TRADE CREDIT INSURANCE POLICY
PROSPECTUS

The advent of globalization and liberalization has paved way for growth of trade. The resulting sales of goods and services are exposed to a significant number of risks, many of which are not within the control of the supplier. The highest of these risks and one that can have a catastrophic impact on the viability of a supplier, is the failure of a buyer to pay for the goods or services it has purchased. Over the years it has been observed that default rates vary by industry and country from year-to-year, and no industry or company is immune from trade credit risk. This brings to focus the importance of Credit Insurance as a risk mitigation tool to protect P&L & balance sheet against the effects of bad debts.

WHAT IS TRADE CREDIT INSURANCE?

Trade credit insurance also known as credit insurance is a risk management tool that covers the payment risk resulting from the delivery of goods or services. Under this policy credit insurer usually covers a portfolio of buyers and pays an agreed percentage of an invoice or receivable that remains unpaid as a result of insolvency, bankruptcy or protracted default. For e.g. A Indian toy manufacturer sells toys on credit to international clients. It seeks protection against payment delays and non-payment by its buyers. A “Whole turnover” trade credit insurance policy, which covers all of the toy manufacturer’s buyers, the “good, the bad and the ugly”, is the solution. In exchange for a premium, which is based on the annual turnover and credit risk of its buyers, the toy manufacturer receives protection up to an agreed percentage of any losses incurred against late payment or the failure to pay by its buyers.

WHY TO HAVE TRADE CREDIT INSURANCE?

HDFC ERGO Credit insurance policy will typically cover up to 85% of a contract value, substantially reducing a company’s exposure and enabling them to trade with confidence. This policy will act as a safety net, protecting businesses from defaulting customers and the bad debts which would otherwise arise when a customer is unable to pay. We also play a proactive role in helping our customers to trade more securely and help businesses to make good risk decisions about who to trade with.

WHAT IS COVERED?

The policy has been design to cover insured against the commercial risks of their buyer’s default. Under this policy we will cover the portfolio of buyers and pay an agreed percentage of an invoice or receivable that remains unpaid as a result of covered causes of loss. The causes of loss covered under this policy are:

- **Insolvency** - protect your business against the risk of non-payment if a buyer becomes insolvent.

HDFC ERGO General Insurance Company Limited. (Formerly HDFC General Insurance Limited from Sept 14, 2016 and L&T General Insurance Company Limited upto Sept 13, 2016). CIN: U66030MH2007PLC177117.Registered & Corporate Office: 1st Floor, HDFC House, 165 - 166 BackbayReclamation,H. T. Parekh Marg, Churchgate, Mumbai – 400 020.Customer Service Address: D-301, 3rd Floor, Eastern Business District (Magnet Mall), LBS Marg, Bhandup (West). MUMBAI – 400078.Tel.: +91 22 6638 3600 | Fax: 91 22 6638 3699 | care@hdfcergo.com | www.hdfcergo.com.IRDAI Reg No. 146.

- **Protracted Default –** when buyer fails to pay the receivable within a pre-defined period calculated from the due date of payment of the receivable.

WHAT IS NOT COVERED?

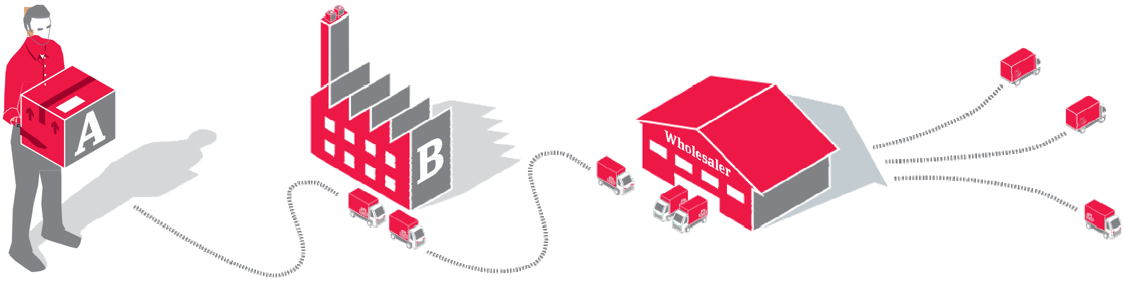
- Radioactive Contamination
- Disputes with the buyer resulting withholding of partial or full payment.
- Cost incurred in resolving disputes between the insured and the buyer
- Any penalties or damages buyer entitled to pay.
- Any interest accruing after the original due date of payment.
- Banking cost, unless contractually agreed to be part of the amount owing from the buyer
- Buyers under direct or indirect control.
- Sales contract made with the private individuals.
- Amount owed by State or governmental department, institution or organization which cannot be declared insolvent.

WHAT ARE THE BENEFITS OF TRADE CREDIT INSURANCE?

