



Global Limits Manager

Frequently Asked Questions

Q1. How do I access Global Limits Manager?

Global Limits Manager is a web based service which can be accessed using Internet Explorer 5.5 or higher via the website www.aig.com. Once the usual formalities are complete and the ledger has been loaded we will issue you with secure access to the Global Limits Manager website. It's designed to be as simple as possible.

Q2. How do I load accounts into Global Limits Manager?

Loading accounts into Global Limits Manager has been designed to be as simple as possible and all you really have to do is to provide us with an electronic extract of your customers, all open and closed invoices and all receipts and credit notes from your accounting or accounts receivables package – we do the rest. The most efficient and simple means of doing this is to allow us to install a "data extractor" which securely sends the required details we need to set up the service as quickly as possible.

Once we have your electronic file of customer details, the first thing we do is to validate it against a third party credit agency database (currently D&B, but hopefully to also include Experian in due course) and to link your customer records to recognised legal entities. In the process of doing this, we 'anonymise' customer files for security purposes and to protect the identity of our Global Limits Manager clients. Once we receive the validated customer file back from the third party credit agency we load all your customer records into Limit Manager and we provide you with security passwords for you to access Global Limits Manager. This access will initially enable you to manually validate the customer records we couldn't be sure to identify correctly. If the "data extractor" is used the whole set-up process should take less than 10 working days to complete.

Q3. Does Global Limits Manager depend on identification data from an information source?

The starting point for creating Global Limits Manager is the customer ledger or an association of ledgers. In order to correctly identify each customer in the ledger and their potential legal association with other customers it is necessary to precisely identify each customer. This is achieved by matching the customer details against a third party credit agency database and appending identification data to each customer record that matches. We currently work with D&B, however in the future you will have the option of matching against alternative data sources.

Q4. What happens prior to Global Limits Manager being loaded for the first time?

In order to set up Global Limits Manager to operate most effectively, the rules of your credit procedures must be reflected in the structure of Global Limits Manager. This means identifying the parameters within which you:

- Wish to set credit limits based purely on your customer trading experience only;

- Wish to set credit limits based on a combination of trading experience and status agency data;
- Need to apply to AIG for an insurer issued credit limit.

You may wish to consider overlapping the parameters of the first and second points above to ensure optimum coverage.

Q5. What happens when Global Limits Manager is loaded for the first time?

Any company records which have not been uniquely identified are presented as "unlinked" accounts through the "Account Linking" menu. You can then manually compare your unlinked customer records against a third party database and link as many more as you can. Often the inability to link initially is due to a slight error in the name or address or the presence of too many near matches for anyone other than you to be sure of linking correctly. Any newly matched records are added to the Global Limits Manager database as part of the weekly processing cycle. You will be able to download a full list of all the unlinked customer records while you are using the Account Linking function.

Using your credit policy settings as mentioned above (in 4) Global Limits Manager attempts to automatically justify as many limits as possible in line with your credit policy using the most efficient and cost effective method i.e. using your own trading experiences initially and thereafter importing external credit agency data if required. Since you are in control of these parameters you can decide not only which is the best structure from a risk perspective but balance this against the commercial implications of purchasing credit agency data as well.

Q6. How often do I have to load ledger data into Global Limits Manager?

Within the requirements of your credit insurance policy you can upload your ledger data as often as you wish, but we recommend a minimum of weekly in order to optimise the effectiveness of the trading experience scores and highest cleared balance credit limits. Note, our data extractor normally uploads ledger changes on a daily basis.

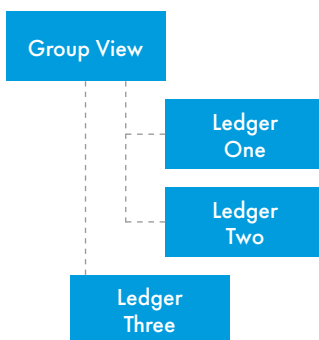
Q7. What are trading experience scores?

Global Limits Manager trading experience scores use your ledger data to measure your trading experience with each of your customers. Global Limits Manager trading experience scores range from 1-10 and are calculated using sophisticated, statistically calibrated scorecards. Global Limits Manager trading experience scores enable you to automate the analysis of your customer trading experiences and to use this highly indicative measure for customer analysis and credit limit setting.

Q8. Is it possible to view more than one ledger through Global Limits Manager?

One of the unique features of Global Limits Manager is the ability to upload many ledgers, or identifiable sub-divisions within a ledger, and create ledger hierarchies. In this way a Group Financial Director, for example, is able to view the aggregated exposure across multiple subsidiaries.

The simple example below shows how Ledgers One and Two aggregate – perhaps representing a single product line or intermediate group, with Ledger Three representing another country, product line or subsidiary. They may have common customers or customers related through parentage which will only become apparent at the “Group View” level.



