

Supporting Exporters Sail Through COVID-19 Crisis

Export Credit Agency (ECA) Perspective

Presentation on ECGC Products & Services

Role of Export Credit Agencies in Country's Exports

- An Export Credit Agency (ECA) is a policy instrument for Governments to support exports from their country
- Direct Lending, Insurance and Guarantee
- Risk Protection and credit enhancement
- Support to the Banks/ Financial Institutions (FI) to extend adequate export finances
- Promotion of Project Exports
- In some countries, both lending & insurance roles are undertaken by a single ECA. In other countries, lending & insurance roles are undertaken by separate ECAs.
- Berne Union : An association of ECAs

COVID-19 Crisis

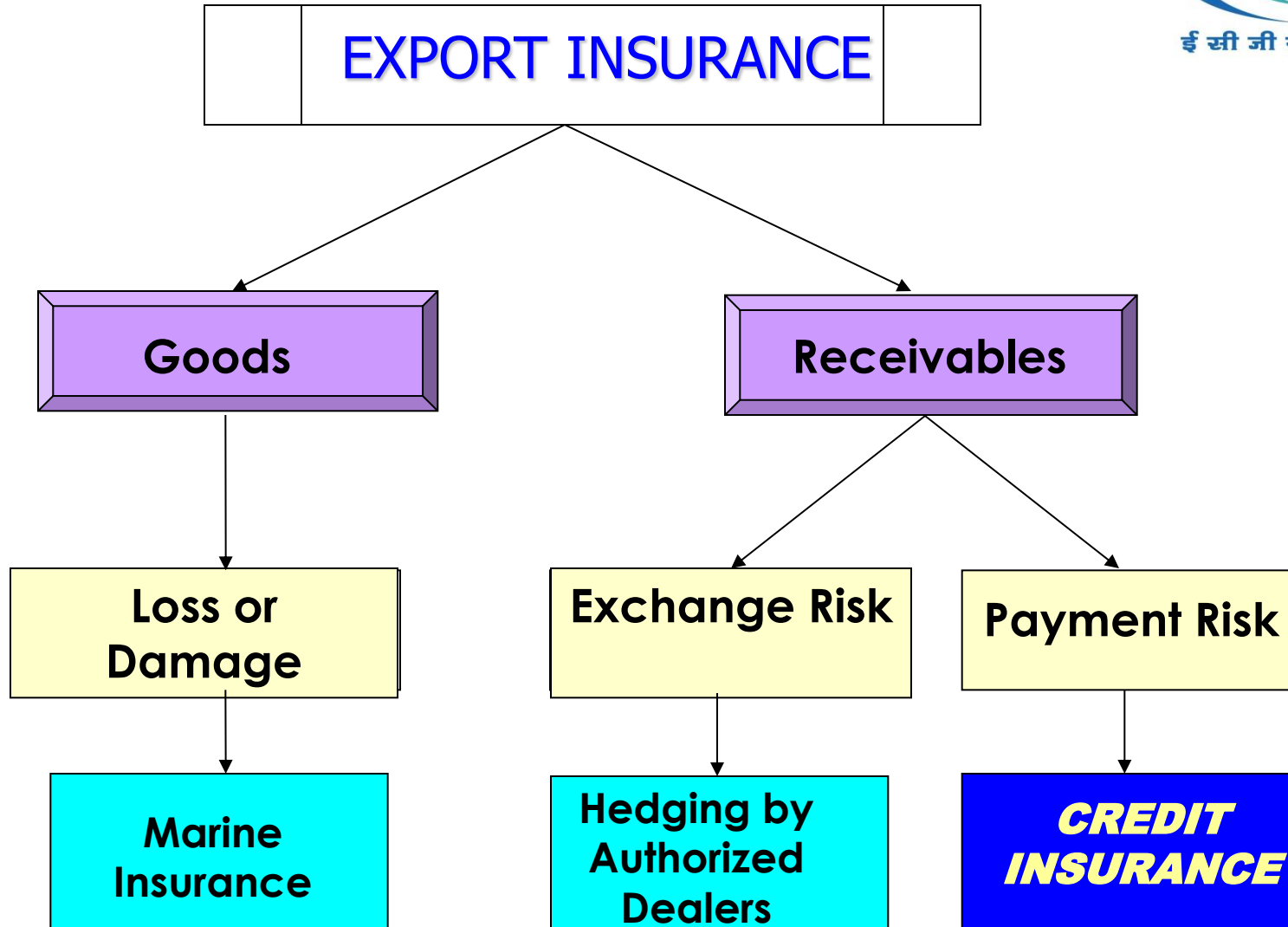


WTO Forecast on World Trade

- As per WTO estimates, World merchandise trade is set to decrease by 13 to 32% in 2020 due to the COVID-19 pandemic.
- The decline will likely exceed the trade slump brought on by global financial crisis of 2008-09.
- World trade may fall more steeply in sectors characterized by complex value chain linkages, particularly in electronics and automotive products.
- Services trade may also be highly impacted due to the imposition of transport and travel restrictions and the closure of many retail and hospitality establishments.

ECGC:ECA Perspective - Risks in International Trade

- Macro Risks more volatile than Micro Risks....
- Slow down in our major / traditional exporting destinations.....
- Credit periods getting extended.... Insolvencies on the rise....Trade barriers....
- Apprehension to export on payment terms other than Advance Payment / LC....
- Alternative supply sources opening up....
- Alternative markets opening up....
- Movement of Goods & Movement of Documents....