- Protects the company's P&L and Balance Sheet against bad debt
- Potentially reduce and quantify bad debt provisions
- Better borrowing and financing options
- Increase profitability
- Grow sales with confidence
- Prevent losses before they occur
- Maintain cash flow, profitability and protect budgets and business plans
- Information, screening of clients.
- Improve credit decisions
- Protects investors and stakeholders

HOW A CREDIT INSURANCE POLICY WORK?

Protecting businesses against non-payment for goods and services they have provided



With packaging supplied by company A, manufacturer B provides dinnerware to a wholesaler

Manufacturer B offers the wholesaler 30 days payment terms

The wholesaler has been a good customer, but as the recession bites, its own customers have been hit as retail sales slump.

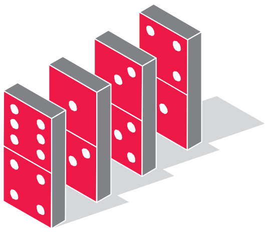
Several of its retail customers have closed and uninsured, the wholesaler starts to suffer from increasing bad debts and now has cash flow problems of its own.

With real time risk assessment, HDFC ERGO is aware of the wholesaler's growing problems. They become uninsurable and, as a last resort, HDFC ERGO alerts manufacturer B that cover is to be withdrawn.

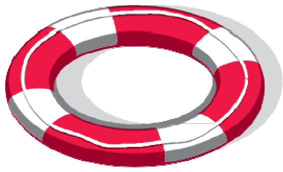
The wholesaler goes bust, leaving creditors with little chance of being paid anything.

Manufacturer B claims on its Credit Insurance policy with HDFC ERGO for business carried out with the wholesaler up until cover was withdrawn. HDFC ERGO pays the claim, covering up to 85% of the outstanding debt and enabling the manufacturer to meet its own commitments to company A.

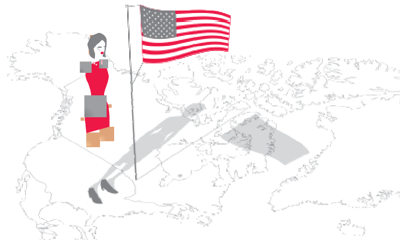
HDFC ERGO General Insurance Company Limited. (Formerly HDFC General Insurance Limited from Sept 14, 2016 and L&T General Insurance Company Limited upto Sept 13, 2016). CIN: U66030MH2007PLC177117.Registered & Corporate Office: 1st Floor, HDFC House, 165 - 166 BackbayReclamation,H. T. Parekh Marg, Churchgate, Mumbai – 400 020.Customer Service Address: D-301, 3rd Floor, Eastern Business District (Magnet Mall), LBS Marg, Bhandup (West). MUMBAI – 400078.Tel.: +91 22 6638 3600 | Fax: 91 22 6638 3699 | care@hdfcergo.com | www.hdfcergo.com.IRDAI Reg No. 146.



By acting in manufacturer B's best interests HDFC ERGO helps to prevent a 'domino effect' of bad debt which would have hit the manufacturer's own suppliers and in turn their suppliers.



By withdrawing cover, HDFC ERGO helps to stabilize the flow of trade, guiding manufacturer B away from unacceptable risk and helping them to trade safely. HDFC ERGO approaches the wholesaler to recover the money they owe manufacturer B.



HDFC ERGO agrees to cover a new customer that the manufacturer has found in America using its information database to access the new customer's credit - worthiness.

YOU CAN REQUEST A QUOTE TODAY

For more information about our new Trade Credit Insurance Policy and the full range of HDFC ERGO Insurance products contact your local broker or HDFC ERGO representative.

ANTI REBATING WARNING

Section 41 of the Insurance Act 1938

(i) No person shall allow or offer to allow, either directly or Indirectly as an Inducement to any person to take out or renew or continue an insurance In respect of any kind of risk relating to lives or property in India, any rebate of the whole or part of the commission payable or any rebate of the premium shown on the policy, nor shall any person taking out or renewing or continuing a policy accept rebate except such rebate as may be allowed In accordance with the published prospectus or tables of the insurer.

(ii) Any person making default in complying with the provisions of this Section shall be punishable with fine which may extend to Ten Lakhs rupees.

Insurance is the subject matter of solicitation.

For more details on risk factors, terms and conditions, please read the sales brochure before concluding a sale.

HDFC ERGO General Insurance Company Limited. (Formerly HDFC General Insurance Limited from Sept 14, 2016 and L&T General Insurance Company Limited upto Sept 13, 2016). CIN: U66030MH2007PLC177117.Registered & Corporate Office: 1st Floor, HDFC House, 165 - 166 BackbayReclamation,H. T. Parekh Marg, Churchgate, Mumbai – 400 020.Customer Service Address: D-301, 3rd Floor, Eastern Business District (Magnet Mall), LBS Marg, Bhandup (West). MUMBAI – 400078.Tel.: +91 22 6638 3600 | Fax: 91 22 6638 3699 | care@hdfcergo.com | www.hdfcergo.com.IRDAI Reg No. 146.