

**EXPORT CREDIT INSURANCE**  
**FOR BANKS**  
**(SURETY COVER)**



**EXPORT CREDIT GUARANTEE CORPORATION OF INDIA LTD.**  
**Regd. Office: Express Towers, 10<sup>th</sup> Floor, Post Box No. 373**  
**Nariman Point, Mumbai - 400 021.**

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This, Export Credit Insurance Cover for Banks - Surety Cover (ECIB-SC) (hereinafter called "Cover") issued by the Export Credit Guarantee Corporation of India Limited (hereinafter called "The Corporation") to the Insured named in the Schedule on the date and at the place specified in the Schedule.

WHEREAS the Insured has made a proposal in writing, requesting the Corporation to insure it against a percentage of loss, which the Insured may suffer by reason of certain risks hereinafter defined, in respect of Guarantees and/or Letters of Credit issued by them, on behalf of their client/customer (**Exporter**) as named in the Schedule and also for the purpose as mentioned therein.

AND WHEREAS the Insured has offered to avail indemnity under this Cover against the risks of loss arising from Guarantees and / or Letters of Credit issued by them on behalf of the **Exporters** save and except the part of **Insured Debt** specified in the Schedule as excluded.

AND WHEREAS the Insured has agreed to all the terms including the warranties, provisos, terms and conditions, limitations and exclusions of this Cover and has paid to the Corporation processing fee and premium specified in the Schedule.

NOW, THEREFORE, in consideration of the processing fee and premium as specified in the Schedule paid by the Insured and the promise to pay further premium payable under this Cover and at the rates specified in the schedule, the Corporation hereby insures the Insured subject to and in accordance with warranties, provisos, terms and conditions, limitations and exclusions referred to above and reduced to writing, against a percentage of loss as mentioned

herein-below that may be sustained by the Insured due to the failure of the **Exporter** to repay to the Insured any **Insured Debt or** part thereof, the cause of such non-repayment being none other than **Protracted Default** and/or the **Insolvency** of the **Exporter** only.

#### Notes for Interpretation

- Headings are used for ease of reference only and are to be disregarded in construing the terms of this Cover;
- In construing the word shown in **bold** letter, the definition given to that word in this document only would be relevant and applicable for the purpose of interpretation of this Cover;
- In this Cover the singular includes the plural, masculine includes the feminine, animate includes the inanimate and vice versa;
- The term 'export of goods' when used in relation to exports or export receivables might also include 'export of services';
- References to Schedule/s shall be construed to be references to the respective schedule/s to this Cover as amended, modified or revised and applicable and valid at the relevant point of time;
- Time wherever stipulated in relation to the performance of any of the requirements under the Cover by the Insured, is of essence;
- References to the knowledge, information, belief or awareness of the Insured or of any person connected to the Insured shall be deemed to include knowledge, information, belief or awareness of the Insured. The insured will be expected to have such knowledge, information, belief or awareness upon due examination of all information after making all due diligence inquiries and investigations that is expected of a person of ordinary prudence.

## PART – I PROVISOS

### 1. Provisos

PROVIDED ALWAYS that the Corporation shall not be liable for any loss:

