 31 December 2023 meaning that no new claims will be accepted by the Bureau after that date and if not reported by 30 January 2024.

	2023	2022
Members' contributions	HK\$166.8 million	HK\$158.1 million
Net assets	HK\$2,650 million	HK\$2,460.9 million
Gross claims paid	HK\$57 million	HK\$17.3 million
Number of outstanding claims	575	358
Amount of claims recoveries	HK\$2.6 million	HK\$0.3 million
Insurance contract liabilities (Note 12)	HK\$188.5 million	HK\$101.1 million
Number of new claims received	483	397

The Bureau has complied with all relevant laws and regulations for its business throughout the year.

The Bureau reviews its key external service providers including Secretary, Legal Adviser, Investment managers, consultant and custodian, Auditors, Actuaries and Risk Consultant on a regular basis and its relationship with them remained strong throughout the year.

The Bureau has in place an agreement with Member, Chevalier Insurance Company Limited for provision of a standby facility for assistance with the administration of claims which was activated during last year.

The Council continues to work closely with and is supported by the Motor Insurers' Bureau of Hong Kong via an at cost service agreement renewed effective from 1 January 2023 as both Bureaus consider there is common ground and mutual benefit to be gained from close liaison and being able to speak with one voice on matters of mutual future impact.

The Bureau also continues to work with a professional consultancy in respect of the Implementation of accounting standard HKFRS17 and in liaison with the Bureau's External Auditor.

Environmental, Social and Governance (ESG) Beliefs Statement

The sole business of the Bureau is to provide a Social service pertaining to its Articles and Agreements, it considers its Corporate Governance to be to valid levels appropriate to its mandate but with continuing review, and it adheres to sustainable investment practice.

EMPLOYEES COMPENSATION INSURER INSOLVENCY BUREAU

REPORT OF THE COUNCIL MEMBERS (CONTINUED)

Environmental, Social and Governance (ESG) Beliefs Statement (continued)

Sustainable investment is defined as the integration of ESG considerations into the investment process, which takes a long-term view, and includes the consideration of real-world impacts and effective stewardship. The Bureau believes that sustainable investment is important to successful long-term investment outcomes. To ensure that sustainability is properly accounted for in the Funds, the Bureau looks to its advisors to provide advice on the Funds' high-level sustainable investment considerations and its fund managers to implement said considerations. The Bureau continues to monitor the fund managers' ESG process and the European Union Sustainable Finance Disclosure Regulation ("SFDR") classification noting no concerns to highlight currently. The Bureau will undertake a sustainable investment review of the Funds and their managers on a regular basis.

A description of the principal risks and uncertainties facing the Bureau

The 2018 Actuarial Review highlighted a number of Liquidity and Insurance risks which were noted by Council and considered in the following detailed risk review. A professional external risk review was conducted during 2019 resulting in the establishment of a formal Risk Register reviewed annually and establishing that the identified risks of the Bureau fall within the categories of Operational, Market, Credit, Liquidity and Insurance and such are currently all considered to pose no more than an insignificant risk level to the Bureau. Council also reviews Risk and Fraud as a standing item of their quarterly meetings.

A detailed discussion on the main risks of the Bureau are set out in Management of insurance and financial risk, Note 3 on pages 19 to 22 to the Financial Statements which forms part of this Business Review.

Particulars of important events affecting the Bureau that have occurred since the end of the financial year

The Council is not aware of any important events affecting the business of the Bureau that have occurred since the end of the financial year.

An indication of likely future developments in the Bureau's business

The Council continues to consider the Policyholders' Protection Scheme.

Financial statements

The results of the Bureau for the year ended 31 December 2023 and the state of affairs of the Bureau as at that date are set out in the financial statements on pages 11 to 29.

Retained surplus

Movements in retained surplus during the year are set out in the statement of changes in equity on page 9.

EMPLOYEES COMPENSATION INSURER INSOLVENCY BUREAU

REPORT OF THE COUNCIL MEMBERS (CONTINUED)

Council Members

The Council Members during the financial year and up to the date of this report are:

Mr Chan Pui Leung
Mr Chen Zhaonan
Mr Cody Hui Ting Yui
Mr Hui Kam Kwai
Mr Lau Hong Wai Bernard (appointed on 19 January 2023)
Ms Lee Kar Lun Karen
Mr Ng Wing Fat Ronnie
Ms Wong Chi Shun
Mr Andrew Wong Kwai Chuen (resigned on 1 January 2023)

Messrs. Chan Zhaonan, Ng Wing Fat Ronnie and Wong Chi Shun are to retire at the forthcoming annual general meeting in accordance with article 35(3) of the Bureau's Articles of Association and, being eligible, offer themselves for re-election.

All other remaining Council Members continue in office.

Council Member's interests in contracts

No contract of significance to which the Bureau was a party and in which a Council Member of the Bureau had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

At no time during the year was the Bureau a party to any arrangements to enable the Council Members of the Bureau to acquire benefits by means of the acquisition of shares in or debentures of any body corporate.

Management contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Bureau were entered into or existed during the year.

Auditors

The financial statements have been audited by PricewaterhouseCoopers who retire, and being eligible, offer themselves for re-appointment.

By order of the Council



Chen Zhaonan
Chairman

Hong Kong, 15 April 2024

Independent Auditor's Report

To the Members of Employees Compensation Insurer Insolvency Bureau
(incorporated in Hong Kong with limited liability by guarantee)

Opinion

What we have audited

The financial statements of Employees Compensation Insurer Insolvency Bureau (the "Bureau"), which are set out on pages 7 to 29, comprise:

- the statement of financial position as at 31 December 2023;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, comprising material accounting policy information and other explanatory information.

