These specified markets must comply with the Department's stipulation of a spread of risks. The rates for this selected cover of markets are slightly higher than those for the full cover.

394. The risks covered fall into the following categories:

(*a*) Commercial risks, such as insolvency of the buyer or his failure to pay;

(*b*) The buyer's refusal to accept goods which have been exported to him;

(*c*) Political risks, which include import license restrictions, war, revolution and certain other risks;

(*d*) Additional handling, transport or insurance charges arising from interruption or diversion of the voyage;

(*e*) Any other cause of loss occurring outside the United Kingdom and beyond the control of the exporter or buyer.

395. The percentage of loss covered varies according to the category of risk. Under the first category, the Department covers 90 per cent of the loss. Under the second, the exporter bears the initial 20 per cent of the total price and the Department 90 per cent of the next 80 per cent. This means that the Department has a maximum liability of 72 per cent of the contract value. Under the third, fourth and fifth categories, the Department's liability is 90 per cent if the cause arises before shipment and 95 per cent if after shipment. These figures represent the new arrangements made available in May 1965.

396. In some cases where there are high economic or political risks, the ECGD has found it necessary to reduce the percentage cover, to 75 or 80 per cent of the total.

397. On the other hand, in recent years the Department has in some cases extended its cover during the later years of a contract to 100 per cent. This system was developed to help firms with accumulated frozen assets to cover the uninsured parts of contracts. This is a direct result of the financial institutions' unwillingness to finance exports to a greater degree than is backed by the ECGD. The 100 per cent cover facility was introduced in February 1962 for selected contracts which had already run for two years after delivery and acceptance of the goods; in 1965 this period was reduced to one year. The contract must involve at least three years' credit to the buyer and some payment must have been made in the first year. The contract must of course be trouble-free, and be likely to remain so. The extra cover, when given, is supplied at no extra charge. This facility is provided by an endorsement to an extended-terms approval issued in respect of a particular contract under the comprehensive policy, or by means of an endorsement to a specific policy.

Specific insurance

398. Under the specific policies the exporter insures individual export transactions in capital goods or large projects which are unsuitable for comprehensive cover. These policies are available either from the date of the contract or the date of shipment. The standard cover is 90 per cent; no cover is provided for the contingency of the buyer refusing to accept the goods.

399. The comprehensive and specific policies form the basis of the cover given by the ECGD. In addition, however, special facilities are available for larger projects. Where the terms of lending to an exporter by a bank extend up to five years or more, which is often the case with large projects, subsequent finance may be difficult to obtain. In such cases the ECGD may provide a guarantee to the bank (at additional cost), undertaking unconditionally to pay the bank should the buyer fail to repay the money due. Prior to January 1965, the ECGD provided direct guarantees to banks for large capital goods orders amounting to £100,000 or more and involving at least three years' credit. In the future any contract for exports of any manufactures for which two years' credit or longer is approved by the ECGD will be eligible for these guarantees. The guarantee comes into operation only after acceptance of the goods by the buyer and covers 100 per cent of the credit.

400. A direct guarantee is issued to supplement the cover given to the exporter, and the exporter's normal policy is amended to exclude losses covered by the bank guarantee. A separate recourse arrangement is made between the ECGD and the exporter, under which the ECGD retains a right of recourse against the exporter for any payments made to the bank, where it can be shown that the Department would not have been liable under the terms of the normal insurance cover or where the amount covered under the normal policy was less