



## **Export Credit Insurance for Bank (Export Finance)**

Issued by THE EXPORT CREDIT GUARANTEE CORPORATION OF INDIA LIMITED hereinafter called "THE CORPORATION") to the INSURED named in the SCHEDULE.

WHEREAS the INSURED has made a proposal dated the ..... in writing requesting the CORPORATION to insure it against 75% of the loss which he may sustain by reasons of certain risks hereinafter mentioned which may be involved in his granting credits and/or making advances to the Exporter named in the SCHEDULE.

NOW THEREFORE in consideration of the Fee of Rs.100/- towards Insurance Cover for Bank paid by the INSURED and further payment of premiums specified in the SCHEDULE the CORPORATION hereby insures the INSURED subject to all the terms of this INSURANCE COVER including provisos, conditions and definitions herein contained against 75% of the amount of loss which may be sustained by the INSURED due to the failure of the Exporter by reason of his INSOLVENCY or PROTRACTED DEFAULT to pay to the INSURED any INSURED DEBT subject to maximum of Rs. ....(Rupees.....only) hereinafter referred to as the Maximum Liability.

INSURED DEBT shall in this INSURANCE COVER mean so much of any credit and/or advances granted or made by the INSURED to the Exporter during the period of Insurance Cover for Bank against his eligible entitlements in respect of cash assistance, duty drawback or other entitlements analogous thereto, relating to shipment of goods out of India under a contract or agreement for sale.

### **PROVISOS:**

1. It shall be the duty of the INSURED to exercise reasonable care and prudence in granting credits and advances, in extending the period of credit granted or advance made and in withholding credits and advances from the Exporter including the examination and checking up of the account of the Exporter from time to time and also safeguarding and whenever necessary enforcing of the securities held by the INSURED for and in connection with the said credits and advances. The INSURED shall continue to exercise all the necessary care and prudence until such credits and advances are repaid.
2. In respect of any shipment the INSURED DEBT shall not exceed 50% of the f.o.b. value of the shipment.
3. The INSURED shall retain for his own account and uninsured:
  - (a) so much of the INSURED'S LOSS as exceeds the said insured percentage i.e. 75% and



- (b) so much of any balance loss of the INSURED (as exceeds the Maximum Liability under the INSURANCE COVER).

4. The INSURED shall not agree to postponement of the due date for payment of any INSURED DEBT without the prior consent in writing of the CORPORATION. Such prior consent shall not be required if the total period of credit in respect of the INSURED DEBT does not exceed one hundred and eighty days from the date the credit is granted and/or the advance is made. The INSURED shall, however, inform the CORPORATION of any such postponement of the due date stating the reasons for such postponement within 30 days from the date of granting the postponement of the due date.

5. The proposal made by the INSURED is expressly accepted by the INSURED and the CORPORATION as being the essence of the contract contained in the INSURANCE COVER and by the accepting the INSURANCE COVER the INSURED warrants that to the best of his knowledge and belief the statements made in the proposal were true at the date of the INSURANCE COVER but this warranty is not to be construed as limiting the obligations imposed on the INSURED by law to disclose to the CORPORATION from time to time all material circumstances and generally to observe the utmost good faith at all times.

6 Due payment of the premium specified in the SCHEDULE and observance of all the other terms of the INSURANCE COVER and conditions precedent to any liability of the CORPORATION.

7. If the INSURED makes in any way any false or fraudulent claim the INSURANCE COVER shall become void and all claims under it shall be forfeited and any sums previously paid by the CORPORATION under the INSURANCE COVER shall forthwith become repayable and forthwith be repaid 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.

8. The INSURED shall not assign any right under the INSURANCE COVER unless the consent in writing of the CORPORATION has been first obtained and the form of assignment has been approved in writing by the CORPORATION and any assignment made by the INSURED without such consent and approval having been first obtained shall entitle the CORPORATION to avoid the INSURANCE COVER.

#### **CONDITIONS**

#### **DECLARATIONS**

1. On or before the 10<sup>th</sup> of every month the INSURED shall declare in writing to the CORPORATION on the form prescribed by the CORPORATION a statement of all credits granted and/or amounts advanced to and payments received by the INSURED from the Exporter in the preceding calendar month. Such declarations shall be continued to be sent to the CORPORATION until the entire debt has been repaid.





## **PREMIUM**

2 The premium payable under this INSURANCE COVER shall be calculated on the highest amount by reference total value of the guarantees given and/or letters of credit opened by the INSURED in the preceding calendar month, at the rate specified in the SCHEDULE. The amount of premium payable shall be paid while submitting the declaration under condition (1) herein before, PROVIDED THAT such premium shall be paid for the whole of the month during which the insolvency occurred by not thereafter, or for the whole of the month during which non-payment of the INSURED DEBT occurred on the due date or the extended due date as the case may be but not thereafter.

## **DUE DATE OF PAYMENT**

3. (i) The CORPORATION shall be under no obligation whatsoever to extend the due date. The Corporation may however, in its sole discretion grant an extension of the due date upon such terms and conditions as it may think fit to impose in writing.

