



Test Your Knowledge

Was this shipment covered? Would this claim be paid?

CASE #1

A large farming operation in Minnesota has had a relationship with one of their buyers going back 32 years. They sell large orders on a seasonal basis and have never had a problem receiving prompt payment. Due to seasonality, their last sale to this buyer was in February 2012. Their buyer is growing and has just placed their largest order yet (September 2013). They presume that this buyer is covered under their Ledger DCL due to their lengthy and positive past experience. Suddenly, the buyer misses their due date and files for bankruptcy. Was this shipment covered? Would your claim be paid?

A: Potential claim DENIAL!

"Ledger" DCL only applies to existing customers with whom you have prior experience on open account terms *in the past 12 months*. Depending on the amount of the transaction and applicable discretionary authority under the policy, this buyer would need to have been approved by the exporter under their Credit DCL (with supporting due diligence such as a recent credit report and/or trade references in the file), or approved by Ex-Im Bank's underwriters via Special Buyer Credit Limit (SBCL). See here for more info:
<http://www.tradeacceptance.com/news-policy-02.html>

CASE #2

A U.S. exporter has an SBCL in place for a private sector buyer in Ghana. The shipment was made on June 1, 2013 and the buyer acknowledged receipt without dispute. Because of the sensitive nature of the account, they reported the shipment immediately in Ex-Im Online. However, the contact at the company responsible for shipment reporting does not have the authority to make the premium payment, so the deadline passed. The company caught their mistake and made the premium payment on August 5, 2013. On August 6, a technological glitch suspends communication and banking transactions. Your invoice goes unpaid. Was this shipment covered? Would your claim be paid?

A: Potential claim DENIAL!

Shipment reports and premiums are due and payable on or before the end of the month after the shipment takes place (in the case above, by COB July 31, 2013). Shipments must be accepted and premiums must be applied to your policy by Ex-Im Bank before your sales are considered insured. In this case, Ex-Im's underwriters would have the option and authority to request invoice details from you for any shipments reported and/or premiums are paid late. Late reporting or failing to report shipments and/or pay premiums can result in non-acceptance by Ex-Im Bank and can mean that you are not covered! See here for more info:
<http://www.tradeacceptance.com/news-policy-03.html>



CASE #3

A small manufacturer in Illinois began exporting widgets three years ago. Export sales total \$4 million/year and represent 60% of total revenues. Most of their exports go to Canada and Mexico, but there is a potential \$3 million sale to a private-sector buyer in Cuba which has the sales team very excited! The credit department wants to rein them in since this potential deal could put them out of business if it goes bad. Thus, credit insists that they do everything right in terms of collecting credit information, obtaining references, reporting the shipment on time and paying premium in full and on time. The CFO gets an anonymous tip that his buyer has left town abruptly and has no intention of paying his debts. Was this shipment covered? Would your claim be paid?

A: Not Covered!

Ex-Im Bank is off-cover for Cuba for both public- and private-sector buyers. The Country Limitation Schedule (CLS) includes Note #7 stating that support is legally prohibited here. One of your first responsibilities as the Insured party is to check Ex-Im Bank's [CLS](#) to see if your buyer is eligible for coverage. See here for more info: <http://www.tradeacceptance.com/news-policy-01.html>

CASE #4

The exporter applies EXW as their INCOTERMS to every sale in order to save costs. One foreign buyer has not paid and their forwarder will not share the shipping documents. The buyer defaults and is no longer taking your calls. Was this shipment covered? Would your claim be paid?

A: Potential claim DENIAL!

If you are applying EXW as your INCOTERM, you may not be able to provide proof of export/proof of delivery. Evidence of exportation from a third-party transportation provider is one of the requirements of an insured transaction. In case you need to file a claim, you must maintain in your files (or have access to) all documents to be presented to Ex-Im Bank. See here for more info: <http://www.tradeacceptance.com/news-policy-04.html>

The moral of the story is:

Non-compliance with key aspects of your policy can result in claim denials!

In order for your receivables to be covered, you must actively manage your policy and follow the stated guidelines. The good news is that we are here to help! We have expertise and resources to help you understand the nuances and make sure that your insurance is working the way you intended it to. We will gladly review the details of your policy with you. We can also provide training on the online policy management tools, show you where your policy discusses these issues, and make sure that you have the best coverage to suit your business needs. [Contact us](#) today!