Our opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Bureau as at 31 December 2023, and of its financial performance and its cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Bureau in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

Independent Auditor's Report

To the Members of Employees Compensation Insurer Insolvency Bureau
(incorporated in Hong Kong with limited liability by guarantee)

Other Information

The Council are responsible for the other information. The other information comprises the information included in the report of the Council Members, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Council Members and Those Charged with Governance for the Financial Statements

The Council Members are responsible for the preparation of the financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the Hong Kong Companies Ordinance, and for such internal control as the Council Members determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Council Members are responsible for assessing the Bureau's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Council Members either intend to liquidate the Bureau or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, in accordance with Section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Independent Auditor's Report

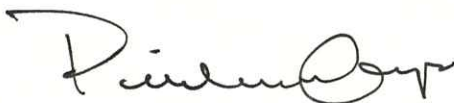
To the Members of Employees Compensation Insurer Insolvency Bureau
(incorporated in Hong Kong with limited liability by guarantee)

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bureau's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Council Members.
- Conclude on the appropriateness of the Council Members' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bureau's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bureau to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 15 April 2024

EMPLOYEES COMPENSATION INSURER INSOLVENCY BUREAU

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2023

	Note	2023 HK\$	(Restated) 2022 HK\$
Members' contributions		166,764,315	158,094,676
Insurance service expenses	7	(148,755,376)	(149,155,807)
Insurance service results		<u>18,008,939</u>	<u>8,938,869</u>
Net realised and unrealised gain/(loss) on financial assets		174,631,943	(360,758,733)
Other investment income		6,709,322	6,383,744
Interest income on deposits		66,673	8,120
Net investment income/(loss)		<u>181,407,938</u>	<u>(354,366,869)</u>
Finance income from contracts		706,497	-
Net finance income		<u>706,497</u>	<u>-</u>
Net insurance and investment result		<u>200,123,374</u>	<u>(345,428,000)</u>
Other operating expenses	8	(11,077,648)	(9,485,752)
Surplus / (loss) for the year		<u>189,045,726</u>	<u>(354,913,752)</u>
Other comprehensive surplus		<u>-</u>	<u>-</u>
Total comprehensive surplus/(loss) for the year		<u><u>189,045,726</u></u>	<u><u>(354,913,752)</u></u>

The notes on pages 11 to 29 are an integral part of these financial statements.

EMPLOYEES COMPENSATION INSURER INSOLVENCY BUREAU

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2023

	Note	31 December 2023 HK\$	(Restated) 31 December 2022 HK\$	(Restated) 1 January 2022 HK\$
ASSETS				
Current assets				
Financial assets at fair value through profit or loss	9	2,825,932,819	2,545,553,900	2,786,157,209
Other receivables	10	613,948	565,573	668,949
Insurance contract assets	12	-	-	29,104,819
Bank balances and cash	11	13,109,783	16,979,313	2,243,953
Total assets		<u>2,839,656,550</u>	<u>2,563,098,786</u>	<u>2,818,174,930</u>
EQUITY				
Retained surplus		<u>2,649,957,158</u>	<u>2,460,911,432</u>	<u>2,815,825,184</u>
LIABILITIES				
Current liabilities				
Insurance contract liabilities	12	188,537,783	101,120,360	-
Accrued expenses		<u>1,161,609</u>	<u>1,066,994</u>	<u>2,349,746</u>
Total liabilities		<u>189,699,392</u>	<u>102,187,354</u>	<u>2,349,746</u>
Total equity and liabilities		<u>2,839,656,550</u>	<u>2,563,098,786</u>	<u>2,818,174,930</u>

Approved and authorised for issue by the Council Members on 15 April 2024.



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Council Members



The notes on pages 11 to 29 are an integral part of these financial statements.

EMPLOYEES COMPENSATION INSURER INSOLVENCY BUREAU

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2023**

Total retained surplus:	HK\$
Balance at 1 January 2022	2,815,825,184
Total comprehensive surplus for the year (Restated)	(354,913,752)
Balance at 31 December 2022 and 1 January 2023 (Restated)	2,460,911,432
Total comprehensive surplus for the year	189,045,726
Balance at 31 December 2023	2,649,957,158

The notes on pages 11 to 29 are an integral part of these financial statements.

EMPLOYEES COMPENSATION INSURER INSOLVENCY BUREAU

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2023

	Note	2023 HK\$	(Restated) 2022 HK\$
Operating activities			
Total comprehensive surplus/(loss) for the year		189,045,726	(354,913,752)
Adjustments for:			
- Investment expenses		6,336,057	6,111,459
- Interest income on deposits		(66,673)	(8,120)
- Other investment income		(6,709,322)	(6,383,744)
- Net realised and unrealised (gains)/loss on financial assets		(174,631,943)	360,758,733
Operating surplus before changes in working capital		13,973,845	5,564,576
(Increase) / Decrease in other receivables		(48,375)	103,376
Decrease in insurance contract assets		-	29,104,819
Increase in insurance contract liabilities		87,417,423	101,120,360
Increase / (Decrease) in accrued expenses		94,615	(1,282,752)
Net cash inflow from operating activities		101,437,508	134,610,379
Investing activities			
Purchases of financial assets (net)		(112,108,224)	(126,266,646)
Dividend and other investment income received		6,709,322	6,383,744
Interest received on deposits		66,673	8,120
Net cash outflow from investing activities		(105,332,229)	(119,874,782)
Net (decrease)/increase in cash and cash equivalents		(3,894,721)	14,735,597
Cash and cash equivalents at 1 January		17,007,453	2,271,856
Cash and cash equivalents at 31 December	11	13,112,732	17,007,453

The notes on pages 11 to 29 are an integral part of these financial statements.

