A GUIDE TO YOUR ACCOUNTS RECEIVABLE INSURANCE POLICY

Thank you for insuring your accounts receivable with EDC. With this insurance, you can extend credit to your customers while protecting your company against a variety of commercial and political risks. We welcome this opportunity to support the growth of your company’s international sales.
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ABOUT YOUR INSURANCE POLICY

What does ARI cover?

Accounts Receivable Insurance (ARI) covers your company for up to 90 per cent of your losses if your customer doesn’t pay. Sales contracts can be insured against a range of commercial and political risks such as:

- Customer bankruptcy;
- Customer fails to pay when due;
- Customer refuses goods (provided you have complied with the contract terms);
- Contract is cancelled before you ship the goods (where pre-shipment coverage is in place);
- Delayed payment caused by a blockage of funds or transfer difficulties;
- War or hostilities break out in your customer’s country, or in other countries affecting your customer’s country; and
- Export or import permits are cancelled or can’t be renewed.
Key obligations under your policy

Some of your key obligations are:

› Ensure that each contract of sale is eligible for coverage by confirming your customer’s creditworthiness at the time of shipment or date of sale;
› Declare eligible sales and pay your premium; and
› Take the necessary steps to prevent and minimize loss.

Components of a policy

The following are some of the key policy documents:
(other documents also constitute part of the policy, for example the credit approval and application)

1. POLICY GENERAL TERMS AND CONDITIONS

2. COVERAGE CERTIFICATE: contains specific policy parameters applicable to you such as the effective date of the policy, currency of the policy, maximum liability, etc.

3. COUNTRY SCHEDULE (MAY BE PART OF COVERAGE CERTIFICATE): lists the countries in which your customers must be located for coverage to apply, the maximum terms of payment and the associated premium rates. It is in this schedule that you can verify what restrictions if any are associated with your listed countries.

4. CREDIT MANAGEMENT SCHEDULE (IF APPLICABLE): sets out the methods you may use to establish a Credit Limit for each of your customers and your obligations regarding overdue accounts.

5. ENDORSEMENTS (IF APPLICABLE): amends the terms and conditions of your policy.
CONFIRMING YOUR CUSTOMER’S INSURABILITY

In order for your insurance policy to apply to your sales, you need to establish your customer’s insurability. The Credit Management Schedule shows the various ways you can establish a credit limit for your customer(s) — that is, the maximum amount of loss coverage for each customer.

How to set up buyer credit limits

You can verify your customer’s insurability by taking advantage of your Discretionary Credit Limit (see section 1 of the Credit Management Schedule of your policy). When you need to establish a credit limit which exceeds your Discretionary Credit Limit – or when you are unable to establish a limit for a customer using the methods set out in the Credit Management Schedule – you can request a credit approval from EDC. Include any information that will help us make a decision such as a credit report, financial statements or trade references. EDC does not charge for credit approvals. However, if we don’t have your customer in our data base, we may need to obtain a credit report before a decision can be made.

You can either supply the report yourself or EDC will order one, in which case you will be charged for the report.

You can request a credit approval from EDC in one of three ways:

**ONLINE:** Within the Receivables Insurance Centre (RIC) of EDC Direct, you can quickly request online buyer credit approvals. RIC can process credit approvals very quickly with about 50 per cent of requests approved immediately. The remaining requests are sent electronically to an underwriter for completion. The cost of the credit report, if applicable, will be 25 per cent less if you request the credit approval through EDC Direct. To request access, contact your underwriter or call the EDC Direct Help Desk at **1-888-649-8287**, 7 a.m. to 5:30 p.m. EST.

**FAX:** Fax a completed Request for Credit Approval form which you will find with your policy to **613-598-2525**.

**PHONE:** Call your underwriter at their toll free number.

At times, we may discover that we are unable to insure sales to a particular customer and we may exclude that customer from coverage under your policy. This does not mean that you can’t ship to your customer. However, if you do, those shipments will not be insured and you do not need to pay premium on those sales.
HOW TO DECLARE AND PAY PREMIUM

Declaring your sales and paying premium

Under your policy, you are required to declare and pay premium on sales made on credit. Advising EDC of how much you’ve sold in each country and paying the appropriate premium is one of the most important obligations under your policy.

How to declare

EDC offers its customers two methods for declaring their sales:

**ONLINE:** You can use the Receivables Insurance Centre within EDC Direct, to complete and file your declarations online. In addition to filing your declarations, this service also allows you to:

› Request the addition of countries or payment terms to your policy;
› Complete a new or supplemental declaration or add in a new country or payment term;
› Review 12 months of declaration and statement of account history; and
› View a real-time statement of account and self-generate an invoice.

