THE FORMS OF CREDITS INSURANCE AT EXPORT ENCOUNTERED IN THE INTERNATIONAL PRACTICE

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Abstract:
The credits insurance has the mission to offer protection to the economic agents against the risks specific to the export. An export contract can have as an objective the goods delivery, execution of works or carrying out services, including cession of licenses or patents in favor of some buyers or beneficiaries who reside abroad. The supplier grants to the external buyer a commercial credit, when the contracting parts agree that the requisites, works or services that make the object of the export contract are not to be paid at delivery, but after some interval of time has passed. Accepting to such modality of payment, the supplier assumes the risks of the export on credit, the treasury effects of the export operation with the payment on term. Because the export on credit blocks up the supplier's financial resources on a period of time incorporated into the delivered products on credit, this is obliged to complete them.

Key words:: *export operation, the commercial contract, forms of insurance, financing conditions, exchange value.*

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The supplier credit is granted on short periods of time. In the case of the high value export, the supplier cannot block up his financial resources on a long period of time, without jeopardizing his own financial administration. The buyer sees himself obliged to obtain the resources that he needs for the payment of the import at the supplier's delivery of products. For this purpose, he addresses to a bank on the supplier's market, soliciting it a loan that he needs and which carries the denomination of buyer credit. This is a form of the financial credit characterized through that it is related to an export operation.

At the supplier credit, the contracting parts – supplier and buyer – draw up a single document, the commercial contract, which contains all the elements relating to the delivered goods: structure, quantities, price, value, terms and payment modalities.

At the buyer credit, two different documents intervene: the commercial contract, concluded between the supplier and the external buyer and the loan contract concluded between the buyer, in one's capacity of beneficiary of the external credit and the creditor bank.

The export is realized through the mediation of the commercial credit granted by the supplier to his business partner, the external buyer, either through the medium of the buyer credit granted by the bank to the external buyer. Both forms of export credit follow the favoring of the commercial exchanges in the interest of the contracting parts and it is granted by the private operators (suppliers, banks) in the conditions near of those practiced on the market (rate of interest, duration, way of scheduling the reimbursement).

Together with these credit forms, there are others encountered having the help character granted by states through their governs or through the specialized public institutions.

The external credits from public resources are granted in more advantageous conditions than those practiced by the private operators (interests under the market level, longer durations of reimbursement, the grace periods). The credits – helps from public resources are granted on the bilateral or multilateral basis and follow the favoring of the economic development of the beneficiary country.

The credits - bilateral helps are legal, they can only be used for the payment of some goods imports and services from the donor country.

Usually, the help credits are not guaranteed by credit insurers, they remain in the task of the state.

The insurance of the export credits covers a multitude of export risks which will be grouped depending on the moment when the risk appears and its nature. Looked from the light of the moment when they appear, the risked covered through the insurance of the export credits refer to the precursory period to the signing of the contract, either to its posterior period.

Forms of insurance precursory to the conclusion at the contract at export

In order to enter with its products on a foreign market, an economic agent is obliged to prospect that market to convince itself if and in what conditions it can export on the respective market.

The prospecting of the external market requires expenses from the potential exporter, without existing the certainty that its action will have success, it will make possible the conclusion of export contracts. Even if in some countries there is the practice of sustaining by the state of one part of the prospecting expenses for the expenses that remain in the task of the economic agent, the risk of commercial failure of the prospecting action cannot be neglected. For its protection against such a risk, the potential exporter can conclude a prospecting insurance at a specialized organ in such insurances.

In the case of important objectives aiming products deliveries, execution of works or carrying out services across boarders of high values, the international competition gets sharpened forms. Some economic agents in order to situate on a more advantageous position in the competition they participate present strong offers valid for a certain period of time. The modification of the economic conditions (price, interest, currency, financing conditions) in period of the validity of the strong offer towards those taken into consideration at the elaboration of this, can drawn into for the economic agent, in the case of order adjudgement, a loss that cannot be recovered from the importer. The offeror is obliged to deposit a security in favor of the buyer which will guarantee that the offeror in the hypothesis of the transaction adjudgement will sign the external contract in the conditions foreseen in the presented offer.

There can be concluded insurances against the risks that the export remission of strong offers on long periods of validity incumbents on.

Forms of insurance posterior to the conclusion of the contract

Two categories of risks can occur after the conclusion of the export contract:

a) some in the time interval between the moment of the signing of the export contract and that of the delivery at extern of the ordered products accompanied by legal documents;
b) others in the delivery period son credit of the products and until the cashing of their exchange value.

In the period of the properly production of the goods which make the object of the contract for the exporter subsists the risk of the contract interruption from reasons that are out of its control.

