

00000000000000DOMESTIC
CREDIT INSURANCE FOR
BANKS

BOND

ECGC



भारतीय निर्यात ऋण गारंटी निगम लिमिटेड
Export Credit Guarantee Corporation of India Ltd

Credit insurance cover by the name “ **Domestic Credit Insurance for Banks**” issued by the Export Credit Guarantee Corporation of India Limited (hereinafter called “**the Corporation**”) to the Insured, the name and other particulars of which are furnished in the Schedule on the date and at the place specified in the schedule:

Notes for Interpretation

- *Headings are used for ease of reference only and are to be disregarded in construing the document;*
- *In construing a term shown in **bold**, the definitions given to that term at the end of the document only would be relevant and applicable for the purpose of interpretation of this **Domestic Credit Insurance for Banks**, which include the Schedule attached to it;*
- *In this **Domestic Credit Insurance for Banks** the singular includes the plural, masculine includes the feminine, animate includes the inanimate and vice versa.*

WHEREAS the Insured has made a proposal in writing on the date specified in the Schedule requesting the Corporation to insure it against a percentage of the **amount of loss** which the Insured may suffer due to non-repayment of the whole or any part of the domestic credits or advances granted by the Insured to its (exporter) borrowers, the cause of such non-repayment being none other than **protracted default** by and/or the **insolvency** of such borrowers;

AND WHEREAS the Insured has offered for cover under this **Domestic Credit Insurance for Banks** the whole of its domestic credit or advances (hereinafter referred to as the **Insured debt**) to be granted to **exporter(s)** specified in the Schedule.

NOW, THEREFORE, in consideration of the Processing Fee specified in the Schedule paid by the Insured and the promise to pay premium payable under this **Domestic Credit Insurance for Banks** at the rates specified in the Schedule, the Corporation hereby insures the Insured subject to all the terms including the provisos, conditions, exclusions, exemptions and definitions of this **Domestic Credit Insurance for Banks**, against such percentage of the **Amount of Loss** ascertained as is specified in the Schedule as the ‘Insured Percentage of Loss’.

PART I - PROVISOS

The Corporation shall have no liability whatsoever:

- (a) In respect of such part of the **insured debt** as is constituted by advances granted for any period exceeding 90 days or have been outstanding in the books of the Insured for any period exceeding 90 days, unless otherwise previously agreed to specifically in writing by the Corporation.
- (b) In respect of any **insured debt** granted to an exporter where the name of the exporter or any of its directors/partners/guarantors are appearing in the **Specific Approval List** of the Corporation and the advances in question were granted after the name was so included unless the insured has obtained written approval of the Corporation prior to granting of such advances;
- (c) In respect of an **insured debt** as to which the Insured, without the prior approval in writing of the Corporation, has accepted a restructuring / rehabilitation / composition / compromise / One Time settlement (OTS) arrangement with the **exporter**;
- (d) If the Insured has assigned any of its rights under the **Domestic Credit Insurance for Banks** including the sale of assets to Assets Management Companies / Banks / others in respect of the accounts insured with the Corporation without first obtaining the Corporation's approval in writing;
- (e) In respect of an **Insured debt** for which a claim has not been made to the Corporation in writing in the prescribed form within ninety days from the date of filing the Report of Default in pursuance of clause 10(b) of Part II of this **Domestic Credit Insurance for Banks** unless the insured has before the expiry of the said ninety days, sought extension of the time for filing claim and the Corporation has at its sole discretion granted extension in writing;
- (f) In respect of such part of the **insured debt** as is in excess of the limits admissible under the provisions of clause 6 and 7 below;
- (g) Until and unless the Insured has recalled the whole of the debts, including the **Insured debt**, due and outstanding from the **exporter** to the Insured under any of the facilities granted by the Insured, by issue of appropriate recall letters and / or legal notices in accordance with the procedure laid down by the Insured for recall of loans and advances from its constituents save and except where the Insured has been prevented from doing so by any statute or regulation, rule or order having the force of law;
- (h) For any loss suffered by the Insured owing to non-recovery of any interest on the amounts advanced to the **exporter** notwithstanding whether or not the Corporation had accepted any premium on such amounts;
- (i) In respect of so much of the **amount of loss** as exceeds the 'Insured Percentage of Loss' specified in the Schedule.

