SECTION 10

PROMOTING AND MARKETING TRADE INSURANCE

CHAPTER I

ENHANCING INTERNATIONAL TRADE THROUGH TRADE INSURANCE

Introduction

1. While Irrevocable Letter of Credit (ILC) is the most wanted term of payment in international trade, the offering, of credit is becoming more common as international trade is getting more competitive.

2. If an exporter does not know the buyer well, it is not prepared to extend credit for fear of not getting the money back. It will not accept the orders which will then go elsewhere or, worse still, to an exporter in another country.

3. Export credit insurance assesses the buyer's creditworthiness, monitors the credit risks involved, assists in chasing overdue and compensates the exporter. It also helps obtain export finances. It places top exporters in a very good position to offer flexible payment terms and capture more orders. It, therefore, enhances the exporters' competitiveness in international trade.

Expansion of overseas business

4. Information is vital in assessing credit risks. Exporters, particularly the small ones, usually do not have the resources. A credit insurer has:

   (a) an international network of credit information agencies;

(b) an independent team of risk analysts;

(c) an international network of debt collectors.

It, therefore, possesses the resources and skills to do an impartial and professional risk assessment job.

5. With this assistance and protection, exporters can prudently extend
Credit and capture more orders.

Credit Management role

6. A credit insurer is acting more like a professional credit manager than an insurer. On behalf of the exporters, it assesses and monitors risks and assists in chasing overdues. This saves exporters' resources, takes away most of their worries and enables them to concentrate on trading.

Additional Working Capital

7. Working capital is much needed by exporters, particularly the small ones. In Hong Kong, export credit insurance is taken by banks as a valuable collateral for export financing. Over 60 % of the insured use it to obtain financing.

8. There are three kinds of assignments

(a) whole policy;
(b) specific countries; and
(c) specific buyers.

Loss Minimization

9. Through its years of debt collection experience and with its global network of debt collectors, the credit insurer can help exporters chase overdue debts. This will help minimize monetary loss and recoup working capital.

Supplier credit

If export credit insurance can be arranged by an overseas supplier, an importer in China is no longer required to open ILC. More supplier credit can be obtained through this means. Exporters, acting as intermediaries, can win more orders.