

TURK EXIMBANK

BUYER UNDERWRITING PRACTICAL CASES

UNDERWRITING PROCESS

We are on cover for 204 countries and each application is treated manually.

Underwriting department is responsible for :

- Assessing the buyer's credit-worthiness and determine the credit limit, payment terms and conditions for the buyer limit applications,
- Monitoring the existing limits and up-dating the risk assessments of buyers in the database.

Buyer limit decisions up to authorization levels are finalized by underwriters. Still, writing a limit requires involvement of two underwriters. Limits above these levels, should be approved by managers, executive committee or board of directors.

Assistant managers & managers are authorized to withdraw a limit and reject the limit applications.

METHODOLOGY OF SETTING CREDIT LIMITS

- While setting a credit limit, the most important tool for underwriters is the buyer status reports that provide quantitative and qualitative data for each buyer.
- We have been working with 40 information agencies which are very well known & specialized in this line of business and have been serving most of the credit insurers worldwide.
- Besides , tailor-made buyer reports are ordered in some cases. (Big exposures, group risk up-dates)

Basic Contents of a Buyer Report

- **Company identification details (Registered name, contact details, legal structure, date of establishment, registration number)**
- **Field of activity**
- **Size of the company**
- **Shareholder and management structure**
- **Group structure and risk assessment**
- **Payment habits**
- **References from main banks, suppliers & clients**
- **Sector data (market position and rankings if known)**
- **Financial data (Balance Sheet & Income Statements)**
- **Ratio Analysis**
- **Credit opinion**
- **Credit rating (including the risk assessment and p/d rates)**

Other Sources of Information

- **Berne Union declarations about the experiences of other ECAs**
- **Reinsurance companies**
- **Overseas Turkish Embassies**
- **Policyholders (Exporters) (Co-operation in terms of information sharing about the buyer)**
- **Buyer contact (via mail or conference calls)**
- **Country risk reports**
- **Industry reports**

Underwriting Criteria

I. Buyer Assessment

Risk assessment including the group creditworthiness based on buyer credit reports

II. Policyholder Assessment

- ✓ Need and demand of the policyholder
- ✓ Shipments to the buyer & group
- ✓ Past performance, experience & business scale of the exporter
- ✓ Risk diversification capacity and the quality of the exporter's portfolio
- ✓ Loss ratio of the policyholder

Underwriting Criteria

III. Eximbank's Internal Data

- ✓ Relevant information gathered from Claims Department
- ✓ Turk Eximbank's total exposure to the particular buyer and the country in which it operates
- ✓ The performance of other exporters doing business with the buyer

IV. Country Risk Classification

- ✓ Cover terms and conditions determined by Turk Eximbank for each country
- ✓ Claim and default experience of countries

CASE I

Country: Greece

Activity: Manufacture of paper

Year: Established: 1991

Staff: 19

Report on 18.01.2010

Rating: C (Medium Risk)

Financial Status: Satisfactory

Payment Record: Prompt

Trend: Upward

Credit Appraisal: Euro 301,500



Limit Decision

Eur 150,000 / 120 Days

CASE I

Report on 29.06.2011

Rating: D

Financial Status: Satisfactory

Payment Record: Prompt

Trend: Not Defined

Credit Appraisal: Euro 301,500

Limit Decision

Lower the limit to
Eur 100,000 / 120 Days

Overdue declaration
on 15.09.2011

Total withdrawal of
the limit



CLAIM PAYMENT

CASE II

Country: Italy

Activity: Textile manufacturer

Year Established: 1982

Staff: 185

Report on 18.05.2011

Rating: 2 B+ (Vulnerable, PD: 2,64 %)

Financial Status: Not balanced but favourable

Payment Record: Average

Credit Appraisal: Euro 300,000 permissible

Limits per policyholder

€ 150,000

€ 50,000

€ 75,000

€ 75,000

Total Exposure: € 350,000

CASE II

Report on 03.02.2012

Rating: 2CCC+ (Unfavourable, PD: 13%)

Financial Status: Slightly unbalanced

Payment Record: Average

Credit Appraisal: Euro 300,000 permissible

Loss for 2010: -22.687.088 Euro



**Total withdrawal
of all limits**

CASE III

Country: England

Activity: Retailer of consumer technology electronics

Year Established: 1952

Report on 22.02.2012

Rating: 1A

Risk Category: Low Risk

Payment Behaviour: Good

Credit Appraisal: GBP 1,125,000



Limits per policyholder

\$ 2,5 mio

€ 200,000

Total Exposure: \$ 2,773,600

Total Group Exposure: \$ 3,197,505

THANK YOU

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