Insofar as the ordered goods, the works and the services have unique character and after the termination they cannot longer be valorized by other beneficiaries, the interruption of the contract engenders losses for the exporter.

The risk of registering losses for the exporter, in this phase of the development of the contract is a manufacture risk. If the exporter has deposited a security in favor of the buyer which guarantees in case of necessity the return of the advance paid at the concluding of the contract or a quality guarantee, then the exporter loses the right over the guarantee.

In the case of the international cooperation works, (the exporter's execution of some key targets abroad or of some works with the help of the equipments, machines and materials and which follows to be distributed, after the realization of the contract), there is the risk that those material values belonging to the exporter would not be able to be brought back in the country of origin from political reasons.

During the commercial contract, the manufacture period can be extended on a longer period of time. In the conditions of inflation, rapid growth of the internal prices there would grow the manufacture costs of the requisites so that the contract to register losses instead of benefits. The risk of increase of the internal products can be protected through a guarantee of the economic risks.

For the supplier appears the risk of failure to pay at term their exchange value by the external customer, after the delivery of goods (the loss of the executed works or carrying out services) by the external partner.

The classic insurance society or a specialized insurance organism which acts from the order and for the account of the state can protect the exporter against such a risk. The guarantee of the credit risk is granted by the credit insurer, either to the exporter (in the case of the supplier credit), or to the bank (in the case of buyer credit.)

The exporter's deposited securities in favor of the buyer through which he guarantees the good quality of the contract execution or the return of the received advance from the buyer in the case of non-fulfillment of supplier's contractual obligations, can be valorized in the established conditions.

In this phase of the export contract development can also appear the currency exchange risk. Even if the external customer (the debtor) has honored in time the arrangement assumed towards the supplier in the case of the supplier credit in the case or towards the bank, in the case of the buyer credit over the export can hang over the risk of registering a loss resulted from the difference between the exchange existent at the conclusion of the contract and that put into practice at the payment of the credit. Against the exchange risk, the exporter can conclude an insurance to protect in this him in such circumstances.

The risks of the export credit have been approached through the point of view of the moment when this manifests.

Such an approach aims the nature of the respective risks, which makes the difference between the commercial risks, the political, exchange or economic risks.

The commercial risks, also named non-payment risks are related to the buyer's behavior towards his supplier. When the external buyer is a private natural or legal person, this presents the non-payment risk. There can be taken legal proceedings against him in order to oblige him to respect the arrangement assumed by contract.

There is no way of attack in justice, against the public buyer whom backs out the fulfillment of the contractual obligations which he assumes. From this cause the non-payment risk from the private buyer's part is considered a commercial risk, while the same risk coming from the private buyer's part is considered a political risk.

Political risks

The notion of political risks has a wide area coverage in which there enters: the so-called political risk and also the non-payment risk from the public buyer's part and the non-transfer risk of the currency from the supplier.

The so-called political risk is referring to war, revolution, etc and at the acts of the public authorities (nationalization, requisition, sequestration, prohibition or restriction of the import of certain products, the limitation of the exchange transfer, the prohibition of the repatriation of actives belonging to some foreign persons) which prevents the execution of the contract.

The political character has also a measure taken by a public authority from the exporting country to forbid the export of a certain contracted product and encountered in the manufacture period.

The execution of a contract can be influenced by the measures taken by a third country.

Some insurance organisms assimilate the non-payment risk of an export contract concluded with a public partner, with the political risk.

The non-transfer risk of the currency by the exporter who granted a supplier credit or by the credit bank, in the case of the buyer-credit, appears when the supplier cannot enter in the possession of the currency representing the exchange value of his export because monetary authority does not transfer the importer agent's owed sum to his supplier and for whim he had deposited the equivalent in the local money.

This refusal of currency transfer gets the character of a political risk being generated by a measure taken by a public authority, and not by his customer's payment incapacity.

Catastrophic risks

Some export credit insurers assimilates natural catastrophes produced on the territory of other country than of the political risk exporter.

In the case of a catastrophe a customary insurer covers the disappearance or damaging of the insured goods, and an export credit insurer, covers the buyer's impossibility to enter in the possession of the ordered goods or to pay them off at the date of payment.

The currency or economic risks

In these enters: the exchange currency risk, the risk of the fabrication costs increase of the product which makes the object of the export and the risk of the rate interest fluctuation.

The exchange currency risk appears when the money of the exporter's country and the money of the importer's country are not related between them through a fixed exchanged report.

This makes that, the rate of exchange at which it is made the exchange of the two currencies evolves from a period to another, causing negative or positive effects for the exporter.

In order to protect himself against the exchange currency risk, the exporter asks the payment at term like the credit bank which has granted a loan to the importer, can resort to different solutions.

a) to contract an import in his customer's money or in a different currency, so that the exchange currency risk, afferent to the payment agreement expressed in another currency than the national one to complete the exchange risk afferent to his debt.

