

# TURK EXIMBANK PRESENTATION AMAN UNION Kuala Lumpur, 21 November, 2012

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*Brief Summary of the Case*

|                  |  |
|------------------|--|
| Policyholder     | Turkish Exporter “XYZ A.Ş.”  |
| Policy period    | 01/10/2010 – 30/09/2011 (3rd Policy)   |
| Goods exported   | Clean water pipe and parts   |
| Terms of payment | O/A 90 days  |
| Buyer Limit      | USD 75,000 (O/A 180 days)  |
| Amount of PLN    | USD 81,885.61  |
| Reason for claim | Buyer’s financial position has deteriorated because of losing public acquisition |
| Invoice dates    | Between 18/12/2010 - 07/03/2011 (4 shipments)                                    |
| Due dates        | Between 17/03/2011 - 05/06/2011 (90 days after invoices)                         |
| PLN dates        | 28/04/2011 & 13/05/2011  |
| Recovery         | 56% success. The file will be closed by the Recovery Department                  |



- ▶ In business for over 19 years
- ▶ Family business
- ▶ One of the biggest water pipe manufacturer in Turkey
- ▶ Exports more than 10 years
- ▶ Turk Eximbank (TE) client for almost 6 years
- ▶ The export volume of XYZ increased almost 80% in 6 years (from USD16 million to USD 28.6 million) with the Insurance Policy
- ▶ Paid up Capital USD 11.2 million (20 million TRY)
- ▶ Generates approximately USD 60,000 annual premium
- ▶ Turnover of approx.
  - USD 76 million (2008)
  - USD 85 million (2009)
  - USD 98 million (2010)
- ▶ Sold over USD 3,2 million to Azerbaijan, USD 2,5 million to Turkmenistan and USD 1,6 million to Poland in 2011

Above you can see the reference project: Emirates Park Towers, Dubai

- ▶ Wholesaler, supplier and retailer of heating system, sanitaryware products and related accessories
- ▶ In business for over 30 years
- ▶ Family business
- ▶ Paid up Capital USD 42,000
- ▶ Turnover of approx.  
USD 1,4 million (2007),  
USD 1,75 million (2008)  
USD 7 million (2010)  
USD 6,3 million (2011)
  
- ▶ Imports mainly from Kuwait, Saudi Arabia, China, USA, Italy, Turkey, Egypt and other European countries.
  
- ▶ Exports to Iraq, Qatar and Lebanon.

## Buyer

**Size of the company:** 33 employees

**Shareholder and management structure:** family business ( father & 2 sons)

**Payment habits:** no complaints from local suppliers or banks

**References from main banks:** Arab Bank PLC

**References from main suppliers:** Linkon Batar and K-World (Lebanon), Kessel (Germany), World On (USA), IPEX (Canada), Maneef For Pipes, Korean National Industries Co. (S. Arabia)

**Financial data ( Balance Sheet & Income Statements):** Private Companies in buyer's country are not required to publish or disclose balance sheets and income statements.

*(This is a problem! )*

Hopefully some financial data is obtained from deputy managing director of the company by the information agent.

## Policyholder (PH)

**Demand of the policyholder :** 120 days / 500,000 USD

**Past performance :** Turnover USD76 million (2008)

**Credibility of the exporter :** Good (Accelerated export volume and profit figure)

**Loss ratio of the policyholder:** %7,6 (Claims Paid /Premium Collected)

## *Steps Immediately Taken By the Claims Department..*

- ✓ Quick and direct contact with the debtor; (via fax, e-mail & phone)
- ✓ Find the right contact person to speak in buyer's company (accounting/ financial director)
- ✓ Forward documents to prove the debt (overdue invoices, documents of transport, statement of account, orders, correspondence with the buyer, proof of delivery, etc.);

### *And, in the meantime...*

- ✓ Check if there was a dispute between the debtor and PH;
- ✓ Check whether the ordered goods were properly delivered.

## *Claims Department's Findings.....*

- ✓ Buyer claimed that “the goods were not according to the specifications” (but he could not prove !)
- ✓ TE pushed the debtor to pay his debt or find an amicable solution,
- ✓ Buyer asked if PH could take the goods back (It was understood that buyer has many unsold products in his warehouse)
- ✓ Claims Department persuaded the PH to take some of the goods back. (Warned them that “if they don’t do so, the case would be rejected”)
- ✓ Claims Department organized a meeting in buyer’s country between PH’s representative and buyer with the attendance of TE’s lawyer, Turkish trade councillor located in buyer’s country .
- ✓ Finally, the PH agreed to take some part of the goods back from the buyer.

*Total Loss Decreased by 56% .....*

- ✓ The total unpaid amount was approx. *USD 81,885.61*  
(Buyer Limit : USD 75, 000)
- ✓ Total claims paid is *USD 33.153,48*  
which are:
- ✓ Transportation and custom expenses of the goods from buyer's country to new  
buyer's country.  
USD 4.400
- ✓ Damaged goods during transportation from the original buyer country to new  
buyer  
USD 4.472,50
- ✓ 30% discount, made by the PH for the re-sale of the goods  
USD 24.280,98

## *Lessons Learned 1/2*

- ✓ Insurer's active involvement during pre-claim period can make a real difference.
- ✓ Direct and transparent communication with the PH is crucial important.
- ✓ It is important to manage the PH as well as the Buyer.
- ✓ Convincing both parties to maintain their professional relations is crucial to settle the case amicably.
- ✓ Secure and complex structures are not always as valuable as it is thought. Sometimes it's best to keep it simple.
- ✓ "Litigation" can be relatively effective for collecting debt, but it is essential that pre-litigation measures could be taken.

## *Lessons Learned 2/2*

Therefore it is crucial:

- To find the right contact person to speak to (accounting/financial director of both companies (PH & buyer)
- To check the position and verify the amount overdue;
- To collect all relevant documents (invoices, statement of account, document of transport, especially the proof of delivery of the goods);
- To push the debtor to pay, without threats, to reach an amicable settlement;
- To forward the case to lawyer in order to get legal advice and contact to buyer during claims process before recovery process.
- To consult Trade Counsellor (to get information about the financial developments in buyer's country and to complain officially to Chamber of Commerce).

Thus, an internal recovery activity, to settle amicably the matter, without long, expensive, intricate and with an uncertain outcome legal action, is:

- Quick;
- Efficient;
- Effective;
- Cost saving.

- Thank you for your attention...
- Any questions??