- 1.1 if the Insured agrees to postponement/deferment/rescheduling of the date of payment of any **Insured Debt** by the **Exporter** or part thereof, without the prior consent in writing of the Corporation;
- 1.2 if the Insured accepts a compromise or arrangement or settlement with the **Exporter**, without the prior approval in writing of the Corporation;
- 1.3 if any right under this Cover is assigned by the Insured, to anyone, without the prior approval in writing by the Corporation;
- 1.4 if the insured fails to submit a Report of Default in terms of Clause 9 of this document;
- 1.5 for which a claim has not been made to the Corporation in writing in the form prescribed by it within six months from the date of Report of Default as required to be filed as per Clause 9;
- 1.6 if, in the **Contract** between the **Exporter** and the **Buyer/Beneficiary**, any of the terms and condition or the execution thereof are/or is illegal and/or unenforceable either wholly or in part;
- 1.7 if the Guarantees and/or Letters of Credit issued by the Insured or any of the terms and conditions or the execution thereof are or is illegal and/or unenforceable either wholly or in part;
- 1.8 caused by failure on the part of the Insured or a person acting on its behalf to comply, with legislative or regulatory provisions applicable to the Guarantee or Letter of Credit (for example, RBI Guidelines) provided however, this exclusion shall not apply to any changes subsequent to issue of Guarantees and/or Letters of Credit;
- 1.9 in respect of so much of the amount of loss over and above the Percentage of Loss Covered specified in clause 2.4 herein-below;
- 1.10 in respect of any loss suffered by the Insured owing to exchange rate fluctuation between the currency of Guarantees and/or Letters of Credit and Indian Rupees, from the date of issue of Guarantees and/or Letters of Credit to the date of invocation of Guarantees and/or Letters of Credit when the Guarantee or Letter of Credit has been issued in any currency other than Indian Rupees;
- 1.11 in respect of any interest/default interest/penal interest on the outstanding **Insured Debt** or part thereof payable by the **Exporter** or any delinking/crystallization charges payable by the **Exporter** when the

- Foreign Currency value of Guarantees and/or Letters of Credit is converted into Indian rupees;
- 1.12 if the liability of the **Exporter** to pay to the Insured, the **Insured Debt** or any part thereof is disputed.

## **PART – II        TERMS AND CONDITIONS**

### **2.        General Particulars**

#### 2.1        Commencement of Cover

This Cover shall commence either from the date of receipt of proposal or from the date of payment of premium whichever is later, with this date being specified in the Schedule.

#### 2.2        Period of Cover

The “Period of Cover” means the period specified as such in the Schedule and which shall be the extant period of validity of the Guarantees and/or Letters of Credit issued by the Insured. This “Period of Cover” shall in no case exceed the period of twelve months from the date of commencement of this Cover. In the event, the Guarantees and/or Letters of Credit issued by the Insured are getting terminated in accordance with the provisions thereof at any time prior to the completion of the said Period of Cover specified in the Schedule, the period lapsed between the date of commencement of this Cover and the date of termination of such Guarantees and/or Letters of Credit shall constitute the Period of Cover. In the event of validity of the Guarantees and/or Letters of Credit being extended by the Insured and the Corporation agrees in writing to extend this Cover for the extended validity period of the Guarantees and/or Letters of Credit, the Period of Cover shall include this extended Period of Cover, subject to payment of additional premium and compliance of such further conditions and stipulations as may be stipulated by the Corporation at the time of extension of Period of Cover.

#### 2.3        Amount Covered

The amount covered under this Cover shall be the value of Guarantees and/or Letters of Credit, that is, the **Insured Debt** and shall form the basis for calculation of the amount of premium payable by the Insured.

## 2.4 Percentage of Loss Covered

The percentage of loss payable by Corporation under this Cover is 75% (Seventy-five percent) of **Insured Debt** and the Insured shall retain the balance loss for his own account and uninsured:

2.4.1 so much of the loss over and above the said percentage of loss covered (i.e. 75%) under this Cover; and/or

2.4.2 so much of any balance of the loss over and above the Maximum Liability as defined in Clause 8 hereunder.

## 2.5 Risk Covered

The Corporation hereby insures the Insured, subject to and in accordance with warranties, provisos, terms and conditions, limitations and exclusions referred to above and reduced to writing in this Cover, against a percentage of loss as per Clause 2.4 that may be sustained by the Insured due to the failure of the **Exporter** to repay to the Insured any **Insured Debt** or part thereof, the cause of such non-repayment being none other than **Protracted Default** and/or the **Insolvency** of the **Exporter** only.

## 3. Obligations of Insured

### 3.1 Proposal

The proposal made by the Insured is expressly accepted by the Corporation as being the essence and the basis of the contract contained in this Cover and by accepting this Cover, the Insured hereby warrants that, to the best of his knowledge and belief, the statements made in the proposal were true on the date of the proposal and on the date when the Corporation agreed to issue and issued this Cover but this condition 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 which has changed from the date of proposal and to exercise all reasonable care, diligence and prudence and generally to observe the utmost good faith at all times and to disclose all facts directly or indirectly in any way affecting the liability of the Corporation under this Cover, immediately on his becoming aware thereof. If any of the statements contained in the proposal be untrue or incorrect in any respect, this Cover shall be void and the Corporation will retain any premium that has been paid.

