



Working with Exporters: Special Challenges When Structuring the Financial Aspects of an Export Transaction



More Options

- Wire Transfer Funds in Advance
 - Least risky for seller, most risky for buyer
- Letters of Credit
 - Provides protection to both parties
- Bank Drafts
 - Provides limited protection to seller
- Credit Card Payments
 - More risky than you might think
- Open Account Terms
 - Highest risk to seller



Exporting on Open Account

- Seller bears the majority of the risk
- Collections are more complicated if there is a problem
- Seller is the source of financing for the buyer
- Seller finances work in process and inventory
- Buyer's cost to finance transaction is the lowest available
- Buyer's risk of seller non-performance is minimized
- For international transactions, terms of sale are typically longer: it takes 45 days to ship to Australia....
- Banks typically don't consider export A/R as collateral



Credit and Risk Mitigation Tools for Exporters

- Know Your Buyer
- Choose appropriate terms
 - Factors
 - Single/first sale, or relationship
 - Amount
 - Financing needs
 - WIP cost, manufacturing lead time
- Credit Insurance



Know Your Buyer

- Who is the Buyer: Correctly identify legal entity
- Where is the buyer?
- Political risks?
- Get a tax ID number
- Site Visits (?)
- Credit reports
- Financial Statements
- Trade references – cost more than you think.



Export Credit Insurance

- What is Credit Insurance
 - How does Credit Insurance work?
 - Who offers Credit Insurance?
- Why Credit Insurance
 - Expand global opportunities
 - Offer competitive terms
 - Financing can help with margin/pricing negotiation
 - Cost savings and higher efficiency
 - Flexible Tool
 - Financial leverage for buyer and seller
 - Market expansion
 - Credit Decision Assistance



Export Credit Insurance

- Coverage Percentage
- Assignment of Proceeds
- Deductibles
- Types of coverage
- What is NOT covered
- Auditing Compliance with Terms and Conditions



Who Offers Credit Insurance

- ExIm Bank
- The Private Market
- How to Choose
 - Differences between products
 - Rates, minimum premiums
 - Deductible
 - Available coverages
 - Key buyer coverage
 - Political risks cover
 - Country availability
 - Content restrictions
 - Underwriting differences- administrative overhead



Claims

- Transactional documents requirement
 - Written purchase orders
 - Invoice
 - Shipping document
- Credit Limit
- Filing Deadline
- Reporting and notification requirements



Specialty Brokers

- Provide options
- Manage complexity
- Ensure the client understands the policy
- Assist with updates
 - New buyers
 - New products
 - Higher limits for policy or buyer
 - Longer terms



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