EMPLOYEES COMPENSATION INSURER INSOLVENCY BUREAU

NOTES TO THE FINANCIAL STATEMENTS

1 Legal status

Employees Compensation Insurer Insolvency Bureau (the "Bureau") is a company limited by guarantee and was incorporated under the Hong Kong Companies Ordinance on 18 February 2003. The address of its registered office is 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong.

Under the provision of the Bureau's Articles of Association, every member shall, in the event of the Bureau being wound up, contribute such amount as may be required to meet the liabilities of the Bureau but not exceeding HK\$100 per member. The assets of the Bureau shall be applied solely towards the promotion of the objects of the Bureau as set out in the Bureau's Articles of Association and no part thereof shall be distributed to the members of the Bureau. All insurers authorised by law to carry on employees' compensation insurance business in Hong Kong are required to become members of the Bureau.

The Bureau was set up by the insurance industry to give effect to an agreement entered into on 21 February 2003 between the Government of the Hong Kong Special Administrative Region (the "Government") and the Bureau (the "Insolvency Fund Agreement").

In accordance with the Insolvency Fund Agreement, the Government and the Bureau have agreed to establish the Employees Compensation Insurer Insolvency Scheme to assume responsibility for the liabilities of insurers engaging in employee compensation business that become insolvent on or after 1 April 2004.

2 Material accounting policies

The material accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented.

(a) Basis of preparation

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standard ("HKFRS") and requirements of the Hong Kong Companies Ordinance Cap. 622. They have been prepared under the historical cost convention as modified by the revaluation of financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Bureau's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

EMPLOYEES COMPENSATION INSURER INSOLVENCY BUREAU

NOTES TO THE FINANCIAL STATEMENTS

2 Material accounting policies (continued)

(a) Basis of preparation (continued)

Changes in accounting policies

- (i) New standards, amendments to standards and interpretations adopted by the Bureau

The Bureau has adopted the requirement of HKFRS 17 "Insurance Contracts" from 1 January 2023.

The Bureau has used the Premium Allocation Approach ("PAA") for measuring contracts as the respective Bureau's groups of contracts meet the PAA eligibility criteria because the measurement of the liability for remaining coverage would not differ materially from the one that would be produced applying the General Measurement Model ("GMM"). The Bureau also uses PAA for measuring contract with coverage period of one year or less.

The Bureau has applied the bottom-up approach in the determination of the discounts rates for different products.

Full retrospective approach

The Bureau has determined that reasonable and supportable information was available for all contracts in force at the transition date within three years prior to the transition.

In addition, for contracts originated by the Bureau that are eligible for the PAA, the Bureau has concluded that only current and prospective information was required to reflect circumstances at the transition date, which made the full retrospective application practicable and, hence the only available option for contracts issued by the Bureau.

Accordingly, the Bureau has identified, recognised and measured each group of contracts and each acquisition cash flows asset in this category as if HKFRS 17 had always applied (except that a retrospective impairment test has not been performed); derecognised any existing balances that would not exist if HKFRS 17 had always applied; and recognised any resulting net difference in equity.

- (ii) New standards, amendments to standards and interpretations not yet adopted by the Bureau

Certain amendments to standards and interpretations have been published that are not mandatory for 31 December 2023 reporting periods and have not been early adopted by the Bureau. These amendments are not expected to have a material impact on the entity in the current or future periods and on foreseeable future transactions.

EMPLOYEES COMPENSATION INSURER INSOLVENCY BUREAU

NOTES TO THE FINANCIAL STATEMENTS

2 Material accounting policies (continued)

(b) Revenue recognition

(i) Members' contributions

Members' contributions received and receivable are recognised based on gross employees' compensation insurance premiums received and receivable by members from their policyholders.

(ii) Other investment income and interest income on deposits

Other investment income is recognised when the right to receive rebate of investment management expense from the investment manager. Interest income from bank deposits and debt securities is accrued on a time-apportioned basis on the principal outstanding and at the rates applicable.

(iii) Realised and unrealised gains/ (losses) on financial instruments at fair value through profit or loss

Gains or losses arising from disposals and changes in the fair values of financial instruments at fair value through profit or loss are recognized in the period in which they arise.

(c) Insurance contracts

Insurance contracts are contracts under which the Bureau accepts significant insurance risk by agreeing to compensate if a specified uncertain future event occurs. As a general guideline, the Bureau defines as significant insurance risk the possibility of having to pay benefits on the occurrence of an insured event that are at least 10% more than the benefits payable if the insured event did not occur. The Bureau believes that the facilities described in Note 1 above meet the definition of insurance contracts.

Claims are charged to income as incurred based on the estimated liability for compensation. They include claims settlement costs arising from events that have occurred up to the financial reporting date even if they have not yet been reported to the Bureau. The Bureau has discounted its liabilities for unpaid claims. Liabilities for unpaid claims are estimated using the input of assessments for individual cases reported to the Bureau and statistical analyses for the claims incurred but not reported.

