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Panel on Commerce and Industry

Meeting on 29 October 2012

**Background brief on the Statutory Maximum Liability
of the Hong Kong Export Credit Insurance Corporation**

Purpose

This paper provides background information on the Statutory Maximum Liability (SML)¹ of the Hong Kong Export Credit Insurance Corporation (ECIC) and summaries the views and concerns expressed by Members during previous discussions on ECIC.

Background

2. ECIC was established in 1966 under the ECIC Ordinance (Cap. 1115) 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. ECIC's capital is wholly owned by the Government, which also guarantees its contingent liability with the SML currently sets at \$30 billion. Under the ECIC Ordinance, any change to the SML is to be determined by the Legislative Council (LegCo) by resolution.

3. While it is a commitment on the part of the Government to guarantee ECIC's contingent liability arising from its insurance business, ECIC is required to pursue a policy towards financial self-sufficiency. The increase in the SML will not incur actual government funding until ECIC has exhausted all its reserves. According to ECIC's Annual Report 2011-2012, as at 31 March 2012, its total reserves stood at \$1,623.49 million.

¹ The SML is the maximum amount which ECIC can be contractually liable to indemnify its policyholders if all risks materialize at the same time.

Previous discussions

Increase in the SML

4. At the special meeting of the Panel on Commerce and Industry (the Panel) on 12 November 2008, members were briefed on the proposed enhancement measures to further assist small and medium enterprises (SMEs) in their efforts in maintaining their business and developing new markets to tide over the difficult economic environment in the midst of the global financial turmoil. The measures included raising the SML of ECIC from \$15 billion to \$30 billion and the provision of higher insurance cover for exports generally and for emerging markets in particular. Panel members generally welcomed the enhanced measures and supported the proposal to increase the SML. Some members urged the Administration to actively consider the industry's calls for further increasing the SML to \$50 billion and expanding the scope of the export credit insurance scheme to cover local sales and domestic sales of SMEs on the Mainland market.

5. To strengthen ECIC's underwriting capacity and to offer better protection for exporters in the face of the financial tsunami in 2008, Members passed the motion moved by the Secretary for Commerce and Economic Development (SCED) at the Council meeting on 11 February 2009 to increase the maximum contingent liability at any time of the ECIC under contracts of insurance to \$30 billion.

Latest position

6. The Administration will brief the Panel on 29 October 2012 on the proposal to increase the SML of ECIC from \$30 billion to \$40 billion.

Relevant papers

7. A list of relevant papers is shown in the **Appendix**.

**Statutory Maximum Liability
of the Hong Kong Export Credit Insurance Corporation**

List of relevant papers

Date of meeting	Meeting	Minutes/Paper	LC Paper No.
12/11/2008	Panel on Commerce and Industry	Administration's paper Minutes of meeting	CB(1)189/08-09(01) http://www.legco.gov.hk/yr08-09/english/panels/ci/papers/ci1112cb1-189-1-e.pdf CB(1)737/08-09 http://www.legco.gov.hk/yr08-09/english/panels/ci/minutes/ci20081112.pdf
6/2/2009	House Committee	Legal Service Division Report on proposed resolution under the Hong Kong Export Credit Insurance Corporation Ordinance	LS36/08-09 http://www.legco.gov.hk/yr08-09/english/hc/papers/hc0206ls-36-e.pdf
11/2/2009	Council meeting	Proposed resolution under the Hong Kong Export Credit Insurance Corporation Ordinance moved by the Secretary for Commerce and Economic Development	http://www.legco.gov.hk/yr08-09/english/counmtg/hansard/cm0211-translate-e.pdf (Page 4490 to 4496)

Date of meeting	Meeting	Minutes/Paper	LC Paper No.
20/12/2011	Panel on Commerce and Industry	Administration's paper Minutes meeting	CB(1)624/11-12(07) http://www.legco.gov.hk/yr11-12/english/panels/ci/papers/ci1220cb1-624-7-e.pdf CB(1)1039/11-12 http://www.legco.gov.hk/yr11-12/english/panels/ci/minutes/ci20111220.pdf