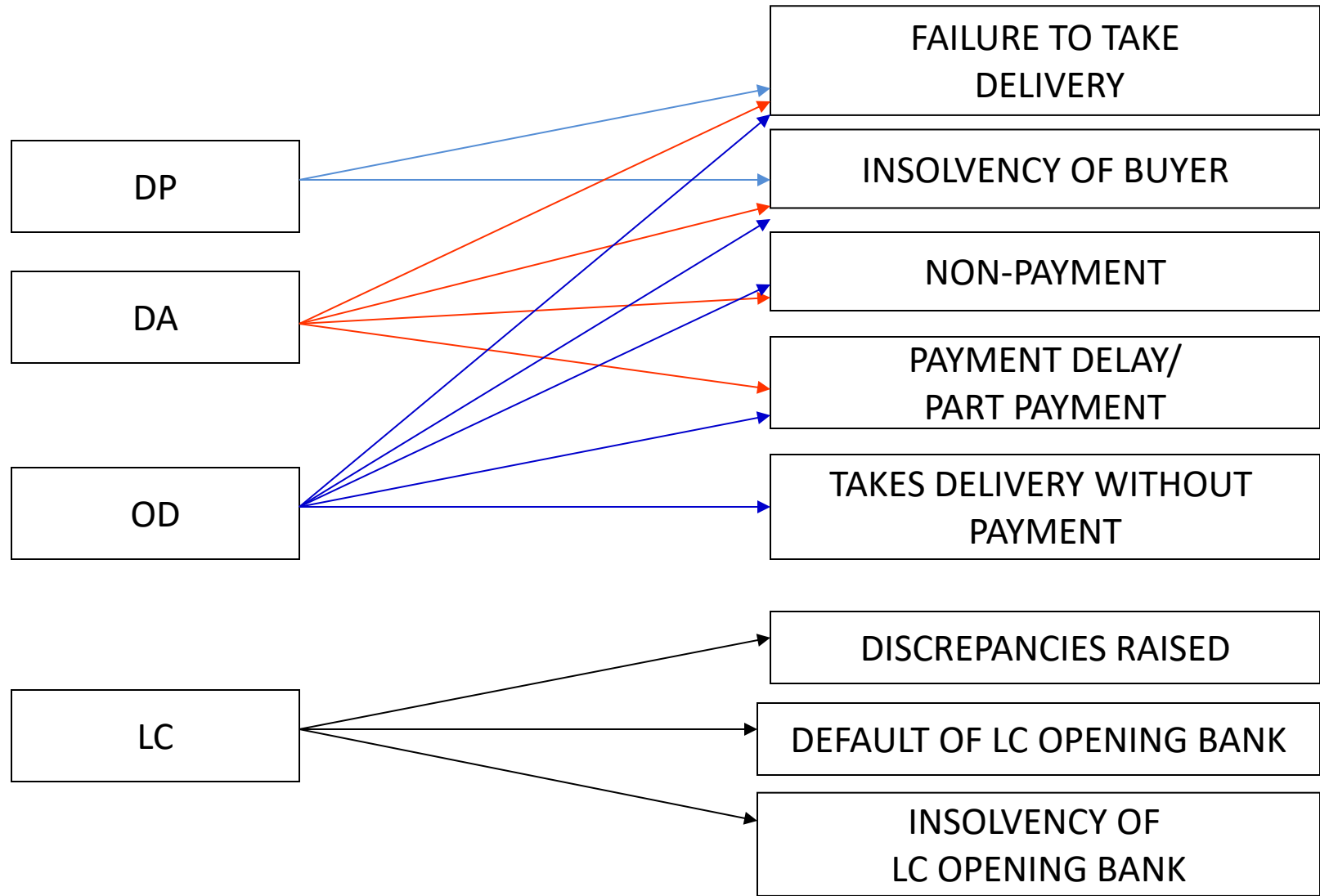


Terms of Payments in Exports



- Advance Payment
- Letters of Credit
- DP (Documents against Payment) / CAD (Cash against Document)
- DA (Documents against Acceptance)
- OD (Open Delivery/Open Account)
- LC-OD (Goods are consigned to Buyer)

Terms of Payments & Risks Mapping



Need for Export Credit Insurance

- Protection from buyer failures or non-payment by a Country.
- Facilitates export trade on credit basis.
- Adds focus on credit worthiness of buyer.
- Facilitates internal risk management processes.
- Maximize resources of exporters.
- Facilitates entry into new markets/new buyers.
- Promotes trade on liberal and competitive terms.
- Provides a level paying field for Indian exporters.

- Mission – To support the Indian Export industry by providing cost-effective insurance and trade related services.
 - Provides credit risk covers to Exporters against non payment risks of the overseas buyers / buyer's country in respect of the exports made
 - Provides credit Insurance covers to banks against lending risks of exporters , thus easing the process for the exporters.
 - Assessment of buyers for the purpose of underwriting
 - Preparation of country reports and assessment of countries
 - Maintain a list of Defaulter buyers as a caution list for exporters
 - Impart International experience to enhance Indian capabilities
 - Helps in recovery of debts