- (j) In respect of such part of **Insured Debt** that constitutes advances against bills drawn on buyers who are **associates** of the exporter.

PART II- TERMS AND CONDITIONS

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| <i>Due care and Prudence</i> | 1. It shall be the duty of the Insured to exercise due and reasonable care and prudence in granting credit to and withholding credits from an exporter and the Insured shall continue to exercise such care and prudence at all times during the entire period of cover ; |
| <i>Retention of Risks by the Insured</i> | 2. The Insured shall retain to its own account uninsured so much of its Insured debt as exceeds the Insured Percentage of Loss specified in the Schedule; |
| <i>Insured's Proposal the basis of the Contract of Insurance</i> | 3. It is expressly agreed and understood by the Insured and the Corporation that the Proposal made by the Insured is the basis and essence of this contract of insurance contained in the Domestic Credit Insurance for Banks and by accepting this Domestic Credit Insurance for Banks the Insured hereby warrants that the statements and disclosure made in the proposal were true as at the date of the proposal and continues to remain true as on the Date of Issue of this Domestic Insurance Cover for Banks . The Insured further agrees, accepts and acknowledges the obligations imposed on the Insured by law to disclose to the Corporation all material circumstances and to observe utmost good faith at all times. |
| <i>Insured's Duty to make full disclosure of all facts</i> | 4. The insured shall disclose all facts and circumstances directly or indirectly affecting or are likely to affect the assessment of risks by or the liability of the Corporation under this Domestic Credit Insurance for Banks , immediately on its becoming aware thereof. If any of the statements contained in the proposal be untrue or incorrect in any respect, this Domestic Credit Insurance for Banks shall be void and the Insured shall forfeit all its rights under the Domestic Credit Insurance for Banks including any right for refund of any premium paid. |
| <i>False or Fraudulent Claims</i> | 5. If the Insured makes any claim knowing it to be false or fraudulent in any way or connives at, assists, encourages or abets the exporter in creating or bringing about into existence any circumstances leading to a claim under this Domestic Credit Insurance for Banks , the Domestic Credit Insurance for Banks shall become void ab initio and the Insured shall forfeit all its rights and claims under it. Further, any sum previously paid by the Corporation under this Domestic Credit Insurance for Banks shall forthwith become refundable by the Insured to the Corporation and the Corporation shall be entitled to retain all payments made to it by way of premium or otherwise. |
| <i>Limitation of Liability.</i> | 6. (1) The amount of loss admissible under this Domestic Credit Insurance for Banks for payment of claim in respect of any insured debt due and outstanding from an exporter shall not exceed the limits specified below, namely – |

The credit limit duly sanctioned by a competent authority of the Insured in accordance with the Insured's extant rules, instructions and guidelines governing sanctioning of such limits.

- (2) The Corporation reserves the right to notify to the insured the names of exporters and of related entities as being placed in the **Specific Approval List** ('SAL' for short) maintained by the Corporation or as being removed from the **SAL**, as the case may be. Any such Notification issued by the Corporation and advised to the Insured shall be binding on the Insured.

*Maximum
Liability*

7. Notwithstanding anything stated elsewhere in this **Domestic Credit Insurance for Banks** and/or its Schedules, the Maximum Liability of the Corporation under this **Domestic Credit Insurance for Banks** shall not exceed the amount specified in the Schedule as the 'Maximum Liability' but subject to any enhancement or reduction made thereto by an endorsement made to this **Domestic Credit Insurance for Banks**;

*Period of
Cover*

8. This **Domestic Credit Insurance for Banks** shall apply to any or all of the **insured debts** of the Insured which is mentioned in the schedule consisting of advances against stock/bills/non-fund based advances sanctioned for local operation disbursed during the **period of cover**, the period between the 'Date of Commencement' and the 'Date of Expiry' specified in the Schedule (both dates inclusive) and such of the outstanding balances that are regular and are in good order as on the Date of Commencement of this cover. However, advances granted and outstanding for more than 90 days as on the Date of Commencement shall, unless otherwise agreed to in writing by the Corporation on a specific request from the Insured in this regard, stand excluded from this cover.

