EXPORT CREDIT INSURANCE FOR BANKS

1. Individual Packing Credit (ECIB - INPC)

Eligibility: A bank or a financial institution providing Packing Credit facilities /Pre-shipment advances to its exporter clients for the purposes of exports as per the extant RBI guidelines can obtain Export Credit Insurance for Banks - Individual Packing Credit (ECIB-INPC) Cover for each of its exporter-clients whose account has been classified as a 'Standard' Asset and whose Credit Rating is acceptable to ECGC. It can also be availed of by those banks not holding a Whole-turnover Packing Credit Cover or for accounts that are excluded from the purview of Whole-turnover Covers.

Period Of Cover: It is normally issued for a period of 12 months.

Eligible Advances: All Packing Credit/Pre-shipment advances extended to exporter-clients for the purpose of exports as per the extant RBI guidelines.

Protection Offered: A percentage of the amount of loss which the bank may suffer due to non-repayment of the whole or any part of the Packing Credit advances granted to its exporter-borrowers on account of Protracted Default and/or Insolvency of such borrowers.

Percentage Of Cover: It is normally 66-2/3%.

Premium: 12 paise per Rs.100 per month is payable on the highest amount outstanding on any day during the month.

Maximum Liability: 66-2/3% of the Packing Credit Limit sanctioned to the account being covered.

Processing Fee: Rs.1000/- payable per proposal and is non-refundable.

Important Obligations Of The Bank:

(i) To remit and maintain sufficient amount of premium as deposit in advance at all times during the currency of the ECIB cover, so as to comply with IRDA regulations/ Section 64VB of Insurance Act.

(ii) To submit, for each month, a statement of declaration of advances granted etc., in the prescribed format before the 10th of the succeeding month along with the premium due and payable.

(iii) To seek suitable enhancement in Maximum Liability if the Packing Credit limit sanctioned is enhanced during the currency of the cover.

(iv) To seek prior approval of the Corporation in respect of following:

a. For granting extension in due date of PC advances remaining outstanding beyond 360 days.

b. For allowing further operations in the account where the asset classification has slipped to 'Sub-Standard' or 'NPA'.

c. Before implementing any restructuring / nursing rehabilitation programme.

d. Before implementing any OTS/Compromise settlement.

e. Before effecting any sale of the financial assets to ARCs.

(v) To submit Report of Default within 4 months from due date or extended due date of advances or within one month of calling up of advances from the exporter, whichever is earlier.

(vi) To file the claim within 6 months from the date the Report of Default is required to be filed.

(vii) To issue Recall notice to the exporter borrower recalling the whole of the debts due and outstanding, before lodgment of claim.

(viii) To take necessary recovery action including institution of legal or other proceedings against the exporter-borrower.

(ix) Upon recovery, to share the recovery with ECGC in the same proportion in which the loss is borne between ECGC and the bank.

Highlights: Bank can take the cover selectively.

2. Individual Post Shipment (ECIB - INPS)

Eligibility: A bank or a financial institution providing Post-Shipment facilities to its exporter clients for the purposes of exports can obtain Export Credit Insurance for Banks Individual Post-Shipment (ECIB-INPS) Cover for each of its exporter-clients whose account has been classified as 'Standard' asset and whose Credit Rating is acceptable to ECGC. It can be availed of by those banks not holding a Whole-turnover Post - Shipment Cover or for accounts that are excluded from the purview of Whole-turnover Covers.

Period Of Cover: It is normally issued for a period of 12 months.

Eligible Advances: All Post-Shipment advances extended to exporter-clients for the purposes of exports by way of Purchase, Negotiation or Discounting of export bills or advances granted against bills sent on Collection, as per the extant RBI guidelines.

Protection Offered: A percentage of the amount of loss which the bank may suffer due to non-repayment of the whole or any part of the Post-Shipment credits or advances granted to its exporter-borrowers on account of Protracted Default and/or Insolvency of such borrowers.

