DIFFERENCES BETWEEN OLD ACCOUNTS RECEIVABLE POLICIES AND NEW PORTFOLIO CREDIT INSURANCE POLICIES

Below are the main changes that were made to our credit insurance policies.

This summary is provided for information purposes only and does not bind EDC or Coface in any way. The language of the Policy always prevails.

DOCUMENTATION

Policies

There are two policy types:

1. Receivables Policy (replaces our old Shipments Policy): covers unpaid receivables generated by the sale of goods and services.
2. Cost and Receivables Policy (replaces our old Contracts Policy): covers both unpaid receivables generated by the sale of goods and services and any costs incurred by the policyholder in the event of contract termination prior to completion.

Services

Companies who sell services can be covered by one of the two new Policies described above, depending on their need and the Insurer's appetite for covering work in progress costs.

Policy Documents

The Policy will consist of only 2 documents, a GT&C and a Coverage Certificate (CC).
No separate endorsements will be added to a policy; all changes will be made directly in the CC.

COVERAGE

Policy Term

The Policies will no longer be evergreen i.e. without an end date. They will have a fixed term of one year.

Definition of Shipped

This definition now includes goods sold out of consignment.

Holdbacks

Holdbacks are now excluded unless they are payable upon the occurrence of a specific event or condition that is not at the discretion of the buyer.

Contract Coverage

Under the Costs and Receivables Policy, a contract must be entered into during the Policy Period to be covered.

Pre-Shipment Coverage

Under the Costs and Receivables Policy, all the goods sold under a contract must be shipped before the end of the pre-shipment period for the contract to be covered. The pre-shipment period is set out in the Coverage Certificate.

RISKS/INSURED EVENTS

Risk

What was called a Risk in the old policy is now called an Insured Event. The risk that is covered is non-payment and the non-payment must be caused by an Insured Event.

Insolvency

The Insolvency Risk under the old policy is now called the Bankruptcy but the definition remains unchanged.

Default

The definition of Default was clarified i.e. for the sale of goods, the words "accepted by the buyer" were changed to "the buyer took delivery of the goods," and for services, the condition that services had to be accepted by the buyer to be covered was removed such that if the policyholder can demonstrate that the services were rendered in accordance with the sales contract, non-payment will be covered even in the absence of a specific acknowledgment by the buyer (subject to the dispute clause and the other terms and conditions of the policy). Default is not deemed to have occurred until the Waiting Period specified in the Coverage Certificate has elapsed.

RISKS/INSURED EVENTS

Repudiation	The concept of acceptance of delivery was removed from the definition of Repudiation. Also removed is the caveat that the failure of the buyer to take delivery must not have been caused by a breach of contract by the policyholder because it is addressed by an exclusion (Cause Avoidable).
Currency Conversion and Transfer Event	As part of the Currency Conversion and Transfer, we now cover situations where a policyholder is paid in the buyer's country and cannot bring the payment back to Canada because of conversion and transfer restrictions imposed by the buyer's country after the coverage began. For coverage to apply, the law or directive that prevents the currency conversion or transfer must be in effect on the due date and continue uninterrupted until the end of the Waiting Period. The event is not deemed to have occurred until the Waiting Period specified in the Coverage Certificate has elapsed.
Export Restrictions	The definition of export restrictions by the country from which the goods are exported was expanded to all countries. Previously it was only covering the risk that Canada imposed export restrictions. The event is not deemed to have occurred until the Waiting Period specified in the Coverage Certificate has elapsed.
War	The war event was reworded to clarify that the policyholder must demonstrated that the goods met the specifications of the contract other than delivery, and the reference to the London and American institute with respect to marine cargo insurance was removed. The event is not deemed to have occurred until the Waiting Period specified in the Coverage Certificate has elapsed.
Contract Termination	The Contract Termination event (*Costs and Receivables Policy* only) was amended to remove the reference to situations where the Buyer is entitled to terminate the contract without cause because in those cases the contracts either provides for no compensation payable by the buyer (in which case there is no loss since no amount is due by the buyer) or provides for compensation as part of a settlement of account provision which is addressed in the loss calculation section of the Policy. The event is not deemed to have occurred until the Waiting Period specified in the Coverage Certificate has elapsed.
License Cancellation	A new Insured Event was added to the *Costs and Receivables Policy* to cover the risk of loss due to the cancellation or non-renewal of a license, approval or authorization required for performance under the sales contract or the imposition of such a requirement after to policyholder enters into the sales contract. The event is not deemed to have occurred until the Waiting Period specified in the Coverage Certificate has elapsed.

PREMIUM AND FEES

Premium and Declaration of Sales	The way in which you declare your sales and pay your premium has changed. Please refer to the Premium section of your Coverage Certificate.
Discretionary Credit Limit	A Discretionary Credit Limit is not mandatory and will only be provided to a policyholder that can or wishes to manage its credit limits. Refer the Coverage Certificate for details.
Credit Fees	Policyholders will be charged credit approval fees for every credit approval in place at the end of each quarter. Refer the Coverage Certificate for details.
Payments and Credits	A section has been added to the Policy to describe how EDC will handle late, unidentified or excess payments as well as amounts owed to EDC under other EDC products. See section 29 of the GT&C.

