CHAPTER 09
ECGC- CREDIT INSURANCE POLICIES FOR EXPORTERS
### CHAPTER 9

Credit Insurance Policies for Exporters

#### INDEX

<table>
<thead>
<tr>
<th>Para No</th>
<th>TOPIC</th>
<th>Page No</th>
</tr>
</thead>
<tbody>
<tr>
<td>9</td>
<td>Introduction</td>
<td>4</td>
</tr>
<tr>
<td>9 1</td>
<td>Shipment Comprehensive Risks Policy (Standard Policy)</td>
<td>4</td>
</tr>
<tr>
<td>9 1 1</td>
<td>Commercial Risks</td>
<td>4</td>
</tr>
<tr>
<td>9 1 2</td>
<td>Political Risk</td>
<td>5</td>
</tr>
<tr>
<td>9 1 3</td>
<td>Risks not Covered</td>
<td>5</td>
</tr>
<tr>
<td>9 1 4</td>
<td>Salient Features</td>
<td>5</td>
</tr>
<tr>
<td>9 2</td>
<td>Operative Guidelines</td>
<td>7</td>
</tr>
<tr>
<td>9 3</td>
<td>Maximum Liability</td>
<td>8</td>
</tr>
<tr>
<td>9 4</td>
<td>Credit Limits</td>
<td>8</td>
</tr>
<tr>
<td>9 5</td>
<td>Discretionary Limit</td>
<td>10</td>
</tr>
<tr>
<td>9 6</td>
<td>Restricted cover Country</td>
<td>10</td>
</tr>
<tr>
<td>9 7</td>
<td>Payment of claims</td>
<td>11</td>
</tr>
<tr>
<td>9 8</td>
<td>Post settlement procedure</td>
<td>11</td>
</tr>
<tr>
<td>9 9</td>
<td>Standard Policy/ECIB (WT-PS)</td>
<td>12</td>
</tr>
<tr>
<td>9 10</td>
<td>Advantage of holding Standard Policy</td>
<td>12</td>
</tr>
<tr>
<td>9 11</td>
<td>Other Policies of ECGC</td>
<td>13</td>
</tr>
<tr>
<td>9 11 1</td>
<td>Small Exporter’s Policy</td>
<td>13</td>
</tr>
<tr>
<td>9 11 2</td>
<td>Export turn over policy</td>
<td>14</td>
</tr>
<tr>
<td>9 11 2 1</td>
<td>Monthly declaration</td>
<td>14</td>
</tr>
<tr>
<td>9 11 2 2</td>
<td>Premium</td>
<td>14</td>
</tr>
<tr>
<td>9 11 3</td>
<td>Multi buyer exposure policy</td>
<td>15</td>
</tr>
<tr>
<td>9 11 3 1</td>
<td>Special features of multi buyer exposure policy</td>
<td>16</td>
</tr>
<tr>
<td>9 11 4</td>
<td>Multi buyer (ITES) policy</td>
<td>16</td>
</tr>
<tr>
<td>9 11 4 1</td>
<td>Important features of IT enabled services</td>
<td>17</td>
</tr>
<tr>
<td>9 11 4 2</td>
<td>Important features of IT enabled policies</td>
<td>18</td>
</tr>
<tr>
<td>9 11 4 3</td>
<td>Premium</td>
<td>19</td>
</tr>
<tr>
<td>9 11 4 4</td>
<td>Procedural requirement</td>
<td>19</td>
</tr>
<tr>
<td>Page</td>
<td>Section</td>
<td></td>
</tr>
<tr>
<td>------</td>
<td>---------</td>
<td></td>
</tr>
<tr>
<td>9 11 5</td>
<td>Specific shipment policies- Short term</td>
<td></td>
</tr>
<tr>
<td>9 11 5 1</td>
<td>Proposal</td>
<td></td>
</tr>
<tr>
<td>9 11 5 2</td>
<td>Shipments to be covered</td>
<td></td>
</tr>
<tr>
<td>9 11 5 3</td>
<td>Period of the policy</td>
<td></td>
</tr>
<tr>
<td>9 11 5 4</td>
<td>Percentage of cover</td>
<td></td>
</tr>
<tr>
<td>9 11 5 5</td>
<td>Maximum liability</td>
<td></td>
</tr>
<tr>
<td>9 11 5 6</td>
<td>Processing Fee and Premium</td>
<td></td>
</tr>
<tr>
<td>9 11 5 7</td>
<td>Withdrawal of cover</td>
<td></td>
</tr>
<tr>
<td>9 11 5 8</td>
<td>Extension of validity period of the policy</td>
<td></td>
</tr>
<tr>
<td>9 11 5 9</td>
<td>Statement of overdue</td>
<td></td>
</tr>
<tr>
<td>9 11 5 10</td>
<td>Obligations on the part of the exporter</td>
<td></td>
</tr>
<tr>
<td>9 11 5 11</td>
<td>Intimations of events affecting the risk</td>
<td></td>
</tr>
<tr>
<td>9 11 5 12</td>
<td>Action of minimising loss</td>
<td></td>
</tr>
<tr>
<td>9 12</td>
<td>Specific policies</td>
<td></td>
</tr>
<tr>
<td>9 12 1</td>
<td>Supply contract policy</td>
<td></td>
</tr>
<tr>
<td>9 13</td>
<td>Services policy</td>
<td></td>
</tr>
<tr>
<td>9 14</td>
<td>Construction works policy</td>
<td></td>
</tr>
<tr>
<td>9 14 1</td>
<td>Payment of premium and declarations</td>
<td></td>
</tr>
<tr>
<td>9 14 2</td>
<td>Payment of claim</td>
<td></td>
</tr>
<tr>
<td>9 15</td>
<td>Overseas investment insurance</td>
<td></td>
</tr>
<tr>
<td>9 16</td>
<td>Exchange fluctuation risk cover</td>
<td></td>
</tr>
</tbody>
</table>
9. INTRODUCTION

Exporter customers holding any of the following Credit Insurance Policies of ECGC shall be treated as Policy Holders (PH)

a) Shipment Comprehensive Policy (Standard Policy)
b) Small Exporters’ Policy
c) Export Turnover Policy
d) Multi Buyer Exposure Policy
e) Multi Buyer (ITES) Policy.