Percentage Of Cover, Premium, Maximum Liability:

Please see the table here under for details:

Sr. No.	Criteria	Percentage of cover	Premium in paise per Rs.100 per month payable on the highest amount outstanding on any day during the month.	Maximum Liability as a percentage of the Post-Shipment limit sanctioned
1.	For an exporter holding a Comprehensive Risk Policy of ECGC on a Whole-turnover basis without any exclusion.	• 75% for non-associate buyers of the exporter • 60% for associate buyers provided the shipment is covered for Comprehensive Risk under the Policy.	6 paise	75%
2.	For an exporter holding a Comprehensive Risk Policy of ECGC on a Whole-Turnover basis but opted for only L/C exclusions under the Policy Cover.	• 75% for non-associate buyers and for such transactions that are on Non-L/C bill. • 60% for transactions on L/C bills. • 60% for associate buyers provided the shipment is covered for Comprehensive Risk under the Policy.	9 paise	75%
3.	For an exporter holding a Comprehensive Risk Policy of ECGC on a Whole-Turnover basis with specific exclusions permitted under the Policy Cover.	• 75% for non-associate buyers of the exporter • 60% for associate buyers provided the shipment is covered for Comprehensive Risk under the Policy.	9 paise	75%
4.	For an exporter not holding a Comprehensive Risk Policy of ECGC on a Whole-turnover basis.	• 60% for non-associate buyers of the exporter • No cover for associate buyers.	9 paise if all advances are against L/C, otherwise 13 paise.	60%

Processing Fee: Rs.1000/- payable per proposal and is non-refundable.

Important Obligations Of The Bank:

(i) To remit and maintain sufficient amount of premium as deposit in advance at all times during the currency of the ECIB cover, so as to comply with IRDA regulations/ Section 64VB of Insurance Act.

(ii) To submit, for each month, a statement of declaration of advances granted etc., in the prescribed format before 10th of the succeeding month along with the premium due and payable.

(iii) To seek suitable enhancement in Maximum Liability if the Post-Shipment limit sanctioned is enhanced during the currency of the cover.

(iv) To verify the Buyer Specific Approval List (BSAL) of ECGC from ECGC's website and ensure that the buyers on whom bills are drawn do not figure in the BSAL prior to granting advances at post-shipment stage.

(v) It is mandatory to take suitable safeguards like obtaining satisfactory credit reports (not more than one year old) on overseas buyers from reputed credit information agencies and satisfy itself that the payments will be received in the normal course based on its assessment of the buyers, prior to extending credit against bills drawn on overseas buyers.

(vi) To seek prior approval of the Corporation in respect of following:

a. For granting extension in due date of Post-Shipment advances remaining outstanding beyond 180 days (for Status-holders it is 360 days).

b. For allowing further operations in the account where the asset classification has slipped to 'Sub-Standard' or 'NPA'.

c. Before implementing any restructuring / nursing / rehabilitation programme.

d. Before implementing any OTS/Compromise settlement.

e. Before effecting any sale of the financial assets to ARCs.

f. Before purchasing / discounting bills drawn on buyers in Restricted Cover Countries, if exporter has not obtained the same under policy issued to them. However it is suggested that wherever possible, the bank may obtain ECGC's prior approval before extending finance on such buyers who are in Restricted Cover Countries at the pre-shipment stage itself.

(vii) To submit Report of Default within 4 months from due date or extended due date of advances or within one month of calling up of advances from the exporter, whichever is earlier.

(viii) To file the claim within 6 months from the date the Report of Default is required to be filed.

(ix) To issue Recall notice to the exporter borrower to recall the whole of the debts due and outstanding, before lodgment of claim.

(x) To take necessary recovery action including institution of legal or other proceedings against the exporter-borrower.

(xi) Upon recovery, to share the recovery with ECGC in the same proportion in which the loss is borne between ECGC and the bank.

(xii) To ensure that an exporter holding a Policy Cover has complied with all the requirements of the Policy like obtention of appropriate Credit Limits on overseas buyers (Drawee-wise Limit), premium payment, submission of shipment declaration etc., so that the benefit of a higher percentage of cover and lower premium rate, due to the exporter being a Policyholder is available to the bank under the ECIB cover.

Highlights: Bank can take the cover selectively.

