

Hong Kong Export Credit
Insurance Corporation
香港出口信用保險局



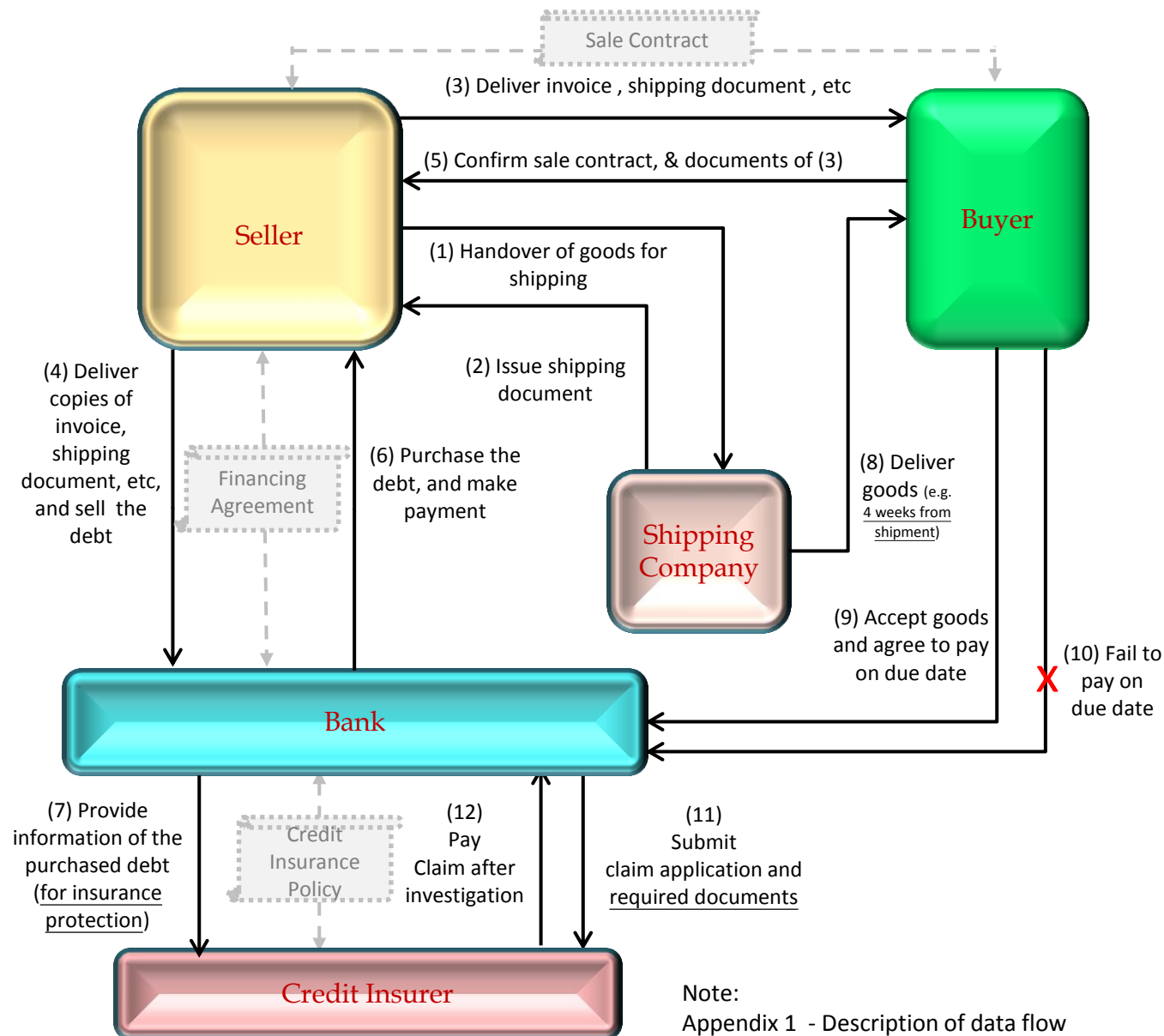
Hong Kong Export Credit
Insurance Corporation
香港出口信用保險局

Problem Statement & Description of Transaction and Data Flow

by

[HKECIC](#)