ECGC's Background



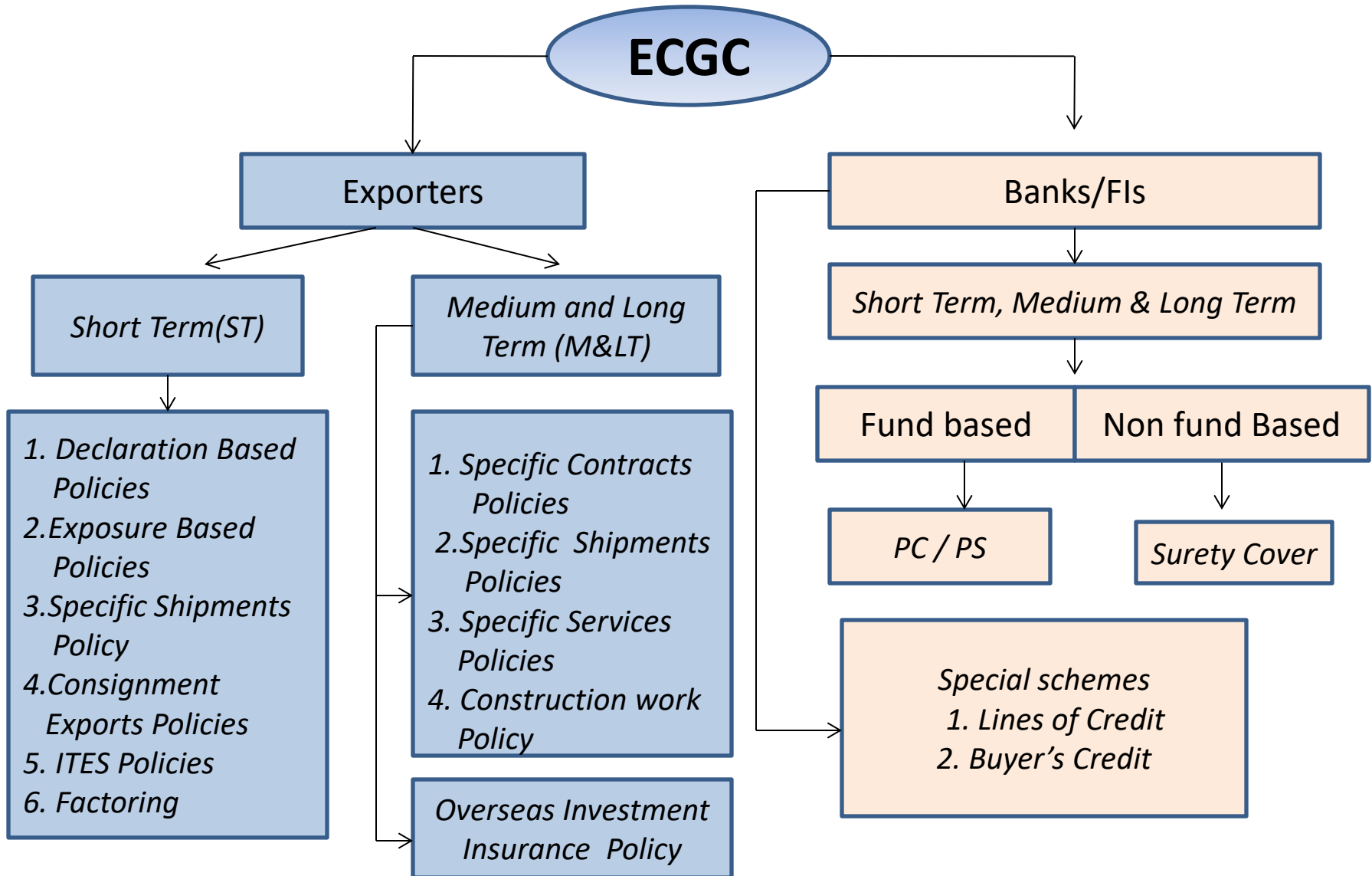
- Established : 30th July 1957
- A 100% Government of India owned company under the administrative control of Ministry of Commerce & Industry
- Regulated by Insurance Regulatory Development Authority of India (IRDAI)
- Managed by a Board of Directors comprising representatives of Gol, RBI, Commercial Banks, Insurance and Exporting Community.
- 5 Regional Offices, 60 Branches
- iAAA rating by ICRA – Claim Paying ability
- Winner - Best Export Credit Agency – 2017 by TFR

ECGC Fact Sheet

(Amount In Rs. Crs)

S.No	Particular	2016-17	2017-18	2018-19
1	Premium Income	1268	1240	1247
2	Claim Paid	885	1282	1013
3	Claim as a Percentage of Premium	70%	103%	81%
4	Recoveries Made	139	185	151

ECGC Business Profile



Buyer Risk Rating

- Financials
- Industry Outlook
- Business Ability
- Transaction Behavior
- ECGC Experience
- Buyer Specific Approval List (BSAL)

Country Risk Rating

- Economic Risk Evaluation
- Political Risk Evaluation
- Economic & Political Trade Relations
- ECGC Experience
- Experience of other ECAs (International Cooperation)
- Forecast

Country Ratings - A1,A2,B1,B2,C1,C2,D (Insignificant Risk to very High Risk)

Total Open Cover Countries (OCC) - 217

Restricted Cover Country (RCC) : Group 1 - 15 ; Group 2 - 8

Country Risk Rating

- 
Economic Risk Evaluation
 More than 10 factors measure economic conditions
- 
Political Risk Evaluation
 Quantitative and qualitative data measure political conditions
- 
Economic & Political Trade Relations
 Measures trade relations with India from the perspective of exports
- 
ECGC Experience
 Provides the most appropriate historical outlook
- 
Experience of other Agencies
 Experience of other credit insurers (International co-operation)
- 
Forecast
 Measures outlook of the country

Rating	Explanation
A1	Insignificant risk
A2	Low risk
B1	Moderately low risk
B2	Moderate risk
C1	Moderately high risk
C2	High risk
D	Very high risk

Risks Covered



- **Commercial Risk of Buyer**
 - Insolvency of the Buyer
 - Protracted Default - Failure of the buyer to make the payment due within a specified period, normally four months from the due date
 - Repudiation - Failure or refusal of the buyer to accept the goods which have already been exported
- **Commercial risks covered for *Letters of Credit* payment term shipments**
 - Insolvency of the LC opening bank
 - Protracted Default - Failure of the LC opening bank to make the payment due within a specified period, normally four months from the due date
 - LC Discrepancy - Non-payment or non-acceptance due to discrepancies in the LC subject to certain conditions.