(ii) The words "due date of payment" shall include and shall be deemed to include in any case where the time of payment has been extended by the INSURED with the consent in writing of the CORPORATION or in pursuance of the discretion granted to the INSURED under proviso (iv), the date to which the time has been so extended.

## **CONSULTATION**

4. In the event of an INSURED DEBT not being paid on the due date or the postponed due date, as the case may be, or in the event of the Exporter being at any time to the knowledge of the INSURED in financial difficulties, the INSURED shall notify the CORPORATION immediately and shall take all steps necessary in connection with any loss which the INSURED may have incurred or be likely to incur including all such steps whether legal or other as the CORPORATION may require the INSURED to take for minimising the loss or for recovery of the amount due from the exporter.

## **CLAIMS**

5. Upon the occurrence of INSOLVENCY or PROTRACTED DEFAULT of the Exporter the INSURED shall be entitled to make a claim under the INSURANCE COVER in respect of any INSURED AMOUNT arising by reason of such INSOLVENCY or PROTRACTED DEFAULT and (subject always to the provisions of conditions 6 and 7 of the INSURANCE COVER and after taking into account any interim payments and recoveries) the CORPORATION shall thereafter pay to the INSURED 75% of the INSURED'S LOSS subject to the Maximum Liability under this INSURANCE COVER.

(a) Where the loss is due to insolvency, unless otherwise agreed to in writing by the CORPORATION four months after the due date of payment or one month after the loss has been admitted to rank against the INSOLVENT'S estate in favour of the INSURED whichever of the two dates is the earlier; provided that (1) the INSURED shall deliver to the CORPORATION evidence satisfactory in the opinion of the CORPORATION that the





INSURED has filed his claim in such INSOLVENCY of the Exporter and (2) that he shall deliver to the CORPORATION a DECLARATION in writing that he has done or omitted nothing whereby such claim is liable to be rejected by the Court in such INSOLVENCY.

(b) Where the loss is due to the protracted default, immediately after the expiry off four months from the due date of payment or the extended due date as the case may be.

#### **RECOVERY STEPS & SHARING OF RECOVERIES**

6. (a) Upon payment by the Corporation of the amount of claim due hereunder to the INSURED, the INSURED shall take all steps which may be necessary or expedient or which the Corporation may at any time require to effect recoveries whether from the Exporter or from any other person from whom such recoveries may be made including if so required, the institution of legal or other proceedings.

(b) Upon recovery by the INSURED or by the CORPORATION of any amount in respect of the amount due buy the Exporter to the INSURED the amount recovered shall be divided between the INSURED and the CORPORATION in the proportion of 1:3. The INSURED shall pay all sums so recovered to the CORPORATION forthwith upon their being received by him or by any other person on his behalf, the INSURED hereby acknowledging and declaring that until such payment is made to the CORPORATION, he receives and holds such sums in trust for the CORPORATION.

#### **RECOVERY EXPENSES**

7. Any expenses incurred by the INSURED with the consent of the CORPORATION or by the CORPORATION for the purpose of effecting recoveries from the EXPORTER or any other source shall be a first charge on any amounts recovered.

#### **DISCLOSURE**

8. The CORPORATION may at any time examine or take copies of any letters, accounts or other documents in the possession or control of the INSURED relating to or connected with the INSURANCE COVER or connected with the subject matter of this INSURANCE COVER and the INSURED shall at the request of the CORPORATION supply to the CORPORATION any information in his possession or power or take any reasonable steps to obtain for the CORPORATION any information or the sight of any documents in the possession of any third party relating to or connected with this INSURANCE COVER.

#### **CANCELLATION**

9. The CORPORATION may at any time and at its sole discretion give notice in writing to the INSURED reducing the Maximum Liability or cancelling the cover granted by the INSURANCE COVER in respect of the Exporter and such reduction or cancellation shall apply to any credits given and/or advances made immediately after such notice has been received by the INSURED.



## **DEFINITIONS**

### **INSOLVENCY**

1. The EXPORTER shall be deemed to be an insolvent for the purpose of this INSURANCE COVER when:

- (a) he is declared bankrupt, or
- (b) he has made a valid assignment, composition or other arrangement for the benefit of his creditors generally, or
- (c) a Receiver has been appointed to manage his estate, or
- (d) If the EXPORTER be an incorporated body :
  - (i) an order has been made for compulsory winding up, or
  - (ii) an effective resolution has been passed for voluntary winding up, provided that such resolution is not merely for the purpose of reconstruction or amalgamation or
- (e) an arrangement binding on all the creditors has been sanctioned by the Court.

### **INSURED'S LOSS**

2. "INSURED'S LOSS" means so much of an INSURED DEBT as shall be admitted to rank against the Insolvent estate of the EXPORTER or in the case of PROTRACTED DEFAULT so much of the INSURED DEBT as shall not be in dispute between the EXPORTER and the INSURED after taking into account the whole of the amount of any recoveries relating thereto made up to the date of payment of the loss payable under this INSURANCE COVER.

### **RECOVERIES**

3. "Recovery" means the amount of moneys that may be realised from (including dividends paid or payable out of an insolvent estate) securities, indemnities, guarantees, rights of action, counter-claims or set off, other rights or advantages held by the INSURED or otherwise available for the purpose of reducing the amount of any indebtedness of the EXPORTER.