EMPLOYEES COMPENSATION INSURER INSOLVENCY BUREAU

NOTES TO THE FINANCIAL STATEMENTS

2 Material accounting policies (continued)

(c) Insurance contracts (continued)

Measurement

Fulfilment cash flows ("FCF")

Fulfilment cash flows within contract boundary

The FCF are the current estimates of the future cash flows within the contract boundary of a group of contracts that the Bureau expects to collect from contributions and pay out for claims, benefits and expenses, adjusted to reflect the timing and the uncertainty of those amounts.

The estimates of future cash flows:

- a. are based on a probability-weighted mean of the full range of possible outcomes;
- b. are determined from the perspective of the Bureau, provided that the estimates are consistent with observable market prices for market variables; and
- c. reflect conditions existing at the measurement date.

An explicit risk adjustment for non-financial risk is estimated separately from the other estimates. For contracts measured under the PAA, unless the contracts are onerous, the explicit risk adjustment for non-financial risk is only estimated for the measurement of the LIC.

The estimates of future cash flows are adjusted using the current discount rates to reflect the time value of money and the financial risks related to those cash flows, to the extent not included in the estimates of cash flows. The discount rates reflect the characteristics of the cash flows arising from the groups of contracts, including timing, currency and liquidity of cash flows. The determination of the discount rate that reflects the characteristics of the cash flows and liquidity characteristics of the contracts requires significant judgement and estimation.

Risk of the Bureau's non-performance is not included in the measurement of groups of contracts issued.

Contract boundary

The Bureau uses the concept of contract boundary to determine what cash flows should be considered in the measurement of groups of contracts.

Cash flows are within the boundary of a group of contract that the Bureau collects from contributions and pays out for claims, benefits and expenses.

EMPLOYEES COMPENSATION INSURER INSOLVENCY BUREAU

NOTES TO THE FINANCIAL STATEMENTS

2 Material accounting policies (continued)

(c) Insurance contracts (continued)

Initial and subsequent measurement – Groups of contracts measured under the PAA

The Bureau uses the PAA for measuring contracts with a coverage period of one year or less. This approach is used for originated contracts, because each of these contracts has a coverage period of one year or less.

The carrying amount of a group of contracts issued at the end of each reporting period is the sum of:

- a. the Liabilities for remaining coverage ("LRC"); and
- b. the Liabilities for incurred claims ("LIC"), comprising the FCF related to past service allocated to the Bureau at the reporting date.

For contracts issued, at each of the subsequent reporting dates, the LRC is:

- a. increased for contributions received in the period, excluding amounts that relate to contributions receivables included in the LIC;
- b. decreased for acquisition cash flows paid in the period;
- c. decreased for the amounts of expected contributions receipts recognised as revenue for the services provided in the period; and
- d. increased for the amortization of acquisition cash flows in the period recognised as insurance service expenses.

For contracts measured under the PAA, future cash flows are adjusted for the time value of money, since contracts issued by the Bureau and measured under the PAA typically have a settlement period of over one year.

EMPLOYEES COMPENSATION INSURER INSOLVENCY BUREAU

NOTES TO THE FINANCIAL STATEMENTS

2 Material accounting policies (continued)

(c) Insurance contracts (continued)

Insurance service result from contracts issued

Revenue

When the Bureau applies the premium allocation approach, revenue for the period is the amount of members' contributions received and receivable which is allocated to the period on the basis of the passage of time.

Insurance service expenses

Insurance service expenses include the following:

- a. incurred claims and benefits, excluding investment components reduced by loss component allocations;
- b. other incurred directly attributable expenses, including amounts of any other pre-recognition cash flows assets (other than acquisition cash flows) derecognised at the date of initial recognition;
- c. acquisition cash flows amortization;
- d. changes that relate to past service – changes in the FCF relating to the LIC;
- e. changes that relate to future service – changes in the FCF that result in onerous contract losses or reversals of those losses;
- f. acquisition cash flows assets impairment, net of reversals

For contracts measured under the PAA, amortization of acquisition cash flows is based on the passage of time.

Other expenses not meeting the above categories are included in other operating expenses in the statement of profit or loss.

Finance income or expenses

Finance income or expenses comprise the change in the carrying amount of the contracts arising from:

- a. the effect of the time value of money and changes in the time value of money; and
- b. the effect of financial risk and changes in financial risk.

For contracts measured under the PAA, the main amounts within finance income or expenses are:

- a. interest accreted on the LRC; and
- b. the effect of changes in interest rates and other financial assumptions.

EMPLOYEES COMPENSATION INSURER INSOLVENCY BUREAU

NOTES TO THE FINANCIAL STATEMENTS

2 Material accounting policies (continued)

(d) Financial assets

Classification

The Bureau classifies its investments based on both the Bureau's business model for managing those financial assets and the contractual terms of the cash flows. The financial assets at fair value through profit or loss are managed and performance is evaluated on a fair value basis. The Bureau is primarily focused on fair value information and uses that information to assess the assets' performance and to make decisions. Consequently, all investments are measured at fair value through profit or loss.

Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date – the date on which the Bureau commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Bureau has transferred substantially all risks and rewards of ownership.

Measurement

At initial recognition, the Bureau measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit and loss are expensed in the statement of comprehensive income.

Subsequent to initial recognition, all financial assets at fair value through profit or loss are measured at fair value. Gains and losses arising from changes in the fair value of the financial assets at fair value through profit or loss category are presented in the statement of comprehensive income within net realised and unrealised (loss)/gains on financial assets in the period in which they arise.

Dividend income from financial assets at fair value through profit or loss is recognised in the statement of comprehensive income when the Bureau's right to receive payments is established.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

The Bureau has receivables for sale of investments and payable to settle purchases of investments that have been contracted for but not yet settled or delivered on the statement of financial position date respectively. The receivable from for sale of investments is held for collection.

