
Standard Export Comprehensive Cover

Administration Guide

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Your credit insurance policy secures one of your most valuable assets: your debtor's book to derive the fullest benefit from your policy it is essential that it be properly used and administered.

In the form of questions and answers, we explain the day-to-day administration of your policy. It will help you but is, of course, not a substitute for the terms and conditions of the policy which you will find in the policy document.

We believe that this administration guide deals with most of the questions likely to arise in the administration of your policy.

If you have any further queries, please don't hesitate to call the contact person, referred to in your policy document's covering letter, or if you would prefer onsite training please contact our **Sales and Service Department on 011 889 7000** and we will gladly assist you.

Credit Limits

What is a credit limit?

It is the maximum amount insured on a particular buyer that will be covered in terms of the policy.

Why are credit limits required?

Since we are carrying the majority of the payment risk, it is not unreasonable that we should be able to exercise some control over the amount of credit we insure for individual buyers. It also protects your own interests, because you carry the balance of the risk.

How do I obtain a credit limit?

In one of three ways:

- By making use of Cregalink our online interactive service
- By establishing a limit under your limit of discretion.
- By applying to us for a credit limit, using the credit limit application form

What is a "limit of discretion"?

A limit of discretion is the maximum amount of credit that you may grant an individual buyer without first obtaining our approval. Once properly established the limit of discretion is a credit limit as if it were issued by us.

A limit may not be established under your limit of discretion where we have issued a 'nil' limit with comment E and, where we have issued a credit limit lower than your limit of discretion; the limit we issued will be the limit in force.

You may not use your limit of discretion in respect of a government buyer. The limit of discretion that you enjoy is shown in the schedule to your policy.

Why does a policy have a limit of discretion?

It would be very time-consuming, both for you and for us, if in terms of the policy you had to apply to use for the approval of credit granted to each and every buyer regardless of the level of credit required. The limit of discretion therefore reduces the administration required.

How can I approve a limit under the limit of discretion?

The level of credit must be justified by:

1. Your favourable experience with the customer in question during the preceding 12 months, evidence by a satisfactory payment record involving at least four separate insurable transactions, or
2. A written bank or information bureau report (not older than six months at the date of shipment) commencing favourably on the buyer and the amount of the limit established

When must I apply for a credit limit?

1. Upon the issue of your policy, when application must be made for credit limits on all your existing buyers who fall within the cover offered under the policy structure and who owe (or are likely to owe) more than your limit of discretion.
2. As soon as the first contact is made with new buyers who fall within the category of accounts which are covered under the policy and who are likely to owe you more than the limit of discretion. In this way, you can obtain an early check on the creditworthiness of potential buyers.
3. If an existing credit limit is too low to cover amounts owing to you by any buyer, then you should apply to us for an increased credit limit as soon as possible.

Failure to offer all qualifying buyers may impact on the payment of claims. If you are uncertain as to which buyers should be offered for cover or if you require a copy of the policy document, please contact us and this will be delivered to you at no charge.

What information do I need to apply for a credit limit?

All details requested on the credit limit application form are required for each application. The processing of your request for a credit limit may be delayed if your application form does not contain all the information requested.

What happens in response to a Credit Limit Application?

The value and terms on which we are prepared to offer cover is stipulated on a Credit Limit Annexure which will be sent to you. Alternatively you may view the same information on Cregalink. Please have regard for any special condition reflected on the Credit Limit Annexure as well as the comment. A key to the comment may be found on the reverse side of the Credit Limit Annexure.

What happens if we trade in excess of the value stipulated on the Credit Limit Annexure?

This will affect the calculation of the indemnity in the event of a claim.

How do I obtain a credit limit?

In one of two ways:

1. If the credit requested is not higher than your limit of discretion shown in the schedule of your policy, you may grant the credit limit yourself without our approval
2. Where the credit request is higher than your limit of discretion, you must apply on a credit limit form.

What do I do when I need a credit limit decision very urgently?

Use our paid response system to obtain an urgent credit limit decision. The rapid response system can only work properly if you give us the full details (including trading styles) of the buyer and his bankers. Applications should be faxed to use, clearly marked "urgent". Unmarked applications will be treated as normal/non-urgent.

Is there a charge for using the rapid response service?

For each decision faxed to you within five working days, a once-off standard nominal fee is debited to your account at the end of the month.

Unless you have been advised of any increase, the fee is the one advised to you in your covering letter at the time of the issue of your policy

Declarations

What declarations must I submit in terms of the policy?

A monthly declaration of shipments. Declarations may also be submitted via Cregalink

Why does Credit Guarantee require these declarations?

The premium is charged on the turnover declared.

When must I submit declarations?

Each declaration must be submitted before the 21st of following month.

What if I don't submit these declarations in time?

Your rights under the policy may be prejudiced (i.e. you may be precluded from claiming in the event of a cause of loss).

What information must this declaration contain?