**MAIL:** If you are unable or would prefer not to submit your declarations online, you can also request that a printed declaration package be mailed to you. The declaration package includes an invoice, a Statement of Account and a Declaration Worksheet which lists countries and the related premium rates. To complete your declaration, follow the directions listed in the Instruction Sheet which forms part of the Declaration Worksheet.

When declaring, you must declare all sales made on credit (i.e. not paid in advance) each month to all countries during the declaration period (except those shipments to buyers or countries which have been excluded).

If you have coverage for sales made in Canada, you must provide a breakdown by province and pay any applicable provincial sales tax on premium as required by the taxation authorities.
Completing your invoice

ONLINE: When you submit your declarations online, your premiums are automatically calculated and added to your statement of account and invoice. Simply enter the amount of your payment in the “Amount Paid” box and print.

MAIL: If you are not submitting your declarations online, add your Total Premium Due to the Closing Balance from your Statement of Account (If the Closing Balance is a credit, then subtract the Closing Balance from the Total Premium Due).

MAKING A PAYMENT

Through Online Banking

You can pay your premiums and administrative fees through your bank’s Online Banking site. Simply use the Account Number displayed on both your Invoice and Statement of Account to make a payment in Canadian dollars. Please note that you can only pay in Canadian dollars when you use the online banking option.

Payee name: Export Development Canada

More information on this payment method is available online within EDC Direct, the customer-only section of our web site. Read the Contacts section at the end of this guide to learn more about EDC Direct.

By Cheque

› Print or make a copy of your invoice.
› Make your cheque payable to Export Development Canada.
› Include your policy number on the cheque.
› Mail your cheque together with your invoice.
› For those not declaring online, attach a copy of your declaration worksheet to your invoice and cheque.

Cheques should be mailed to:
Export Development Canada
150 Slater Street
Ottawa, ON K1A 1K3
MANAGING OVERDUE ACCOUNTS

We understand that buyers do not always pay by the invoiced due date. However, we also know that the longer an account remains overdue, the greater the likelihood that you will suffer a loss. Therefore, we strongly encourage early intervention.

One of your responsibilities under your policy is to follow up on any accounts which are past due and report those greater than $100,000 monthly to EDC. If you would like loss mitigation assistance from EDC on smaller accounts, you can report those as well. All overdue accounts can be reported and managed online within the Receivables Insurance Center (RIC) in EDC Direct, the customer only area of our website. Read the Contacts section at the end of this guide to learn more about EDC Direct.

EDC is in the business of helping you mitigate the risks of selling your products and services internationally, so when you report your overdue accounts, we also offer the following debt management services:

1. COLLECTION SERVICES:
   EDC can place the account in collection on your behalf. By taking advantage of this service, you will benefit from the quality service of an EDC-preferred collection agency, discounted rates and EDC’s decision support throughout the collection process.

2. LOSS MITIGATION ADVICE:
   For larger or more complex overdue accounts, you can request advice from an EDC Recoveries expert to assist in minimizing your loss or avoiding a claim altogether. Please refer to your Credit Management Schedule as it may outline further follow-up measures you must take when your accounts have become overdue. If you have any questions or problems, call us at 1-866-394-7984 or email debtmanagement@edc.ca.

3. CLAIM SUBMISSION:
   You can request that your overdue be converted to a claim as soon as it becomes admissible and you can follow the status of your claim online throughout the decision process.
The following will provide a general guideline for your loss mitigation action:

<table>
<thead>
<tr>
<th>Status of Receivable</th>
<th>Suggested Action</th>
</tr>
</thead>
<tbody>
<tr>
<td>Within terms</td>
<td>None</td>
</tr>
<tr>
<td>Up to 60 days past due</td>
<td>Follow up regularly with buyer for payment</td>
</tr>
<tr>
<td>60 – 120 days past due</td>
<td>Go to RIC and place with Collection Services or request loss mitigation advice from EDC.</td>
</tr>
<tr>
<td>120 – 365 days past due</td>
<td>Submit your claim with EDC</td>
</tr>
</tbody>
</table>

Please refer to your Credit Management Schedule as it may outline further follow-up measures you must take when your accounts become overdue. If you have any questions or problems with your overdue account, call EDC’s Debt Management line at 1-866-394-7984.

Please be aware that if you ship when your customer is in default, your shipments may be excluded from coverage.

**FILING A CLAIM**

When filing a claim becomes the only viable solution, efficient resolution is a prime objective. To that end, EDC has defined a clear process to help guide you.

**When to file a claim**

› In most cases, an overdue account becomes eligible for payment four months after the original payment due date.
› In cases of bankruptcy or insolvency, claims may be filed immediately.
› All claims must be filed within twelve months of the original payment due date (date on which the payment of the invoice was due) to be eligible for consideration.
› When reporting an overdue on-line, you can request that the overdue be converted to a claim as soon as it becomes admissible.

