

EX-IM BANK MULTI-BUYER EXPORT CREDIT INSURANCE

SUMMARY

Exporters of U.S. goods and services can reduce their risks of selling abroad on credit terms by insuring their foreign receivables through Ex-Im Bank's Short-Term, Multi-Buyer Export Credit Insurance Policy.

The Multi-Buyer policy is one of the most advantageous of Ex-Im Bank's offerings. Multi-Buyer coverage protects against political and commercial risks. Protected against loss, the exporter is usually able to arrange for attractive financing and, consequently, able to offer foreign buyers favorable and competitive credit terms.

WHAT IS COVERED

This policy insures short-term sales with repayment terms of up to 180 days. Sales on terms up to 360 days can be covered for capital goods, consumer durables, bulk agricultural commodities and fertilizer. Coverage applies to credit sales for any goods produced in and shipped from the United States during the policy period. Defense products are not eligible for cover. Products must be at least 50 percent U.S. content (labor and material) exclusive of mark-up. Raw materials and bulk agricultural commodities must be of 100 percent U.S. origin. Services must be performed by U.S. personnel either in the U.S. or on-site.

The Borrower, Guarantor, Buyer and End User must be foreign entities in countries for which Ex-Im is able to provide support, see Ex-Im's Country Limitation Schedule (CLS) at www.exim.gov. There may not be trade sanctions in force against them. For a list of products and countries with Anti-Dumping or Countervailing Duty sanctions see <http://205.197.120.60/oinv/sunset.nsf/AllDocID/96DAF5A6C0C5290985256A0A004DEE7D>. There may not be trade measures against them under Section 201 of the Trade Act of 1974, see <http://dockets.usitc.gov/eol/public/> click on 201.

Principal amounts are generally covered up to the percentages shown in the options chart. The percentages depend on the options selected by the exporter. Receivables are covered in U.S. dollars but may be covered in local or third country currencies.

Documented interest is also covered. Post default interest is covered up to 180 days after the due date (or fewer days when the claim is settled earlier). Interest coverage is limited to the lesser of:

- the rate specified in the obligation,
- the rate legally valid in the buyer's country, or
- the rates below as applicable to the approved currency:

U.S. Dollars: The Wall Street Journal New York published prime rate minus 0.5 percent;

Swiss Francs, French Francs, German Deutsche Marks, UK Pounds Sterling, Canadian Dollars and Japanese Yen: the six-month Euro-offered rate plus 0.5 percent.

Interest coverage is also available for obligations denominated in an approved local currency at varying rates, depending upon the currency involved.

TWO COVERAGE OPTIONS

Both options afford coverage against different categories of risk. Percentages of cover and the amount of deductible vary. Risk categories include losses caused by political events, such as war, revolution, seizure of goods, revocation of license, and foreign exchange inconvertibility, and commercial events, such as insolvency and protracted default.

Option A: Split coverage, with deductible, provides 100 percent coverage against loss due to specified political events and 90 percent coverage against loss due to commercial events, with a deductible applying only to commercial risk losses.

Option B: Equalized coverage, with deductible, insures against 95 percent of loss due to either political or commercial events, and a deductible applies to both political and commercial losses.

Under either option, receivables from sovereign obligors are 100 percent insured without a deductible.

INSURED PERCENTAGES OF COVER

	OPTION A Split Coverage*		OPTION B Equalized Coverage
	<u>"Political" Risks</u>	<u>"Commercial" Risks</u>	<u>All Risks</u>
Sovereign Obligors	100%	100%	100%
Approved Bulk Agricultural Commodities	100%	98%	98%
Letters of Credit	100%	90%	95%
All Other	100%	90%	95%

* *Deductible applies to commercial risks only.*

For an additional premium, the insured may request pre-shipment coverage. This is valuable in cases where goods are special ordered, or there is a long manufacturing run prior to shipment. By obtaining this option, the insured locks in coverage conditions for a specified period of time, generally up to 180 days from contract signing. Pre-shipment coverage excludes contract cancellation risk. Endorsements for non-acceptance cover and other types of specialized cover are also available.

