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Export Credit Insurance
Protect your export sales against nonpayment, offer open account credit terms to your buyers, and increase your cash flow with export credit insurance

Export Credit Insurance

Export credit insurance (ECI) protects an exporter of products and services against the risk of non-payment by a foreign buyer. In other words, ECI significantly reduces the payment risks associated with doing business internationally by giving the exporter conditional assurance that payment will be made if the foreign buyer is unable to pay. Simply put, exporters can protect their foreign receivables against a variety of risks that could result in non-payment by foreign buyers.

ECI generally covers commercial risks (such as insolvency of the buyer, bankruptcy, or protracted defaults/slow payment) and certain political risks (such as war, terrorism, riots, and revolution) that could result in non-payment. ECI also covers currency inconvertibility, expropriation, and changes in import or export regulations. ECI is offered either on a single-buyer basis or on a portfolio multi-buyer basis for short-term (up to one year) and medium-term (one to five years) repayment periods.

Key Points

- ECI allows exporters to offer competitive open account terms to foreign buyers while minimizing the risk of non-payment.
- Even creditworthy buyers could default on payment due to circumstances beyond their control.
- With reduced non-payment risk, exporters can increase export sales, establish market share in emerging and developing countries, and compete more vigorously in the global market.
- When foreign accounts receivable are insured, lenders are more willing to increase the exporter’s borrowing capacity and offer more attractive financing terms.
- ECI does not cover physical loss or damage to the goods shipped to the buyer, or any of the risks for which coverage is available through marine, fire, casualty or other forms of insurance.

Characteristics of Export Credit Insurance

Applicability
Recommended for use in conjunction with open account terms and pre-export working capital financing.

Risk
Exporters assume the risk of the uncovered portion of the loss and their claims may be denied in case of non-compliance with requirements specified in the policy.

Pros
Reduces the risk of non-payment by foreign buyers offers open account terms safely in the global market.

Cons
Cost of obtaining and maintaining an insurance policy. Risk sharing in the form of a deductible (coverage is usually below 100 percent).

Coverage

Short-term ECI, which provides 90 to 95 percent coverage against commercial and political risks that result in buyer payment defaults, typically covers (a) consumer goods, materials, and services up to 180 days, and (b) small capital goods, consumer durables, and bulk commodities up to 360 days. Medium-term ECI, which provides 85 percent coverage of the net contract value, usually covers large capital equipment up to five years. ECI, the cost of which is often incorporated into the selling price by exporters, should be a proactive purchase, in that exporters should obtain coverage before a customer becomes a problem.

Where Can I Get Export Credit Insurance?

ECI policies are offered by many private commercial risk insurance companies as well as the Export-Import Bank of the United States (EXIM), the government agency that assists in financing the export of U.S. goods and services to international markets. U.S. exporters are strongly encouraged to shop for a specialty insurance broker who can help them select the most cost-effective solution for their needs. Reputable, well-established companies that sell commercial ECI policies can be easily found on the Internet. You may also buy ECI policies directly from EXIM. In addition, a list of active insurance brokers registered with EXIM is available at www.exim.gov or you can call 1-800-565-EXIM (3946) for more information.

Private-Sector Export Credit Insurance

- Premiums are individually determined based on risk factors and may be reduced for established and experienced exporters.
- Most multi-buyer policies cost less than 1 percent of insured sales, whereas the prices of single-buyer policies vary widely due to presumed higher risk.
- There are no restrictions regarding foreign content or military sales.
- Commercial insurance companies can usually offer flexible and discretionary credit limits.

EXIM Bank's Export Credit Insurance

- EXIM customers are advised to refer to the Exposure Fee Information & Fee Calculators section (which are posted on the Bank's Web site www.exim.gov under the "Apply" section) to determine exposure fees (premiums).

- Coverage is available in riskier emerging foreign markets where private insurers may not operate.

- Exporters electing an EXIM working capital guarantee may receive a 25 percent premium discount on multi-buyer insurance policies.

- Enhanced support is offered for environmentally beneficial exports.

- The products must be shipped from the United States and have at least 50 percent U.S. content.

- EXIM is unable to support military products or purchases made by foreign military entities.

- Support for exports may be closed or restricted in certain countries for U.S. government policy reasons (for more information, see the Country Limitation Schedule posted on the Bank's Web site under the "Apply" section).

This article is from Chapter 9 of the U.S. government's Trade Finance Guide. For more on credit insurance, visit the EXIM website.