

EX-IM BANK'S UMBRELLA COVERAGE

POLICY ADMINISTRATOR'S INSTRUCTIONS

I. FORMS REQUIRED BY UMBRELLA POLICY ADMINISTRATOR

- A. Application for an Umbrella Policy (EIB-92-72)
- B. Application for Approval of Exporter as Insured (EIB-92-35)
- C. Application for approval of foreign buyer credit - Application for Special Buyer Credit Limit (EIB-92-51)
- D. Reporting of overdues, shipments and payment of premiums: Report of Overdue Accounts (EIB-92-27); Ex-Im Bank Report of Shipments and Premiums Payable (EIB-92-29); Notification to Ex-Im Bank of Buyers in Financial Difficulty (EIB-92-76)
- E. Filing of claims: Notice of Claim and Proof of Loss (EIB-92-77)
- F. Assignment agreement (EIB-92-75)
- G. Ex-Im Bank's Short Term Credit Standards (EIB99-09) for Buyers and for Exporters.
- H. Policy Renewal Applicant Notifications and Certifications EIB02-01

II. ADMINISTRATION OF THE UMBRELLA POLICY

A. Application

Qualified companies interested in applying to be an Administrator for an Umbrella Policy must complete the application for an Export Credit Insurance Umbrella Policy and return it to the Export-Import Bank of the U. S. (Ex-Im Bank). Applicants may be contacted to obtain clarification of information submitted or any additional information that may be required from the applicant, as well as to answer any questions Ex-Im Bank may have. Once an application is approved by Ex-Im Bank, the policy will be issued upon fulfillment of the following two conditions:

- 1) Receipt of a \$500 check by Ex-Im Bank for prepayment of minimum annual premium.
- 2) Verification that the applicant holds a current fidelity bond and an errors and omissions insurance policy. Public entities such as state development authorities may be excused from this requirement.

The basic policy consists of a standard form policy and a set of declarations naming the applicant as the administrator and setting forth a policy period.

B. Application for Approval of Exporters

Applicants may simultaneously apply for approval of exporters and Special Buyer Credit Limits for foreign buyers by filling out the appropriate forms.

Exporters shipping goods or providing services are the actual insureds under the Umbrella Policy. Each exporter under an Umbrella Policy must be approved by Ex-Im Bank before that exporter can become an insured. To accomplish this, an Application for Approval of Exporter as Insured must be submitted by the Administrator. Refer to Ex-Im Bank's Short Term Credit Standards (EIB99-09) - Exporters to determine the likelihood of approval. If approved, each exporter will be named as an insured by endorsement sent to the Administrator. Approval of the exporter itself does not provide any insurance coverage since each foreign buyer must also be approved by Ex-Im Bank. This is accomplished through the issuance of a Special Buyer Credit Limit.

C. Approval of Foreign Buyer Credit

Applications for a Special Buyer Credit Limit (SBCL), submitted by the administrator should be sent directly to the underwriter assigned to the policy. Approval of this credit limit by Ex-Im Bank will establish the maximum dollar limitation of total insured shipments which can be outstanding to that foreign buyer by the insured, the maximum credit terms under which the shipments will be insured and the period of time that the SBCL is valid. A separate SBCL must be submitted by each exporter for each of its foreign buyers. Refer to Ex-Im Bank's Short Term Credit Standards (EIB99-09) - Buyers: for Financial Institution letter of credit transactions, for Financial Institution non-letter of credit transactions, and for Non-Financial Institution Buyers to determine the likelihood of approval.

SBCLs will be issued to insureds through the Administrator. An approved exporter under a current insurance policy and valid SBCL, will be insured on shipments made to each specific foreign buyer under terms specified in the SBCL, up to the limit of the SBCL, provided the Administrator completes the reporting requirements specified in section D and pays the appropriate premiums.

The information needed for Ex-Im Bank's review of an SBCL application varies according to the dollar amount requested. Minimum information requirements are listed on the third page of the SBCL application. This type of credit information can be provided by several of the following sources:

- 1) Commercial bank with international credit experience
- 2) Established credit agency (i.e., DUN & Bradstreet)
- 3) Ex-Im Bank in-house Buyer Credit Information
- 4) Use of an Ex-Im Bank Trade Reference Form
- 5) the foreign buyer itself.

D. Reporting Requirements and Premium Payments

At the end of each month, the Administrator must submit three reports for each insured.

- 1) Report of Overdue Accounts
- 2) Report of Shipments and Premiums Payable
- 3) Notification to Ex-Im Bank of Buyers in Financial Difficulty

Each of these reports **must be submitted regardless of whether or not there are any overdues, shipments or buyers in financial difficulty**. Insured transactions which are more than 90 days past due must be identified in the overdue report. All shipments eligible for insurance made by an exporter under the policy, unless specifically excluded, must be reported by the Administrator on the Report of Shipments and Premiums Payable. Although Administrators may notify Ex-Im Bank as soon as possible upon learning of foreign buyers in financial difficulty, a formal report is required at the end of each month. Failure to provide these reports to Ex-Im Bank could result in the denial of a specific claim on an insured transaction.

E. Filing of Claims

The Administrator is responsible for filing claims on behalf of the insured or assignee. If the Administrator fails to file a Notice of Claim and Proof of Loss within the applicable filing deadline, the insured no longer has any eligible claims for those transactions which resulted in the loss. However, an assignee has 30 days after the applicable deadline in which to file its claim directly.

Turnaround time on claims is related to the quality and amount of information included with the claim request. Complete information and documentation will enable a quick response.

