

NOTE FOR FINANCE COMMITTEE

Contingent Liability of the Hong Kong Export Credit Insurance Corporation

INTRODUCTION

This note informs Members that the Secretary for Commerce and Industry intends to introduce a resolution for approval by the Legislative Council (LegCo) in March 2002 to raise the cap on the contingent liability of the Hong Kong Export Credit Insurance Corporation (ECIC) from \$10 billion to \$12.5 billion.

BACKGROUND

2. The ECIC was established in 1966 under the Hong Kong Export Credit Insurance Corporation Ordinance to encourage and support export trade through the provision of insurance protection for Hong Kong exporters against non-payment risks arising from commercial and political events.

3. Section 18 of the Hong Kong Export Credit Insurance Corporation Ordinance provides that the Government shall guarantee the payment of all moneys due by the ECIC, and section 23 stipulates that the contingent liability of the ECIC under contracts of insurance (i.e. the amount for which the ECIC is contractually liable to indemnify policy-holders in respect of its insurance policies) shall not exceed a specified amount which may be determined by the LegCo by resolution.

4. Over the years, the cap on the ECIC's contingency liability was raised several times. It was last revised from \$7.5 billion to \$10 billion through a resolution approved by the LegCo on 17 December 1997.

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REVIEW

5. As at 31 December 2001, the ECIC's contingent liability amounted to \$9,479 million, or 95 per cent of the maximum liability permitted. The ECIC forecasts that the existing cap on its contingent liability will be reached by May 2002. To cater for business growth in the next few years, the ECIC proposes to raise the cap by \$2.5 billion to \$12.5 billion. This proposal is supported by the ECIC Advisory Board and agreed by the Government. .

Commerce and Industry Bureau
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