These amounts are recognised initially at fair value and subsequently measured at amortised cost.

Other receivables and members' contribution receivables are generally due for settlement within one month and therefore are all classified as current.

EMPLOYEES COMPENSATION INSURER INSOLVENCY BUREAU

NOTES TO THE FINANCIAL STATEMENTS

2 Material accounting policies (continued)

(d) Financial assets (continued)

Measurement (continued)

Members' contributions receivables are recognised initially at the amount of consideration that is unconditional. The Bureau holds the members' contributions receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

Impairment

For Members' contributions receivables, the Bureau applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

Fair value

The fair values of quoted investments are based on current bid prices.

Regular way purchases and sales of investments were recognised on trade-date – the date on which the Bureau commits to purchase or sell the asset. Financial assets carried at fair value through profit or loss were initially recognised at fair value and transaction costs were expensed in the statement of comprehensive income. Financial assets were derecognised when the right to receive cash flows from the investments had expired or had been transferred and the Bureau had transferred substantially all risks and rewards of ownership.

Financial instruments were derecognized when the right to receive cash flows from the investments had expired or had been transferred and the Bureau had transferred substantially all risks and rewards of ownership.

Gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category were presented in the statement of comprehensive income in the period in which they arise. Dividend income from financial assets at fair value through profit or loss was recognised in the statement of comprehensive income when the Bureau's right to receive payments was established.

The fair values of quoted investments were based on current bid prices.

(e) Translation of foreign currencies

The financial statements are presented in Hong Kong dollars, which is the Bureau's functional currency and presentation currency.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

EMPLOYEES COMPENSATION INSURER INSOLVENCY BUREAU

NOTES TO THE FINANCIAL STATEMENTS

2 Material accounting policies (continued)

(f) Cash and cash equivalents

In the statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less and bank overdrafts.

(g) Comparative figures

Comparative figures have been adjusted, where necessary, to conform to the basis of presentation and the classification used in the current year, unless otherwise noted in the notes to the accounts.

3 Management of Insurance and financial risk

3.1.1 Financial risk factors

The Bureau is exposed to financial risk through its financial assets. In particular, the key financial risk is from unanticipated volatility of return and other financial market driven events that can change the risk profile of the funds. The most important components of this financial risk are interest rate risk, credit risk, price risk, currency risk and liquidity risk.

(a) Interest rate risk

The investment portfolio of the Bureau as at 31 December 2023 comprises funds which holds bonds of approximately HK\$2,033 million (2022: HK\$1,924 million). Interest rate movements can have a material impact on the carrying values of these bond funds.

By investing in the bond funds managed by the investment managers, the Bureau manages its interest rate risk by allowing the investment managers to use certain derivatives to hedge the interest rate risk exposure associated with underlying debt securities of the bond funds where appropriate. The Bureau did not have any derivative transactions in 2023 and 2022.

(b) Credit risk

The Bureau has exposures to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. This includes indirect credit risk with respect to investments in funds that holds bonds of HK\$2,033 million (2022: HK\$1,924 million). The Bureau is also exposed to counterparty credit risk on bank balances and cash and contributions and other receivables.

In relation to the Bureau's investment portfolio, the Bureau manages the level of credit risk it accepts by implementing a set of investment guidelines.

The investment guidelines stipulate that no more than 5% of the Fund is to be held in any one security, other than a fund or a security representing a collective investment of other securities, unless the security represents an OECD sovereign borrower or issuer (and its agencies).

EMPLOYEES COMPENSATION INSURER INSOLVENCY BUREAU

NOTES TO THE FINANCIAL STATEMENTS

3 Management of Insurance and financial risk (continued)

3.1.1 Financial risk factors (continued)

(b) Credit risk (continued)

The Bureau manages its credit risk through collective investment vehicles that invest in a diversified portfolio of bond instruments. All credit risks are assumed indirectly through exposure to these vehicles.

As of 31 December 2023, indirect credit risks of the Bureau's Fixed Income Portfolio were diversified across various countries and sectors, with highest exposure in the United States, the European Monetary Union (EMU), and the United Kingdom. The percentage contributions of duration by these issuers accounted for 57.1% of the Fixed Income Portfolio. Elsewhere, the Bureau's exposure was the highest in Japan and Australia, which respectively accounted for 8.6% and 7.4% of the Fixed Income Portfolio.

The above statistics are similar to that as of 31 December 2022, where the Bureau's Fixed Income Portfolio was most exposed to bonds issued by the United States, the European Monetary Union (EMU), and Japan which accounted for 71.1% of the portfolio, followed by the United Kingdom and Australia, which respectively accounted for 5.4% and 3.7% of the portfolio.

The Bureau measures credit risk and expected credit losses using probability of default, exposure at default and loss given default. Management considers both historical analysis and forward-looking information in determining any expected credit loss. The Bureau considers the probability of default to be close to zero as the counterparties of Bank balances and cash and Contributions and other receivables have a strong capacity to meet their contractual obligations in the near term. As a result, no loss allowance has been recognised based on expected credit losses as any such impairment would be wholly insignificant to the Bureau.

The Bureau has no significant concentration of credit risk.

(c) Price risk

The Bureau is directly exposed to price risk related to funds and indirectly to the equity securities that the funds invest in. A 10% increase in the market values of the funds would result in a gain of approximately HK\$283 million in 2023 (2022: HK\$255 million).

