

Exporters to benefit from short-term trade credit insurance and reinsurance

The New Zealand Export Credit Office's (NZECO) trade credit insurance scheme has been extended to provide support to export contracts with payment terms of less than 360 days. This support will be in the form of short-term trade credit insurance and/or reinsurance of New Zealand's private sector providers.

This new support will be provided by NZECO on a temporary basis, for up to two-and-a-half years, whilst the impacts of the global financial crisis are being felt by the private sector trade credit insurers and banks. This will ensure that exporters have the means to continue to accept orders that in the current environment might otherwise not occur.

How will it work?

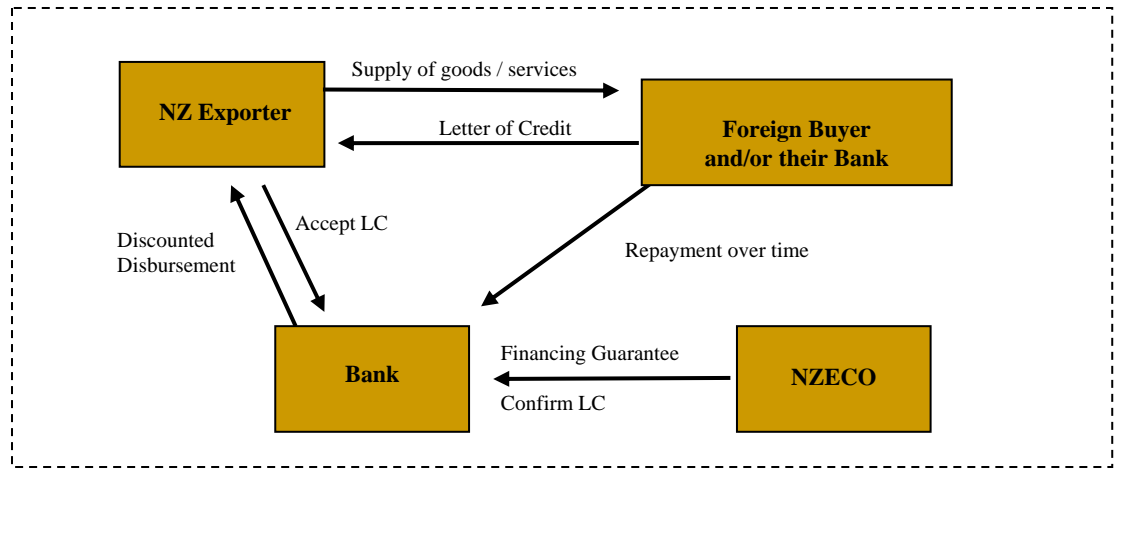
Key parameters:

- √ NZECO guarantee to help exporters continue trade with buyers that have repayment terms of less than 360 days.
- √ Covers the risks of the buyer defaulting its repayment due to certain commercial events (up to 90%) or political events in the buyer's country (up to 95%).
- √ The proposed transactions will be assessed by the NZECO using its existing underwriting principles and criteria.
- √ Pricing for cover will be commensurate with the risk and costs associated with each transaction.
- √ \$50 million contingent liability established.

Eligibility:

- √ Commercially sound transaction with credit-worthy buyers in normally insurable countries.
- √ Confirmation that the private sector is unable to provide or continue support of the transaction on reasonable terms or conditions.
- √ Proven trading history, managerial, technical, and financial capabilities.
- √ New Zealand businesses with export orders with at least 30% New Zealand value-added content.

Example: NZECO short-term trade credit insurance guarantee confirms Letters of Credit (LC)



Where to from here?

NZECO can immediately provide direct support to exporters and banks for repayment terms of less than 360 days.

NZECO will also engage with private sector trade credit insurers on options for reinsurance immediately.