For the purpose of treating an exporter customer as Policy Holder (PH) for being eligible for higher coverage, Credit Insurance Policy held by the exporter customer shall be kept in good order and the Branch shall obtain prior approval on case to case basis from ECGC in all cases where obtaining of such Credit Insurance Policy has not been specifically waived off by the Competent Authority.

9.1 Shipment Comprehensive Risks Policy (Standard Policy)

Shipment Comprehensive Risks Policy is commonly known as Standard Policy. These policies are issued by ECGC of India to provide export credit insurance support to Indian exporters. Standard Policy is the one ideally suited to cover risks in respect of goods exported on short-term credit, i.e. credit not exceeding 180 days. This policy covers both commercial and political risks from the date of shipment. It is issued to exporters whose anticipated export turnover for the next 12 months is more than Rs.50 lacs. The following commercial and political risks are covered under Standard Policy.

9.1.1. COMMERCIAL RISKS

i. Insolvency of the buyer.
ii. Failure of the buyer to make the payment due within a specified period, normally four months from the due date
iii. Buyer’s failure to accept the goods, subject to certain conditions.
9.1.2 POLITICAL RISKS

i. Imposition of restrictions by the Govt. of buyer's country or Govt. action which may block or delay the transfer of payments made by the buyer.

ii. War, Civil War, revolution or civil disturbances in the buyer's country.

iii. New import restrictions or cancellation of valid import licence.

iv. Interception or diversion of voyage outside India resulting in payment of additional freight or insurance charges which cannot be recovered from the buyers.

v. Any other cause of loss normally not covered by general insurance and beyond the control of both the exporter and buyer.

9.1.3 RISKS NOT COVERED

Following risks are not covered in the Standard Policy:

i. Commercial disputes including quality disputes raised by the buyer, unless exporter obtains a decree in his favour from a Court in the buyer's country.

ii. Causes inherent in the nature of goods.

iii. Buyer's failure to obtain necessary import or exchange authorisation from authorities in his country.

iv. Insolvency or default of any agent of the exporter or of the collecting bank.

v. Loss or damage to goods which can be covered by General Insurance Company.

vi. Exchange rate fluctuations.

vii. Failure of the exporter to fulfil the terms of the export contract or negligence on his part.

9.1.4 SALIENT FEATURES

i) All shipments made on DP, DA or Open Delivery Terms to all buyers (other than own associates) during a period of 24 months ahead are covered. In other words, Standard Policy does not cover selected shipments, selected buyers or selected countries.

ii) Exporters can exclude shipments made against
a) Advance payment received.

b) Exporters holding Standard Policy may opt to get shipments against irrevocable Letter of Credit excluded from the scope of the policy. However, unless they are confirmed by banks in India, payment under irrevocable Letters of Credit is subject to political risks. Exporters are, therefore, well advised to get such shipments also covered under the policy. For such shipments, an exporter has option to obtain cover for either political risks only or for comprehensive risks, i.e., for all political risks and the risk of insolvency or default of the bank opening the irrevocable Letter of Credit. The comprehensive risk cover also provides indemnity to the exporter to the extent of 25% of the gross invoice value if the LC opening bank refuses payment on the ground of discrepancies in LC, which are not clearly attributable to the exporter. In either case, cover will be provided by ECGC only if the exporter agrees to get all the shipments made against irrevocable Letter of Credit covered under the policy. Cover will not be available for selected transactions.

iii) Shipments to associates are normally not covered. If exporter so desires, he can get cover only for political risks. Where both the exporter and the associates are the Public Limited Companies and where the exporter’s share holding in the associates does not exceeds 49 %, cover can be provided against insolvency risks in addition to political risks.

iv) Consignment sales are normally excluded. They can be covered only for political risks as consignee is the agent of the Indian exporter and acts on his behalf. If goods are sold to ultimate buyers on credit terms, ECGC may give comprehensive risks cover.

v) When shipments are made by air, the buyers are often able to obtain delivery of the goods from the airlines before making payment of the bills or accepting them for payment, as the case may be. Earlier such shipments could be covered only if the exporter was holding appropriate credit limit on open delivery (OD) terms and had paid premium at the higher rates applicable for OD. ECGC has now decided that credit limits sanctioned under DA will be valid for OD also. Moreover, for shipments made after 1st April, 2003, the premium rates for DA will apply for OD also. As a result,
shipments by air can be covered by the Standard Policy if the exporter holds a valid credit limit under DA and pays premium at the rates applicable for the relevant credit period under DA.

vi) The policy extends only political risk cover for shipment to Government buyer. If the country involved comes under restricted cover category, exporter has to take specific approval from ECGC. Such policy does not normally extend cover for commercial risk. Comprehensive Risk coverage is given by ECGC only on a selective basis.

vii) Standard Policy covers only cash exports, credit period not exceeding 180 days. However in exceptional cases cover may be granted for shipments with longer period, provided that such longer credits are justifiable for the export items concerned and prior approval of the Corporation is obtained.

viii) ECGC pays 90% of the loss to the exporter.

ix) Exporters who fall under the category of Trading Houses / Star Trading Houses / Super Star Trading Houses and as defined by the Director General of Foreign Trade(DGFT) can avail additional exclusion under SCR policy for the following shipments:
   a. The shipments to country/countries or a group/groups of countries coming under the country classification.
   b. Exclusion of shipments of any commodity or commodities
   c. Any combination of the above.

