

consignment or sales from warehoused stock abroad.

Other aspects of the short-term policy of special interest to potential exporters:

- A particular advantage of this short-term insurance is the ability of the insured to assign the policy proceeds to his bank. This added protection very often will encourage a bank to provide a larger line of credit or to assist an exporter with his export financing where the transaction might not otherwise be bankable.
- Eligible policyholders include U.S. firms and individuals and also foreign entities doing business in the United States. They may be manufacturers, exporters or combination export managers.
- Credit terms must conform to those generally used in international trade for the particular product shipped.
- An advance deposit (later returnable)—10% of expected annual premium—is paid when the policy is taken out; regular premiums are payable with declarations of shipments made by the 15th of each month, covering shipments of the preceding month.

► The premium varies according to the terms extended and the market to which the merchandise is being shipped.

For the short-term comprehensive policy, for example, the average premium rate is less than 50 cents per \$100 of gross invoice value, based on a reasonable spread of country markets. Special limitations apply to certain higher risk markets.

Gross invoice value includes price, insurance, freight, and other charges.

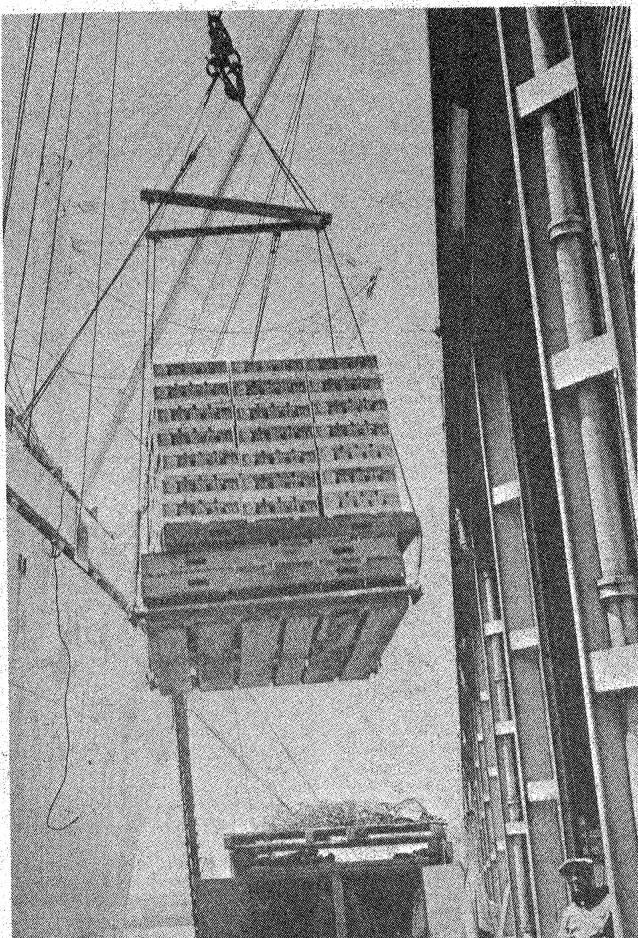
► A policyholder may file claim for loss directly with FCIA or through his insurance broker or local representative of a member company of FCIA.

► Commercial credit loss claims are payable upon submission of proof of the buyer's insolvency or of his failure, within six months after the due date, to pay for goods delivered and accepted. Political loss claims are payable within three months after evidence is submitted of a loss due to a named political event.

2. MEDIUM-TERM INSURANCE (180 days to 5 years). This policy, unlike the short-term policy is written on a case-by-case basis. It protects exporters against nonpayment of installments and interest due on credit sales of capital goods or durable consumer goods where longer payment terms are the usual custom of the trade.

Normally these policies are written as a comprehensive policy, to include both commercial and political risk, but the exporter may, if he wishes, cover only the political risk, retaining the commercial risk for his own account.

Medium-term policies require that the



buyer make a cash payment at the outset (with the order or by the time of delivery), usually about 20% of the invoice value. It is also expected that the exporter will retain for his own account and risk throughout the life of the credit at least 10% of the financed portion (that portion remaining after the customer's down payment). These conditions are influenced by country risk and varying market conditions.

Medium-term policy rates are set per \$100 of "financed portion," i.e., principal amount due over and above buyer's down

payment, and the coverage includes interest up to 6% per annum.

Other terms of particular interest to the exporter:

- Each sales contract is the basis for a separate policy and is quoted separately.
- Premium rates vary with the repayment schedule and the country to which the shipment is made.
- Interest rates on the transaction are negotiated by the buyer and the exporter. FCIA does not limit the interest charged the importer but will insure only that