



# TRADE CREDIT INSURANCE



Trade credit is an agreement or an understanding between the seller (“exporter”) and the buyer (“foreign buyer”) engaged in business transaction that allows them to exchange goods and/or services without any immediate exchange of money.

Trade credit insurance is also known as business credit insurance. The trade credit insurance policy protects the exporter against the risk of the foreign buyer not being able to pay for the goods delivered or services rendered.

## SOME KEY FEATURES OF TRADE CREDIT INSURANCE

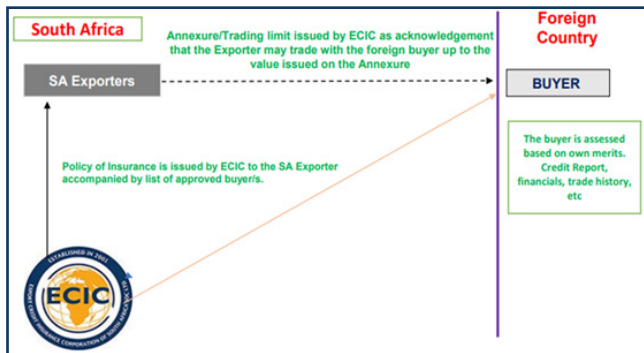
- Upon positive assessment of the foreign buyer/s, ECIC and the potential policyholder negotiate pricing. the policy is negotiated and issued/ made effective;
- The policy covers business-to-business (B2B) export trade for transactions involving consumable/non-capital goods and services;
- Credit terms covered ranges from a minimum of 7 (seven) days to a maximum of 180 (one hundred and eighty) days;
- The cover can be extended to a single buyer, selected buyers or a sovereign; and
- The policy is renewable on yearly basis.

## RISK COVERED UNDER TRADE CREDIT INSURANCE

The trade credit insurance policy covers the exporter against political and commercial risks up to 100% and 80% respectively on a case-by-case basis.

## TRADE CREDIT INSURANCE STRUCTURE

The parties to the transaction are the exporter, the foreign buyer and the insurer. The bank is not party to trade credit insurance transactions.



## PREMIUM OPTIONS AVAILABLE

The premium relating to the trade credit insurance policy is calculated on anticipated turnover basis:

- Charged on fixed monthly basis
  - With adjustments based on actual years turnover of the insured buyers.
- Charged upfront
  - With adjustments based on actual years turnover of the insured buyers.
- Charged based on an agreed rate, on the actual value declared month to month.

The premium cost relating to trade credit insurance policy, depends on the perceived political risk in the buyer's country/countries where the goods and services will be delivered; the credit risk assessment of the buyer/s as well as the terms of trade.

### **SOUTH AFRICAN AND AFRICAN CONTENT REQUIREMENTS:**

The requirement is that at least 70% SA content must be achieved. However, for trade 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 other country in Africa.

South African and 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;
- Fees and charges paid for any other services performed in South Africa on the exporter's behalf by a South African organisation;
- Fees and profits accruing to the exporter; and
  - A 20% content input from any other African country is considered.

## GENERAL REQUIREMENT

Both the exporter and the buyer are required to provide the following basic onboarding information but not limited to:

- A fully completed application form;
- A POPIA form;
- Anti-Money Laundering (AML) form;
- Environmental, Social and Governance (ESG) assessment form;
- Latest audited financial statements; and
  - A further Due Diligence (DD) may be conducted when considered necessary.
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  - There must be an underlying agreement/contract between the exporter and the buyer.
  - The buyer/s must satisfy ECIC's underwriting criteria.
  - The buyer's destination should be a country where ECIC is open for cover.

## YOUR EXPORT RISK PARTNER

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