

立法會
Legislative Council

LC Paper No. CB(3) 304/08-09

Ref. : CB(3)/M/OR

Tel : 2869 9205

Date : 23 January 2009

From : Clerk to the Legislative Council

To : All Members of the Legislative Council

Council meeting of 11 February 2009

**Proposed resolution under
the Hong Kong Export Credit Insurance Corporation Ordinance**

I forward for Members' consideration a proposed resolution which the Secretary for Commerce and Economic Development will move at the Council meeting of 11 February 2009 under the Hong Kong Export Credit Insurance Corporation Ordinance. The President has directed that "it be printed in the terms in which it was handed in" on the Agenda of the Council.

2. The speech, in both English and Chinese versions, which the Secretary for Commerce and Economic Development will deliver when moving the proposed resolution, is also attached.

(Mrs Justina LAM)
for Clerk to the Legislative Council

Encl.

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 30,000 million dollars.

**Speech by the Secretary for Commerce and Economic Development
in Legislative Council on 11 February 2009**

**Hong Kong Export Credit Insurance Corporation Ordinance
(Cap. 1115)**

Mr President,

I move that the motion as set out under my name on the Agenda be passed.

2. The Hong Kong Export Credit Insurance Corporation (ECIC) was established in 1966 under the Hong Kong Export Credit Insurance Corporation Ordinance. It aims to promote the development of Hong Kong's export trade through the provision of export credit insurance covers for Hong Kong exporters' sales on credit against non-payment risks on the part of their overseas buyers or customers arising from commercial and political events.

3. Section 18 of the Hong Kong Export Credit Insurance Ordinance provides that the Government shall guarantee the payment of all moneys due by ECIC. Section 23 stipulates that the contingent liability of ECIC under contracts of insurance shall not at any time exceed a specified amount determined by the Legislative Council by resolution.

Currently, the level of ECIC's maximum contingent liability is HK\$15 billion.

4. To assist the small and medium sized enterprises (SMEs) to sustain their businesses and develop new markets in the midst of the current difficult economic environment, ECIC has launched a series of enhancement measures which include the following -

- (a) ECIC will be as accommodating and flexible as possible when handling SMEs' credit limit applications and will provide higher insurance covers within the bounds of prudent credit assessment and risk management practices;
- (b) ECIC has reviewed the credit ratings of 15 emerging markets. It has upgraded 6 of them and has raised their country limits accordingly. Where risks allow, ECIC will provide higher credit limits and lower premium rates for exports to these markets to help local manufacturers to develop new markets;
- (c) ECIC will expedite the processing of credit limit applications. For applications involving small amounts (i.e. those of \$500,000 or below), ECIC aims to complete the processing within 2 to 3 days upon receipt of adequate information. For other applications, ECIC aims to complete their processing within 4 days;
- (d) ECIC will offer each exporter 3 free advisory sessions to help

them evaluate their overseas buyers' credit standing and the risks involved in extending trade credits to these buyers. Additional services are available at below market prices; and

- (e) starting from 1 January 2009, ECIC has exempted the annual policy fee for all existing and new policyholders for one year.

5. The enhancement measures have been welcome by the trade. Since their introduction, the number of credit limit applications approved by ECIC and the value involved have both recorded growth in recent months. Specifically, in the fourth quarter of 2008, ECIC approved 7,595 new credit limit applications amounting to \$8.4 billion, representing an increase of 57 per cent and 56 per cent respectively when compared to the same period of the preceding year. On the other hand, as at 31 December 2008, ECIC's contingent liability amounted to \$14.53 billion, or 96.8 per cent of the maximum permitted. Taking into account ECIC's business growth in the coming few years and the need to strengthen support for exporters in the midst of the current difficult economic environment, we consider that we should significantly increase ECIC's underwriting capacity this time. We propose to raise ECIC's maximum contingent liability by \$15 billion to \$30 billion.

6. I would like to emphasize that the aforementioned contingent liability refers to the maximum amount for which ECIC could be contractually liable to indemnify policyholders in respect of its insurance policies. The actual claims figures in the past were far below this cap,

and ECIC has been able to achieve financial self-sufficiency. The current difficult economic environment and the increasing credit risks notwithstanding, ECIC does not foresee any operating losses in the coming few years. Furthermore, considering ECIC's robust balances of net assets and reserves, at this stage, the Government does not expect that there will be any actual needs to provide financial assistance to ECIC.

7. Mr President, I beg to move.