3. Surety Cover (ECIB-SC)

Eligibility: A bank or a financial institution providing non-fund based credit facilities to its exporter clients for the purposes of export as per the extant RBI guidelines can obtain the ECIB (SC) Cover in respect of those exporter-clients whose account has been classified as a 'Standard' Assets and whose Credit Rating is acceptable to ECGC with marks/score of 50% and above. The bank should have sanctioned certain working capital limit facilities for exports in favour of the exporter-client to be eligible for ECIB (SC) cover.

Period Of Cover: Generally, as per the period of the bank guarantee but not exceeding a period of 12 months. However, the bank may seek extension in validity of ECIB (SC) Cover, on completion of 12 months, wherever necessary.

Eligible Bank Guarantees: The following types of guarantees issued by banks are eligible for cover subject to compliance with extant RBI guidelines relating to Bank guarantee:-

(a) Bid Bond Guarantee: Guarantees issued by banks on behalf of its exporter clients who desires to bid for a foreign tender.

(b) Due Performance Guarantee: If the exporter is awarded a contract by participating in a global tender, a bank guarantee for due performance of the contract may be required to be furnished favouring the foreign buyer/client which the bank may furnish on behalf of its exporter clients.

(c) Advance Payment Guarantee: Guarantees issued by banks on behalf of its exporter clients in favour of a foreign buyer against which the buyer shall make advance payments to the exporter for execution of the export contract/order.

(d) Letters of Credit opened by banks on behalf of its exporter clients for import of raw materials in respect of export transactions.

Protection Offered: Against losses that the bank may suffer on account of non-repayment of the debt to the bank due to protracted default or insolvency of the exporter-client.

Percentage Of Cover: The percentage of cover shall be a maximum of 75%.

Premium: The premium rate varies between 10 paise to 12 paise per Rs. 100 per month and is payable on the value of the Insured debt depending on the Credit Rating marks/ score of the exporter client.

Maximum Liability: 75% of the guarantee value or 75% of the value of cover sought, whichever is lower.

Processing Fee: Rs.1000/- payable per proposal and is non-refundable.

Important Obligations Of The Bank:

(i) To remit full premium in advance.

(ii) Seek extension in validity of the ECIB (SC) cover if the bank guarantee issued is exceeding the validity period of the cover prior to expiry of the cover.

(iii) A Report of Default has to be notified by the bank within 4 months from the expiry of the ECIB (SC) cover or within 30 days from the date on which the exporter is called upon to pay the debt to the bank, whichever is earlier.

(iv) To file the claim within 6 months from the date on which the Report of Default is required to be filed.

(v) To issue Recall notice to the exporter borrower to recall the whole of the debts due and outstanding, before lodgment of claim.

(vi) To take necessary recovery action including institution of legal or other proceedings against the exporter-borrower.

(vii) Upon recovery, to share the recovery with ECGC in the same proportion in which the loss is borne between ECGC and the bank.

(viii) To obtain prior approval of the Corporation, before implementing any OTS / Compromise settlement.

(ix) To obtain prior approval of the Corporation before effecting any sale of financial assets to ARCs.

Highlights: Bank can take the cover selectively.

4. Whole Turnover Packing Credit (ECIB - WTPC)

Eligibility: A bank or a financial institution providing Packing Credit facilities / Pre-shipment advances to its exporter clients for the purposes of exports as per the extant RBI guidelines can obtain Export Credit Insurance for Banks – Whole Turnover Packing Credit (ECIB-WTPC) Cover for all such accounts. Generally, a minimum of 50 accounts with annual assured premium of Rs.50 Lakhs is required to be offered by the bank to be eligible for the Whole-turnover cover.

Period Of Cover: It is normally issued for a period of 12 months.

Eligible Advances: All Packing Credit/Pre-shipment advances extended to exporter-clients for the purposes of exports as per the extant RBI guidelines

Protection Offered: A percentage of the amount of loss which the bank may suffer due to non-payment of the whole or any part of the Packing Credit advances granted to its exporter borrowers on account of Protracted Default and / or Insolvency of such borrowers.