*Declarations
and Payment
of Premium*

9. The Insured agrees and acknowledges that strict compliance with the requirements of this clause pertaining to timely delivery of the monthly Statement of **insured Debts** and payment of the whole of the premium due regularly and without any delay are conditions precedent to any liability of the Corporation under this **Domestic Credit Insurance for Banks**, time being of essence. After commencement of this **Domestic Credit Insurance for Banks**, the Insured shall on or before the tenth day of every calendar month (not applicable for cover against non fund based facility),

- (a) Deliver to the Corporation in the form prescribed by the Corporation, a Statement of **Insured Debts** giving details of advances granted to **exporters** and payments received during the preceding calendar month and amount outstanding at the end of the month.
- (b) Pay monthly premium at the rates specified in the Schedule on the amount of highest outstanding during any day of the month in each of the aforesaid account(s), by not later than the tenth day of the month succeeding that month.
- (c) The Insured shall, subject to sub-clause 10(b) below, continue to deliver to the Corporation the monthly Statements of **Insured Debts** referred to sub-clause (a) above and to pay premium on all such outstanding balances as provided under sub-clause (b) above until the entire

outstanding is repaid in full

- (d) After a Report of Default has been filed in respect of an account in pursuance of clause 10(b) or after the **exporter** concerned has gone into **insolvency**, no more premium shall be payable in respect of the balances outstanding in the account for the months following the month in which such Report of Default was filed or **insolvency** occurred. However, premium is payable for the whole of the month in which such Report of Default was filed or **insolvency** occurred, as the case may be. In case the bank seeks extension in time limit for lodgement of claims beyond a period of ninety days from the date of Report of Default, further premium shall be payable for the period after the said ninety days.

*Consultation
and Filing of
Report of
Default*

10. The Insured shall, –

- (a) In the event of it receiving information from any source whatsoever of an **exporter** from whom any **insured debt** is outstanding being in financial difficulties, immediately notify the Corporation. The Insured shall also take all such steps as may be necessary or expedient for minimizing loss or for **recovery** of the debt from the **exporter** or from any other source from where it can be **recovered** by way of enforcement of any security or invocation of personal guarantees or otherwise in connection with any loss which the Insured may have incurred or may incur, including if so required by the Corporation in writing in this regard, institution of legal proceedings in a competent court of law and such other steps as the Corporation may require of the Insured in this regard;
- (b) In the event the whole or any part of an **insured debt** remaining unpaid after having become due for payment or upon receiving information of **insolvency** of the exporter, submit a "Report of Default" to the Corporation in the prescribed form by not later than the earlier of following period, namely–
- 30 (thirty) days from the due date/extended due date of advance due from the concerned **exporter** (not applicable for non fund based facility).

*Percentage of
Loss payable*

11. The percentage of loss payable by the Corporation in respect of any loss suffered by the Insured in respect of **insured debt** shall be such percentage of the **amount of loss** as is specified in the schedule as the "Insured Percentage of Loss".

*Lodgement of
Claim and
Ascertainment
of the amount
of loss*

12. The Corporation shall pay to the Insured the amount of claim payable under this contract of insurance immediately upon the **amount of loss** has been ascertained and admitted by the Corporation. The Corporation shall ascertain the **amount of loss** forthwith upon the receipt of a claim in prescribed Claim Form, provided however that the Corporation shall not proceed with the ascertainment of the **amount of loss** unless –

- (a) The claim form submitted by the Insured is complete in all respects and the Insured has furnished to the Corporation all such information and documents that are essential in opinion of the Corporation for the purpose

of verifying the cause of loss, veracity and authenticity of information furnished in the claim form, sanctioning of the limits by the Insured and conduct of the **insured debt** account, disclosures made by the Insured in the proposal form or otherwise and such other factors; AND

