

**Export-Import Bank of the United States
Export Credit Insurance Program**

**PRE-SHIPMENT COVER, PROGRESS PAYMENTS COVER,
PRE-PRESENTATION AGREEMENT, NON-ACCEPTANCE COVER**

The Export-Import Bank of the United States (Ex-Im Bank) offers export credit insurance against the political and commercial risks which may cause a foreign debtor to default. Insurance is offered for short (up to 180 day) term payment periods and medium (1 to 5 year) term payment periods. Policies are offered on a single buyer or single transaction basis, as well as a multibuyer (global) basis for short term. There are special policies for small businesses and for banks. Cover under these policies typically begins when the goods to be exported are shipped. Exporters and banks financing against export receivables, making loans to foreign buyers or confirming letters of credit could be concerned about risks which may prevent the shipment of the goods or cause Ex-Im Bank's withdrawal of cover prior to shipment. These risks include the buyer's bankruptcy and imposition of new import or export restrictions. The following is a description of types of protection offered under the insurance program against these risks. The cover is typically effected by addition of an endorsement to the policy.

PRE-SHIPMENT COVER

This type of cover is available to exporter policyholders. It is offered under single buyer single sale policies for both short and medium term payment periods. It is offered for all or select contracts under a multibuyer policy. The cover goes into effect upon signing a contract or the effective date of the issuance of the pre-shipment cover under the policy, whichever is later. It is typically available for pre-shipment periods of up to 180 days but may be longer.

Cover:

The cover protects against cancellation or non-renewal of an import or export license already obtained prior to shipment, and political upheaval or violence in the country of importation which prevents delivery. If the policyholder elects to obtain this cover for all transactions under a multibuyer policy, it is automatically provided for up to 180 days prior to shipments. The normal requirement for evidence of a debt obligation is waived. Ex-Im Bank will pay the difference between the original contract value and the eventual selling price as well as additional transport fees, after an effort is made to resell the goods.

Limitations:

The cover does not protect against inability to obtain a guarantee or letter of credit, if required by the policy, or to obtain an import or export license, cancellation of the contract by the buyer, the buyer's failure or refusal to accept the goods, and, in the case of public sector buyers, cancellation or non-renewal of an import license. Pre-shipment cover may be obtained without post-shipment cover. Pre-shipment cover may be obtained in conjunction with a medium term Ex-Im Bank guaranteed or direct loan but not a long term one. Pre-shipment cover may be combined with a variety of credit terms including sight letter of credit or sight drafts documents against payment

Requirements:

It requires payment of a premium. Premiums for pre-shipment and post shipment cover must be paid at the same time. Prices are available on the Internet at www.exim.gov, Country/Fee Information, Short Term Fee Schedules. For medium term payments, it requires 5% of the contract value to be made as a cash payment at the signing of the contract. Short term payment periods require that the contract be signed after issuance of the cover.

PROGRESS PAYMENTS

Exporters who enter into contracts with medium term payment periods involving progress payments, and the banks which finance such contracts, may obtain cover against the political and commercial risks which may prevent those payments. It is available under medium term single buyer repetitive sales or single transaction policies.

Cover:

It covers any services performed or goods completed or shipped according to a progress payment schedule specified in a Transaction Endorsement to the Policy. All the political and commercial risks covered by the Policy are covered for the progress payments due.

Limitations:

This cover is not intended as a technique for the seller to obtain working capital. There must be goods or services provided to the buyer. Exporters who need working capital to purchase inventory or hire staff should look into Ex-Im Bank's Working Capital Guarantee Program. This cover may be provided in conjunction with an Ex-Im Bank guarantee but not a direct loan. The progress payments may not exceed 60% of the total contract value.

Requirements:

The required cash payment, typically 15% of the contract value, must be made at the time of contract signing. The policyholder (often a bank funding the transaction) must get a certificate from the buyer acknowledging its unconditional obligation to make each progress payment as shipments are made or services completed. There must be an invoice and a promissory note evidencing the buyer's obligation to pay for each progress payment.

PRE-PRESENTATION AGREEMENT

Banks which confirm (or issue an equivalent undertaking for) letters of credit issued by foreign banks may be concerned that a political or commercial risk would cause Ex-Im Bank to withdraw or amend its cover on a letter of credit prior to the exporter, in whose name the letter of credit is issued, presenting documents and requesting payment. The pre-presentation agreement is a special option offered under Ex-Im Bank's Letter of Credit Policy for Banks.

Agreement:

Banks may obtain a pre-presentation agreement (promise) from Ex-Im Bank not to withdraw or amend its cover prior to the time when documents are presented to the bank for payment. Such a withdrawal might take place due to political events in the foreign country, commercial events affecting the issuing bank or by US government action. The confirming bank is protected for any amount disbursed up to the entire amount of the letter credit. Banks with delegated authority to commit Ex-Im Bank's cover on letters of credit under a Letter of Credit Policy, may also use that authority to commit Ex-Im Bank to a pre-presentation agreement.

Limitations:

The bank must have a Letter of Credit Policy. However, there is no requirement to insure and pay premium on the post presentation risks that the issuing bank will not pay.

Requirements:

It requires payment of a premium determined by the country, type of issuing bank and length of time. Premiums for the pre-shipment agreement must be paid within 15 days of the effective date of the bank's commitment. Prices are available on the Internet at www.exim.gov, Country/Fee Information, Short Term Fee Schedules.

NON-ACCEPTANCE COVER

Exporters may be concerned that the foreign buyer does not accept delivery of the goods or becomes insolvent after shipment of the goods. Ex-Im Bank may provide cover against these risks under short term single buyer repetitive sales or single transaction policies within the insurance policy text. Ex-Im Bank provides cover against these risks for both short term multibuyer and medium term single buyer policies by endorsement to the Policy at no additional cost.

Cover:

Cover is provided against the failure or refusal of the buyer to accept the goods, which is normally an exclusion under short term multibuyer and medium term single buyer policies. Cover is provided at the percentages of cover provided for political and commercial risks under the policy. Cover is provided for a specified percentage of the amount covered under medium term policies. Any normal requirement for evidence of a debt obligation under the short or medium term policies is waived. Under short term policies, this non-acceptance cover is provided for 60% of the contract price or credit limit, which are defined terms.

Limitations:

This is not protection against the inability to obtain an import license required at the time of order, the cancellation of a contract, or dispute between buyer and seller. This cover is not typically offered under small business type policies or on certain products such as perishable or used goods.

Requirements:

There must be a written purchase order or contract. Medium term policies require a cash payment, typically 15% of the contract value, prior to shipment. There must be an effort made to recover and resell the goods.

Ex-Im Bank is an independent agency backed by the full faith and credit of the U.S. Government.

WHO TO CONTACT:

For more information, contact or ask your insurance agent or broker to contact:

EXPORT-IMPORT BANK OF THE U.S., INSURANCE DIVISION, 811 VERMONT AVE., NW, WASHINGTON, DC 20571
Tel. (202) 565-3630 or 1-800-565-EXIM(3946), Fax. (202) 565-3675 Internet <http://www.exim.gov>

Or call one of the regional offices in the:

Midwest-Chicago (312) 353-8081, Northeast-New York (212) 466-2950, Southeast-Miami (305) 526-7425, Southwest-Houston (281) 721-0465, MidAtlantic-Washington, DC (202) 565-3940 and West-Los Angeles (562) 980-4580, Orange County (949) 660-1688ext150, San Francisco (415) 705-2285

This is not a solicitation by the Export-Import Bank of the United States or its employees. It is a descriptive summary only. The complete terms and conditions of the policy are set forth in the policy, applications and endorsements.