### 3.2 Due Care and Prudence

3.2.1 It shall be the duty of the Insured to exercise due and reasonable care and prudence in issuing the Guarantees and/or Letters of Credit on behalf of the **Exporter** as also ensuring that the funds obtained by the **Exporter** on the strength of Guarantees and/or Letters of Credit are utilized for the purpose for which they are obtained as per the **Contracts** inter se, by stipulating conditions and safeguards necessary for the purpose, from time to time and also whenever considered necessary ensuring enforcement of the securities held by the Insured for and in connection with the **Insured Debt** for which Cover is provided herein. The Insured shall continue to exercise all the necessary care and prudence for the period of Guarantees and/or Letters of Credit, till the Guarantees and/or Letters of Credit is discharged by due compliance.

3.2.2 Pursuant to payment of claim due under this Cover by the Corporation to the Insured, it shall be the duty of the Insured to properly enforce recovery of Insured Debt from the **Exporter** and take all necessary measures to safeguard effectively and sufficiently such legal rights of recovery from the **Exporter** from being jeopardized by any technical, procedural or other infirmity or delay.

## 4. Premium

4.1 Premium is incident on the entire **Insured Debt** at the rates specified in the Schedule and shall be paid in advance before the issuance of this Cover.

4.2 Any further Premium payable under this Cover by reason of a request from the Insured for extension or enhancement of Cover

or any such other circumstance shall be paid by the Insured in accordance with the amount in this regard informed to the Insured by Corporation.

- 4.3 Due payment of premium in accordance with Clause 4.2 of this Cover and Section 64 VB of the Insurance Act, 1938 at the rate specified in the Schedule and observance of all the other terms and conditions and provisos of this Cover are conditions precedent to acceptance of any liability by the Corporation under this Cover.

## 5. **Assignment of Right**

Assignment of any right or benefits arising out of this Cover by the Insured shall be permitted only with the written consent of the Corporation and if the form of assignment has been approved in writing by the Corporation.

## 6. **Exclusion and Limitation of Liability**

- 6.1 The amount payable by the Corporation under this Cover in respect of any **Insured Debt** due and outstanding from an **Exporter** shall not exceed 75% of limit duly sanctioned by a competent authority of the Insured for issuing Guarantees and/or Letters of Credit in accordance with the Insured's extant rules, instructions and guidelines governing the sanction of such limit and as specified to the Corporation along with the proposal. However such amount shall under no circumstances exceed the Maximum Liability as defined under this Cover.
- 6.2 Any loss that the Insured may suffer by payment of **Insured Debt** on invocation of Guarantees and/or Letters of Credit by the **Buyer/Beneficiary** and the amount of **Insured Debt** has not been debited to the account of the **Exporter** maintained with the Insured and that the account of the **Exporter** maintained with the Insured has not been declared Non Performing Asset (NPA) as per RBI Guidelines, is expressly excluded from the purview of Corporation's liability.

**8. Maximum Liability**

Notwithstanding anything stated elsewhere in this Cover and/or its schedule, the Maximum Liability of the Corporation under this Cover shall not exceed the amount specified in the schedule but subject to any enhancement or reduction made thereto with the approval of the Corporation by an endorsement made to this Cover and payment of premium for the enhanced cover.

**9. Report of Default**

In the event of the Guarantees and/or Letters of Credit issued by the Insured being invoked by the **Buyer/Beneficiary** and the Insured honoring its payment obligations under the said Guarantees and/ or Letters of Credit, the Insured has to submit a Report of Default within 30 days from the date of recall i.e. the date on which the **Exporter** is first called upon to pay by the Insured or within four months from the expiry of this Cover approved by the Corporation, whichever is earlier.

