

BUNKERSEACURE

Frequently Asked Questions



Securus (n) "one who promises to answer for the debt or default of another"

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Who are Seacurus?

Seacurus are a specialist independent marine and marine credit insurance broker specializing in trade credit insurance for the marine industry and regulated by the UK Financial Services Authority. BunkerSEACURE has also been made available through Bunkerworld as a recognized credit insurance and risk management tool for suppliers of marine fuel.

What is BunkerSEACURE?

BunkerSEACURE is the name given to our specialised marine fuel supplier's credit insurance which provides balance sheet protection against the risk of non-payment for the supply of marine fuels to your customers on agreed credit terms.

Why should marine fuel suppliers buy credit insurance?

- **Protection of Current Assets / Risk Transfer** - debtors frequently represent between 40% and 70% of current assets in a company's accounts. Credit insurance can minimize bad debt losses arising from a customer's insolvency or protracted default by protecting against the risk of non-payment.
- **Sales Support** - the provision of cover within pre-agreed policy limits on individual customers enables increased sales to be developed with confidence, particularly in the face of rising marine fuel prices.
- **Information**- an additional perspective on customers' creditworthiness can be assessed from Underwriter's reactions to credit limit enquiries or reduction/cancellations of previously agreed limits, thereby helping to avoid/minimize losses.
- **Credit Risk Management** - policies can impose certain credit control disciplines which often enhance existing systems and procedures. With proprietary databases on millions of companies worldwide, Insurers can provide country, industry and company specific information otherwise unavailable to the Insured. Similarly Bunkerworld's own credit reporting agency "Ocean Intelligence" are often employed by underwriters to provide industry specific credit reporting on buyers of marine fuels.
- **Debt Collection** - the cost of legal action and other collection activities are often included in the coverage.
- **Facilitating Finance** - credit insurance policies can be of assistance in obtaining or increasing a working capital facility with banks.
- **Payment of Claims** - settlements are usually made within 30 days of receipt of confirmation of the debt following appointment of Receivers or Liquidators.
- **Quantification of Bad Debt Reserves** - if cover is bought on a whole turnover basis it enables the company to quantify its bad debt provisions with a greater degree of accuracy and potentially reduce them significantly.

What does BunkerSEACURE cover?

BunkerSEACURE provides cover in the event of **Insolvency** of an insured customer or **Protracted Default** in respect of marine fuels supplied and accepted. Protracted default (slow payment) is usually defined as occurring between 90 and 180 days after the contractual due date for payment.

What does BunkerSEACURE cost?

Credit insurance premium rates are assessed on the volume of business to be insured, previous loss history and the quality of the insured customer(s).

Rates vary widely according to the above criteria, but generally range between 0.03% on insurable turnover for propositions involving substantial turnover/sales and a spread of business, to between 1% and 2% on insurable turnover

for a 'specific account' enquiry. Rates can be refined where the Insured is prepared to carry a significant aggregate excess or first loss deductible. If protection is bought on a Catastrophe basis, premium is fixed for the period and turnover does not become a function of the rate. Alternatively, the rate may be applied to the average end of month receivables. By incentivising the Insured to collect monies more quickly, the premium spend can be reduced.

Premium is normally required to be paid in full at inception or by monthly or quarterly payments in advance during the policy period, with final adjustment at expiry.

Seacurus with a selection of expert Underwriters, all of whom are willing to provide prospective clients with non-binding pricing indications on submission of a completed BunkerSEACURE proposal form.

Do all sales have to be covered?

You can cover an entire accounts receivable portfolio, a group of key customers or sales to a single customer. Seacurus can design your BunkerSEACURE policy to meet your company's needs. Typical policy terms can be provided on the basis of one or more of the following structures:

- **Whole Turnover:**

Cover is purchased on a substantial proportion of a company's overall turnover. This provides a spread of risk and a more balanced portfolio of receivables, enabling the Underwriter to avoid adverse selection by insuring only the poorer risks. Cover can be written on a 'ground-up' basis or with an aggregate first loss deductible. Indemnification provided will be between 85%-90% with 10%-15% be retained by the insured.

- **Catastrophe:**

Under this structure, the Insured retains a substantial deductible and the Underwriter insures an excess layer of bad debt. This type of cover is more suitable for large companies who are able to absorb a large loss but require balance sheet protection. The Indemnity provided is usually set at 100% in excess of the deductible.

- **Key Account/Single Risk:**

Cover can be arranged for a single customer or for a selected number of customers even if they account for a substantial proportion of total sales.

Such policies can be negotiated on a ground-up basis or excess of loss.

Can sales to clients in All Countries be covered?

Coverage is generally available on a worldwide basis; a few countries may not be insurable due to the current political or economic climate, or due to legal restrictions on trade with that country.

What losses/perils are covered?

Protection can be purchased to cover a high percentage of all losses or only losses that exceed the aggregate deductible. The deductible can protect against losses above normal bad debt levels or against catastrophic losses only.

Are any losses excluded?

BunkerSEACURE policies do not cover losses arising from disputes between the Insured and the buyer. Disputes must be resolved before the policy will pay. Other exclusions include, losses caused by war between the five major powers and losses caused by nuclear or radiation events.

What sales are not covered?

Typically government sales, inter-company sales, cash sales and letters of credit are not insured. Sales tax is usually excluded.

When does the policy pay out?

It depends on the particular policy wording or cause of loss, but generally 30 days from insolvency or between 90 to 180 days from due date in the event of Protracted Default.

Are collections included?

Often these are included in the coverage. Legal costs of recovery are often shared in proportion to the risk.

Does the policy support lending?

The policy proceeds can be assigned by inclusion of the lender as loss payee. Structuring the policy in this way can result in reduced financing costs and increased borrowing.

Who are the underwriters?

Seacurus enjoy a good relationship with the world's leading credit insurers. By allowing BunkerSEACURE to remain an 'open market' placement we ensure our clients obtain the optimum structure for their particular book of business, at the best possible terms.

For more detailed information and/or to request a quote please contact:

United Kingdom

Seacurus Limited
Tel: +44 (0)191 469 0859
Fax: +44 (0)191 469 7940
Email: enquiries@seacurus.com
www.seacurus.com

Vancouver

Tel: +1 604 692 2552

Singapore

Tel: +65 6324 0920



www.bunkerworld.com/bunkerseacure