

422. FCIA policies do not cover:

Losses arising out of the exchange fluctuations or devaluation of the currency of the buyer's country, unless they occur after the due date or the date of the buyer's local currency deposit;

Losses due to the fault of the insured exporter or his agent;

Transactions providing for payment in any currency other than United States dollars;

Losses with respect to which a dispute exists between the exporter and the buyer, until such loss shall have been finally determined to be a valid and legally enforceable indebtedness of the buyer, or otherwise settled to the satisfaction of the insurers;

Losses insurable under the American Institute of Marine Underwriters' War and Strike, Riot and Civil Commotion clauses current on the date of shipment;

Losses for which written claim is not made prior to the expiration of eight months from due date of indebtedness.

423. For short-term transactions under comprehensive coverage, commercial risks are insured up to 90 per cent of the invoice value and political risks up to 95 per cent; the short-term political-risk-only policy provides coverage up to 90 per cent. For medium-term transactions, as noted in the section above on Financing procedures, the buyer is ordinarily required to make a down payment of 20 per cent of the invoice value on or before delivery, so that the financed portion is normally 80 per cent of the contract price; the maximum coverage in the case of a comprehensive policy is 90 per cent of the financed portion for losses due to either commercial or political risks; the medium-term political-risk-only policy provides coverage up to 90 per cent of the financed portion.

424. Premium rates vary according to the length of the credit period and the market category of the buyer's country (markets are classified into four categories, A, B, C and D). The average premium rate for short-term comprehensive policies is about 48 cents per \$100 of the gross invoice value; for short-term political-risk-only policies, it is reduced by approximately 25 per cent. For medium-term policies, the premium rates are charged on the "financed portion" or the unpaid balance of the invoice value after deducting the buyer's initial cash payment. They increase progressively according to the market category of the buyer's country, and by half-yearly intervals, from the minimum credit period of 181 days to one year to the maximum period of five years. The range of premium rates for medium-term policies can be illustrated by the fact that the rate for a one-year credit might be approximately 0.5 per cent for a transaction with a buyer in an "A" country, against 1.2 per cent for a buyer in a "C" country. For a five-year credit the rates would be 1.7 and 4.4 respectively; and additional premium is charged for contracts covering the pre-shipment period, which is limited to a maximum of one year. Premium rates during the consignment period are 50 per cent of the applicable medium-term rates for comprehensive cover.

425. Claims arising from commercial credit losses under both comprehensive short-term and medium-term policies are payable promptly upon submission of proof of the buyer's insolvency, or of his failure to pay (for reasons other than insolvency) within six months after the due date. Claims arising from losses due to political events are payable within three months after submission of the best evidence reasonably available to the insured of a loss due to the political event named.

426. After the payment of claims, any sums recovered from the buyer or any other source are shared, after reimbursement of the expenses of recovery, between the insurers and the insured in the proportion in which they shared the original loss.

Eximbank guarantees

427. As an alternative to the FCIA insurance policy, the exporter can arrange for financing of his medium-term export sales on a non-recourse basis with his bank, which will obtain guarantees from Eximbank for the political risks in respect of all maturities and the commercial risks in respect of the "later" maturities. "Early" maturities are defined as the first half of the instalments of a one, two or three-year credit, or the first eighteen months of the instalments of a longer credit, exclusive of the exporter's 10 per cent retention. The "later" maturities consist of the remaining instalments exclusive of the exporter's 10 per cent retention. The difference in treatment of the early maturities is due to the commercial bank's desire not to assume risks for periods exceeding one to two years. The maximum maturity for such guarantees, is twelve years. Guar-