THE PERIOD COVERED

The policy is written for one year, but is cancelable by either party on 30 days written notice. Receivables arising from shipments made during the policy year are covered.

THE DEDUCTIBLE AMOUNT

A deductible applies per policy year, not per transaction, is negotiated separately with each insured and is based on a number of factors, such as sales volume and risk characteristics.

CREDIT LIMITS

There are two types of credit limits. The first is the discretionary credit limit. It permits you to extend insured credit without prior approval from Ex-Im Bank. To use your DCL, several conditions must be met prior to shipment:

- The transaction must meet the conditions of Ex-Im Bank's Country Limitation Schedule, and
- You must obtain credit information on the buyer dated within 12 months prior to shipment:
 1. a credit agency report, or
 2. a) for letters of credit: a minimum debt rating on the issuing bank;
b) for other secured terms (CAD, SDDP): a trade reference;
c) for unsecured terms (O/A, SDDA, DDDA, promissory notes):
 - (1) up to \$10,000, one written trade reference,
 - (2) over \$10,000, two written trade references
- The credit amount and terms offered may not exceed the amount justified by the credit information, or the per-buyer amount and terms listed in the policy declarations, whichever is less.
- The **DCL cannot be used** if a special buyer credit limit (SBCL) or issuing bank credit limit (IBCL), for letter of credit transactions, is in effect for the buyer.

The second type of limit is the special buyer credit limit (SBCL) or issuing bank credit limit (IBCL). Insureds must apply for these limits, form EIB92-51, typically when the discretionary credit limit is too low or restricted by the Country Limitation Schedule.

Ex-Im Bank has published its Short Term Credit Standards (EIB99-09) for both Exporters and Buyers which may be consulted to determine the likelihood of approval of a policy application (form EIB92-50), a DCL approval and SBCL/IBCL applications.

Other limitations on Ex-Im Bank's liability are specified in the policy. The aggregate limit of liability represents the maximum amount Ex-Im Bank will pay with respect to shipments during any one policy year. The buyer credit limits noted above are not cumulative. Ex-Im Bank is not liable for expenditures made by the insured to minimize loss unless prior approval is obtained.

WHAT THE INSURED AGREES TO DO

The insured agrees to submit reports monthly, form EIB92-29, listing all eligible shipments and buyers, with payment of the appropriate premiums (which will vary from month-to-month, with the level of activity) by the 30th of the month following the date of shipment.

The insured also agrees:

- to report monthly, form EIB92-27, all buyers 90 days or more past due on balances exceeding

- \$100,000, for both insured and uninsured transactions;
- not to further insure sales of goods or services to buyers already 90 days or more past due;
 - to make written demands for payment upon the buyer no later than 30 days prior to submission of a claim;
 - to exercise reasonable care to minimize or prevent losses;
 - to refrain from altering due dates unless specifically approved by the policy or unless prior written approval is obtained from Ex-Im Bank.

CLAIMS AND PAYMENTS

Claims may be filed 90 days after the due date and must be filed within 240 days after the due date. The insured also agrees to file a release and assignment form with Ex-Im Bank, transferring any rights to the defaulted receivables and any security when the claim is paid, so that Ex-Im Bank may attempt recovery. Ex-Im Bank will pay claims within 60 days of receiving a satisfactorily completed and documented proof of loss, form EIB92-25.

PREMIUM RATES

Premiums are based on many factors, including length of terms offered, buyer type, spread of country risk, transaction type, and previous export experience.

An advance premium generally equal to one month's estimated premium but no less than \$500 is collected when the policy is issued.

ASSIGNMENT OF PROCEEDS

Subject to Ex-Im Bank approval, policy proceeds may be assigned to a financial institution, for EIB92-31. Thus, the policyholder can realize greater financial liquidity and flexibility in administering its foreign receivables portfolio.

MORE INFORMATION

Also see Fact Sheets on the: Small Business Policy EIB92-19
 Small Business Environmental Policy EIB94-05

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