Percentage Of Cover: The percentage of cover is based on the claim-premium ratio and the 'Set Limit' fixed for the bank. The total amount of premium remitted by the bank in the previous year will be treated as the Set Limit. The percentage of cover will range between 50 – 75. For Micro, Small & Medium Enterprises (MSME/SSI) the percentage of cover is 90%. The applicable percentage of the amount of loss is specified in the schedule to the ECIB cover. In respect of a fresh cover, the Set Limit would be worked out by applying a notional premium for the previous year based on the average outstanding indicated in the proposal.

Premium: For a fresh cover it is 9 paise per Rs. 100/- per month. For renewals, it varies from 6 paise to 13.5 paise per Rs. 100/- per month depending on the claim-premium ratio of the bank. Option to pay premium based on the credit rating of the borrower is available under customized covers. Premium is payable on the average daily product to be arrived at for the month for all the accounts covered under ECIB-WTPC.

Maximum Liability: It is the maximum aggregate liability of the Corporation as specified in the Schedule, under the ECIB-WTPC Cover.

Processing Fee: Rs.10,000/- payable along with the proposal and is non-refundable.

Discretionary Limit: It is the limit specified in the Schedule to the ECIB - WTPC Cover upto which the bank is not required to obtain prior approval from the Corporation for covering the export Packing Credit limits sanctioned to any of the exporters classified as 'New'/ 'Taken Over' Accounts or where the account is yet to be classified under the extant Asset Classification norms of the Reserve Bank of India (RBI).

Important Obligations Of The Bank:

(i) To remit and maintain sufficient amount of premium as deposit in advance at all times during the currency of the ECIB cover, so as to comply with IRDA regulations/ Section 64 VB of Insurance Act.

(ii) To submit, for each month, a statement of declaration of advances granted etc., in the prescribed format before the end of the succeeding month along with the premium due and payable.

(iii) To ensure that no account (other than the excluded categories) is omitted in the statement of monthly declarations of advances granted.

(iv) To verify whether the exporter and/or its Proprietor / Partners / Directors /Guarantors /Sister Concerns etc. are in ECGC's Specific Approval List (SAL) prior to disbursement of advances. If the names of exporting units and/or connected persons are appearing in SAL, the bank should seek prior written approval of the Corporation for insurance under the ECIB cover. ECGC's website www.ecgc.in may be referred to access the SAL data.

(v) To notify, sanction of any limit to a 'New' exporter to the nearest office of ECGC, within 30 days from the date of sanction in the prescribed form, if the limit sanctioned is within the Discretionary Limit specified under the ECIB Cover.

(vi) To notify, any fresh Sanction / Enhancement / Reduction / Cancellation in Limits or change in the Management / Status of the account, to the nearest office of ECGC within 30 days from the date of sanction or such change in limits, in the prescribed form, provided the asset classification is 'Standard'.

(vii) To seek prior approval of the Corporation in respect of following:

a. Limits sanctioned beyond Discretionary Limits for 'New'/ 'Taken Over' accounts;

b. Limits sanctioned/renewed/enhanced, where the asset classification is other than 'Standard';

c. Wherever combined (PC+CC) limits are sanctioned, if the component of PC limits (out of CC) exceeds Rs.25 crores or 25% of the combined limit (CC+PC);

d. Where the individual exporter limit / exporter group limit (PC and PS limit) is equal to or more than Rs. 200 crores irrespective of the Asset Classification of the account;

e. Where the exporter has diversified into unrelated business activities, wherein the share of the unrelated business activity is equal to or more than10% of the Export Turnover (applicable only to exporters excluding Merchant exporters whose Export Turnover is equal to or more than Rs. 500 crores);

f. Irrespective of the asset classification of the account, where per buyer limit / exposure exceeds Rs.100 crores and shall also include cases where interchangeability of the limits of PC and PS facilities are permitted by the bank;

g. For granting extension in due date of PC advances remaining outstanding beyond 360 days.

h. For allowing further operations in the account where the asset classification has slipped to 'Sub-Standard' or 'NPA'.

i. Before implementing any restructuring / nursing rehabilitation programme.

j. Before implementing any OTS/Compromise settlement.

k. Before effecting any sale of the financial assets to ARCs.

(viii) To submit Report of Default within 4 months from due date or extended due date of advances or within one month of calling up of advances from the exporter, whichever is earlier.