(d) Currency risk

The Bureau's exposures to foreign exchange risk arise primarily from purchased financial assets that are denominated in currencies other than Hong Kong dollars. As at 31 December 2023, the Bureau did not have significant exposures to foreign exchange risk, as all the financial assets held by the Bureau were either denominated in Hong Kong dollars or US dollars (against which Hong Kong dollars are pegged).

EMPLOYEES COMPENSATION INSURER INSOLVENCY BUREAU

NOTES TO THE FINANCIAL STATEMENTS

3 Management of Insurance and financial risk (continued)

3.1.1 Financial risk factors (continued)

(e) Liquidity risk

The Bureau's exposures to liquidity risk arise primarily from the timing of cash outflows from the outstanding claims liabilities.

Surplus cash held by the Bureau over and above balance required for working capital management are deposited to bank as short term deposit. The financial assets held by the Bureau are assets that are traded in active markets and can be readily disposed of. At the reporting date, the Bureau had a cash balance of HK\$13,109,783 (2022: HK\$16,979,313) and financial assets at fair value through profit or loss of HK\$2,825,932,819 (2022: HK\$2,545,553,900) under Insolvency Fund Scheme, which contributed to a majority part of the total asset.

The tables below summarise the timing of cash flows arising from the Bureau's liabilities:

2023

	Carrying Amount HK\$	Cash flows (undiscounted)			
		On demand HK\$	0-5 yrs HK\$	5-10 yrs HK\$	Over 10 yrs HK\$
Insurance contract liabilities	188,537,783	-	188,537,783	-	-
Other creditors and accruals	1,161,609	-	1,161,609	-	-
	<u>189,699,392</u>	<u>-</u>	<u>189,699,392</u>	<u>-</u>	<u>-</u>

2022

	Carrying Amount HK\$	Cash flows (undiscounted)			
		On demand HK\$	0-5 yrs HK\$	5-10 yrs HK\$	Over 10 yrs HK\$
Insurance contract liabilities	101,120,360	-	101,120,360	-	-
Other creditors and accruals	1,066,994	-	1,066,994	-	-
	<u>102,187,354</u>	<u>-</u>	<u>102,187,354</u>	<u>-</u>	<u>-</u>

EMPLOYEES COMPENSATION INSURER INSOLVENCY BUREAU

NOTES TO THE FINANCIAL STATEMENTS

3 Management of Insurance and financial risk (continued)

3.1.2 Fair value estimation

HKFRS 7 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the market assumptions. These two types of inputs have created the following fair value hierarchy:

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and unit trusts.
- Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following tables present the Bureau's financial assets that are measured at fair value at 31 December 2023. All debt securities and term deposits held by the Bureau meet the qualification of and are included in level 1. There were no transfers of financial assets between level 1 and level 2 fair value hierarchy classifications.

As at 31 December 2023

	Level 1 HK\$	Level 2 HK\$	Level 3 HK\$	Total balance HK\$
Financial assets (Note 9)				
- Cash	2,949	-	-	2,949
- Unit trusts	2,825,929,870	-	-	2,825,929,870
Total financial assets	2,825,932,819	-	-	2,825,932,819

As at 31 December 2022

	Level 1 HK\$	Level 2 HK\$	Level 3 HK\$	Total balance HK\$
Financial assets (Note 9)				
- Cash	28,140	-	-	28,140
- Unit trusts	2,545,525,760	-	-	2,545,525,760
Total financial assets	2,545,553,900	-	-	2,545,553,900

3.2 Insurance risk and capital risk management

Capital comprises all components of equity as shown in the statement of financial position. The principal insurance and capital risk that the Bureau faces is that the assets of the Bureau are not adequate to discharge its obligations under the terms of the fund agreement. This may arise if the actual claims exceed the carrying amount of the assets available.

EMPLOYEES COMPENSATION INSURER INSOLVENCY BUREAU

NOTES TO THE FINANCIAL STATEMENTS

4 Critical accounting estimates and judgements

The Bureau makes estimates and assumptions that affect the reported amounts of its claims liabilities. Estimates and judgements are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Claims liabilities are estimated by reference to (i) the estimate of reported claims liabilities based on claims information submitted to the Bureau, (ii) the estimate of incurred-but-not-reported liabilities and (iii) future indirect claims handling expenses. This estimate of claims liability is subject to significant judgement made by the Bureau.

(a) Discount rate

Insurance contract liabilities are calculated by discounting expected future cash flows at a risk-free rate, plus an illiquidity contributions where applicable. The risk-free reference curve used by the Bureau is derived based on the data published by Hong Kong Monetary Authority, which provides benchmark yields for short and longer term debts at different term to maturities.

Discount rates applied for discounting of future cash flows are listed below:

2023									
30 days	91 days	182 days	273 days	364 days	2 years	3 years	5 years	10 years	15 years
4.62%	4.47%	4.23%	4.08%	3.97%	3.39%	3.36%	3.05%	3.23%	3.70%

2022									
30 days	91 days	182 days	273 days	364 days	2 years	3 years	5 years	10 years	15 years
1.65%	2.78%	3.90%	4.25%	4.32%	4.18%	3.93%	3.70%	3.63%	3.91%

(b) Methods used to measure the risk adjustment for non-financial risk

The risk adjustment for non-financial risk is the compensation that is required for bearing the uncertainty about the amount and timing of cash flows that arises from non-financial risk as the insurance contract is fulfilled. Because the risk adjustment represents compensation for uncertainty, estimates are made on the degree of diversification benefits and expected favourable and unfavourable outcomes in a way that reflects the Bureau's degree of risk aversion. The Bureau estimates an adjustment for non-financial risk separately from all other estimates.