**10. Claims**

- 10.1 Upon the Guarantees and/or Letters of Credit being invoked by the **Buyer/Beneficiary** and payment obligations under the said Guarantees and/or Letters of Credit being met by the Insured and on **Insured Debt** or any part thereof being recalled by the Insured from the **Exporter** and there is occurrence of **Insolvency** or **Protracted Default** of the **Exporter**, the Insured shall be entitled to make a claim under this Cover in respect of the **Insured Debt** or any part thereof, arising by reason of such **Insolvency** or **Protracted Default** only and (subject always to taking into account any interim payments and recoveries) the Corporation shall thereafter pay to the Insured the percentage of loss covered (as referred to in the clause 2.4 hereto) in Indian Rupees. The **Insured Debt** expressed in foreign currency shall for this purpose be converted into Indian Rupees either at the exchange rate given in the Schedule for the purpose of premium calculation or at the Bank T.T. Selling Rate of Exchange in Mumbai as on the date of ascertainment of loss, whichever of the two is the lower amount in terms of Indian Rupees.



10.2 The Corporation shall pay to the Insured the amount of claim payable under this Cover, immediately upon the amount of loss being ascertained and admitted by the Corporation subject however that :-:

- (a) the claim form submitted by the Insured is complete in all respects and the Insured has furnished all such information and documents that are essential in the 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 disclosures made by the Insured in the proposal form or otherwise and such other factors;
- (b) the Insured has established to the satisfaction of the Corporation the occurrence of either **protracted default or Insolvency** as defined under this Cover as the case may be and that the liability of the **Exporter** to pay to the insured is undisputed .

10.2.1 Where the loss is due to **Insolvency** of the **Exporter**, unless otherwise agreed to in writing by the Corporation, four months after the date of recall of **Insured Debt** i.e. the date on which the **Exporter** is first called upon to pay by the Insured, the **Exporter** has failed to meet the payment obligation under the Guarantees and/or Letters of credit or one month after the loss has been admitted to rank against the insolvents estate in favor of the insured whichever of the two dates is earlier; provided that (1) the insured shall deliver to the Corporation evidence, satisfactory in the opinion of the Corporation, that the insured has filed a valid claim on such **insolvency** of the **Exporter** and/or (2) that he shall deliver to the Corporation a declaration in writing that (i) he has done or omitted nothing whereby such claim is liable to be rejected by the Court in **Insolvency** and (ii) he has followed the terms of this policy completely in letter and spirit failing which there shall be no liability of the Corporation to make payment.

10.2.2 Where the loss is due to the **Protracted Default** of the **Exporter**, immediately after the expiry of four months from the date of recall of **Insured Debt** i.e. the date on which the **Exporter**

is first called upon to pay by the Insured, the **Exporter** was required to meet the payment under the Guarantees and/or Letters of credit.

## **11. Recovery steps and sharing of recoveries**

- 11.1 Upon payment of the amount of claim due under this Cover by the Corporation to the Insured, the Insured shall, at his cost, 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 proceeding in a competent court of law or other appropriate forum and shall carry such proceedings to final execution for effecting **recovery** of the amount due from the **Exporter** or any other sources.
- 11.2 Upon **recovery** of any amount by the Insured or by the Corporation of any amount in respect of the **Insured Debt** or part thereof in respect of which a claim has been paid by the Corporation to the Insured, subject to clause 12 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.
- 11.3 The Insured shall pay all sums so recovered to the Corporation forthwith upon such sums being received by him or by any other person on his behalf. The Insured hereby acknowledges and declares that until such payments are made to the Corporation the Insured shall receive and hold such sums in trust for the Corporation.
- 11.4 Any delay on the part of the Insured in remitting to the Corporation its share in the recoveries will entitle the Corporation to claim interest thereon at prevailing base rate of State Bank of India or any other similar rate for the period from the date of recovery to the date of actual receipt to the Corporation.

11.5 Any amount paid by the Corporation to the Insured under this Cover, in respect of an **Insured Debt** or part thereof, shall become due and refundable by the Insured to the Corporation together with interest thereon at the prevailing base rate of State Bank of India or any other similar 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 11.1 above or to effectively carry on any such measures or actions to bring it to its logical conclusion.

