

417. Insurance is also available for goods on consignment and sales from consignment stocks held abroad; cover for risks on trade fairs, technical services and leased equipment is obtainable only as a direct guarantee from Eximbank. Eligible exports must be payable in United States dollars and shipped from a United States port. Applications for insurance are submitted by the exporter either through his insurance agent or broker or direct to the FCIA. Financing institutions can also act as intermediaries. Policies are not assignable, except with the written approval of the FCIA. Any amounts payable under the policies may be assigned on written notice of such assignment to the FCIA, which also reserves the right to approve such assignments. Assignment of the policy proceeds does not mean that the credit institution is under an obligation to finance without recourse. Also, when agreeing to non-recourse financing the credit institution will provide it to the extent that the risks are covered by the insurance policy and will exclude those risks not assumed by the FCIA.

418. Four types of policy are issued by the FCIA:

Comprehensive short-term policies, covering commercial and political risks combined on sales involving payment terms up to 180 days;

Short-term political-risk-only policies, covering loss from political risks only on sales involving payment terms up to 180 days;

Comprehensive medium-term policies, covering commercial and political risks combined on sales involving payment terms generally from 181 days to five years (seven years for some types of aircraft);

Medium-term political-risk-only policies, covering loss from political risks only on sales involving payment terms generally from 180 days to five years (seven years for some types of aircraft).

While medium-term coverage is obtainable for individual transactions or for repetitive sales to one buyer, the short-term insurance programme requires that the exporter insure all or much of his export business. However, the "whole-turnover requirement" has to a large extent been replaced by the requirement of "reasonable spread of risks". The FCIA may permit exclusion of certain buyers (such as subsidiaries), certain countries, or shipments covered by irrevocable confirmed or unconfirmed letters of credit, or allow the exporter to cover only certain product lines if it is satisfied that the insured business provides a reasonable volume of spread of market risks. The insurance of repetitive medium-term export transactions is primarily intended for the exporter who has a distributorship agreement with the purchaser.

419. The standard insurance policies become effective with the shipment of the goods to the buyer. However, a pre-shipment coverage endorsement may be attached as an added coverage for the period between the contract sale and the shipment of the goods.

420. Commercial risks include:

Insolvency of the buyer;

Protracted default, that is, failure of the buyer to pay within six months after due date of payment the amount due, in whole or in part, for products delivered to and accepted by him;

Non-acceptance of the goods by the buyer when not due to the fault of the exporter.

421. Political risks include:

Transfer risk resulting from the buyer's inability to convert into dollars payment funds deposited with a bank or appropriate agency in his own country;

Cancellation or non-renewal of an export licence or imposition of restrictions on the export of products not subject to licence or restriction prior to the date of shipment, under circumstances not due to the fault of the buyer;

Cancellation under circumstances not due to the fault of the buyer of previously issued and valid authority to import such shipment;

Imposition of any law, or of any order, decree or regulation having the force of law, which under circumstances not due to the fault of the buyer prevents the import of such shipment into the buyer's country;

War, hostilities, civil war, rebellion, revolution, insurrection, civil commotion or other like disturbance;

Requisition, expropriation or confiscation of or intervention in the business of the buyer or guarantor by a governmental authority;

Transport or insurance charges occasioned after shipment by interruption or diversion of voyage outside the United States due to political causes, and which charges are impracticable to recover from the buyer.