



# AIG TRADE CREDIT INSURANCE

*Protecting Your Accounts Receivables—Your Most Valuable Asset*

# AIG TRADE CREDIT

## *The Need for Credit Insurance*

“Sales is the journey; cash is the destination.” AIG Trade Credit helps companies reach their goals by ensuring that their hard-won sales convert to cash.

Accounts Receivables can be the largest asset on your balance sheet. The surprise bankruptcy of a significant customer or the domino effect of a series of smaller defaults can blow a hole in your cashflow. Our products allow companies of all sizes to manage this risk more efficiently and give them the confidence to seize opportunities.

Our policies provide coverage for all accounts receivables, and indemnify the policyholder for the invoice value of products delivered to approved customers that subsequently default. We offer a range of products that are designed to meet the needs of different policyholders.

### AIG TRADE CREDIT - PROTECTING YOUR ACCOUNTS RECEIVABLES WITH:

#### 1. Insurance

- Flexible, tailor made products that offer solutions for all types of companies
- Protection from customer insolvency and default
- Cost effective insurance that provides the policyholder with a competitive advantage

#### 2. Credit Management

- On-line real time credit management information
- Access to experienced collection services

#### 3. Financial Strength

- Protection by one of the world's largest and strongest financial institutions
- Partnership with a large and experienced credit underwriter

### WORLDWIDE RESOURCES:

AIG Trade Credit works with AIG WorldSource® to meet the global insurance needs of customers. In addition to Trade Credit insurance, AIG WorldSource offers a variety of products and services including political risk, casualty, property and crisis management.

AIG is the leading U.S.-based international insurance and financial services organization and the largest underwriter of commercial and industrial insurance in the United States. Its member companies write a wide range of commercial and personal insurance products through a variety of distribution channels in approximately 130 countries and jurisdictions throughout the world. With its global reach, market commitment and strong balance sheet, AIG provides its clients the highest level of service.



*Insurance underwritten and provided by members of American International Group, Inc. The description here is a summary only. It does not include all terms, conditions and exclusions of the policy described. Please refer to the actual policy for complete details of coverage and exclusions. Coverage may not be available in certain jurisdictions.*



# AIG TRADE CREDIT

## *Top Accounts Credit Insurance*

Most businesses would not consider leaving key assets like their buildings, machinery or stock unprotected. But at the same time, many choose not to protect the fruits of their labors – cash that they are owed by their customers.

Change is a constant worry for most businesses experiencing growth with the trading environment becoming more volatile. With intensifying competition, pressure on margins and increasing globalization of customer networks, the threat of non-payment is more acute. Trade Credit insurance is an essential tool for managing this risk and protecting the bottom line. That is why AIG Global Trade & Political Risk Insurance Company has developed a trade credit solution designed for growing middle market companies.

### COVERAGE

Losses arising from non-payment by the buyer as a result of:

- ◆ Insolvency
- ◆ Protracted Default
- ◆ Failure of the exchange authority in buyer's country to transfer foreign currency

### Coverage Features

- Domestic and export sales
- Accounts receivable arising from sales made during the policy period
- Top 50 buyers
- No restriction on product origin
- Ground-up cover with no deductible
- No non-qualifying loss amount
- Cost-effective limit assessment and collection services
- Minimal reporting/administration requirements

### Coverage Options

- Pre-shipment cover on a case by case basis
- Debts falling due in policy period

### TARGET INSUREDS

Middle Market companies trading on short term credit who want to outsource their credit and collection procedures

### UNDERWRITING CONSIDERATIONS

A variety of factors will be considered:

- ◆ Financial strength of the buyers
- ◆ Trade sector of the buyers
- ◆ Spread of buyer risk by country
- ◆ Payment history/trading experience with the buyers

### POLICY FORM

- ◆ Maximum loss limits and/or special payment terms set for individual buyers
- ◆ All buyer limits specified by endorsement
- ◆ Cancelable limits with prior notice

### PREMIUM

Premium can be flat or adjusted on sales or average receivables:

- ◆ Minimum premium of \$25,000
- ◆ "No claims" bonus discount option

### APPLICATION PROCEDURE

- ◆ Indicative quote provided on broker submission
- ◆ Submission of completed Application Form
- ◆ Review of all buyers



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# AIG TRADE CREDIT

## *Credit Insurance for Financial Institutions*

In today's competitive financial environment, it is important for market leaders to maintain their competitive edge. AIG's Financial Institutions policy provides capacity so those leading Financial Institutions can continue to transact business with high quality counter-parties in emerging markets. The policy is designed to allow maximum flexibility for the Financial Institution, allowing them to include all or some of the transactions. Risk sharing is a feature, however, the policy can allow for varying indemnity levels, which again, can be selected by the Financial Institution.