EXCLUSIONS

Cause Avoidable	The exclusion of losses caused by the policyholder was amended to remove the reference to losses caused by the insolvency of the policyholder as the concept is addressed indirectly elsewhere in the Policy.
Down Payments	A new exclusion relating to down payments was added i.e. if a contract provides for a down payment and the buyer does not pay it, any loss relating to that contract is not covered.

EXCLUSIONS

Buyer Default	We removed the 10% buffer in this exclusion to simplify the administration process for both the policyholder and the Insurer.
Corruption	The exclusion relating to corruption was amended to specify that the exception to this exclusion only applies to beneficiaries of a Direction to Pay or Tripartite Agreement that are not related to the policyholder.
Guarantee or Standby LC	We removed the reference to guarantees from the 'Other Insurance' exclusion. Therefore, amounts secured by a guarantee or by a standby LC are no longer excluded. If a Policyholder doesn't want to cover these sales because of low risk, that can be excluded with a Special Condition. The Policyholder is not required to call on a guarantee or standby LC prior to the Insurer paying a claim, unless it is required by the Insurer in the Credit Approval.
Letters of Credit	Unless a special clause is added to the Policy, contracts payable with an ILC continue to be excluded because of the low risk of loss associated with ILC sales; however, the ILC no longer needs to be in the possession of the policyholder prior to the goods being shipped for the contract to be excluded.
Excluded Contracts	Contracts with individuals are excluded.
Exclusion - Nuclear War and Contamination	A new exclusion was added to exclude losses caused by nuclear war or nuclear contamination.
Exclusion – War between the five great powers	A new exclusion was added to exclude losses caused by war between any of the following countries: USA, Russia, China, UK and France.

LOSSES

Declining Insurance Percentage	The concept of declining insurance percentage has been removed – the amount of the Loss is capped by the Credit Limit to keep the concept simpler.
Demurrage Costs	We now cover demurrage costs caused by the buyer such as container demurrage while other demurrage (for example, costs incurred as a result of a busy port) continues to be excluded.
Loss Calculation	Under our new Costs and Receivables Policy, the loss calculation takes into account the possibility of the contract having progress payments and provisions for the settlement of accounts.

CLAIMS AND RECOVERIES

Waiting Period	The concept of a 'Claim Waiting Period' has been replaced with a 'Waiting Period' applicable to each Insured Event (except for Bankruptcy and Repudiation). The Insured Event is not deemed to have occurred until that period has elapsed.
Latest Date to Submit a Claim	The Latest Date to Submit a Claim is reduced to 150 days, starting on the date of loss (which now includes the Waiting Period). For a loss caused by Default, the policyholder has 270 days to submit a claim from the due date i.e. 120 Waiting Period plus 150 days (Latest Date to Submit a Claim.)
Document Retention	The policyholder must keep information relating to a claim for 5 years.
Claim Payments	Policyholders will be able to receive claim payments in Euros and British Pounds, in addition to USD and CAD.
Interest on Late Payments	We removed the provision that provides for the Insurer to pay interest if a claim was paid late.
Recoveries	The Insurer will receive 90% of recoveries regardless of whether our share of the total debt is less than 90%. This is a change from the current policy where the Insurer recovers in the same proportion that the claim payment bears to the total debt. (For policyholders outside Quebec)
Loss Mitigation Expenses	It is now clear in the Policy that the Insurer pays approved loss mitigation expenses incurred prior to the claim, if a claim is paid.

OTHER CONDITIONS

Policy Cancellation	The Policy allows the policyholder to cancel the Policy with a simple notice. Currently, the policy provides for a 60-day notice.
Insured Sales	Information (as defined in the Policy) regarding the insured sales must also be kept for 5 years for possible audit purposes by the Insurer.
Sanctions	New language regarding sanctions has been added to be more transparent about what happens in the even that sanctions are imposed by Canada or the United States.
Access to Information/ Privacy Act	A new section informs policyholders that the Insurer is subject to both the Access to Information Act and the Privacy Act.
Confidentiality	A confidentiality clause has been added to allow the Insurer to share information with its reinsurers (and others) if need be.
Notice Section	The notice section continues to specify that all notices must be in writing and, to streamline the text, all references in the Policy to 'in writing' have been removed. Notices can no longer be sent by fax.

Please note that EXPORT DEVELOPMENT CANADA (EDC) is the insurer under any Export Costs and Receivables Policy or Export Receivables Policy, and COMPAGNIE FRANÇAISE D'ASSURANCE POUR LE COMMERCE EXTÉRIEUR – CANADA BRANCH (COFACE) is the insurer under any Domestic Costs and Receivables Policy or Domestic Receivables Policy.