

## **EXPORT CREDIT INSURANCE FACILITY**

One of the major worries of exporters is about the problem of non-payment for goods exported. Non-payment may result from the buyer's insolvency or other events outside the control of the exporters and the buyers. NEXIM's export credit insurance facility is designed to protect exporters in Nigeria against the risks of non-payment for goods and services exported on credit terms.

The objectives of the facility are:

- To encourage exporters to diversify their export markets without fear of the risks inherent in dealing with new buyers
- To attract new enterprises into export business
- To encourage exporters to extend credit terms to their buyers in order to enhance their competitiveness in the international markets

### **Eligible Exports**

The following exports are eligible for cover under the facility.

- Export of goods wholly or partly manufactured in Nigeria
- Export of commodities, which are exportable under the laws of Nigeria.
- Such export must be supported by written contracts of supply concluded on credit terms of not more than 180 days.
- Export of services.

### **Eligible Exporters**

Eligible exporters are companies duly registered in Nigeria as limited liability companies or co-operative societies (whether as manufacturing, merchant or service exporters)

### **Types of cover available**

Two types of cover are provided under the facility

- Pre-shipment cover
- Post-shipment cover

In most cases, one policy shall be issued to cover both pre- and post-shipment risks while pre-shipment policy alone shall be granted on exceptional cases.

### **Risks Covered**

The risks covered under both pre-shipment and post-shipment policies are stated below:

#### **Pre-shipment risks**

- Insolvency of the buyer immediately before shipment is undertaken or other events that make it inadvisable to export,

- Cancellation of export license which was valid at the time production commenced,
- Imposition of restriction on the export of goods not subject to license at the time production commenced.

### Post-shipment risks

#### a) Commercial Risks:

- Insolvency of the buyer
- Protracted default by the buyer
- Buyer's refusal to accept the goods dispatched which conform to contract specifications.

#### b) Political /Economic Risks

- A general moratorium on payment decreed by the government of the buyer's country.
- Any other measures or decisions of the government of a foreign country, which prevent performance of the contract.
- Political events, economic difficulties, legislative or administrative measures arising outside Nigeria that prevent or delay the transfer of payments due under the contract.
- War, revolution and civil disturbance in the country of the buyer, which prevents or delays the transfer of payments due under the contract.
- Default by a government buyer.
- Any other causes of loss arising outside Nigeria, which is beyond the exporter's and buyer's control.

### Exclusions

The following risks are inter-alia not covered under the policy:

- Risks normally insured by commercial insurance companies or other government departments.
- Foreign Exchange Risks.
- Insolvency or default of exporter's agent or collecting banks.
- Failure of the exporter to fulfil the terms of the contract or negligence on his part.

### Percentage of cover

The proportion of cover, which shall be provided, is as follows:

- Pre-shipment Insurance: 75% of the loss or of the Gross Invoice Value (GIV), whichever is less.
- Post-shipment insurance: 85% of the loss or of the GIV, whichever is less.
- If the cause of loss is non-acceptance of goods, the liability of NEXIM is limited to 68% of the loss or of the GIV, whichever is less.

### **Waiting Period**

The insured exporter shall observe the waiting period stated in section (12) below before a claim is filed with NEXIM

### **Cause of loss & time for submission of claims**

- Buyer's insolvency: Immediately after insolvency is established.
- Protracted default: 6 months after the due date of payment
- Non-Acceptance of goods: one month after the date on which, the goods have been resold or otherwise disposed by the exporter.
- Transfer payment delay: 4 months after the irrevocable deposit has been made or 6 months after the due date of payment whichever is later.
- Other causes: 6 months after the occurrence of the event.

If a trade dispute arises as to liability for payment or in respect of fulfilling the contract terms, the dispute shall be settled between the exporter and the buyer before NEXIM will consider a claim.

### **Credit Limit**

A credit limit shall be fixed on each and every buyer of an insured exporter to whom shipments are made on credit terms notwithstanding whether the cover is on whole turnover or on one-off basis. The limit serves as the buyer's exposure control mechanism. This credit limit is a revolving limit and once it is approved by NEXIM, it remains valid until the occurrence of any of the following events:

- Expiry of the policy
- NEXIM withdrawal of cover on the country of buyer
- NEXIM suspension of cover on the buyer
- NEXIM cancellation of the approved limit

### **Whole Turnover Cover**

NEXIM may issue whole turnover policy to cover all exports made by the insured. Although NEXIM shall have the right to refuse cover for any particular transaction, the exporter is obliged to offer all his exports for NEXIM cover. If the exporter so desires, exports conducted under confirmed irrevocable Letters of Credit and cash with order terms of payment may be covered for political risks only.

However all exports made to subsidiary and associated companies shall be covered for political risks only.

### **Each and Every Transaction**

For the time being and without prejudice to the provisions of whole turnover principle, each and every transaction, which shall be covered by the Bank, must receive NEXIM's approval before the cover can be effective.

### **Policy documents**

A policy, which shall be the evidence of the contract of insurance, shall be issued to an insured exporter within 7 days of commencement of the cover and may be reviewed or renewed by endorsements. The policy shall contain terms and conditions of the insurance and shall cover all transactions undertaken by the insured for a period of 12 months. A certificate may be issued in respect of each transaction under the policy.

### **Termination of Policy**

The policy may be terminated at anytime by a written notice from NEXIM, which has immediate effect, if the insured fails to pay premiums or commits a fraudulent act under the policy.

### **Policy Fees**

A non-refundable policy fee is charged in respect of whole turnover policies, at the commencement of each policy year.

### **Certificate of Insurance**

A certificate may be issued in respect of each transaction insured by NEXIM. The certificate shall contain among other things, the Gross Invoice Value of the shipment, the premium paid and the terms of payment of the underlying transaction.

### **Transactions with government buyers**

All exports made to government agencies, government owned corporations, government departments and local authorities shall be covered for political risks only.

### **Restricted cover in respect of countries**

NEXIM reserves the rights to reject cover for exports to certain countries, which in its opinion have a high level of risk.

**For further information please contact:**

### **Marketing Division**

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