9.2 OPERATIVE GUIDELINES

i. Exporter has to fill up a proposal form and submit to nearest office of ECGC. An initial minimum lump sum premium of Rs.10000 (Treated as Minimum premium) is to be paid which will be adjusted against premium payable on shipments declared. Additional premium has to be paid on shipments declared to ECGC after minimum premium gets fully adjusted. Under no circumstances, initial premium will be refunded.

ii. In case of shipment to restricted cover countries where specific approval is granted on certain terms and conditions, the exporter has to pay Specific Approval Fee in the range of 0.50% to 2% of the contract value.
iii. On or before the 15th of every month, the policy holder is required to declare to ECGC all shipments made during the preceding calendar month. Premium due will first be adjusted against minimum premium already paid and only balance will be remitted by the exporter. Branch should obtain and hold on record copy of such monthly declaration.

iv. The premium varies depending upon credit terms, classification of buyer's country and the type of risks covered. Branch should insist that cheque for premium is drawn on the account maintained with them by the exporter which will help in monitoring payment of premium.

v. In the event of non payment of bill, policy holder should take steps to minimise the loss. A monthly statement of bills which remain unpaid for more than 30 days should be submitted to ECGC.

vi. Granting of (a) extension of time for payment (b) converting bills from DP to DA (c) resale of unaccepted goods at lower price, needs prior approval of ECGC.

vii. In the event of resale of goods to alternate buyers, ECGC stipulates that the exporter should give notice of resale to original buyer, which will help the exporter to take legal action subsequently against the original buyer for recovery of loss.

9.3. MAXIMUM LIABILITY

ECGC will fix a Maximum Liability under each Standard Policy, which is intended to cover all the shipments during a period of 24 months from the date of issue of the Policy. The Maximum Liability is the limit upto, which ECGC would accept liability for shipments made in each of the policy-years, for both commercial and political risks. The exporters are advised to estimate the maximum outstanding payments due from overseas buyers at any one time during the policy period and to obtain the policy with Maximum Liability for such a value. The Maximum Liability fixed under the policy can be enhanced subsequently, if necessary.

9.4. CREDIT LIMITS

Commercial risks are covered under the policy only if a credit limit is approved by
ECGC on each buyer to whom shipments are made on credit terms. The exporter has, therefore, to apply for a suitable credit limit on each buyer. On the basis of its own judgement of the creditworthiness of the buyer, as ascertained from credit reports obtained from banks and specialised agencies abroad, ECGC will approve the credit limit which is the limit upto which it will pay claim on account of losses arising from commercial risks on account of that buyer. The credit limit is a revolving limit and once approved, it will hold good for all shipments to the buyer as long as there is no gap of more than 12 months between two shipments. Credit limit is a limit on ECGC's exposure on the buyer for commercial risks and not a limit on the value of shipments that may be made to him. In case of losses due to political risks, ECGC's exposure is not restricted by the credit limit. Premium has, therefore, to be paid on the full value of each shipment even where the value of the shipment or the total value of the bills outstanding for payment is in excess of the credit limit.

As the credit limit is indicative of the safe limit of credit that can be extended to the buyer, the exporters are advised to see that the total value of the bills outstanding with the buyer at any one time is not out of proportion to the credit limit. In cases where the credit limit that ECGC is prepared to grant is far lower than the value of outstanding bills, exporters may discuss the problem with ECGC officials.

ECGC does not debar the exporter from making shipment in excess of credit limit. However, claim payment will be restricted to credit limit. If limit is exceeded, premium will have to be paid on the outstanding in excess of the limit also.

Branches should maintain in a register, buyer wise limits and note therein drawings on each buyer. If the outstanding against any buyer exceeds the credit limit, exporter should be immediately asked to seek enhancement in the credit limit from ECGC.

Drawee wise Limits need not be obtained if shipments are made on DP or CAD terms and if value of shipments does not exceed Rs. 10.00 lacs. Such shipments will be covered automatically by ECGC for both political/commercial risks. The
only condition is that claims will not be paid for more than four buyers during the policy period.

9.5 DISCRETIONARY LIMIT

Even if no application for credit limit is on the buyer has been made, ECGC will accept liability up to:

i. Commercial risks upto Rs. 20.00 lacs for DP/CAD transaction on a particular buyer, subject to the condition that claims will be limited to 4 buyers during the policy period.

ii. Rs.10 lacs on a particular buyer for DA/OD transactions in respect of exporters who have paid at Rs.5 lacs as premium in the immediately preceding policy year.

iii. Commercial risks upto maximum of Rs. 15.00 lacs for DA transactions or open delivery transactions and Rs. 40.00 lacs for DP/CAD transactions, subject to the condition that aggregate credit limit on a single buyer under this sub-clause shall not exceed Rs 40 lakhs provided that:

   a) At least 1 shipment has been effected to the buyer during the last policy period to the value for which they wanted to avail the discretionary limit on similar payment terms and at least one of them was not less than the discretionary limit availed of by the exporter. and

   b) the buyer had made payment for the shipments on due dates.

iv) The above discretionary limits applicable for DP/CAD transactions will be available for LC sight terms and the discretionary limits applicable for DA/OD transactions will be available for LC usance terms also.

Branches are advised to ensure satisfaction of the above provisions while granting post shipment facilities, without drawee wise limits.

9.6 RESTRICTED COVER COUNTRY
Countries with high political risks are categorised as 'Restricted Cover' countries. Policy holders exporting goods to such countries should obtain specific approval of ECGC for each shipment in advance. ECGC will charge specific approval fee in addition to premium.

ECGC has classified the world countries into 3 categories viz. Open Cover country for which no prior approval from ECGC is required, Country under Restricted cover Group I wherein an yearly revolving limit will be permitted by ECGC and country under Restricted cover Group II where case to case approval is required from ECGC. The detail showing such classification is provided in Annexure 8(18) under Chapter 8 of EXPORT manual.

It should be noted that the list varies from time to time and is intimated by our circular letters.