The resulting amount of the calculated risk adjustment corresponds to the confidence level of 75% (2022: 75%).

EMPLOYEES COMPENSATION INSURER INSOLVENCY BUREAU

NOTES TO THE FINANCIAL STATEMENTS

5 Remuneration of Council Members of the Bureau

In accordance with the Bureau's Articles of Association, the Council Members of the Bureau are not entitled to any remuneration or compensation for services rendered to the Bureau. Accordingly, none of the Council Members of the Bureau received or was due any remuneration during the year.

6 Taxation

The Bureau is exempt under Section 87 of the Hong Kong Inland Revenue Ordinance from payment of any tax chargeable under the Ordinance.

7 Insurance service expenses

	2023 HK\$	2022 HK\$
Incurring claims	135,776,405	131,797,199
Change in risk adjustment	11,559,987	16,685,414
Operating expenses allocated to insurance service expenses under HKFRS 17 (Note 8)	1,418,984	673,194
	<u>148,755,376</u>	<u>149,155,807</u>

8 Other operating expenses

	2023 HK\$	2022 HK\$
Investment management fees	5,433,667	5,208,556
Investment custody fees	902,390	902,903
Accountancy, taxation and secretarial fees	2,022,200	1,403,300
Claims handling fees	1,335,600	576,200
Legal and professional fees	804,116	556,547
Insurance	379,809	346,596
Audit fees	283,000	210,683
Administration fees	1,178,000	816,000
Others	157,850	138,161
	<u>12,496,632</u>	<u>10,158,946</u>
Less: Operating expenses allocated to insurance service expenses under HKFRS 17	<u>(1,418,984)</u>	<u>(673,194)</u>
	<u>11,077,648</u>	<u>9,485,752</u>

EMPLOYEES COMPENSATION INSURER INSOLVENCY BUREAU

NOTES TO THE FINANCIAL STATEMENTS

9 Financial assets at fair value through profit or loss

	2023 HK\$	2022 HK\$
Mutual funds registered in Hong Kong containing		
- Listed bonds	328,563,793	410,868,574
- Listed equities	704,225,468	613,205,863
- Cash deposits	88,588,873	8,258,665
Bond funds registered outside Hong Kong		
- Listed bonds	1,704,551,736	1,513,192,658
Cash deposits with custodian (Note 11)	2,949	28,140
	<u>2,825,932,819</u>	<u>2,545,553,900</u>

The Bureau had investments in the following investment funds. These investment funds manage assets on behalf of third party investors. These funds are financed through the issue of units/shares to investors.

	Fair value	
	2023 HK\$	2022 HK\$
Investment funds, at market value:		
Schroder Stable Growth Fund	422,314,336	386,304,153
Schroder Balanced Investment Fund	699,063,798	646,028,949
PIMCO Global Bond Fund	1,138,097,474	1,008,216,519
JPM Aggregate Bond Fund	566,454,262	504,976,139
	<u>2,825,929,870</u>	<u>2,545,525,760</u>

These investments include 12,240,995 units of Schroder Stable Growth Fund (2022: 11,813,583 units), 10,038,251 units of Schroder Balanced Investment Fund (2022: 9,774,988 units), 4,259,210 units of PIMCO Global Bond Fund (2022: 4,078,830 units) and 540,276 units of JPM Aggregate Bond Fund (2022: 512,512 units).

The maximum exposure to loss is HK\$2,825,929,870 which represents the fair value of the investments in investment funds.

The size of the Schroder Stable Growth Funds during 2023 ranges from HK\$6,906 million to HK\$7,650 million, the size of the Schroder Balanced Investment Fund ranges from HK\$7,576 million to HK\$8,401 million, the size of the PIMCO Global Bond Funds ranges from US\$11,706 million to US\$13,077 million and the size of the JPM Aggregate Bond Funds ranges from US\$2,777 million to US\$3,788 million. During the year, the Bureau did not provide financial support to unconsolidated structured entities and has no intention of providing financial or other support.

10 Other receivables

Other receivables are measured at amortised cost. The fair values of the receivables are estimated to be approximately equal to the carrying amounts of these balances.

There is no significant concentration of credit risk with respect to these receivables. There is no loss allowance recognised as at 31 December 2023 (2022: nil).

EMPLOYEES COMPENSATION INSURER INSOLVENCY BUREAU

NOTES TO THE FINANCIAL STATEMENTS

11 Cash and cash equivalents

	2023 HK\$	2022 HK\$
Bank balances and cash		
- Bank balances	13,109,783	16,979,313
Financial asset		
- Cash deposits (Note 9)	2,949	28,140
Cash and cash equivalents	<u>13,112,732</u>	<u>17,007,453</u>

Bank balances and cash are measured at amortised cost.

12 Insurance contract liabilities

Under the Insolvency Fund Agreement, the Bureau is liable for the settlement of certain judgements that remained unsettled as a result of the insolvency of Target Insurance Company, Limited (In Liquidation) ("Target"). The Bureau estimated a total incurred claims liability as at 31 December of approximately HK\$243.9 million (2022: HK\$117.8 million). The outstanding claims liability as at 31 December 2023 amounted to HK\$197.4 million (2022: HK\$115.4 million).

