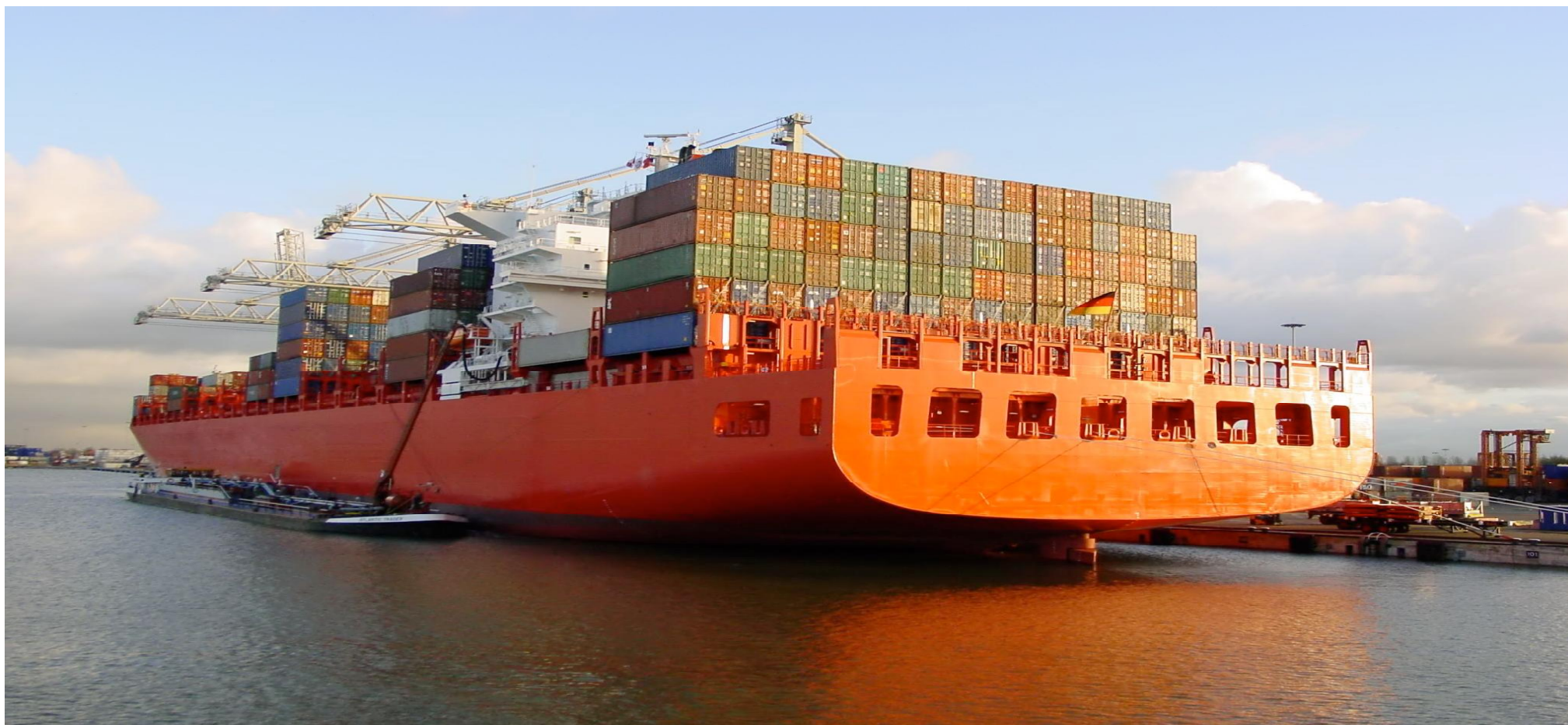


Trade Credit Insurance: An effective risk management tool for marine fuel suppliers



Presentation made at the Bunkerworld Forum Conference

‘Squeezing the Bunker Barrel’

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SEACURUS 

Market Overview



- Market continues to witness steady increase in fuel prices
- World tonnage estimated to double by 2010
- Hedging does not protect against risk of non-payment by the buyer
- Slim margins in the bunkering business
- Delinquent debt can seriously impact a company's profitability

Credit Insurance

- Credit insurance is an important risk management tool providing effective balance sheet protection
- Credit insurance minimises the impact of bad debts on a company's profitability
- Cover can be provided on a whole turnover basis or excess of a self-insured retention
- In the absence of financial information insurers will rely on credit reporting agencies such as Ocean Intelligence