**How to file a claim for any amount**

Claims of any amount and supporting documentation can now be filed online within the Receivables Insurance Centre. Please note that we no longer provide the express claim service. All claims, regardless of the amount, can be filed electronically using this process.

If your claim is under $5,000 CAD/USD and you have placed with a collection agency (ideally via Collection Services in RIC, see Managing Overdue Accounts) or have an insolvency case number, you will not be required to file supporting documentation. It’s important that you keep copies of all relevant documentation because random audits will be conducted on the claims filed as a part of EDC’s due diligence process.
If you are submitting a claim over $5,000 CAD/USD, you must submit all relevant documentation. Supporting documentation to be submitted with each Claim Application includes:

› Proof of debt (to establish the existence and amount of debt);
› Buyer credit information (if no credit approval was issued, evidence that one of the methods listed in your Credit Management Schedule was used to substantiate that your customer was creditworthy at the time of shipment or date of contract signing);
› Proof of shipment;
› Invoice (showing items, values and terms of sale);
› Written proof of insolvency or bankruptcy (insolvency risk only);
› Collection activity (proof that collection activity was taken in a timely manner, in accordance with the policy); and
› Any other documentation or evidence that supports your claim.

We would encourage you to submit your claim and documentation online within EDC Direct. To request access, contact your underwriter or call the EDC Direct Help Desk at 1-888-649-8287, 7 a.m. to 5:30 p.m. EST.

Sharing expenses

Another benefit of your Accounts Receivable Insurance Policy is the sharing of recovery expenses. Provided the cost is approved by EDC, direct out-of-pocket expenses incurred to collect a debt may be eligible to be shared between you and the insurer. You must present a copy of the invoice for services and proof of payment to EDC. Typical expenses include collection agency fees or legal fees. (Overhead and operating costs are not covered by the policy). Please see your policy for more details on the sharing of expenses.

CHECKLIST FOR CLAIMS

Before shipping

CREDIT INFORMATION
Did you obtain credit information?
› in accordance with your policy requirements for exposure within your discretionary limit?
› Or a written credit approval from EDC?

PROOF OF DEBT
Do you have documents proving a debt exists? You should have either/both of the following:
› purchase order or contract signed by your buyer.
› signed draft or promissory note.
› Proof of debt can also be secured after shipment (see “After Shipping”).

After shipping

PROOF OF DEBT
If you do not have a purchase order, or contract signed by your buyer, draft or promissory note, what other documents do you have that prove a debt exists? These documents could be any of the following:
› uncahshed cheque.
› written acknowledgment of debt by the buyer.
› confirmation by the bankruptcy trustee of the amount owed by the buyer.
› other documents establishing that the buyer has received the goods or services in question and owes you money.
PARTNERING WITH YOUR BANK

Many companies use their insured receivables to acquire working capital or operating line financing from their banks and other financial institutions.

Bank requirements

Some financial institutions merely require confirmation that the Accounts Receivable Insurance coverage is in place, while others require a more formal arrangement. A Direction to Pay is a document that directs EDC to pay claims under the policy directly to a financial institution. It also directs EDC to copy the financial institution on all correspondence from us to you. A Tripartite Agreement is used when a financial institution is actually discounting – or purchasing – the receivables from you.

How to proceed

Contact EDC so that we can discuss your needs and provide you with the appropriate form.

THEN:
• Complete and sign the Tripartite Agreement or Direction to Pay;
• Have your financial institution sign the form (applies only to Tripartite Agreements);
• Fax or mail the completed form to EDC;
• Once approved we will sign it and send a copy to you and your financial institution.

PROOF OF SHIPMENT
Do you have documents proving that the goods have been shipped?
You should have one of the following documents:
• bills of lading.
• waybills.
• other evidence of shipment.

When you ascertain there is a loss after shipping

COLLECTION
Did you report the account overdue in accordance with your policy requirements? □ yes □ no

INSOLVENCY
Did you obtain proof of insolvency? □ yes □ no

CLAIM
Did you submit a claim within 12 months of the original due date? □ yes □ no
CONTACTS

Log on to EDC Direct, the protected section of EDC’s web site, where you can manage and track your insurance coverage online through the Receivables Insurance Centre (RIC). Using RIC, you can order credit approvals on domestic and foreign buyers; change existing approvals or withdraw coverage; file your declarations; view declaration and statement of account history; print an invoice and file small claims. For free access to EDC Direct, contact an EDC underwriter, or call the EDC Direct Help Desk at 1-888-649-8287 weekdays 7 a.m. to 5:30 p.m. EST.

www.edc.ca

PHONE

Contact an EDC underwriter at their toll free number weekdays from 8:30 a.m. to 5 p.m. across Canada. For requests not directly related to your policy, contact your Account Manager in your region.

MAIL

Export Development Canada
150 Slater Street
Ottawa, Ontario K1A 1K3