



Trade
Acceptance
Group, Ltd.

Trade Credit Insurance: Accelerate Cash Flow, Expand Exports and Sleep Better at Night!

February 22, 2012

2011 EX-IM BANK BROKER OF THE YEAR



Trade Acceptance Group Profile

- Specialty Export Trade Finance Broker
- Partner-owned firm since 1996
- 90 years of in-depth trade finance experience among the principals
- Well-established working relationship with Ex-Im Bank and private trade credit underwriters
- **Ex-Im Bank Broker of the Year** in 2002, 2008 and 2011. Consistently ranked in top 3.

Trade Credit Insurance



- **What is it?**

- Provides a secondary source of payment for accounts receivable
- Shifts commercial and, if applicable, political risk of non-payment to third party insurer

- **Is this something new?**

- Proven trade product for over 100 years
- Growing market acceptance in US over past 20 years



Who offers credit insurance?

- **Government**

- **Export–Import Bank of U.S. (export only)**

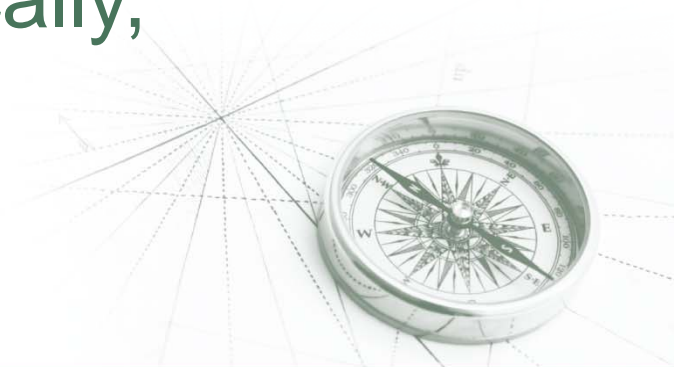
- **Private**

- **Aradius**
- **Chartis**
- **Coface**
- **Euler Hermes ACI**
- **FCIA Management**
- **HCC (Houston Casualty)**
- **Latin American Underwriters**
- **QBE**

Who uses/benefits from it?



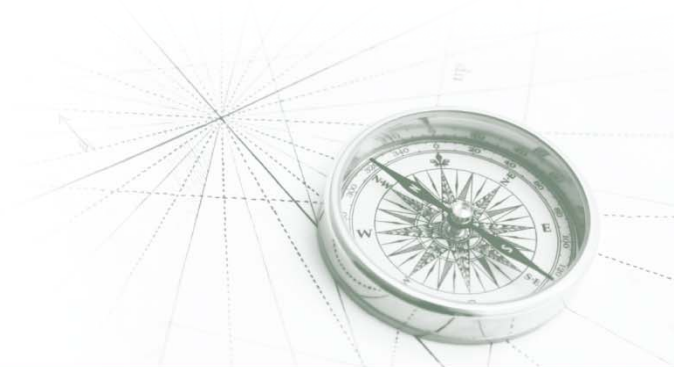
- Companies offering unsecured payment terms
- Companies of all sizes
- Companies selling all types of products in many industries
- Companies selling domestically, internationally, or both



Why consider insuring A/R?



- Usually the only uninsured asset on a company's balance sheet
- Banks typically exclude foreign receivables from an eligible borrowing base
- Difficult to predict which clients may fail to pay trade debts
- Account concentration



Why use insurance?...in our clients' words



- “Helps our company look like a bigger, stronger company overseas”
- “I don’t stay up at night worrying about getting paid”
- “I can offer extended terms, build in the cost of the insurance and interest and still offer better financing than what my dealers can obtain locally”
- “I can now monetize my growing foreign a/r base”
- “It instills discipline in our credit review process”
- “It’s a tool that allows our sales and credit folks to meet in the middle with the goal of growing our export business”



What are the benefits?