9.7. PAYMENT OF CLAIMS

i. Claim will arise when any of the political or commercial risks covered under the policy materialises. If the overseas buyer goes insolvent, exporter becomes eligible for a claim one month after his loss is admitted to rank against the insolvent’s estate, or after four months from due date, whichever is earlier.

ii. In the case of protracted default, claim is payable after 4 months from due date.

iii. In the case of change of voyage, due to interruption or diversion of voyage outside India, additional handling, transport, insurance charges etc. are payable after proof of loss is furnished.

iv. In all other cases, claim is payable after four months from date of the event causing loss.

v. In case of exports to countries where long transfer delays are experienced ECGC may extend the waiting period and claims for such shipment are payable after the expiry of extended period.

vi. In case of disputes between the importer and exporter ECGC will consider the claim only after the dispute is resolved and the amount payable is established by way of decree in court of law in the country of the buyer.
9.8. **POST SETTLEMENT PROCEDURE:**

i. Claim will be paid directly to the bank who had handled the export documents. Branch can appropriate the claim amount directly to post-shipment advance account.

ii. Settlement of claim does not relieve the exporter of his responsibility of realising the export proceeds.

iii. All recoveries, net of recovery expenses, should be shared with ECGC.

9.9. **STANDARD POLICY/ECIB (WT-PS)**

If a claim is settled under Standard Policy upto 90% of the loss, claim for the balance 10% can be filed under ECIB (WT-PS), subject to terms and conditions explained in Chapter No.8. ECGC has also come out with a scheme providing provisional payment to banks for claims lodged under POLICY by the exporters under NEW INITIATIVES. The complete modalities and procedures are explained in detail under ECIB (WT-PS).

9.10. **ADVANTAGE OF HOLDING STANDARD POLICY**

- The Standard Policy protects the exporter from the external risks both commercial and political including default by the overseas buyer.
- The claim paid under the standard policy can be directly credited to the post-shipment advances of exporter thereby ensuring that working capital requirements of the exporter is not affected and also prevents downgrading of asset classification.
- The claim under the Standard Policy can be lodged even in the case of individual bills due to default of overseas buyer.
- Advances granted to exporters under confirmed contracts backed by Standard Policy is considered as secured advance by our bank.
- Drawee-wise limit obtained by the exporter is the safe limit upto which he can grant Credit facility to the overseas buyer and it acts as a useful tool for risk assessment.
- The percentage of cover available under is higher if the exporter is a Standard Policy Holder.
- The settlement of claim under Standard Policy does not automatically put the exporter under Specific Approval List of ECGC as opposed to the position under ECIB (WT-PS). Hence continuity to exporter’s business is guaranteed.
In order to lodge a claim under provisional payment against New Initiative of ECGC holding of Standard Policy by the exporter is a pre-requisite.

In our Bank, power to waive Standard Policy is vested with MD, ED & GM only.

Guidelines to branches:

1. To insist for standard policy for all the export bills submitted under contracts / orders.
2. To ensure that the policy is kept live by the exporter by regular submission of monthly declarations, reporting defaults and paying the necessary premium in time for the shipments made.
3. Branches to call for the original of the Buyer wise credit limit approvals given by ECGC to the exporter to ensure that such approvals are not fabricated one. In case of doubt on the authenticity of the said approvals, branches should immediately get in touch with Buyer Underwriting Department of ECGC at Mumbai.

9.11. OTHER POLICIES OF ECGC

9.11.1. SMALL EXPORTER’S POLICY

The Small Exporter’s Policy is basically the standard policy incorporating certain improvements in terms of cover, in order to encourage small exporters to obtain and operate the policy. It will be issued to exporters whose anticipated export turnover for the next 12 months does not exceed Rs.50 lacs. It differs from the normal Standard Policy in the following respects:

- Is issued for 12 months and not 24 months as in the case of Standard Policy.
- Minimum premium payable will be determined on the basis of projected exports on an annual basis subject to a minimum premium of Rs. 2000/- for the policy period.
- Declaration of shipment is quarterly instead of monthly.
- Overdue export bills outstanding beyond 60 days (not 30 days) need to be reported to ECGC monthly.
- Percentage of covers - 95% loss due to Commercial Risks and 100% of loss due to Political risks (as against 90%)
- Waiting period for claims - 2 months
• No need for prior approval of ECGC for conversion of DP to DA, if exporter already holds credit limit on new buyer.

• If bill is not more than Rs.3 lacs, conversion from DP to DA is permitted even if credit limit on the buyer is held for DP terms. But only one claim will be considered during policy period on relative losses.

• Extension of due date of DA bills without ECGC approval provided valid credit limit on the buyer on DA terms is in force at the time of extension.

• Resale of unaccepted goods - If, upon non-acceptance of goods by a buyer, the exporter sells the goods to an alternate buyer without obtaining prior approval of ECGC even when the loss exceeds 25% of the gross invoice value, ECGC may consider payment of claims upto an amount considered reasonable, provided that ECGC is satisfied that the exporter did his best under the circumstances to minimize the loss.

Other operational guidelines are same as applicable to Standard Policy.

9.11.2. EXPORT TURN OVER POLICY

Turnover policy is a variation of the standard policy for the benefit of large exporters who contribute not less than Rs. 10 lacs per annum towards premium. Therefore all the exporters who will pay a premium of Rs. 10 lacs in a year are entitled to avail of it.

9.11.2.1. MONTHLY DECLARATION

The holders of turnover policy need not submit monthly declarations of shipment. Instead, they have only to submit a statement of shipments made during the quarter in a prescribed format within 30 days of the end of the quarter.

9.11.2.2. PREMIUM

The basic premium rates applicable for the standard policy will apply to the turnover policy also. However, an exporter holding a standard policy opts for turnover policy, he will be entitled to an additional discount of 10% over and above the 'no claim bonus' which he is enjoying under the standard policy, subject to a minimum total discount of 20%. If an exporter not holding the standard policy avails of the turnover policy, he will be entitled
to a discount of 20%. In case of no claims in future, the exporter will be entitled to further ‘no claim bonus’ and consequently total discount. Thus the total discount could go up to 60%.

The premium calculated on the projected turnover is payable in four quarterly instalments (grant of facility of payment of premium in monthly instalments will be considered on a case to case basis).