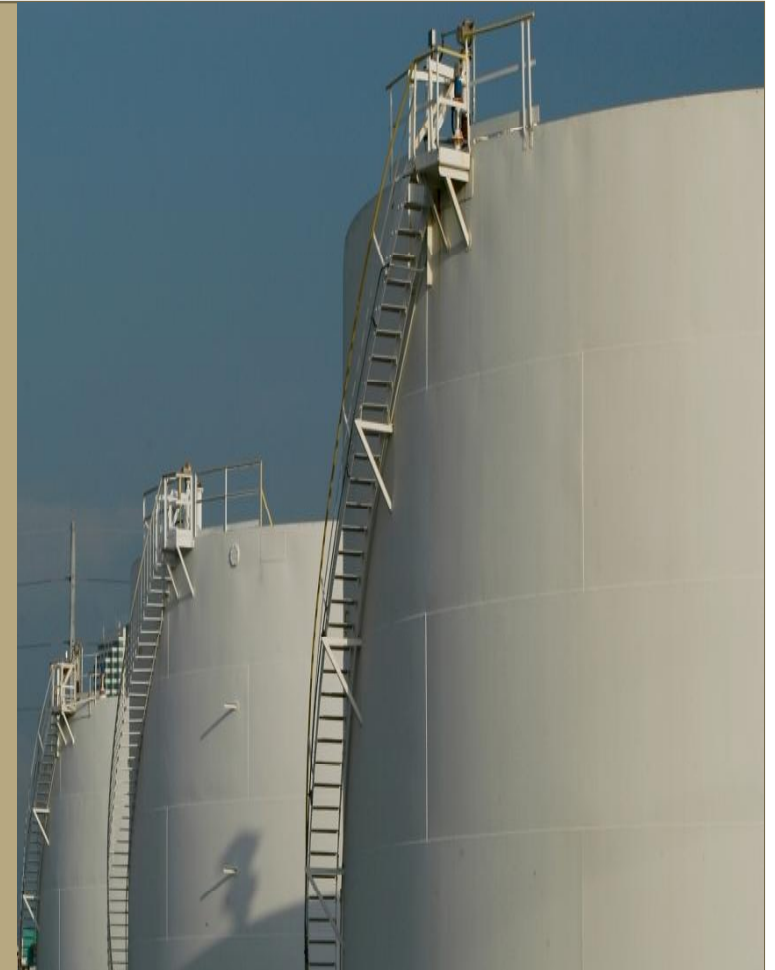


Structuring the cover to suit

- Traditionally the scope of cover provided to the market has been ground-up and has insured the company's debtor ledger in its entirety, however....
- Insurance can be structured to cover a layer of bad debt between small incidental losses and the high end large corporate exposures
- The insurer will typically only set limits on the principal debtors
- Most of the supplier's customers would be covered on a 'discretionary limit' facility
- The insured maintains autonomy for deciding on the most appropriate credit limit for certain customers.

What does it cost?

- Pricing depends upon structure of cover and the insured's appetite for risk share
- Smaller companies (annual revenues <\$150m) may want ground-up cover and rely upon insurer for monitoring
- Deductibles can be as low as \$5k or \$10k or a 10% retention across the board
- Rates will range between 0.15% and 0.25% as a percentage of total sales
- Discretionary Limit may only be \$50,000 so that the insurer is primarily responsible for limit vetting



Reducing the premium spend

- Premium spend can be reduced significantly by assuming a meaningful deductible
- Non-Qualifying Loss limit of \$25,000
- Aggregate First Loss Retention of \$225,000
- Overall policy limit of \$5,000,000
- Discretionary Limit may be \$750,000 so that the insured is mainly responsible for limit vetting
- Premium \$70,000 (flat fee)
-a 70% reduction in premium spend compared with the previous whole turnover example cover.



Minimising cost for the large supplier

- Companies may look to buy protection against the worst case scenario i.e. catastrophe protection against severe price hikes that trigger defaults
- Annual revenue \$2,000,000,000 (\$2bn)
- First loss deductible \$20,000,000
- 50% indemnity of losses above the deductible
- Annual premium spend of \$300,000 or 0.00015% of annual turnover
- By retaining a proportion of the exposure the insured can realise a significant reduction in the premium spend.

Why buy cover?

- Debtors frequently represent between 40% and 70% of current assets in a company's accounts; credit insurance minimises bad debt losses
- Increased sales can be developed with pre-agreed policy limits
- Insurers can provide country, industry and company specific information otherwise unavailable to the insured
- Associated cost of legal action and other collection activities are included in the coverage
- Bank can be included as loss payee in the policy to facilitate increased working capital facilities

Why buy cover?

High cost of bunkers

+

Doubling of world tonnage by 2010

= increased probability of
protracted default or insolvency of
operators



Who are Seacurus?

Seacurus is a specialist marine and marine credit insurance broker.

Further details of the services we offer can be found at

www.bunkerworld.com/bunkerseacure





Thank you.
Please also visit www.seacurus.com
for details of our range of specialist insurance products