III. THE PARTIES TO THE UMBRELLA POLICY

There are three primary parties to the Umbrella Policy: Ex-Im Bank, the Administrator and the Insured (approved exporter). The exporter's lender becomes the fourth party when it finances or makes a loan to the exporter collateralized by its insured receivables.

A. Ex-Im Bank

Ex-Im Bank is the insurer under the Umbrella policy and is responsible for:

- 1) paying all eligible claims;
- 2) establishing and maintaining the Country Limitation Schedule;
- 3) receiving Premiums;
- 4) processing policy applications, exporter approvals, SBCLs, shipment reports, overdue reports and claims;
- 5) approving Special Buyer Credit Limits.

B. Administrator

The Administrator is the insureds' agent for handling all matters pertaining to the policy. The Administrator has no insurable interest in transactions undertaken by the insureds unless it also finances or loans against the transactions in which case it may also be an assignee. However, there are certain restrictions on Administrators as Assignees. The responsibilities of the Administrator are to:

- 1) obtain SBCLs and exporter approvals from Ex-Im Bank;
- 2) report shipments, overdues and foreign buyers in financial difficulty;
- 3) pay premiums to Ex-Im Bank;
- 4) file claims with Ex-Im Bank.

C. Insured

Exporters are the insureds. In effect, by coming under the Umbrella policy, an exporter has "hired" an Administrator to handle, on its behalf, all administrative responsibilities of an insured. Administrators are free to charge fees and provide additional services to Insureds on whatever basis is mutually agreeable to the two parties. However, the contractual agreements between any Administrator and any Insured do not change the status of the Administrator as the Insured's agent under the Umbrella policy. To protect the interests of Insureds, Administrators are required to obtain fidelity bonds and errors and omissions insurance before Ex-Im Bank will issue an Umbrella policy, unless that requirement is waived in writing by Ex-Im Bank.

The main responsibilities of an insured under the Umbrella policy are to:

- 1) insure ALL shipments eligible for coverage under the Umbrella policy except for transactions sold for cash in advance or on irrevocable letters of credit confirmed by a U. S. bank;
- 2) adequately document all insured transactions;
- 3) report shipments, overdues and foreign buyers financial difficulty to the Administrator;
- 4) submit claims to the Administrator for filing with Ex-Im Bank;

Ineligible transactions include products with less than 50% U.S. content (before markup), defense products and shipments to certain countries identified in the Country Limitation Schedule. Ex-Im Bank may agree to exclude other types of transactions.

E. Assignee

With Ex-Im Bank's prior written consent, an insured may assign its rights to any amounts payable under the policy to a financial institution to obtain financing. The assignment, a four party agreement among Ex-Im Bank, the Insured, the Administrator and the financial institution (Assignee), is a special assignment and will protect the Assignee from certain defenses to non-payment of a claim which Ex-Im Bank would be able to assert against the insured, e.g., contract disputes or non-acceptance of the products. Such an assignment is not available to exporters benefitting from an Ex-Im Bank or US Small Business Administration Working Capital Loan Guarantee. They may receive a standard assignment. Refer to Ex-Im Bank's Short Term Credit Standards (EIB99-09) - Exporter for an Enhanced Assignment to determine eligibility for such an assignment. If the administrator wishes to also be the assignee, the advantages of the enhanced assignment may not apply, see form EIB-92-75, Assignment Agreement for the Umbrella Policy.

The assignee's responsibilities are to:

- 1) verify the existence and amount of coverage in effect for the insured and foreign buyer;
- 2) obtain from the insured, at the time of financing, documents (invoice, bills of lading, and evidence of indebtedness) which, on their face, evidence an insured transaction;
- 3) submit claims to Ex-Im Bank in the event that the Administrator or insured fails or refuses to do so.

Under the assignment the insured agrees to indemnify Ex-Im Bank for all claim payments to the Assignee which Ex-Im Bank would not have been obligated to make to the insured. Further, the administrator agrees to pay Ex-Im Bank any unpaid premium related to the claims plus interest.

IV. OTHER INFORMATION

A. Country Limitation Schedule

The Country Limitation Schedule is a set of guidelines that Ex-Im Bank uses for making foreign buyer credit decisions on a country-by-country basis. It is reviewed and revised at least semi-annually. Umbrella policyholders will be provided with an updated copy of this schedule as amended from time to time.

B. Rate Schedule and Fee Structure

Administrators pay premiums on shipments according to a premium rate schedule. This premium must be paid for all eligible shipments made by an insured in order for an export shipment to be covered. As discussed above, Ex-Im Bank does not restrict the fees charged the Insured by an Administrator, and these fees need not bear any relationship to the premium paid by the Administrator to Ex-Im Bank. This allows the Administrator several options for flexible pricing, for example:

- 1) roll insurance fees into a total fee for providing export support services;
- 2) provide better than market rate fees in order to expand business;
- 3) estimate the total premium and administrative costs for handling an exporter's portfolio, and allocate these fees according to various types of profiles. (i.e. - volume, types of buyers, countries).

Please note that any fee or premium schedule published by an Administrator must distinguish between Ex-Im Bank's premiums and charges made by the Administrator.

WHO TO CONTACT:

For more information, 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 FAX (202/565-3675) Internet <http://www.exim.gov>

Or call one of the regional offices in the: Northeast-New York (212) 916-0320; MidAtlantic-Washington, DC (202) 565-3940; Midwest-Chicago (312) 353-8081; Southeast-Miami (305) 526-7425; Southwest-Houston (281) 721-0465 and West-Los Angeles (562) 980-4580, Orange County (949)660-1688ext150, San Francisco (415) 705-2285.

This is not a solicitation by Ex-Im Bank 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.