### COVERAGE

Losses arising from non-payment by the counter-party as a result of:

- ◆ Insolvency
- ◆ Protracted Default
- ◆ Failure of the exchange authority in the counter-party's country to transfer foreign currency

### ELIGIBLE TRANSACTIONS

- ◆ Confirming a Letter of Credit
- ◆ Issuing or refinancing a Letter of Credit
- ◆ Accepting, discounting or negotiating drafts or documents under a Letter of Credit
- ◆ Discounting or accepting a Promissory Note, Bill of Exchange, Draft, Negotiable Instrument or Banker's Acceptance for trade transactions

*Note: the underlying eligible transaction must be trade related. Coverage is available for eligible transactions up to a maximum term of 360 days.*

### COVERAGE FEATURES

- ◆ Non-cancelable country and counter-party limits
- ◆ Autonomy for including transactions on endorsed counter-parties up to the pre-set credit limit
- ◆ All transactions issued, confirmed, accepted or discounted during the policy period, expiry date of transaction can fall outside of the policy period
- ◆ Risk sharing—can be by way of uninsured percentage, annual aggregate deductible and/or non-qualifying loss amount

### TARGET INSURED

Market leading multi-national Financial Institutions with a long established track record in Trade Finance. The Financial Institution will also have a long and well-established favorable trading relationship with the major banks in their target countries.

### UNDERWRITING CONSIDERATIONS

A variety of factors will be considered:

- ◆ Track record and experience in Trade Finance
- ◆ Trading relationship with major banks in other countries
- ◆ Quality of the Financial Institution's credit policy and due diligence procedures
- ◆ Quality of credit control processes
- ◆ Concentration of countries
- ◆ Bad debt experience

### POLICY FORM

Overall maximum limit of liability, which is also subject to:

- ◆ Maximum loss limits for individual countries
- ◆ Counter-party limits as specified by endorsements

### INSURED PERCENTAGE

Ranges from 10% to 90%, usually with a minimum retention of 10%

### PREMIUM

- ◆ All pricing will follow the Financial Institution's Eligible Fees
- ◆ Premium charged would be a percentage of all Eligible Fees associated with the transaction (confirmation, acceptance and refinancing fees) that the Financial Institution earns

### APPLICATION

- ◆ Indicative quote provided on broker submission
- ◆ Submission of completed Application Form
- ◆ On-site review of credit procedures and due diligence
- ◆ Review of counter-parties



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# AIG TRADE CREDIT

## *Excess of Loss Credit Insurance*

Opportunity and risk remain constant partners for all companies. Opportunities to expand sales by increasing production are accompanied by risk of non-payment following the insolvency or default of a buyer, as well as the risk of non-payment due to non-transfer of foreign currency.

Outstanding invoices for goods or services can represent as much as one quarter of a company's assets. Not only does this create a need to finance the cost of producing credit, but it also means working capital is at risk from failure to pay. Credit management techniques, no matter how sophisticated, can only reduce the risk, they can not eliminate it. A combination of credit management and insurance offers the most effective solution to the problems of bad debt.

AIG Trade Credit's Excess of Loss program supports a company's existing credit management systems with insurance, providing an effective tool for managing credit losses, without imposing additional administration. By granting considerable autonomy in setting individual buyer limits and including coverage for domestic as well as export sales, Excess of Loss credit insurance provides protection for trade-related accounts receivables under one policy.

### **COVERAGE**

Losses arising from non-payment by the buyer as a result of:

- ◆ Insolvency
- ◆ Protracted Default
- ◆ Failure of the exchange authority in buyer's country to transfer foreign currency

### **Coverage Features**

- Domestic and export sales
- Accounts receivables arising from sales made during the policy period
- Discretionary Credit Limit allows the insured to establish credit limits without reference to insurer
- No restriction on product origin
- Risk sharing: non-qualifying loss amount, annual aggregate deductible and uninsured percentage

### **Coverage Options**

- Pre-shipment cover on a case by case basis
- Debts falling due in policy period

### **TARGET INSURED**

Companies trading on short term credit with established credit and collection procedures

### **UNDERWRITING CONSIDERATIONS**

A variety of factors will be considered:

- ◆ Quality of credit control procedures
- ◆ Trade sector of the buyers
- ◆ Spread of buyer risk by country
- ◆ Payment history/trading experience with the buyers

### **POLICY FORM**

- ◆ Maximum loss limits and/or special payment terms set for individual countries
- ◆ Large buyer limits specified by endorsement

### **PREMIUM**

Premium can be flat or adjusted on sales or average receivables:

- ◆ Minimum premium of \$25,000
- ◆ "No claims" bonus discount option

### **APPLICATION PROCEDURE**

- ◆ Indicative quote provided on broker submission
- ◆ Submission of completed Application Form
- ◆ On-site review of credit control procedures
- ◆ Review of top buyers.



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# AIG TRADE CREDIT

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