At the end of the year, if the premium payable on the basis of the actual turnover is less than the premium paid on the basis of the projected turnover, the excess amount paid will be carried forward to the next policy period and could be adjusted in the premium for the first quarter of the renewed policy. In case the policy is not renewed, and if difference between premium paid and premium payable is more than 10%, the same will be refunded subject to marginal adjustments.

If the premium payable on the basis of the actual turnover exceeds the projected premium by not more than 10%, the excess premium need not be paid. Thus an incentive is provided to the policyholder to increase his turnover. If it exceeds by more than 10%, only the excess of the premium over 10% needs to be paid.

9.11.3. MULTI BUYER EXPOSURE POLICY

Some exporters export to large number of buyers. The number of shipments made by them is also quite high. They may not find it convenient to apply for buyer exposure policy for all their buyers. It may also be difficult for them to declare their exports shipment-wise under the Standard policies. In order to meet the needs of such exporters, “Multi-buyers Exposure Policy” has been introduced.

Presently, in the policies offered to exporters premium is charged on the export turnover, though the Corporation’s exposure on each buyer is controlled through a system of approval of credit limits on the buyer for covering commercial risks. While this suits the small and medium exporters, many large exporters having large number of shipments have been complaining about the volume of returns to be filed under the policy necessitating the deployment of their resources for this purpose and also resulting in possible unintentional omissions or commissions in such reporting, which have an impact on the
settlement of claims. There has been a demand for simplification of the procedures as well as for rationalization of the premium structure. Considering the requirements of such exporters, the Corporation has decided to introduce policies on which premium would be charged on the basis of the expected level of exposure. Two types of exposure policies - one for covering the risks on a specified buyer and another for covering the risks on all buyers- are offered.

Two types of Exposure policies are offered, viz,

* Exposure (Single Buyer) Policy - for covering the risks on a specified buyer and
* Exposure (Multi Buyer) Policy - for covering the risks on all buyers.

9.11.3.1 SPECIAL FEATURES OF MULTI BUYER EXPOSURE POLICY

- Exporters can take cover for an Aggregate Loss Limit (ALL) on all their buyers to whom they propose to sell on credit terms in open cover countries. While accepting the proposal, the Corporation would expect the ALL sought to be not less than 10% of the past 12 month turnover applicable for the categories/countries for which cover is sought.

- The policy would be issued for a period of one year.

- Cover would be available for exports to the buyers in countries listed under open cover category as long as the buyer is not in “List of Overseas Buyers on whom adverse notice is received” maintained by the Corporation and available to the exporters having on-line facility and posted on its website [www.ecgcindia.com](http://www.ecgcindia.com).

- If the transaction is on LC terms, failure of the LC opening bank in respect of exports against LC will also be covered, for banks with World Rank up to 25000 as per latest Banker’s Almanac.

- Cover in respect of exports to restricted cover countries would not be available under this policy.

- Loss limit in respect of export to any individual buyer/bank will, however, be restricted to 10% of the ALL.

- Premium at the rate of 275 paise per Rs.100/- is payable on the ALL fixed to cover all shipments to be made during the Policy year.
The risks covered, percentage of loss, payment of premium, declaration of turnover, enhancement of ALL, overdue declaration, extension in due date, claim etc will remain the same as Exposure (Single Buyer) Policy.

The exporter has to apply in the prescribed proposal form along with the non-refundable policy fee of Rs.5,000/-. 

9.11.4. MULTI BUYER (ITES) POLICY

IT-enabled Services Policy is issued to cover the following commercial and political risks involved in rendering IT-enabled services to a particular customer:

Commercial Risks

❖ Insolvency of the customer.

❖ Failure of the customer to make the payment due within a specified period, normally four months from the due date.

❖ Buyer’s failure to accept the services rendered (subject to certain conditions).

Bank risks

❖ Bankruptcy of L/c opening bank.

❖ Failure of L/c opening bank to make the payment due within a specified period, normally within four months from the due date (Non-payment due to discrepancies in the document will not be covered).

Political risks

❖ Imposition of restrictions by the Government of the customer’s country or any Government action which may block or delay the transfer of payment made by the customer;

❖ War, civil war, revolution or civil disturbances in the customer’s country

❖ New import restrictions or cancellation of a valid import license by authorities in the customer’s country;

❖ Cancellation by the Govt. of India a legally valid and binding contract between the exporter and the customer

ITES policy will provide cover in respect of contracts for rendering service during a defined
period with billing on the service rendered during a period say, a week, a month or a quarter, where the payment due for the service rendered will be received in foreign currency.

9.11.4.1. IMPORTANT FEATURES OF IT ENABLED SERVICES

Some of the important features of the IT enabled services contracts are as follows:

- The contract would be for providing certain service during a defined period. It is not for completion of a particular work or job.

- Billing would be for the service rendered during a pre-determined interval - a week, a fortnight or a month. The contract should stipulate the documented mechanism for assessment of service rendered, periodicity of billing, documented mechanism of acceptance and due date for the payment of bills.

- Where there is a non-payment problem, there can be certain services invoiced and accepted but not paid, certain services invoiced but not accepted yet and certain services rendered but yet to be invoiced.

- There can be cases where there is no physical documentation. The entire process may be carried out through electronic media including billing. Consequently, there may not be any bank, which handles the documents.

- The contract could also provide for a system for detection of mistakes or errors while rendering the service and the procedure for correction. Penalties or reduction in payment for errors and omissions are also possible.

9.11.4.2. IMPORTANT FEATURES OF IT ENABLED POLICIES

Some of the important features of these policies would be as follows:

- Monthly declaration indicating the services rendered, invoices raised and invoices paid will have to be submitted by the exporters in the prescribed form. No separate overdue report will be necessary. In case of non-payment, the loss covered would be the invoices accepted but not paid, invoices raised but not yet accepted and services rendered but not invoiced (for one billing cycle only).

- The policyholder has to specify in advance the manner in which the work in progress would be estimated. (The reports could indicate the volume of work
done and the rate to be applied on the defined unit to arrive at the work done. It could be a document giving the man hours spent and rate per man hour or it could be a simple number of days worked and rate per day).