Description of Transaction Flow (Insured Transaction)



Problem Statement

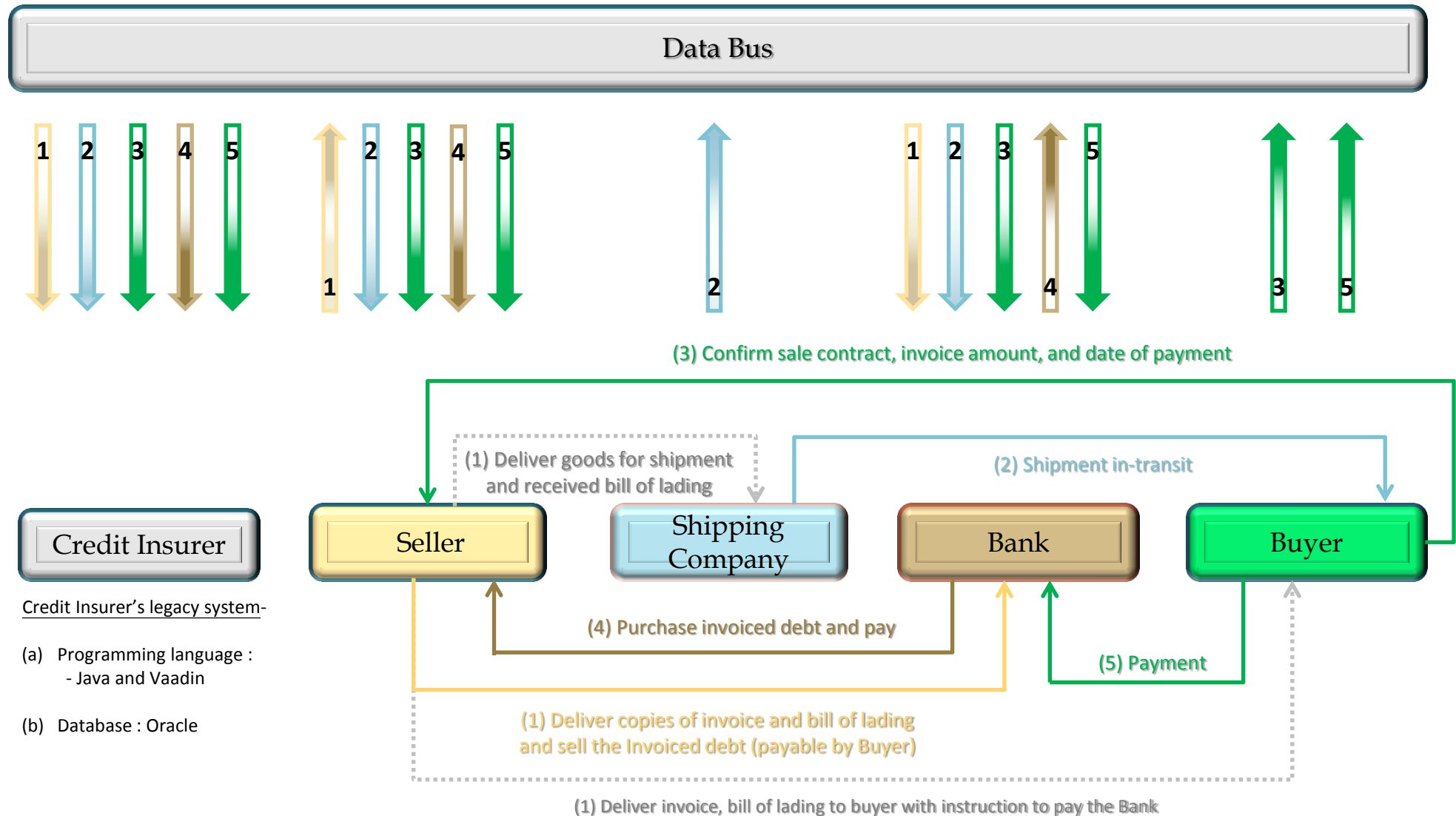
(a) The current situation

- The credit insurer has all the established processes handled manually with data and documents submission not on real-time basis;
- at the time of claims, additional resources may be required for the authorised third-parties to handle cascading problems causing late submission of data and documents to the credit insurer for examination and processing.