- (b) The Insured has established to the satisfaction of the Corporation the occurrence of either **protracted default** or **insolvency** as defined in this **Domestic Credit Insurance for Banks**, as the case may be –
 - (i) Where the cause of loss is **insolvency** of the **exporter**, unless otherwise agreed to in writing by the Corporation, on expiry of **waiting period** and the Insured has delivered to the Corporation a declaration in writing to the effect that the Insured has done or omitted nothing whereby its claim is liable to be rejected by the court in the **insolvency** proceedings or by the liquidator in the winding up proceedings and, if so required by the Corporation, such other documents in support as are necessary in the opinion of the Corporation to establish the occurrence of **insolvency** of the **exporter**, that the **insured debt** is due for **recovery** from the **exporter** and that the Insured's right of recourse against the **exporter's** estate remains valid and enforceable;
 - (ii) Where the cause of loss is **protracted default**, on expiry of **waiting period** and the Insured has submitted a Report of Default to the Corporation in pursuance of the requirements under clause 10(b) herein above provided however that where the **exporter** disputes his indebtedness to the Insured by reason of any payment, credit, set off or counter-claim or for any other reason alleges that he is excused from performing his obligations under the contract with the Insured the Corporation may not proceed with ascertainment of the **amount of loss** until the Insured has established to the satisfaction of the Corporation the validity of its claim in such manner as the Corporation may approve including, if so required by the Corporation by institution of legal proceedings in appropriate forum and obtaining a final judgment enforceable against the **exporter**;
- (c) The insured has filed a claim in the prescribed form within a period of ninety days counted from the date for reporting default unless the said time limit is extended by the Corporation in writing on a specific request in writing from the Insured and also subject to payment of premium for the extended period as explained in Clause 9 above.

*Recovery
Steps and
Sharing Of
Recoveries*

- 13. Any amount of **recovered** in respect of an **insured debt** whether from the **exporter** or any other person from whom such **recoveries** may be made either by or on behalf of the **exporter** shall be shared between the **Insured** and the Corporation in the same proportion as the losses are shared between them. For the purpose of determining proportion in which such recoveries in respect of an **insured debt** are to be shared between the Insured and the Corporation, the ratio of the claim paid to Insured's loss in respect of **insured debt** shall be computed in relation to the total amount outstanding in the **insured debt** account as on the earliest of the following dates, namely, recall of advances or report of default or the

account becoming a non performing asset (NPA).

- (a) Upon payment by the Corporation of the amount of claim due on the **amount of loss** ascertained under this **Domestic Insurance Cover for Banks** to the Insured, the insured shall take all steps that may be necessary or the Corporation may at any time advise to effect **recovery** of the **insured debt** whether from the **exporter** or any other person from whom such **recoveries** may be made including, if so required, by institution of legal or other proceedings in a competent court of law or other appropriate forum and shall carry such proceedings to final execution;
- (b) Upon **recovery** by the Insured or by the Corporation the whole or any part of the **insured debt** in respect of which a claim has been paid by the Corporation to the Insured, subject to clause 15 herein below, the amount **recovered**, shall be shared between the Insured and the Corporation in the same proportion as the **amount of loss** on the said **insured debt** was borne by the Insured and the Corporation;
- (c) The Insured shall forthwith pay to the Corporation all sums that constitute the share of the Corporation in the said **recoveries**; the Insured hereby acknowledges and declares that until such payments are made to the Corporation; the Insured receives and holds such sums in trust for the Corporation. Any delay on the part of the Insured in remitting to the Corporation its share in the **recoveries** shall entitle the Corporation to claim interest thereon at prevailing bank rate for the period from the date of **recovery** to the date of actual remittance to the Corporation;

Any amount paid by the Corporation to the Insured under this **Domestic Credit Insurance for Banks** in respect of an **insured debt** shall become due and refundable by the Insured to the Corporation together with interest thereon at the prevailing bank rate if in the opinion of the Corporation, the Insured failed or neglected to take all necessary measures or actions as required in pursuance of sub-clause (a) above or to effectively carry on any such measures or actions taken to its logical conclusion to **recover** the **insured Debt**.

Recovery
Expenses

14. Any expense reasonably incurred by the Insured with the consent of the Corporation or by the Corporation for the purpose of effecting **recoveries** from the **exporter** or from any other source in respect of an **insured debt** for which a claim has been paid by the Corporation, shall be a prior charge on any amount **recovered** by either of the parties;

Prudential
write off and
closure of
recovery
proceedings

15. Any amount paid as claim by the Corporation to the **insured** in respect of an **insured debt** shall not be credited by the **insured** to the **exporter's** account and be held in a separate memorandum account. No part of the amount of any claim paid by the Corporation under this **Domestic Credit Insurance for Banks** shall be applied or appropriated to diminish or extinguish any part of the **exporter's** indebtedness to the **insured**. Notwithstanding the aforesaid, the **insured** may consider a technical or **prudential write off** of the amounts outstanding and due from the **exporter** in accordance with the **insured's** extant norms and practices relevant and applicable to such non-performing assets provided however that –