- Liability of the Corporation would be for the services rendered and reported in the monthly declaration.

- The Corporation will have the right to examine the books of accounts and other documents of the exporter either on its own or through an authorized agency prior to admission of claim.

- The contract should provide for a clear acceptance mechanism in respect of services rendered and, if possible, a procedure for arbitration. It should also provide for a system for rectification of mistakes - errors and also omissions. The Corporation would not cover any loss due to errors or omissions.

9.11.4.3. PREMIUM

Exporters opting for this Policy would be offered the option to remit the premium either on a quarterly installment basis or on an annual basis. Where the exporter opts to pay premium on an annual basis, a discount of 5% would be given in the premium payable. Premium for every quarter shall be payable in advance prior to the beginning of the quarter. In case of any delay, the cover shall not be available in respect of shipments made during the period from the beginning of the quarter up to the date of remittance. Where the premium amount is paid on a quarterly installment basis, should a claim arise prior to the remittance of some of the installments, the entire amount shall become payable before the claim is filed by the exporter. Premium once paid is treated as non-refundable. In case the Corporation withdraws cover during the period of the policy due to any reason, the proportionate premium for the balance period in months beyond the month in which the cover is withdrawn will be refunded subject to retention of minimum premium equivalent to 25% of the total premium.

9.11.4.4. PROCEDURAL REQUIREMENT

- The policy would specify the loss limit up to which claim will be entertained due to any of the risks covered under the policy in respect of services rendered to the customer during the policy period.
If the exporter desires enhancement of the customer loss limit and if the Corporation is satisfied with the reasons, the same may be agreed to with proportionate increase in the premium payable for the rest of the policy period from the month following the request for change subject to a minimum of three months.

Similarly, the Corporation will have the discretion to reduce the loss limit on an insured customer with corresponding reduction in the premium amount payable for the rest of the policy period from the following month.

The actual turnover in the prescribed format would be required at the time of renewal of the policy.

The exporter is required to obtain the prior approval of the Corporation for extending the due date for any service rendered, if the revised due date is beyond 180 days from the date of rendering of such service.

The non-receipt of payments is to be notified within 30 days from the due date or extended due date of payment.

The claim is required to be filed in the prescribed form within one year from the due date of payment.

On payment of claim, any recovery effected, shall be shared with the Corporation in the same proportion in which the loss was shared. However, the expensed incurred by the exporter for recovery with the prior approval of the Corporation shall be first charge on the amount recovered and the amount recovered net of recovery expenses shall be shared as explained.

The exporter is required to submit the proposal form prescribed with the non-refundable policy fee of Rs.1,000/.

9.11.5. SPECIFIC SHIPMENT POLICIES- SHORT TERM

These are short term polices and is available for exporters since September 2001 for export of goods on short term credit not exceeding 180 days. These policies can be taken by exporter who do not hold SCR policy as well as by exporters who hold SCR policy but
would like to exclude certain exports from the purview of the SCR policy and bring the same under SSP-ST policy.

Types of SSP [ST] policy

a) Specific Shipment (Comprehensive) policy - short-term
b) Specific Shipments (political risks) policy - short term
c) Specific contract (comprehensive Risks) policy - short term
d) Specific contract (Political Risks) Policy

Specific Shipments (Comprehensive Risks) Policy provides cover against all the risks covered under the Standard Policy in respect of shipments to be made under the contract in question. It will, therefore, be the appropriate policy for an exporter to take if the payments are open to both commercial and political risks. Where the commercial risks are absent, e.g. where the payments are guaranteed by a bank or by the Government of the overseas country, the exporter may opt for the Shipments (Political Risks) Policy for which the Premium rate will be lower than that for the comprehensive Risks Policy.

Contract Policy differs from Shipments Policy in that the former provide the exporter not only with post shipment cover that a Shipments Policy provides but also with some pre shipment cover. In case shipments could not be made due to any of the risks covered or due to restriction on export of the goods from India, the loss in respect of unshipped goods will also be covered under Contract Policies. Premium rates for Contract Policies will be higher than for Shipments Policies.

To be eligible for cover under specific policies, the terms of payment for the export contracts should be in line with customary practices in the international markets. At least 5%. The balance amount should be repayable in equal semi-annual instalments commencing six months after the date of shipment or mean date of shipment. Where the contract provides for supply and erection of a complete plant, the first instalment may fall due after six months from the date of commissioning of the plant. The credit period should not normally exceed 5 years. Longer credit period may be approved only in the case of exceptionally large projects if the circumstances of the case justified it. Adequate security should be obtained in the form of government guarantee or bank guarantee.
In order to be sure of the cover, exporters should get in-principle approval of the Corporation and obtain the premium rates well before concluding contracts. If the terms and conditions undergo any change subsequently, the corporation should be kept informed of the same.

9.11.5.1. PROPOSAL

The exporter has to submit a proposal in the prescribed form along with a copy of the L/C or contract. Different proposal forms are to be used for different types of SSP-ST policies. Normally, the proposal has to be submitted before making the shipment and the cover would be given only from the date of proposal. However, in case the exporter approaches, for covering a shipment already made, issue of policy will be considered subject to the condition that no more than 15 days have elapsed between the date of shipment and the date of proposal. This would be subject to the condition that no adverse development has taken place as of that date of proposal, which will adversely affect the payment for the shipments.

9.11.5.2  SHIPMENTS TO BE COVERED

The exporter can opt to cover one or more shipment under a particular contract. He can also choose to cover shipments made during a given period within the validity of the contract. For example if an exporter has received a contract for supply of goods within the period of say, one year, he can chose to cover the first batch of shipments to be made within the first 90 days or 180 days. He may opt to cover further shipments under another specific policy at a later date.

