



EXPORT CREDIT INSURANCE



Export credit insurance cover is provided for transactions involving capital goods and/or services outside South Africa. Through the provision of credit insurance to banks and suppliers, the Corporation facilitates term finance for such transactions.

RISK EVENTS

Insurance cover is provided for losses arising from:

POLITICAL RISK EVENTS

- Confiscation, Expropriation and Nationalisation of all or any material part of the business or assets of the foreign buyer/borrower.
- Change in Law – discriminatory decree or regulation by the host government which prevents normal business operations of the enterprise.
- Transfer Restriction – loss incurred due to any action taken by the host government that prevents the conversion of a local currency into SA Rand or US Dollars or the transfer of SA Rand or US Dollars outside that country.
- War and Civil Disturbance – loss incurred due to acts of war, revolution, insurrection, civil war, civil commotion and sabotage.
- Breach of Contract – loss incurred due to a material breach of contractual obligation(s) by the host government.
- Protracted Default – payment default by a sovereign borrower/ guarantor or state owned entity.
- Terrorism and piracy may be covered on a case by case basis.

COMMERCIAL RISK EVENTS

- Insolvency – sequestration, liquidation or judicial management of a borrower;
- Protracted Default – an undisputed payment default by a borrower;

The Corporation normally provides insurance cover for credit terms with a minimum period of two (2) years. Repayment periods of more than ten (10) years can be considered on a case-by-case basis.

The premium cost relating to credit insurance cover depends on the perceived political risk in the host country where the goods/project will be delivered; the credit risk assessment of the borrower and/or the project; the length of the delivery and repayment period.

LEVELS OF COVER

In the case of project finance transactions, cover against political and commercial risks can be up to 100% and 95% of the loan amount, respectively. However, in the case of corporate and sovereign borrowers or guarantors, the loan amount can be covered up to 100% for both political and commercial risks.

SOUTH AFRICAN CONTENT REQUIREMENTS:

The requirement is that at least 70% SA content on the ECIC supported loan amount be achieved. However, for projects in the African continent, the content may consist of at least 50% South African content and the balance required to achieve 70% may consist of content from the host country or any other country in Africa.

South African Content consists of:

- The cost of materials and manufactured goods purchased from South African suppliers minus the value of any materials, goods or major components of manufactured goods, which have been imported from sources outside South Africa;
- Wages, salaries and other remuneration paid by the exporter in South Africa to its employees and such portions of wages, salaries and other remuneration payable to the exporter's employees who are performing work outside South Africa, and which is paid by the exporter in South Africa;
- Freight charges paid in South Africa;
- Insurance premiums paid in respect of a policy issued in South Africa;
- Finance charges and fees, excluding any interest for post-delivery finance, paid to any financial institution normally operating in South Africa;
- Fees and charges paid for any other services performed in South Africa on the exporter's behalf by a South African resident organisation; and,
- Fees and profits accruing to the exporter.

African Content consists of:

- Content from the host country; and/or
- Content from any other African country.

FOREIGN EXCHANGE RISK COVER

The ECIC covers export credit loans denominated in South African Rand or US Dollar. In the case of US Dollar denominated-transactions, South African contractors face foreign exchange rate risks during the delivery period for work completed in as far as their expenses were Rand-based. Guaranteed Rates of Exchange, obtained from the South African Reserve Bank are then issued to the contractor to eliminate the impact of currency fluctuations in their pricing during the delivery phase of the project. This forex risk cover is administered by the ECIC on behalf of the South African Reserve Bank. The export/contractor's cover is a prerequisite for obtaining forex risk cover. In some instances, the exporter/contractor's cover can be obtained on a stand-alone basis.

YOUR EXPORT **RISK** PARTNER

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ECIC is a licensed non-life insurer and authorised Financial Services Provider (FSP 30656). Currently exempted in terms of FAIS Notice 78 of 2019.