Risks Covered



- **Political Risks for both LC & Non-LC transactions**
 - Inconvertibility/Transfer Delay - Imposition of restriction by the Government of the buyer's country or any Government action, which may block or delay the transfer of payment made by the buyer.
 - Contract Frustration- Occurrence of War, civil war, rebellion, revolution, insurrection or civil disturbances in the buyer's country. Also, Occurrence of war between buyer's country and India
 - Import Restriction - New import restrictions in the buyer's country after the shipment is effected
 - Contract Cancellation - Cancellation of a valid import license in the buyer's country after the shipment is effected
 - Shipment Diversion - Interruption or diversion of voyage outside India resulting in payment of additional freight and incidental charges which cannot be recovered from the buyer

Risks Not Covered



- Commercial disputes including quality disputes raised by the buyer, unless the exporter obtains a decree from a competent court of law in the buyer's country in his favour
- Causes inherent in the nature of goods
- Buyer's failure to obtain necessary import or exchange authorisation from authorities in his country
- Insolvency or default of any agent of the exporter or of the collecting bank
- Loss or damage to goods which can be covered by general insurers
- Exchange rate fluctuation
- Failure of the exporter to fulfil the terms of the export contract or negligence on his part

Policy Products



- Declaration Based Policies
 - Whole Turnover Policies (SEC/SCR/ETP)
 - Specific Transaction / Buyer Wise Policies (SSP/BWP)
- Exposure Based Policies
 - Whole Turnover Policies (MBEP – Large and Medium)
 - Specific Buyer Wise Policies (SBEP)
- Specialised Covers
 - Consignment Exports Policy (CSA & CGE)
 - Software & related Services Policy (SPP, MITES & SITES)
 - Micro Exporter Policy (MEP)
 - Services Policy other than software (SRC)
 - Exposure Policy – WT for GJD Sector (MBEP-GJD)
 - Customer Specific Cover Policy (CSC Policy)
- Specialised Transactions
 - Cover to Associates
 - Cover for Deemed Exports
 - Merchanting or Third Country Exports

Features – SCR Policy



- Shipments Comprehensive Risks (SCR) Policy
- Whole-turnover Policy - Cover for All countries /All buyers /All Terms of payment by way of Credit Limit on each buyer
- Advance Premium as per projection – Sec 64VB compliance
- Minimum Premium of Rs. 10,000
- Period of Policy- 12 months
- Monthly declaration of all the shipments has to be given within 15th of next month.
- Percentage of cover is 90%.
- No Claim Bonus of 5% on every renewal.
- Premium rate is a function of Terms of Payment * Country Rating
- Discretionary Limit

Policy Maintenance - DOs



1. Validity of the Policy:

- Ensure that the Insurance Policy is valid/in-force to cover all your shipments. In case of renewal, ensure to submit the Proposal form well-in-advance for continuity of cover.

2. Maximum Liability (For declaration based Policy)/ Aggregate (For exposure based policy):

- Ensure that the Maximum Liability (ML)/Aggregate Loss Limit (ALL) under the policy are sufficient to cover the amounts due from all the overseas buyers/banks at any given point of time. Seek enhancement, if necessitated.

3. Advance Premium:

- Please ensure that sufficient Premium deposit is maintained with ECGC in advance, based on the turnover projection, at all times, under the Policy, to cover the premium that will become payable for shipments to be effected. In case where instalment facility for remittance of premium is opted for, please ensure to remit the due premium on or before the due date(s) of the respective instalment(s).

4. E – Connectivity:

- Obtain Customer ID and Password for on-line access to ECGC's database on buyers which is available to exporters who have a whole-turnover policy cover.