(ix) To file the claim within 6 months from the date the Report of Default is required to be filed.

(x) To issue Recall notice to the exporter borrower recalling the whole of the debts due and outstanding, before lodgment of claim.

(xi) To take necessary recovery action including institution of legal or other proceedings against the exporter-borrower.

(xii) Upon recovery, to share the recovery with ECGC in the same proportion in which the loss is borne between ECGC and the bank.

Highlights: Banks can exercise the option to exclude MSME/SSI, Public Sector Undertakings and Off-shore Banking Units (OBU) from the purview of the ECIB-WTPC Cover. Banks can submit a single proposal for all accounts to be covered. Premium is payable on the average daily product arrived at for each month. Declaration is to be submitted by the end of the succeeding month. The ECIB-WTPC Cover provides higher percentage of cover and lower premium rate as compared to individual ECIB Covers.

5. Wholeturnover Post Shipment (ECIB - WTPS)

Eligibility: A bank or a financial institution providing Post-Shipment facilities to its exporter clients for the purposes of exports can obtain Export Credit Insurance for Banks Whole Turnover Post-Shipment (ECIB-WTPS) Cover for all such accounts. Generally, a minimum of 50 accounts with annual assured premium of Rs.50 Lakhs is required to be offered by the bank to be eligible for the Whole turnover cover.

Period Of Cover: It is normally issued for a period of 12 months.

Eligible Advances: All Post-Shipment advances extended to exporter-clients for the purposes of exports by way of Purchase, Negotiation or Discounting of export bills or advances granted against bills sent on Collection, as per the extant RBI guidelines.

Protection Offered: A percentage of the amount of loss which the bank may suffer due to non-repayment of the whole or any part of the Post-Shipment credits or advances granted to its exporter-borrowers on account of Protracted Default and / or Insolvency of such borrowers.

Percentage Of Cover: It varies from 50% to 95% depending upon the (i) claim-premium ratio of the bank (ii) the 'Set Limit' fixed for the bank and (iii) whether the exporter is holding an appropriate Policy cover of ECGC. The total amount of premium remitted by the bank in the previous year will be treated as the Set Limit. In respect of bills drawn on Associates of Policyholders, the coverage will be 60% and for non-Policyholders, it will be 50%. The applicable percentage of the amount of loss is specified in the schedule to the ECIB cover.

Premium: For a fresh cover it is 9 paise per Rs.100/- per month. For renewals, it varies from 5 paise to 13.5 paise per Rs.100 per month depending upon (i) whether advances against L/C bills are included/excluded from purview of cover and (ii) the claim-premium ratio of the bank. Option to pay premium based on the credit rating of the borrower may be considered under customized covers. Premium is payable on the average daily product to be arrived at for the month for all the accounts covered under ECIB-WTPS.

Maximum Liability: It is the maximum aggregate liability of the Corporation as specified in the Schedule, under the ECIB-WTPS Cover.

Processing Fee: Rs.10,000/- payable along with the proposal and is non-refundable.

Discretionary Limit: It is the limit specified in the Schedule to the ECIB-WTPS Cover upto which the bank is not required to obtain prior approval from the Corporation for covering the export Post Shipment limits sanctioned to any of the exporters classified as 'New'/ 'Taken Over' accounts or where the account is yet to be classified under the extant Asset Classification norms of the Reserve Bank of India (RBI).

Important Obligations Of The Bank:

(i) To remit and maintain sufficient amount of premium as deposit in advance at all times during the currency of the ECIB cover, so as to comply with IRDA regulations/ Section 64VB of Insurance Act.

(ii) To submit, for each month, a statement of declaration of advances granted including details of bills sent on Collection basis and bills that have been crystallised in the prescribed format before the end of the succeeding month along with the premium due and payable

(iii) To ensure that no account (other than the excluded categories) is omitted in the statement of monthly declarations of advances granted.

(iv) To verify whether the exporter and/or its Proprietor / Partners / Directors /Guarantors / Sister Concerns etc. are in ECGC's Specific Approval List (SAL) prior to disbursement of advances. If the names of exporting units and/or connected persons are appearing in SAL, the bank should seek prior written approval of the Corporation for insurance under the ECIB cover. ECGC's website www.ecgc.in may be referred to access the SAL data.

