EXIM
EXPORT-IMPORT BANK
OF THE UNITED STATES

Talk to an Expert

Have questions?
Discuss your concerns
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Financial Institution Buyer Credit Insurance:

INCREASE PROFITS, MINIMIZE RISKS

Some financial institutions offer loan facilities for foreign importers, such as:

- Short-term direct buyer credit loans extended to a foreign entity by the bank for importation of U.S. produced goods.
- Reimbursement loans that function as the bank's reimbursement of a buyer's payments to U.S. suppliers.

In cases like these, financial institutions can reduce their risks through a Financial Institution Buyer Credit Insurance Policy (FIBC) from EXIM.

This policy affords coverage against commercial defaults and political events, reducing the risk of loan nonpayment.

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WHAT IT **COVERS**

This policy provides coverage against political risks such as war, revolution, expropriation or confiscation by a government authority, and cancellation of import or export licenses after shipment and foreign exchange inconvertibility, as well as commercial losses due to protracted default, insolvency of the buyer, or failure to reimburse for other reasons.

Devaluation is not covered. The policy offers equalized coverage for commercial and political risks (comprehensive cover); political-only coverage is also available. Maximum percentages of cover are:

Sale Details	***Coverage***
Sovereign obligors or guarantors; political-only coverage	100%
Non-sovereign obligors or guarantors *(including non-sovereign public sector and private sector financial—non-letter of credit—and non-financial institutions)*	90%
Approved agricultural commodities	98% *(maximum)*

This policy is issued as a *Documentary* policy for buyer credits. The documentary format requires the financial institution to obtain specific documents, such as a signed buyer obligation, transport document, invoice, and an Exporter Certificate.

Having obtained documents that satisfy the policy requirements, the insured financial institution can be assured that defects in the underlying commercial transaction will not cause claim denial. The principal risk assumed is the uninsured retention.

Coverage Details

1. Coverage applies to credit extended under a direct loan or reimbursement agreement to a foreign buyer for goods produced in and shipped from the United States.
2. The maximum period between the date of shipment and the creation of the buyer obligation will be 45 days.
3. Cover is provided for credit terms up to 180 days for consumer items, spare parts, and raw materials.
4. On a case-by-case basis, capital or quasi-capital equipment may be insured on terms up to 360 days.
5. Products that are less than 50 percent U.S. content exclusive of mark-up and certain defense products are not eligible for cover.
6. Documented interest is covered at the applicable rate for the approved currency specified in the policy up to a maximum of 180 days after the due date.

POLICY **PROCEDURES**

The policy may be written for a period of up to 12 months, during which the insured agrees:

1. To promptly report and pay their premium.
2. Not to enter into any transaction with a buyer who is insolvent or materially past due.
3. To report past due buyers to EXIM as required by the policy.
4. To do everything reasonable to collect from the buyer any amounts owed.
5. To obtain EXIM's prior written approval before rescheduling any insured transaction

Claims may be filed 30 days after the due date and must be filed within 150 days. The insured must make a written demand for payment on the buyer and any guarantor at least 30 days before filing a claim. Upon payment of a claim, the insured agrees to sign a release, transfer the covered debt obligations and any collateral to EXIM and notify the buyer to make future payments to EXIM. EXIM pays properly submitted and documented claims, forms EIB92-42 & 43, which are in compliance with the policy within 60 days of receipt.

Premium Rates

A risk-based pricing system is used that reflects the major risk elements of each transaction. A non-binding rate indication may be obtained by referring to the Short-Term FIBC Fee Calculator or by contacting EXIM Business Development with specifics of the contemplated transaction. Changing conditions may result in a different rate being finally offered than is initially indicated.

Premium is paid on the total principal volume amount to be insured. The premium rate is paid per $100 of invoice value. Minimum premium payments include:

Sovereign & political-only coverage	$750
Financial institution private & non-sovereign public	$1,500
Non-financial institution private & non-sovereign public	$2,500

HOW TO **APPLY**

To apply, the financial institution must outline the specifics of the transaction in EXIM Online.

Since this policy covers transactions on a single-buyer basis, a separate policy is issued for each foreign buyer. Information about the financial institution and the buyer, including a credit agency report and financial statement on each entity, must be submitted. Refer to EXIM's Short-Term Credit Standards, and the application, for specific requirements and to determine the likelihood of approval.

Post-Approval Process

Upon its review and approval of the application, EXIM issues a policy quotation stating the parameters of coverage. The policy quotation is effective for 60 days (though it may be extended an additional 30 days) and assures the financial institution that all policy conditions will remain unchanged for the quotation period.

The policy is issued upon receipt of the minimum premium, which must be received in full within the quotation period. Premium is then paid, at the rate specified in the policy, on funding by the insured financial institution. A premium reconciliation is made at the end of the policy period and an appropriate premium refund is made.