The declaration must show the total gross invoiced value of shipments made to all insured buyers in each country listed in the schedule to the policy, split according to the terms of payment allowed. If you make shipments to government buyers, these must be listed separately. If your policy covers shipments to associated buyers and if you shipped goods during the relevant month to such buyers, these should also be declared separately, for example:

United Kingdom	cad	R1 000
	1-3m	R2 000
	4-6m	R2 000
United Kingdom Associated buyers	1-3m	R10 000
Germany	cadLC	R1 000
Government buyers	1-3m	R3 000
France	1-3m	R6 000
Government buyers		

Must I give details for individual buyers?

In general, no, however we reserve the right to request details of the calculation and accordingly you should retain the supporting documentation substantiating the values declared.

What period must each declaration cover?

It must cover the shipments for the previous month.

Must I submit a return if there were no shipments during that month?

Yes, a "nil" return must be submitted.

What must I do if a shipment is made on terms not included in the policy?

You should ask us if we can include the new terms in the policy. Cover only extends to transactions concluded on terms of credit within the period of credit shown in the schedule to the policy.

What must I do if a shipment is to be made to a country not listed in the Annexure A to the policy?

The fact that a country is not listed in Annexure A does not mean that we will not be able to cover that country. If you have an all-markets policy, then you must apply for cover in the usual way. If, however, your policy is for selected markets, then you may choose whether you wish to cover that country or not. The "whole turnover principle" in proviso 4 states that when a country is covered, then all buyers in that country must be offered for cover.

Must letter of credit transactions be included in monthly turnover declarations?

Yes, unless:

1. The letter of credit is confirmed by a bank in South Africa before shipment, or unless
2. The policy carries a special condition to the effect that shipments payable against presentation of documents under such letters of credit are specifically excluded from the cover of the policy.

Note that irrevocable letters of credit not payable at sight/cad must always be declared.

Must invoice amounts in a foreign currency be declared in that currency, or inSA Rand?

In South African Rand. Amounts in foreign currencies must be converted at the TT buying rate of exchange ruling at the date of shipment if no forward exchange cover contract was concluded in respect of the contract of sale. If such a forward exchange contract was concluded, then the rate of exchange quoted in that contract must be used.

Overdue Accounts

What must I do if an account is overdue for payment?

You should carry out your own credit control collection procedures without any reference to us prior to sending out a final demand.

At what point should I send a final demand?

1. Not later than 90 days after due date or any postponed due date, in respect of any amount owing on open account. You need not wait for the expiry of 90 days before sending the final demand - it can be sent at any time before the 90 days at your discretion.
2. Immediately as you become aware of any dishonoured cheque, bill or other negotiable instrument.

What information must I include in the final demand?

In order that the buyer becomes aware of our involvement, it is essential to incorporate a paragraph along the following lines in your final demand:

Unless payment is received within 21 days from the date of this letter, we shall be obliged to report your default to Credit Guarantee Insurance Corporation of Africa Limited who, in turn, will advise the International Union of Credit Investment Insurers of your non-payment. Legal action will also be instituted against you without any further notice.

Since a copy of your final demand will form the basis of our instructions to our attorneys if legal action becomes necessary, it is important that the demand includes the following:

1. Your correct name and physical address, so it would be advisable to use your letterhead for the final demand.
2. The full name of the buyer in order to establish the correct legal entity (company, partnership etc.) as well as the buyer's physical address.
3. Details of the outstanding amount showing, for each month of shipment, the total amount invoiced and the due date of payment.

What if a collecting bank is involved?

Where a collecting bank is involved, ensure that the bank is instructed:

1. To note and protest the non-payment of any bill of exchange or other negotiable instrument;
2. To confirm as soon as possible after the expiry date stipulated in the final demand, whether or not payment in local currency has been made by the insured buyer.

What must I do if the buyer ignores the final demand?

If the amount still remains unpaid after the date stipulated in the final demand or if the collecting bank confirms that it has not received payment in local currency, you must complete the claim form and send it to us (together with a copy of the final demand and any supporting documentation evidencing the unpaid insured debt) within 15 days after expiry of the final demand period.

What further action must we take?

Nothing at this stage. You will be informed once we have instructed an attorney or collecting agent to proceed. We will also give you a claims reference number which you must quote in all correspondence referring to this collection.

Naturally, we shall keep you informed of the progress made by our attorneys or collecting agents.

What should I do if the buyer offers payment after you have instructed your attorney?

You may accept the payment without prejudice and with reservation of all your rights. Your attorney and Credit Guarantee must be advised of the payment received.

May I instruct my own attorney to take legal action against a defaulting debtor?

Normally all legal proceedings shall be conducted by our nominated attorney and counsel (refer proviso 18). You may use your own attorney only if Credit Guarantee has given its consent in writing and if your policy has been endorsed to this effect.

What happens after we have instructed our attorneys?

Within 15 days of the instruction, you must complete the claim form and send it to us. You must keep us informed of the progress made with the legal action instituted, by sending us copies of all correspondence between your attorney and yourselves.

Who must pay unrecovered legal costs?

Where we have instructed an attorney on your behalf, any unrecovered legal costs will be shared between us on a pro rata basis, according to our respective interests in the amount handed over for collection. Normally, this would amount to our paying the insured percentage of legal costs incurred.