(v) To verify the Buyer Specific Approval List (BSAL) of ECGC from ECGC's website and ensure that the buyers on whom bills are drawn do not figure in the BSAL prior to granting advances at post-shipment stage.

(vi) It is mandatory to take suitable safeguards like obtaining satisfactory credit reports (not more than one year old) on overseas buyers from reputed credit information agencies and satisfy itself that the payments will be received in the normal course based on its assessment of the buyers, prior to extending credit against bills drawn on overseas buyers.

(vii) To notify, sanction of any limit to a 'New' exporter to the nearest office of ECGC, within 30 days from the date of sanction in the prescribed form, if the limit sanctioned is within the Discretionary Limit specified under the ECIB Cover.

(viii) To notify, any fresh Sanction Enhancement / Reduction / Cancellation in Limits or change in the Management / Status of the account, to the nearest office of ECGC within 30 days from the date of sanction or such change in limits, in the prescribed form, provided the asset classification is 'Standard'.

(ix) To seek prior approval of the Corporation in respect of following:

a. Limits sanctioned beyond Discretionary Limis for 'New'/ 'Taken Over' accounts;

b. Limits sanctioned/renewed/enhanced, where the asset classification is other than 'Standard';

c. Wherever combined (PC+CC) limits are sanctioned, if the component of PC limits (out of CC) exceeds Rs. 25 crores or 25% of the combined limit (CC+PC);

d. Where the individual exporter limit / exporter group limit (PC and PS limit) is equal to or more than Rs. 200 crores irrespective of the Asset Classification of the account;

e. Where the exporter has diversified into unrelated business activities, wherein the share of the unrelated business activity is equal to or more than 10% of the Export Turnover (applicable only to exporters excluding Merchant exporters whose Export Turnover is equal to or more than Rs.500 crores);

f. Irrespective of the asset classification of the account, where per buyer limit / exposure exceeds Rs.100 crores and shall also include cases where interchangeability of the limits of PC and PS facilities are permitted by the bank;

g. For granting extension in due date of Post-Shipment advances remaining outstanding beyond 180 days (for Status-holders it is 360 days).

h. For allowing further operations in the account where the asset classification has slipped to 'Sub-Standard' or 'NPA'.

i. Before implementing any restructuring / nursing rehabilitation programme.

j. Before implementing any OTS/Compromise settlement.

k. Before effecting any sale of the financial assets to ARCs.

l. Before purchasing / discounting bills drawn on buyers in Restricted Cover Countries, if exporter has not obtained the same under policy issued to them. However it is suggested that wherever possible, the bank may obtain ECGC's prior approval before extending finance on such buyers who are in Restricted Cover Countries at the pre-shipment stage itself.

(x) To submit Report of Default within 4 months from due date or extended due date of advances or within one month of calling up of advances from the exporter, whichever is earlier.

(xi) To file the claim within 6 months from the date the Report of Default is required to be filed.

(xii) To issue Recall notice to the exporter borrower to recall the whole of the debts due and outstanding, before lodgment of claim.

(xiii) To take necessary recovery action including institution of legal or other proceedings against the exporter borrower.

(xiv) Upon recovery, to share the recovery with ECGC in the same proportion in which the loss is borne between ECGC and the bank.

(xv) To ensure that an exporter holding a Policy Cover has complied with all the requirements of the Policy like obtention of appropriate Credit Limits on overseas buyers (Drawee-wise Limit), premium payment, submission of shipment declaration etc., so that the benefit of a higher percentage of cover due to exporter being a Policyholder is available to the bank under the ECIB cover.

Highlights: Banks can exercise the option to exclude MSME/SSI, Public Sector Undertakings, Off-shore Banking Units (OBU), exports to Associates and advances against L/C's from the purview of the ECIB-WTPS Cover. Banks can submit a single proposal for all accounts to be covered. Premium is payable on the average daily product arrived at for each month. Declaration is to be submitted by the end of the succeeding month. The ECIB-WTPS Cover provides higher percentage of cover and lower premium rate as compared to individual ECIB Covers.