	2023 HK\$	2022 HK\$
Liabilities for incurred claims		
Contributions receivable	(30,448,427)	(29,108,505)
Accrued expenses	39,121	3,686
Notified claims	100,842,506	-
Incurred but not reported	10,084,250	-
Future indirect claims handling expenses	4,437,070	-
Effect of discounting	(519,574)	-
Effect of risk adjustment	16,685,414	-
Total at beginning of year	101,120,360	(29,104,819)
Cash received from contribution in the year	161,606,042	156,754,754
Cash paid for claims settlements in the year	(54,342,918)	(16,952,947)
Decrease in liabilities during the year	(19,845,701)	(9,576,628)
Total at end of year	<u>188,537,783</u>	<u>101,120,360</u>

Represents:

Contributions receivable	(35,606,700)	(30,448,427)
Accrued expenses	327,840	39,121
Notified claims	172,575,304	100,842,506
Incurred but not reported	17,257,530	10,084,250
Future indirect claims handling expenses	7,593,313	4,437,070
Effect of discounting	(1,470,764)	(519,574)
Effect of risk adjustment	27,861,260	16,685,414
	<u>188,537,783</u>	<u>101,120,360</u>

EMPLOYEES COMPENSATION INSURER INSOLVENCY BUREAU

NOTES TO THE FINANCIAL STATEMENTS

12 Insurance contract liabilities (continued)

	2023				2022			
	LRC	LIC for contracts under the PAA			LRC	LIC for contracts under the PAA		
	Excluding loss comp. HK\$	Present value		Total	Excluding loss comp. HK\$	Present value		Total
		of future cash flows HK\$	Risk adj. for non-fin. risk HK\$			of future cash flows HK\$	Risk adj. for non-fin. risk HK\$	
Insurance contract liabilities/(assets) as at 1 January	-	84,434,946	16,685,414	101,120,360	-	(29,104,819)	-	(29,104,819)
Members' contributions	(166,764,315)	-	-	(166,764,315)	(158,094,676)	-	-	(158,094,676)
Insurance service expenses								
Incurred claims and other insurance service expenses	-	97,086,111	-	97,086,111	-	118,468,647	-	118,468,647
Changes that relate to past service – changes in the FCF relating to the LIC	35,606,700	(35,606,700)	-	-	30,448,427	(30,448,427)	-	-
Adjustments to liabilities for incurred claims	-	40,109,278	11,559,987	51,669,265	-	14,001,746	16,685,414	30,687,160
Insurance service expenses	35,606,700	101,588,689	11,559,987	148,755,376	30,448,427	102,021,966	16,685,414	149,155,807
Insurance service result	(131,157,615)	101,588,689	11,559,987	(18,008,939)	(127,646,249)	102,021,966	16,685,414	(8,938,869)
Finance expenses from contracts issued	-	(322,356)	(384,141)	(706,497)	-	-	-	-
Total amounts recognised in comprehensive income	(131,157,615)	101,266,333	11,175,846	(18,715,436)	(127,646,249)	102,021,966	16,685,414	(8,938,869)
Cash flows								
Contributions received	131,157,615	30,448,427	-	161,606,042	127,646,249	29,108,505	-	156,754,754
Claims and other insurance service expenses paid	-	(55,473,183)	-	(55,473,183)	-	(17,590,706)	-	(17,590,706)
Total cash flows	131,157,615	(25,024,756)	-	106,132,859	127,646,249	11,517,799	-	139,164,048
Insurance contract liabilities as at 31 December	-	160,676,523	27,861,260	188,537,783	-	84,434,946	16,685,414	101,120,360

EMPLOYEES COMPENSATION INSURER INSOLVENCY BUREAU

NOTES TO THE FINANCIAL STATEMENTS

12 Insurance contract liabilities (continued)

The following table presents the claims development as at 31 December 2023.

	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>Total</u>
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Estimate of cumulative claims								
- At end of the year of notification	-	-	-	-	-	132,317	135,466	
- one year later	-	-	-	-	-	133,256		
- two years later	-	-	-	-	-			
- three years later	-	-	-	-				
- four years later	-	-	-					
- five years later	-	-						
- six years later	-							
Current estimate of cumulative claims	-	-	-	-	-	133,256	135,466	268,722
Cumulative payments to date	-	-	-	-	-	(53,334)	(17,962)	(71,296)
Gross cumulative claims liabilities	-	-	-	-	-	79,922	117,504	197,426
Other directly attributable expenses								328
Effect of discounting								(1,471)
Effect of the risk adjustment margin for non-financial risk								27,861
Total provision for outstanding claims in the balance sheet								224,144

The above is presented on a gross basis for the year ended 31 December 2023.

EMPLOYEES COMPENSATION INSURER INSOLVENCY BUREAU

NOTES TO THE FINANCIAL STATEMENTS

12 Insurance contract liabilities (continued)

The following table presents the claims development as at 31 December 2022.

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>Total</u>
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Estimate of cumulative claims								
- At end of the year of notification	-	-	-	-	-	-	132,317	
- one year later	-	-	-	-	-	-		
- two years later	-	-	-	-	-			
- three years later	-	-	-	-				
- four years later	-	-	-					
- five years later	-	-						
- six years later	-							
Current estimate of cumulative claims	-	-	-	-	-	-	132,317	132,317
Cumulative payments to date	-	-	-	-	-	-	(16,953)	(16,953)
Gross cumulative claims liabilities	-	-	-	-	-	-	115,364	115,364
Other directly attributable expenses								39
Effect of discounting								(519)
Effect of the risk adjustment margin for non-financial risk								16,685
Total provision for outstanding claims in the balance sheet								131,569

The above is presented on a gross basis for the year ended 31 December 2022.

13 Approval of financial statements

The financial statements were approved by the Council on 15 April 2024.