This solution must operate with identical sums of cashing from abroad and of payment towards abroad, due on the same date and to present the same exchange risks or an appropriate one.

b) The exporter to sell his product at a rate of exchange fixed before.

The exporter avoids the risk of registering a negative influence from the fluctuation of the exchange currency, but also that of the realization of a favorable influence.

Each of these solutions presents advantages and disadvantages and sometimes presents technical difficulties of application. The exporter is addressing to an export credit insure in order to offer him the necessary protection against this risk. The exporter is subdued to the exchange currency risk not only when he sells with the payment at term expressed in a different currency then his, but also when he himself concludes contracts of subcontracting with the payment on term in the contractor's currency or in a different currency.

The export credit insurer covers the exchange currency risks which appear in both circumstances.

The risk of manufacture costs increase of the product which makes the object of the export, appears as a consequence of the inflationary phenomena which manifest on the market of the exporter's country at the products with long cycle of manufacture, this risk is strong and can make that the costs increase to be rapid so that it can exceed the margin taken in the ante calculus, and the transaction results in loss.

If the exporter from prudence reasons includes in the costs a higher margin, he can reach a level of the offer price which makes him non-competitive. If the exporter solicits the inclusion in the commercial contract of a clause of price revision, this solution might not be convenient to the importer.

In order to protect his interests, the exporter solicits to the export credits insurer an insurance against the economic risks.

The risk of the interest rate fluctuation perceived at the supplier-credit, and also at the buyer-credit. When an interest rate is fixed, it is the one that the importer will pay to the exporter on the validity period of the supplier-credit or to the credit bank on the validity period of the buyer-credit, the supplier must take into account the interest rate at which this will be able to obtain the necessary money for refinancing. If the market interest manifests the tendency of increase, it must be taken into account at the conclusion of the loan contract with fix interest. At a contract with fix interest, there exists the risk that the market interest to be superior to the fix one foreseen in the contract, disadvantaging the credit exporter or the credit bank.

In order to protect the exporters and the banks from the rate inflation risk at the credits granted by these, different solutions are applied.

In some countries, the export refinancing mechanisms with fix interest rates are administrated by the public institutions. The state bears a part from the interest which the exporter has to pay when he lends on the market in order to complete his financial resources; another solution consists of the interest establishment perceived by the banks from their external customers. The difference between the market interest (higher) and the fixed interest, cashed from the external customer, is borne by the state during the whole validity of the credit contract.

No matter the organizational forms and their legal statutes, the specialized organisms in insuring the export-import credits conclude approximately the same insurance genders, use the same types of policies, puts into practice differentiated insurances.

Next to the insurances, having identical characteristic features or very appropriate, standard, some specialized insurance organisms also put into practice other type of insurances.

Export Credit, Guarantee Department (ECGD) from Great Britain concludes insurances for the guarantees against buyers' unjustified pretensions, insurances for the investments abroad, insurances against the risk which may appear as a consequence of the exchange currency fluctuation in which the payment is made;

- COFACE from France concludes insurances for the currency risks, insurances against manufacture costs increase of the product destined for export as a consequence of the inflation, insurances for guarantees;
- NCM from Holland concludes insurances for exchange currency risks, supplementary insurances for guarantees and counter guarantees, insurances for the construction equipments;
- HERMES from Germany concludes insurances for the leasing contracts, insurances regarding the capital investments risks, insurances for guarantees, insurances for the exchange currency risks.
- Instituto nazionale delle assciurazione and sezione speciale per assicurazione del credito all esportazione from Italy conclude insurances for: the exchange currency risks, guarantees, direct investments abroad, market studies, public contracts.

No matter the organizational forms, through the activity which it develops, through the insurance forms which it concludes, through the facilities which it grants, the specialized organisms follow up the promotion of export in their countries, the increase of the exports production of their countries in the world export, entering the products of their countries on more markets. Providing the support that the economic agents need from their countries for the competitiveness increase and the safely of the export on the external markets.

The insurance of the export credit has certain limits, grants the protection deserved to the insurer in the established limits and conditions. The loss suffered by the insurer must result from a risk contained in the insurance, the indemnification deserved to the insurer is paid to this at the expiration, waiting term, the non-payment of the debt can be provoked by causes that is not connected to the customer's payment incapacity, but to the technical difficulties; a part of the risk, a few percentages remain in the insurer's task, the import-export operation must be made by respecting the exterior commerce settlements of the exporting country like those of the importing country, the insurance of the export credit does not cover the losses unfolded from a dispute existing between the supplier and the buyer or between the lender and the borrower.

The insurance of the state credit can be made only when the operation presents interest for the national economy.

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