In cases where you have instructed your own attorney, the same will apply provided that the required final demand (incorporating the paragraph referring to our involvement in the outstanding amount) was sent to the defaulting buyer before you handed the matter over to your attorney, and provided that you have informed us of this action.

Should Credit Guarantee not be on risk, all unrecovered legal or collection costs will be for your own account.

What is Credit Guarantee's attitude with regard to trade disputes?

We realise that disputes do occur in business, but you will appreciate that we do not have the technical knowledge needed to adjudicate on a trade dispute, particularly when it concerns the question of quality. For this reason, we have little choice but to ask you to try and settle the dispute in your favour before you lodge a claim against us.

How are payments in respect of overdue accounts allocated?

Any payment made in local currency.

1. Received by way of legal proceedings, will be allocated to the insured debt and any uninsured portion on a pro rata basis.
2. Received in any way other than by legal proceedings, will liquidate the outstanding amounts which have fallen due first.

(Refer proviso 11.)

What must I do in the event of an insured buyer's liquidation, insolvency, judicial management etc?

1. The moment you become aware of the order being granted against the buyer, immediately complete and send us a claim form.
2. If the buyer has already been handed over to your attorney for collection of an overdue amount, you must immediately instruct the attorney to close his file.
3. Send us copies of all circulars or other correspondence received from the liquidator or any other legal representative.
4. Proceed to have your claim lodged and admitted to the insolvent estate, provided that there is no danger of any contribution being levied. If you have any doubt in this regard, please contact us before lodging a claim against the estate.

Must I refer offers of compromise to you?

Yes, all offers of compromise, whether formal or informal, must be referred to us before any acceptance or rejection. We shall then weigh up the merits of any offer and, in conjunction with you, decide upon its acceptability or otherwise.

What must I do in the event of any other actual or threatening cause of loss?

Immediately complete a claim form and send it to us. We will then check our information and consult with you over the action to be taken.

Can I continue making deliveries to a buyer who is overdue for payment?

You may do this under cover of your policy only if:

1. The overdue amount is not more than 60 days overdue for payment (note that, in respect of certain buyers, the credit limit may reduce the 60 days (please be guided accordingly), and/or
2. A cheque, bill or other negotiable instrument received from the buyer has not remained unpaid for more than 30 days, and/or
3. Payment in respect of previous insurable transactions involving the same insured country have been received in the country of sale within two months after payment in local currency, and/or
4. You are not aware of any other information which would suggest that the buyer is in financial difficulties or that a cause of loss has occurred or is about to occur.

If any further deliveries are made under contrary circumstances, they will not be covered under your policy (see proviso 8 - Automatic suspension of cover).

What must I do if I receive an adverse report about an existing buyer?

You must inform us immediately and at the same time advise us of any amounts owing to you. If we feel that specific action should be taken to collect the outstanding amount, you will be advised accordingly.

What must I do if a buyer asks for postponement of the original due date?

Provided that the request for an extension is received on or shortly before the original due date, you may grant a postponement of not more than 30 days without any reference to us. You are required to retain written proof of extensions granted.

Any request for a postponement of more than 30 days must be referred to us for our written approval.

Miscellaneous

What happens to the minimum premium I paid on acceptance of the policy?

It is the maximum amount covered in terms of the policy on a particular buyer for any cause of loss as covered in your policy. This maximum amount could be confirmed to you by way of a credit limit annexure issued by us, or a limit of discretion by you in terms of your policy.

When must I pay my premiums?

When your deposit premium has been used up. Any additional premium is payable on receipt of our statement and the remittance advice should accompany your payment to facilitate proper allocation of the payment.

How are premiums calculated?

The premium payable under the policy is the product of the turnover declared and the relevant premium rate specified in your policy.

What does 'postponement of payment' mean?

Normally, before you can grant an extension of the date on which an account must be paid, you have to consult us. However, where the extension requested is not more than 30 days and the credit limit is not restricted to "CAD" terms of payment, you may grant it without reference to us. Such a payment extensions must be requested prior to the original due date for payment.

What does 'maximum liability' mean?

It is the cumulative maximum sum for which we will be liable in respect of claims arising during each insurance year.

It is very important that you check regularly whether this amount is sufficient to cover your outstanding's at any time. Otherwise you could find that you are not adequately covered in the event of a cause of loss.

What must I do if a shipment is to be made to a customer who is already more than 60 days overdue, or who has not met a bill of exchange or a promissory note due more than 30 days?

You must consult us. Without our specific approval further shipments would not be covered.

This also applies in a case where the buyer has paid to his own bank but the bank cannot transfer the amount to South Africa because of lack of foreign exchange or because of political circumstances

How do I submit a claim?

Complete and submit a claim form. The claim form is self-explanatory and specifies the documentation required. You are; however, free to ask our assistance in completing the form. You will then be informed of any further action you should take.

How does the 'insured percentage' stated in the schedule of my policy affect the cover provided?

In the event of a loss covered by the policy, we will indemnify you to the extent of the insured percentage of the amount of loss that you sustained. Thus you retain for your own account that portion of the loss which is not covered by the insured percentage.

If salvage is recovered in respect of a loss sustained, it is divided between us in the same proportion in which the loss was