Policy Maintenance - DOs



5. Credit Limit (CL)/Loss Limit (LL)/Single Loss Limit (SLL):

- Ensure that all the shipments are adequately covered by a valid CL/LL/SLL on each buyer on appropriate terms of payment before effecting the shipment.

6. List of customers on whom ECGC has had adverse experience (BSAL):

- Ensure before making shipment that the importers'/ buyers' names are not appearing in the list of buyers on whom ECGC has had adverse experience, which is available on ECGC's website to the policy holders holding whole-turnover covers.

7. Shipments to countries placed in Restricted Cover Category (RCC):

- Please ensure to take specific approval of the Corporation in case the payments are to be received and/or the destination of the goods, are from/to RCC countries.

8. Shipment Declaration:

- Submit the shipment declarations, wherever applicable on or before 15th of every month of all the shipments effected during the previous month in the prescribed format. In case no shipment has been made during the month, submit a "NIL" declaration. In case of Multi-Buyer Exposure Policy (MBEP), submit a quarterly statement of shipments made before the end of the beginning of the subsequent quarter.

Policy Maintenance - DOs



9. Overdue Declaration:

- Notify/declare all bill(s) that have remained unpaid beyond 30 days (60 days for SEP & MEP) from their respective due dates of payment, by not later than 15th of the subsequent month, in the prescribed format and continue to do so till the payment is received or a claim is filed with the Corporation.

10. Loss Minimization:

- In case of non-payment, ensure to initiate the following steps to prevent/minimize loss:-
 - (a) Safeguard the goods by shifting them to a bonded ware house (in case the goods have not been taken delivery by the buyer).
 - (b) Stop making further shipments till the payments are realized.
 - (c) Persuade the buyer to make payment.
 - (d) Seek due approval of the Corporation in case of extension in due date, conversion in terms of payment, resale to an alternate buyer, reshipment of goods, abandonment of goods.
 - (e) Get the bills noted and protested.
 - (f) Take assistance of Indian High Commission/ Consulate in the buyer's country for realization of unpaid bill(s).

Policy Maintenance - DOs



11. Lodgement of Claim:

- File the claim at any time after submission of the overdue declarations as mentioned at Para 9 above, but within 360 days from the due date of payment for the shipment under claim or 540 days (600 days for Consignment Policies) from the expiry of the policy cover whichever is earlier.

12. Recovery Action:

- (a) Without any loss of time initiate prompt and necessary recovery action.
- (b) Maintain legal recourse against the buyer in the event of a non-payment.
- (c) Get the list of Debt Collecting Agents (DCA) from the Corporation and hand over the case to them for recovery.
- (d) Initiate legal actions for recovery of the overdue payments in consultation with the Corporation. Any expenses incurred in recovery in consultation with the Corporation shall be a first charge on the amount recovered, if any.
- (e) If non- payment is due to insolvency of the buyer, please file the claim with the Official Receiver and get the debt duly acknowledged by them.
- (f) In the event of realization, share the recovery with the Corporation in the same proportion in which the claim was settled by the Corporation.

Policy Maintenance – DON'Ts



- Do not fail to get the Policy renewed on time so that the cover remains seamless.
- Do not fail to submit declaration of all shipments within the dates stipulated under the policy, in the prescribed format. Do not make any errors in value of the shipments, terms of payment, country, premium rates etc. while declaring shipments.
- Do not make further shipments without the prior approval of the Corporation to a buyer, if payments for earlier shipments made to that buyer remains unpaid after the original due date.
- Do not fail to obtain prior approval of the Corporation for extension in due date of the bill(s), conversion in terms of payment and abandonment of goods.
- Do not fail to take the prior approval of the Corporation in case of resale to an alternate buyer or reshipment of goods, when the loss exceeds 25% of the Gross Invoice value (GIV). Also do not fail to keep the Corporation informed where the loss is less than 25% of the GIV within 30 days of effecting the resale/ reshipment.

Policy Maintenance – DON'Ts



- Do not offer discount to the Original buyer without the prior approval of the Corporation.
- Do not enter into a compromise agreement with the buyer in respect of outstanding payments without the prior approval of the Corporation.
- Do not fail to notify/declare the bills that have remained unpaid, within the time stipulated under the Policy.
- Do not fail to file the claim in the prescribed format along with the documents listed, within the time stipulated under the policy.
- Do not fail to share the recovery with the Corporation, as and when recovered.