**12. Recovery expenses:**

Any expenses 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** shall be a prior charge on any amounts recovered by either of the parties.

**13. Disclosure**

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 this Cover or connected with the subject matter of this Cover and the Insured shall at the request of the Corporation supply to the Corporation any information in his possession or power and take at his own costs any reasonable steps to obtain for the Corporation any information or the sight of any document in the possession of any third party relating to or connected with this Cover.

**14. CANCELLATION**

The Corporation may at any time, cancel this Cover on grounds of mis-representation, fraud, non disclosure of material facts or non-co-operation of the Insured, by giving 15 days notice in writing by Registered post Acknowledgment Due post to the Insured at his last known address in which case the Corporation shall return to the Insured the then last paid premium less a pro rata part thereof for the portion of the Cover which shall have expired.

## **PART - III                      DEFINITIONS**

**“BUYER/BENEFICIARY”** *The entity indicated in the Schedule in whose favour the Insured has issued Guarantee or opened Letters of Credit.*

**“COLLATERAL SECURITY”** *A mortgage, charge, pledge, lien or other security having a similar effect which is provided by the **Exporter** or a third party to the Insured for the benefit of the **Exporter**, for securing the **Insured Debt** of the Insured, more particularly specified in the Proposal.*

**“CONTRACT”** *The commercial contract indicated in the Schedule for supply of goods and/or services, entered into by the **Buyer/Beneficiary** and the **Exporter**.*

**“EXPORTER”** *The client / customer of the Insured mentioned in the Schedule on whose behalf the Insured has issued Guarantees and/or opened Letters of Credit.*

**“INSOLVENCY”** *The Exporter shall be deemed to be insolvent for the purpose of this Cover if the Exporter:*

- (a) has been declared insolvent by the competent Court of Law or*
- (b) has made a valid assignment, composition or other arrangement for the benefit of his creditors, or*
- (c) a Receiver has been appointed to manage the (Exporter’s) estate, or*
- (d) is 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, or*
- (f) is an incorporated or unincorporated body, such conditions exist as are substantially equivalent to any of the foregoing conditions.*

**“INSURED DEBT”** *The value of Guarantees and/or Letters of Credit issued by the Insured in equivalent Indian Rupees as on the date of issue of the Guarantees and/or Letters of Credit, as stated in the Schedule.*

**“PROTRACTED DEFAULT”** means neglect or failure of an **Exporter** to repay any outstanding **Insured Debt** or part thereof due to the Insured within 120 days of its recall but non-payment by an **Exporter** owing to genuine dispute with regard to the whole or any part of his liability to the Insured may not amount to protracted default.

**“RECOVERY”** means the amount of moneys that may be realized from (including dividends paid or payable out of an insolvent estate), securities, indemnities, guarantees, right of action, counter claim or set off or other rights or advantages held by the Insured or other wise available for the purpose of reducing the amount of any indebtedness of the **Exporter**.

**For Export Credit Guarantee Corporation of  
India Ltd**

**Place:**

**Date:**

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## SCHEDULE

Referred to in and forming part of ECIB (SC)

ECIB (SC) No:

Date of Proposal:

Name and Address of the Insured:-

Name and Address of Exporter Client:-

Name of the Buyer/Beneficiary:

<b>Details</b>
Bank Guarantee or Letter of Credit No: Period of Bank Guarantee 1. Date of Commencement: 2. Date of Expiry:
Insured Debt*: Rs
Amount of Insured Debt Covered: Rs
Rate of Exchange: Premium Rate:
Amount of Premium paid by the Insured:
Processing Fees
Schedule of Premium Payment (For cases where installment facility is allowed)
Period of ECIB (SC) Cover:- <ul style="list-style-type: none"><li>• Date of commencement-</li><li>• Date of Expiry-</li></ul>
Purpose for which Bank Guarantee or Letter of Credit Issued/ to be Issued:
Maximum Liability:

\* subject to Clause 2.4 of the Policy

Checked by .....

Date.....

For Export Credit Guarantee Corporation of India Limited

(Branch Manager)