(b) The vision

- The credit insurer is looking for an escalation service that allows submission from authorised third-parties.
- Each submission follows a set of rules based on the types of escalation, which include receipt, processing and dissemination of data and documents preferably on real-time basis.

Appendix 1 - Description of Data Flow



Credit Insurer's legacy system-

(a) Programming language :
- Java and Vaadin

(b) Database : Oracle

Examples of data:

- 1 — Buyer name, contract no., goods, shipment date, shipping document no., places of export and import, invoice no., invoice amount, invoice payment terms, invoice payment due date.
- 2 — Seller name, buyer name, goods, shipment date, shipping document no., place of export, place of import.
- 3 — Seller name, sale contract no., goods, invoice no., invoice amount, invoice payment terms, invoice payment due date.
- 4 — Seller name, buyer name, sale contract no., goods, shipment date, places of export and imports, invoice amount, invoice payment terms, financed amount.
- 5 — Seller name, sale contract no., goods, invoice no., invoice amount, payment date to settle invoice, payment amount to settle invoice.

Appendix 2 - Description of Transaction Flow and Problem Identified

Step	Description of Transaction Flow
(1)	Seller delivers goods to Shipping Company for transportation to Buyer, per Sale Contract
(2)	On receipt of goods, Shipping Company issues shipping document (e.g. a bill of lading, holder of which will surrender it to Shipping Company and take goods).
(3)	Seller delivers invoice, shipping document, etc to Buyer for payment per instruction stated in the invoice.
(4)	Buyer confirm contract and documents of Step (3)
(5)	Seller delivers copies of invoice, shipping documents, etc to Bank, and sell the debt (due from Buyer for goods sold) to Bank per the Financing Agreement.
(6)	Bank purchases the debt, as per the Financing Agreement.
(7)	Bank informs Credit Insurer the information of the purchased debt (e.g. invoice amount, types of goods, date of shipment, and terms of payment that buyer has to pay for the goods, etc), <u>which will then become an insured debt for which Bank will pay premium for insurance protection.</u>
(8)	When the ship arrives at the destination (i.e. the port that is stipulated in the Sale Contract), Shipping Company will deliver the goods to Buyer upon the surrender of the transportation document (i.e. bill of lading) by Buyer to Shipping Company.
(9)	Buyer accepts goods and agrees to pay on payment due date.
(10)	On payment due date, Buyer has to pay to Bank at the bank account designated in the invoice. If Buyer fails to pay, the Buyer dishonor his payment obligation under the Sale Contract.
(11)	Bank may then submit claim application along with the required documents of the transaction to Credit Insurer to support the claim for indemnity.
(12)	Credit Insurer will examine claim application and document. If the claim is genuine, Credit Insurer will indemnify Bank for his purchase of the insured debt.
Description of Problem Identified	

(a) Objective :

To smooth up the claim process of the Credit Insurer.

(b) Description of the pain point – availability of required documents for claim examination during the claim process :

- (i) As described in Step (9), the Bank is required to submit claim application along with the required documents of the sale transaction.
- (ii) The required documents of the sale transaction generally include sale contract, invoice, bill of lading, export declaration form, bank advice (notification) of payment default of the Buyer.
- (iii) By experience, it is not uncommon that the required documents submitted by the claimant to Credit Insurer are incomplete or wrong at the time of his claim application. And in some cases it takes several months or more for the claimant to collect and / or recover the required documents for submission to Credit Insurer for claim examination. One of the causes of these is the time lag (of 8 - 9 months) between shipment of the goods / issue of invoice and occurrence of the payment default of the Buyer; that upsets the time of the whole claim process.

(c) Vision :

If the required documents / information are immediately recorded and accessible to the relevant business partners on real-time and needed-to-know basis, all business partners (in particular the Seller, Bank, and Credit Insurer) will be benefited due to (a) transparency of the current status of the insured debt, (ii) reducing risks of trade fraud, (iii) smoothing up Credit Insurer's claims examination process and thus enabling quick claim payment to the claimant.

Fintech Week 2019 - WHub Fintech Hackathon Event

Thank you