- Safely expand sales to existing and/or new customers
- Ability to obtain additional borrowing capacity and better financing terms
- Ongoing account monitoring provides early warning of potential credit risks
- Augments sound credit management practices



Ex-Im Bank Insurance Policy Types



- **Single-Buyer (single or multiple shipments)**
 - Short-term up to 180 days for consumables, spare parts, inputs and up to one year for equipment
 - 90% coverage, no deductible
 - Country specific premium rates, paid monthly
- **Multi-Buyer (whole turnover policy)**
 - Short-term sales up 180 days
 - 95% coverage, Discretionary credit authority
 - Small Business, Express, and RSOR options, premium formula varies, paid monthly



Private Sector Insurance Policy Types



- **Single-Buyer**
 - Concentration Risk
 - Steep minimum premiums, approx. \$20,000
 - Coverage level varies
- **Multi-Buyer**
 - Reasonable spread of risk
 - Export, Domestic, Global policies
 - Named buyer coverage with some DCL authority
 - Premium paid upfront, \$10,000 minimum premium
 - Parameters vary, some flexibility



Buyer Information



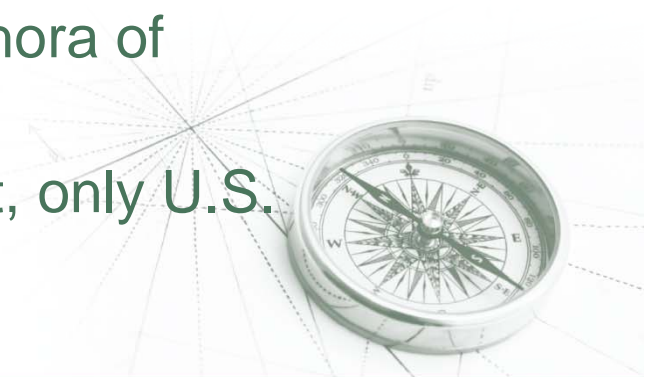
- Credit agency report
- Trade reference for similar amount and terms
- Ledger experience with buyer
- Financial statements required for limits in excess of \$300,000
- Private sector insurers typically only require name and address of the buyer. Some exceptions.



Ex-Im Medium-Term Insurance for Capital Equipment Exports



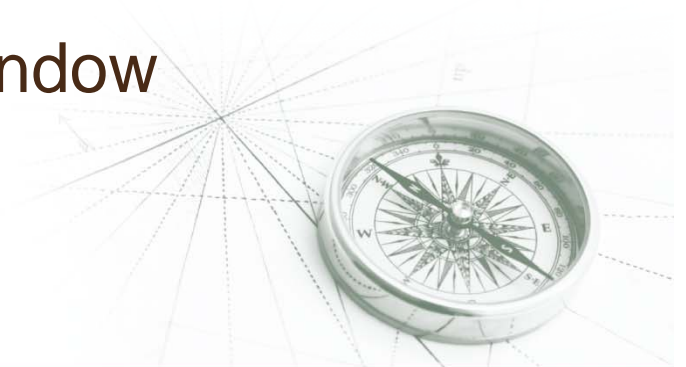
- Repayment terms are 2-5 years, \$350,000+ eligible for 5 years
- Requires a 15% down payment, 85% financed and covered at 100%
- Bank provides loan to foreign buyer, and cashes out exporter at shipment
- Provides U.S. based interest rates at terms longer than available in many foreign markets
- Analytical focus on buyer, requires a plethora of information and a lot of patience!
- Must meet 51% U.S. content requirement, only U.S. portion financed up to 85%



Credit Insurance = Sleep Insurance, but...



- **You can't fall asleep at the wheel when it comes to policy management!**
 - Monitor credit limits
 - Maintain transaction documents: P.O., Invoice, B/L, Demand for payment
 - Report shipments and past dues
 - Pay premium
 - File Claims within claim filing window
 - Ask questions, communicate



Role of a Broker

- **Serve as single source for:**
 - Obtaining trade credit insurance
 - On-going training on policy management and online systems
 - Arranging US capital equipment financing
 - Packaging pre-export working capital financing via SBA or Ex-Im Bank
 - Access to international credit reports



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