

pctrude
25/10/06

Export Credit Insurance Corporation of South Africa Limited

Official Export Credit Agency (ECA) of South Africa

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25 October 2006

ECIC

Official Export Credit Agency (ECA)

ECAs come in different forms:

- **EXIM Bank (US)**
- **Government Department (UK)**
- **Corporate Lender/Insurer (Canada)**
- **Public Company insuring on behalf of Government (France, RSA)**

ECAs : Changing Roles

Traditional Role :To facilitate exports through insurance/finance for trade and investment transactions.

This focus on exports instead of risk created large ECA deficits.

Current role: To enhance international trade/investment participation through prudent risk assessment, risk mitigation and pricing. (WTO requirement to break even).

ECAs: Classification of transactions

Short term business:

- **Transactions with terms ≤ 360 days**

Medium term business:

- **Transactions with terms 2 to 5 years**

Long term business:

- **Transactions with terms > 5 years**

Availability of credit and investment insurance

Short term:

Private Sector Insurance readily available

Medium term:

Private Sector Insurance sometimes available

Longer term:

Public Insurers have to fill market gap

ECIC established in 2001. Operates exclusively in the medium/long term area.

Situation prior to 2001

Export Credit and Foreign Investments Reinsurance Act 1957

Minister of Trade and Industry contracted with Credit Guarantee Insurance Corporation of South Africa Limited (CGIC)

Exporters, banks insured by CGIC

CGIC reinsured by the dti

CGIC vs ECIC

**CGIC: Main business is domestic credit insurance
Export credit insurance is confined to those
transactions where private sector reinsurance is
readily available i.e. short term transactions.**

**ECIC: Business relates to export credits and foreign
investments. Export credit insurance is focused on
those transactions where private sector reinsurance
is not readily available (consequently ECIC has to
evaluate, price, retain and manage these risks).**

ECIC Vision

To be at the leading edge of medium/long term export credit and investment insurance business, with specific focus on project finance underwriting, customer needs, and prudent portfolio and risk management.

ECIC Products

Investment Insurance: Direct equity; shareholder and non-shareholder loans.

Coverage: Political risk events including convertibility risk.

Credit Insurance: Linked to transactions involving capital goods and services. Through the provision of credit insurance to banks, the ECIC facilitates term finance for such transactions.

Coverage: Political and/or commercial risk

ECIC issues insurance cover in USD or SA Rand

Foreign Exchange Insurance: Guaranteed Rates of Exchange for South African contractors.

Berne Union

International Union of Credit and Investment Insurers

Exchange of information and experience

Berne Union Consensus Rules

**ECIC observer member; full membership November
2006.**

ECIC Objectives

1. Focusing on customers

Improved quality controls i.r.o. project assessment and progress monitoring as well as inter-unit timeline benchmarking.

Approximately 20% of all project discussions held at client premises.

ECIC Objectives

2. Enhancing performance

Engage all clients on local content verification procedures, guaranteed exchange rates, premium pricing techniques.

Development of custom-made underwriting manual, premium pricing methodology, premium calculator, political risk management methodology. Countries rated: 39; premium indications: 171; industrial sector reports: 43

New product development: Performance bond for SMEs.