9.11.5.3  PERIOD OF THE POLICY

The policy would be valid for shipment(s) made from the date of issue of the policy up to last date allowed under the relevant contract for shipment. If the exporter has chosen to cover the shipments to be made during a particular period, the policy would be issued for the same period. In case the policy is issued to cover a shipment already made before the proposal is submitted, the policy would be valid only for that shipment. If the proposal is to cover the shipment already made under a contract and for covering further shipments to be made under the same contract, the policy shall be issued of the period from the date of the shipment already made upto the period of contract or the period as desired by the exporter, which ever is earlier.
9.11.5.4. PERCENTAGE OF COVER

Percentage of cover normally available under the policy would be 80% of the gross invoice value of the shipments covered in respect of countries in open cover. However, cover could also be issued with a lower percentage of cover if the exporter desires so with corresponding reduction in the amount of premium payable and the amount of maximum liability. The percentage of cover in respect of countries under restricted cover category would depend upon the underwriting policy applicable for the country at the relevant point of time.

9.11.5.5. MAXIMUM LIABILITY

The maximum liability (ML) is the limit up to which the corporation would accept the liability under the policy and is arrived at by applying the agreed percentage of cover to the gross invoice value of the shipments covered under the policy. The enhancement in ML if necessitated by amendment to the original contract can be considered subject to payment of additional premium by an endorsement to the policy issued.

9.11.5.6 PROCESSING FEE AND PREMIUM

Along with the proposal the exporter is required to pay a processing fee of Rs. 1000/- which is non-refundable. Premium at the prescribed rates applicable for the SSP-ST has to be paid by the exporter at the time of issue of policy less Rs. 1000/- (Rupees one thousand only) paid at the time of submitting the proposal. Premium will be charged on the gross invoice value in rupee terms converted at the rate prevailing on the date of submission of the proposal. Where the exporter has chosen to cover shipments to be made during a particular period premium shall be charged for the shipments scheduled to be made during the chosen period. Premium paid shall be non-refundable except where the cover is withdrawn as stated hereinafter. Specific approval fee will be charged for shipments to restricted cover countries as applicable under SCR policy. In case the proposal is not accepted by the corporation due to any adverse report on the buyer or for any other reason, the exporter shall be informed of the same.

9.11.5.7 WITHDRAWAL OF COVER
In case of any adverse experience/report on the buyer or his country the Corporation or the exporter can withdraw the cover. For the shipments made prior to such withdrawal, cover would be available.

9.11.5.8 EXTENSION OF VALIDITY PERIOD OF THE POLICY

If the exporter fails to make the shipment within the validty of the contract, the exporter can seek extension of the period of validity after getting the contract duly extended.

9.11.5.9 OBLIGATIONS ON THE PART OF THE EXPORTER

Statement of shipments made: On or before 15th of every month exporter is required to submit a statement of shipment made during the previous month under the contract, which is covered under the policy. This statement has to be submitted along with the proposal itself if the shipment for which the cover is sought has already been made.

9.11.5.10 STATEMENT OF OVERDUE

On or before 15th of every month exporter is required to submit a statement of payment against the shipments covered under the contract which have remained overdue for more than thirty days from the due date.

9.11.5.11 INTIMATION OF EVENTS AFFECTING THE RISK

If the exporter comes to know about any event likely to affect the risk, the same has to be intimated to the Corporation immediately and in any case by not later than 30 days.

9.11.5.12 ACTION FOR MINIMISING LOSS

Immediate steps to be taken in the event of non-receipt of payment for any shipment. On learning of non-payment of the shipment, for which this policy is obtained, exporter is required to take suitable action to prevent/minimise the loss including such action as may be suggested by the Corporation. Action to prevent/minimise a loss will depend on the
facts and circumstances of each case. Given below is the course of action that may have to be taken immediately.

- Persuading the buyer to make the payment while, at the same time maintaining recourse against him by getting the bill noted and protested for non-payment.
- Not agreeing to give any extension of the due date of the bill unless there are good reasons for doing so. Prior approval of the Corporation should be taken for granting such extension. In case any condition is stipulated by the Corporation while granting extension, it should be ensured that the conditions are complied with.
- If the documents/goods have not been accepted by the buyer, to take action to safeguard the goods and to resale them to an alternate buyer after giving notice to the original buyer. Prior approval of the Corporation should be taken for resale.
- If resale is not possible to bring the goods back to India, with prior approval of the Corporation.
- Desisting from making any further shipment to the buyer until he has made payment for the bill in default.

**Claim and recovery:**

1. **Time for ascertainment of loss:**
   Normally loss shall be ascertained four months after the due date. In case of insolvency risk, the loss shall be ascertained one month from the date of admission of debt by the receiver or four months from the due date which ever is earlier. Where the debt is yet to be admitted by the receiver any undertaking from the exporter has to be obtained stating that he has done anything or not omitted to do anything that will make his claim in the insolvent estate inadmissible. Where the loss is due to non-acceptance of goods, loss shall be ascertained only after the goods are resold or otherwise disposed off with the approval of the Corporation and in any case not earlier than four months from the due date of the payment.

2. **Time for filing claim:**
   Exporter can file their claim under the policy any time after the loss is ascertained but within one year from the due date of payment for shipment under claim.

3. **Action on payment of claim for recovery:**
   Upon payment of claim the exporter shall continue to take steps for recovering the dues from the buyer including action, if any, stipulated by the Corporation.
Any amount spent on recovering the dues shall have a first charge on recovery. Any amount recovered net of recovery expenses shall be shared between the Corporation and the exporter in the same ratio in which the loss is shared.

**Closure of policy:**

At the time of issue of SSP-ST policy a ‘Payment Advice Slip’ will be attached requesting the exporter to advise the Corporation about the payment when it is received from the buyer or the LC opening bank. If the exporter has sent the statement of shipments made but fails to send the “PAS” and if no statement of overdue is received from the exporter within the prescribed period, action would be initiated to close the policy presuming that the payment has been received from the buyer. If the statement of shipment or extension request is not received by the expiry date of policy, action would be initiated for closure of policy.