- (a) such prudential write off does not in any way prejudicially affect or adversely impact the recoverability of the **insured debt** outstanding and due from the **exporter**;
- (b) the **insured** keeps the Corporation informed of each such **prudential write off** within a reasonable time;
- (c) the **insured** furnishes on an yearly basis at the time of seeking renewal of the **insurance cover** full information on all such **insured debts** that are outstanding for recovery but were **prudentially written off**, and
- (d) the **insured** continues to furnish data on such accounts prudentially written off until recovery is effected or until written approval is obtained from the Corporation to close the recovery proceedings.

Restriction
and
Cancellation

16. The Corporation may, at any time at its sole discretion-

- (a) issue notification from time to time notifying the names of the exporter firms / persons connected with such **exporters** as **associates** / partners / directors / guarantors as having been included in the **Specific Approval List**. If the **exporter** or the **associated** persons are connected in any of the above mentioned capacity, any advance granted to the **exporter** after the date of notification shall be excluded from the purview of the cover under this **Domestic Credit Insurance to Banks** unless the Corporation's prior written approval has been obtained.
- (b) notify the insured in writing about the cancellation of cover on the **exporter** under the **Domestic Credit Insurance to Banks**. Any such cancellation of cover shall apply prospectively to all credits granted by the Insured from the date of receipt of such notice by the Insured.

Disclosure

17. The Corporation may at any time examine or take extract from or copies of any letters, accounts or other documents in the possession or control of the Insured relating to or connected with the **insured debt** and the Insured shall at the request of the Corporation furnish the Corporation with any information or copy of any document in its possession, control or power or take at its own cost any reasonable step to obtain for the Corporation any such information or copy of any documents in the possession of any third party relating to or connected with the **insured debt**. It shall be the duty of the Insured to secure any authority or permission that it may require to part with any such information or document referred to herein above whether available with it or with any third party. Any neglect or failure on the part of the Insured in complying with the requirements under this clause shall absolve the Corporation of its obligation to proceed with ascertainment of the **amount of loss** under clause 12 of this **Domestic Credit Insurance for Banks**.

*Cancellation
and
Reduction*

18. The Corporation may at any time at its sole discretion notify the Insured in writing specifying a reduced percentage of cover and/ or reduced level for limits on which cover is available to the Insured under this **Domestic Credit Insurance for Banks** in respect any particular **exporter** and/ or the exclusion of any particular **exporter** entirely from the purview of this **Domestic Credit Insurance for Banks**. Any such reduction in the percentage of cover/ reduced level for limits/ exclusion of **exporter** shall apply prospectively to all credits granted by the insured from the date of receipt of such notice by the insured.

PART III – DEFINITIONS

- 1) **"Amount of Loss"** means so much of the outstanding balance in the insured debt account pertaining to an exporter as shall be within the admissible limits in pursuance of provisions of clause 6 and arrived at after taking into account the following adjustments, that is, deducting there from –
 - the whole of the amount of any relevant recoveries, realizations or repayments up to the date of ascertainment of loss pursuant to clause 13;
 - any amount pertaining to interest accrued on the advances granted to the exporter;
 - any credits received by the insured that should have been credited to the account but was not credited;
 - any amount pertaining to a claim for set-off or counter-claim raised by the **exporter** against the Insured that was verified and found by the Corporation to be prima facie valid and maintainable ; and
 - any other amount that, in the opinion of the Corporation, was an inappropriate or irregular debit into the account of the **exporter** in the light of the relevant regulatory guidelines and / or accepted banking practices.
- 2) **"Compromise settlement"** means a negotiated settlement arrived at between the Insured and the **exporter** in terms of which the dues payable by the **exporter** are settled in a manner which is acceptable to both the parties wherein either the full dues are deemed to

have been recovered without resorting to other recovery measures or that involves sacrifices in terms of principal amount dues in part and / or interest dues in part or full. Such settlement is also referred to as "**OTS**" (One Time Settlement) in some banks.

