

## Trade credit insurance Solutions for Forfaiting Companies

### The opportunities

Forfaiters and trade finance banks that offer forfaiting are enjoying significantly increased demand for their services today. Growing competition among exporters to the fast-developing economies of Asia and other emerging markets has broadened the appeal of forfaiting as a financing arrangement because it allows exporters to manage their individual and aggregate credit exposures to emerging markets obligors.

### Forfaiters at risk

The growing demand for forfaiting, however, has shifted to forfaiters a substantial amount of non-payment risk originally borne by exporters. Such payment default may be due to political risk or commercial reasons. In addition to the risk that a buyer may default, forfaiters also face the threat that a local bank in the emerging market that guaranteed the buyer's payment may also not meet its obligations.

### Trade credit insurance for forfaiters

As an experienced trade credit insurer, Zurich may help forfaiters manage these risks, as well as those of expropriation, political violence and currency inconvertibility, with insurance tailored to their needs. Zurich's trade credit coverage can help indemnify the forfaiter up to 90 percent of the value of the transaction, providing insurance coverage in case of default due to political or commercial reasons. The benefits of Zurich's trade credit insurance include:

**Flexibility** – Zurich insures transactions lasting up to seven years, and inception of coverage may begin before the sale is finalized. In addition, Zurich accepts open account receivables, promissory notes, bills of exchange, accepted invoices or other forms of payment obligation.

**Assignment of coverage** – To facilitate offerings in the secondary markets, Zurich's coverage allows assignment to another entity provided Zurich approves the assignment in advance.

**Reduction of concentrations** – By transferring risk using Zurich's trade credit insurance, a forfaiter may reduce risk concentrations by client or geographic region and free up capacity for valued clients or highly sought-after prospects.

**Risk-based capital management** – With the implementation of Basel II, forfaiters owned by commercial banks will need to abide by many of the same risk-based capital requirements as their parent banks. Zurich's trade credit insurance may help to lower capital requirements because insured receivables and/or payment obligations require less capital to be reserved than those that are not.

Zurich's trade credit insurance provides coverage in the event of default due to political or commercial reasons whether the forfaiter decides to hold instruments until maturity or sell them in a secondary market.

### Experience, strength and relationships

Zurich's experience and relationships have made it a leading underwriter of trade credit insurance for exporters doing business in emerging markets. Zurich's in-depth understanding of the business dynamics in

emerging markets enables us to develop products that address the needs of companies and financial institutions pursuing opportunities in developing economies.

Zurich is a member of the Berne Union, an international union of credit and investment insurers, as well as ICISA, an international association of trade credit insurers and surety bond providers. The relationships we have forged with private insurers, export credit agencies and multilateral organizations may enhance the products we offer our qualified customers. These collaborations may also elevate our ability to help mitigate some losses for our clients.

Zurich holds ratings of AA- (negative) from Standard & Poor's and A (stable) from A.M. Best.\* These strong financial ratings are central to our ability to help our customers feel more secure when conducting business in emerging markets.

\*Ratings as of June 30, 2009. For more information about ratings and financial information about Zurich American Insurance Company, visit [www.zurichna.com](http://www.zurichna.com).

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#### Zurich

[www.zurichna.com](http://www.zurichna.com)

This is intended as a general description of certain types of insurance and services available to qualified customers through the companies of Zurich in North America. Your policy is the contract that specifically and fully describes your coverage. The description of the policy provisions gives a broad overview of coverages and does not revise or amend the policy.

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