Multi-Debtor Policy

Trade Credit Insurance from Chubb

Chubb's Multi-Debtor Trade Credit Insurance policy provides insurance protection for a broad spread of your accounts receivable with eligible debtors.

How the policy works

Our Multi-Debtor policy insures losses arising from nonpayment of trade obligations owed to you (the policyholder) by eligible debtors. Losses are insured up to a specific credit limit approved under the policy for eligible debtors and also are subject to any applicable exclusions (such as trade disputes and a nonqualifying loss amount), co-insurance and a deductible. Insurance coverage is available for domestic and/or export sales and typically will apply to the entire customer base to which you extend credit.

Chubb's Multi-Debtor policy is written for a period of one year for a policy with non-cancelable limits or up to two years for a policy with cancelable limits.

Policy limits

The Multi-Debtor policy has three limits of liability:

- The *Policy Limit* is the maximum amount of Chubb's liability under a policy, regardless of the number and amount of losses.
- The *Country Limit* is the maximum amount of Chubb's liability for that country under a policy, regardless of the number and amount of losses in that country.
- The credit limit for each debtor is established under the policy by use of either a Discretionary Credit Limit (DCL) or a Named Credit Limit (NCL):
  - A *Discretionary Credit Limit* is managed by the policyholder. The amount of the DCL is determined by Chubb's preestablished credit criteria, the credit control procedures of the policyholder, the credit management experience of the policyholder, the level of the policy deductible and the nature of the policyholder's business. The terms and conditions of the DCL are set forth in an endorsement to the policy.

Once a DCL is established, the policyholder must adhere to the credit information requirements of the DCL endorsement.

– A *Named Credit Limit* is used for those situations in which the level of credit insurance desired for a particular debtor exceeds the DCL. The policyholder to requests this increased insurance by submitting an NCL application along with supporting credit and financial information on the debtor. Upon review of this material, Chubb issues an NCL endorsement based upon the creditworthiness of the debtor. The NCL is established for a specified period of time and must be renewed upon expiration.

Each credit limit (DCL or NCL) will specify the maximum payment term authorized for sales to the debtor. Generally, credit terms will reflect the terms granted by the policyholder to the debtor provided the terms are within the industry norm subject to a maximum — payment terms of up to 180 days are available for sales of noncapital equipment, and terms of up to 360 days are available for sales of capital equipment.

Non-cancelable limits and cancelable limits available

A Multi-Debtor Policy may be written with either non-cancelable credit limits or cancelable credit limits.

Non-cancelable limits

A non-cancelable feature may be important to companies that use credit insurance for financing purposes or those firms that are able to accurately forecast estimated annual sales and prefer the notion of such a feature. Transactions made to debtors that are more than 90 days past due or where the policyholder has knowledge of an imminent circumstance that could reasonably be expected to result in a loss are excluded.

Premium payments under the non-cancelable limits policy are calculated based upon sales to the eligible debtors, as follows:

- The estimated annual premium is determined by applying the policy premium rate to estimated annual sales and billing the policyholder at the inception of the policy for 70% of that estimated annual premium. This up-front premium will be considered a minimum premium. The minimum premium is never less than $25,000.

The policyholder will report insured sales by country, generally on a quarterly basis, and, based on these reports, a year-end premium adjustment is calculated for any additional premium that may be due.

Under certain conditions, the policyholder may be eligible for a premium credit in the event that there are no claims.

Cancelable limits

Companies that prefer not to pay a large portion of their estimated annual premium in advance may elect to have their policy issued under a “report-and-pay” format. Under this type of policy, credit limits are established for a specified time period, but the limits may be withdrawn or amended if Chubb determines that there has been a significant and serious change in the credit risk. Transactions made to debtors that are more than 90 days past due or where the policyholder has knowledge of an imminent circumstance that could reasonably be expected to result in a loss are excluded.

Premium payments under the cancelable limits policy are calculated based upon sales to the eligible debtors.

- Policyholders report insured sales by country, generally on a monthly basis (in arrears) to Chubb, and pay the calculated premium with each report either by drawing from the deposit premium or sending a premium check with the report. The minimum *annual* premium is $25,000.

Under certain conditions, the policyholder may be eligible for a premium credit in the event that there are no claims.

Deductibles and nonqualifying loss amount

Each policy has an annual deductible which is based upon the amount of the Discretionary Credit Limit granted, the trading experience of the policyholder, the risks inherent within the policyholder’s industry and the estimated premium. The deductible will be applied against all eligible losses in the annual period before the co-insurance is applied.

A nonqualifying loss (NQL) amount may be established on Multi-Debtor policies. The NQL represents the minimum threshold amount that must be exceeded for a loss to be eligible for claim filing.

Co-insurance

Each policy is subject to a standard 5% co-insurance, although additional co-insurance may apply to higher-risk debtors or may be negotiated for a reduced premium.

Claims

Claims may be filed upon expiration of a standard 90-day waiting period and up to eight months after the due date of the debtor’s obligation. Chubb will indemnify you for verified losses within 30 days.

For more information

To learn more about Chubb’s Multi-Debtor Trade Credit Insurance policy, contact your agent or broker.

Chubb Group of Insurance Companies
Warren, New Jersey 07059
www.chubb.com

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