9.12 **SPECIFIC POLICIES**

Contracts for export of capital goods or turnkey projects or construction works or rendering services abroad are not of a repetitive nature and they involve medium/long term credits. Such transactions are, therefore, insured by ECGC on case-to-case basis under Specific Policies.

9.12.1 **SUPPLY CONTRACT POLICY**

Specific policy for supply contracts may take any of the following forms:-

1. Specific Shipment(Comprehensive Risks) Policy,
2. Specific Shipments (Political Risks) Policy,
3. Specific Contract(Comprehensive Risks) Policy and
4. Specific Contract (Political Risks) Policy.

It can be to cover only political risks or both Political risks and Comprehensive Risks. Shipment policy covers risks for shipment made whereas specific contract policy cover not only post-shipment cover but also some pre-shipment risks like non-shipment due to restrictions on exports from India. ECGC also stipulates minimum advance payment and normally gives cover upto 5 years.
Specific Policies are issued if the ECGC approves proposals, which are to be made on the forms specified for the purpose. The entire premium is payable in advance. Instalment facility may be granted if the contract value is very large.

9.13. SERVICES POLICY

Where Indian companies conclude contracts with foreign principals for providing them with technical or professional services, payments due under the contracts are open to risks similar to those under supply contracts. In order to give a measure of protection to such exporters of services, the Corporation has evolved specific services policy. Specific policy as its name indicates is issued to cover a single specified contract. It is issued to provide cover for contracts which are large in value and extend over a relatively long period. Services policies are designed to cover contracts under which only services are to be rendered. Such policies are issued to cover all contracts that may be concluded by the exporter over a period of 24 months ahead.

Services Policy are of 4 types:

1. Specific Services Contract (Comprehensive Risks) Policy
2. Specific Services Contract (Political Risks) Policy
3. Whole Turnover (Comprehensive Risks) Policy
4. Whole Turnover (Political Risks) Policy.

ECGC normally stipulates that the contract provides for adequate advance payment and balance payment based on progress of work.

9.14. CONSTRUCTION WORKS POLICY

Construction Works Policy is designed to provide cover to an Indian contractor who executes a civil construction job abroad. The Construction Works Policy covers the following risks:

1. Insolvency of the employer (when he is a non-Govt. entity)
2. Failure of the employer to pay the amounts that become payable to the contractor in terms of the contract, including any amount payable under an arbitration award
3. Restrictions on transfer of payments from the employer’s country to India after the employer has made the payments in local currency.
4. Failure of the contractor to receive any sum due and payable under the contract by reason of war, civil war, rebellion etc.

5. Imposition of restrictions on import of goods or materials or cancellation of authority to import such goods or cancellation of export license in India for reasons beyond his control.

6. Interruption or diversion of voyage outside and resultant additional payment of insurance.

Following risks are not covered under Construction Works Policy:
- Failure of the Constructor/employer to obtain/issue/ or deliver any authority necessary under the law of India or Employees Centre for execution of Project and payment there under.
- Risks which are normally insured by General Insurer.
- Insolvency, defaults or negligence of any agent, seller or sub-contractor
- Execution of any works or incurring of any expenses by the contractor after the estimated date of completion of contract unless otherwise agreed upon by the Employer.

9.14.1 PAYMENT OF PREMIUM AND DECLARATIONS

Premium rate will be dependent on the classification of the employer’s country and the rate will be applied on the estimated contract value. The contractor is required to submit such periodical declarations as may be prescribed by ECGC relating to execution of the contract.

9.14.2 PAYMENT OF CLAIM

If the claim is admitted under the policy, ECGC shall make payment of the amount direct to the contractor’s bank in India which may have a right or lien over the receivables under the contract. The contractor is required to give an undertaking to the effect that he shall take all steps to recover the dues from the employer.

9.15 OVERSEAS INVESTMENT INSURANCE

ECGC has evolved a scheme to provide Protection for Indian Investments abroad. The salient features are:-
• All investments made by way of equity capital or united loan for the purpose of setting up or expansion of overseas projects will be eligible for cover.
• Investments can be in cash or by way of export of Indian capital goods / services.
• Cover is available for original investment and annual dividends or interest receivable.
• Risks covered are war, expropriation and restriction on remittances.
• As investor has a role in the management, no commercial risks are covered.
• To be eligible for cover, there should be a bilateral agreement protecting investment of one country in the other. In the absence of such agreement, cover will be given only if general laws of the Country afford adequate protection to Indian investment.
• Period of cover is normally upto 15 years.

9.16 EXCHANGE FLUCTUATION RISK COVER

• The scheme intends to give protection to exporters of capital goods, civil engineering contractors and consultants who have to receive payments in Foreign Currency over a period of years for their exports, construction works or services.
• Forward Exchange Market normally does not provide cover for such deferred payments.
• This cover is available for payment schedule exceeding 12 months upto 15 years (from date of bidding upto final payment).
• At bidding stage, exporter can obtain Exchange Fluctuation (Bid) cover initially for 12 months, which period can be extended if needed.
• If bid is not successful, 75% of premium is refundable.
• If bid is successful, exporter has to obtain Exchange fluctuation (Contract) cover to cover all payments due under the contract.
• All payments denominated in USD, Sterling Pounds, Euro, Japanese Yen, Swiss France, UAE Durham and Australian Dollar are covered.
• Exchange Fluctuation Risk cover normally provided along with suitable credit insurance cover.
• Cover provides franchise of 2% loss or gain within a range of 2% of the reference rate or rate agreed upon while obtaining the cover,
• If loss exceeds 2% but not exceeding 35% of the reference rate, ECGC will make good the loss, in excess of 2%
• Gains exceeding 2% upto 35% of the reference rate is to be given to ECGC.
• Premium Rate on policies is 40 paise per Rs.100/- p.a. or 10 paise per Rs.100/- per quarter for Bid cover. Total premium is payable upfront.
Rate of premium for contract cover is also payable @ 40 paise per Rs.100/- p.a. 10% of total premium and premium for first 2 years is payable upfront. Thereafter annual premium is payable in such a manner that premium for the next two years is always kept paid to the Corporation.