

HONG KONG EXPORT CREDIT INSURANCE
CORPORATION ORDINANCE

RESOLUTION

(Under section 23 of the Hong Kong Export Credit
Insurance Corporation Ordinance (Cap. 1115))

RESOLVED that the contingent liability of the Hong Kong
Export Credit Insurance Corporation under contracts of
insurance shall not at any time exceed the sum of 12,500
million dollars.

(Translation)

Speech by the Secretary for Commerce and Industry

In Legislative Council on 13 March 2002

Hong Kong Export Credit Insurance Corporation Ordinance

(Cap. 1115)

Madam President,

I move that the resolution as printed on the Agenda be approved.

2. The Hong Kong Export Credit Insurance Corporation (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 of goods and services 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 shall not exceed a specified amount which may be determined by the Legislative Council by resolution. The existing cap on the contingent liability of the ECIC stands at \$10 billion.

4. 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. If the cap is not raised, the ECIC would not be able to expand its business, limiting its capability to provide export credit insurance services for more exporters. To cater for the ECIC's business growth in the

next few years so as to ensure that it continues to promote export trade effectively, the Government agrees to the ECIC's proposal to raise the cap on its contingency liability by \$2.5 billion to \$12.5 billion.

5. I would like to point out that here contingent liability refers to the total amount which the ECIC is contractually liable to indemnify policy-holders in respect of all its insurance policies at any point of time. The actual gross claims of the ECIC amount to a much lower figure than the cap on the contingent liability, for example, the gross claims for the financial year 2000-01 amounted to \$78.98 million. The ECIC will adhere to the principle of prudence in underwriting and risk management.

6. Madam President, I beg to move.