- 3) "**Due Date**" in respect of an *insured debt* means the date fixed by the Insured for the repayment of that insured debt by the borrower including the extension granted for such repayment, or where a credit has been granted as repayable on demand, the date on which the Insured made a written demand on the borrower for repayment of the Insured Debt.
- 4) "**Exporter**" means a client of the Insured (not being a subsidiary or an associate of the Insured) mentioned in the schedule that is availing credit facility from the Insured.
- 5) "**Government Company**" means any company in which not less than 51% of the paid-up share capital is held by the Central Government or by any State Government or Governments, or partly by the Central Government and partly by one or more State Government and includes a company which is a subsidiary of a Government company.
- 6) "**Domestic Credit Insurance for Banks**" in the context of this document shall mean a contract of credit insurance issued by the Corporation to the Insured which extends short term credit facility to exporter borrowers to insure the insured's risk of loss in extending such credit facility to the borrower;
- 7) "**Insolvency**" in the context of an *exporter* occurs when –
The *exporter* becomes the subject of any proceedings or case under relevant bankruptcy of insolvency legislation or **the exporter** commences such proceedings which is uncontested or **the exporter**, being an incorporated company, passes a valid resolution for voluntary winding up, or a court appoints a receiver, liquidator, trustee or other similar official under the relevant bankruptcy or insolvency legislation, or a composition by the exporter is approved by the court having jurisdiction or a compromise or arrangement is made binding by the court on **the exporter** and all the creditors of the exporter; or such circumstances exist as are in the opinion of the Corporation, equivalent to any of the above.
- 8) "**Insured Debt**" means advances granted by the insured to a borrower by way of advance against stock, advance against domestic bills or non-fund based limits sanctioned for local operations.
- 9) "**Period of Cover**" means the period of validity of this **Domestic Credit Insurance for Banks** being the period between the dates of commencement and expiry (both dates inclusive) shown in the Schedule;
- 10) "**Protracted Default**" means neglect or failure of an exporter to repay any outstanding insured debt due to the Insured by the due date for its repayment but non-payment by an exporter owing to a genuine dispute with regard to the whole or any part of his liability to the Insured may not amount to protracted default.
- 11) "**Prudential write off**" means the process by which a bank writes off and removes from its books of accounts the whole or any part of an outstanding debt due and outstanding from a debtor, while at the same time preserving all its rights of recovery against the concerned debtor, guarantor and/ or securities.

- 12) "**Recovery**" includes any amount of money that may be realized (including dividends received out of an insolvent's estate) from securities, indemnities, guarantees, rights of action, counterclaims or set off or other rights or advantages held by the Insured or otherwise available to the Insured to apply to or to reduce the amount of any indebtedness of an exporter in respect of the insured debt. The terms "*recover*", "*recovered*", etc., would be construed accordingly.
- 13) "**Specific Approval List**" (**SAL**) means the list of exporters and entities related to those exporters contained in the Notifications issued by the Corporation from time to time in pursuance of the proviso (b) of part I above, including the names of exporting units and/or connected persons and advising Insured Banks to seek the prior written approval of the Corporation for cover for any exporting unit with which the unit or the connected persons listed in SAL are associated with.
- 14) "**Standard Asset**" means an account with the Insured which is a performing one as envisaged at the time of sanction. The performance of the asset includes proper operations in the account, discharge of liabilities to the insured in time, subject to the guidelines of the Reserve Bank of India issued from time to time, under the various credit facilities sanctioned by the Insured without defaults, prompt submission of documents/data/statements. It will also include submission of necessary papers for renewal of limits in time, subject to Reserve Bank of India guidelines and the satisfactory performance of the asset is expected to be continued till the renewal/closure of the facilities.
- 15) "**Waiting Period**" means Four months from the due date/extended due date of advances in default in case of protracted default or one month from the date of accepting the loss by the official receiver in case of insolvency of the Exporter.
- 16) " **Dispute**" Any dispute concerning the interpretation of the terms, conditions, limitations and/or exclusions contained herein is understood and agreed to by both the Insured and the Company to be subject to Indian Law. Each party agrees to submit to the exclusive jurisdiction of the High court of Bombay at Mumbai or at the place of issue specified in the Schedule or Bond and to comply with all requirements necessary to give such Court of jurisdiction. All matters arising hereunder shall be determined in accordance with the law and practice of such Court."

For EXPORT CREDIT GUARANTEE CORPORATION OF INDIA LTD.

Place: _____

Date: _____