Lodgment of Claim

- Waiting Period
 - ❖ In case of Default - 4 months from the due date
 - ❖ In case of Repudiation – Immediately after the loss is ascertained.
 - ❖ In case of Insolvency – 1 month from the day the debt is acknowledged by the receiver.

- Maximum time limit for filing claim is 360 days from the due date or 540 days from date of expiry of policy whichever is earlier.

- Claim has to be filed in the prescribed format

Important Documents required at the time of Claim

- Contract/Order
- Invoice
- Bill of Lading/Airway Bill
- Non-payment advice from the foreign bank
- Direct docs. to buyer-proof of delivery of goods to buyer & acknowledgement of debt by the buyer
- Original unpaid bill/accepted(s) of exchange
- Protest note
- Correspondence with original buyer
- Correspondence for Recovery action
- Statement of exports for last two years
- Bank to certify the claim form including all the other documents

Recovery

- Post payment of claim, recovery efforts to be continued through -
 - ✓ Debt Collection Agent
 - ✓ Legal action
- In case of any recovery after payment of claim, the amount recovered, less recovery expenses, is to be shared with the Corporation in the same proportion as the relevant loss was shared in claim.

Common Lapses

- Advance Premium not deposited
- Quarterly premium not paid in time
- Shipment Declaration not submitted on time
- Website of ECGC is not checked for buyer not in BSAL or country not in Restricted Cover before making shipment
- Delay in reporting default/non payment
- Making further shipments when earlier bills remain overdue
- Prior approval not taken for extension/resale/re-import/abandonment
- Delay in lodgment of Claim
- Required documents for claim are not submitted

Advantages of ECGC Policy

	ECGC Ltd.
Loss Covered under Policies	80% - 95 %
Cost of Filling ROD	NIL
Waiting Period	4 Months
Cost of per buyer application	Rs. 500/-
MALUS (Based on Claim : Premium Ratio)	300 %
Cover to Restricted Country / High Risk Country	Cover Available
Policy can be assigned to Banks / FIs	Yes
Non Qualifying Loss	NIL
Repudiation Risk Cover	Yes
LC discrepancy cover	Yes

COVID-19 Measures taken to support Policyholders

- Time for filing returns like declarations, extension applications, report of default etc., under the insurance covers that are due in March and April, extended up to 31st May, 2020.
- Time for filing claim/ replies due during this period extended up to 30th June, 2020.
- Waiver of credit limit application fee till 30th June, 2020.
- Reduction in Policy proposal processing fee by 50% till for the till 30th June, 2020.
- Discretion to exporters to extend due date for payment by buyers for shipments accepted earlier.
- Discretion to decide about shipments (i.e. resale / reimport / abandon) that reached destination but not cleared by overseas buyers due to lockdown in the destination countries.
- Claim eligibility period (waiting period) under insurance covers reduced from present 4 months to 1 month.
- Exporters may be considering further shipments to buyers from whom payments for shipments made earlier due and not received during the crisis period. ECGC will be covering further shipments by Policy Holders (manufacturer exporter) to the buyer, to the extent of credit limit/loss limit already fixed on the buyer under the relevant Policy issued to the exporter subject to valid purchase order for further shipments, mutually agreed payment reschedule for shipments made earlier and accepted by the buyer.

COVID-19 Measures undertaken to support Banks

- Cover to Banks is extended under the Export Credit Insurance for Banks (ECIB) scheme.
- Time limit for filing of extension in due date for Packing Credit and Post Shipment advances will be available up to 31st May 2020.
- Filing of Report of default under the ECIB covers will be available up to 31st May 2020.
- Extension in time for filing of monthly declarations for the month of March 2020, has been extended up to 31st May 2020 (available for all the exporters and banks).
- However, extension of time is not applicable for payment of premium, which can be paid through digital mode viz, RTGS/ NEFT etc. The premium can be paid on the basis of estimation also, when actual premium payable is not workable.
- More steps shall be taken by ECGC after assessing the situation in future.



In the service of Export Sector since 1957

Thank You

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