Why is this important? Clearly it is a basic credit or risk management function to understand where concentrations of exposure exist. This knowledge will enable process based decisions to be made concerning account status, cash collections activity, financial management, sales opportunities, compliance (e.g. Sarbanes Oxley) and also Basle 2 if the business is subject to such governance. Your credit insurance policy will need you to be aware of buyers under common control and the management of group exposure is therefore a fundamental requirement, so the transparency delivered by Global Limits Manager is critical.

Q9. How does Global Limits Manager calculate credit limits?

Global Limits Manager calculates credit limits according to the credit policy you set up within the Global Limits Manager service. Basically, you can set customer credit limits based on (i) trading experience only, (ii) on a combination of status agency data plus trading experience scores, or where required, (iii) on AIG insured limits.

In fact AIG Global Limits Manager offers considerable flexibility in the calculation of credit limits so that your credit policy can be adapted to suit your business needs.

These are the types of limits you can consider:-

- A predefined limit requirement, perhaps for a specific project or with specific security arrangements, whereby you can include the value of the limit in the initial customer file that is uploaded. If you do this it will be this limit that Global Limits Manager attempts to justify.
- A limit based purely on your trading experience of the last twelve months using the “highest cleared balance, paid within terms plus MEP formula” as the basis.
- A limit based on credit agency data, although not necessarily their credit recommendation.
- A limit which assesses the trading experience based limit and the credit agency limit then selects the higher value of the two outcomes.
- A limit set by you in which you manually override the Limit Manager credit limit calculations.
- An insured limit provided by AIG.

Q10. Do I have to use credit agency data to justify my credit limits?

No, one of the benefits of using Global Limits Manager is that, subject to policy terms & conditions, if you wish to manage all your credit limits based on your own trading experiences – possibly with manual intervention for the trickier ones using the manual override facility – then you can do so. In this situation the only areas where Global Limits Manager uses credit agency data would be to provide that key area of initial customer validation.

Q11. Apart from the UK, which countries can be supported by Global Limits Manager?

From the licensing perspective Global Limits Manager is currently only available to licensees in the UK, although this is under review.

However, Global Limits Manager is able to:

- work with ledgers from any country if they are licensed through a UK registered counterparty.
- calculate trading experience scores and set credit limits on any customer regardless of domicile provided the basic data is available in the ledger,
- append third party credit agency derived risk data in most of Western Europe, the Nordic region, USA and Canada.
- Create corporate aggregations globally and report on exposures through this facility
- handle many currencies (although only one currency per ledger)

and, because access is via the internet, Global Limits Manager can be used from anywhere with connectivity to the web. So, if the CFO happens to be in the departure lounge at JFK and needs to urgently prepare exposure data for the Board meeting immediately on arrival at his destination he can probably do so!

Q12. Can Global Limits Manager be used for my discretionary limits?

Yes, and what’s more, subject to policy terms and conditions, AIG UK will stand behind each credit limit issued through Global Limits Manager, as if AIG UK had issued it as an insured limit.

The only exception to this is where you manually override a Global Limits Manager credit limit. In this case, it is the difference between the Global Limits Manager credit limit and your override credit limit that falls under the discretionary credit limit wording in your policy.

Q13. How is a credit limit arrived at in Global Limits Manager?

For each customer in your ledger, Global Limits Manager automatically looks at the history of your trading relationship with the customer in question and calculates a trading experience based score and highest cleared balance based credit limit. We can do this immediately if you use the “data extractor” to provide us with your customer and invoice data. Where the highest cleared balance based credit limit is insufficient compared to your current level of trade with a customer, and subject to how your credit policy has been setup within Global Limits Manager, the system might automatically request third party credit agency information to supplement your trading experience data and to attempt to justify a higher credit limit.

Subject to your policy terms and conditions, the trading experience based score may then influence the value of credit limit issued on a customer, i.e. a credit limit may increase if your experience of trading with that customer has proven to be good, or conversely may decrease if you have poor trading experience.

Q14. What happens if I don't agree with Global Limits Manager credit limits?

Under these circumstances you should initially contact AIG. We will be able to answer your question immediately or research the background to the credit limit decision. We have in-built service level support for all customers throughout the process and aim to provide a same day answer as often as we can.

Q15. How do I know when Global Limits Manager credit limits change?

All credit limit and trading experience score changes are summarised in the Event History section under sub-headings such as "Limit increases", "Limit Reductions" etc and you can click-through to see which of your customers have been affected by these changes. Individual customer specific changes are also recorded to an individual statement in the Customer Report for that customer.

To help you tune in to change when you log on to Global Limits Manager the first page you see is the Event History page. (unless you are required to review any overdue accounts and create a report on them!)

Q16. Can I choose which credit agency I want to use within Global Limits Manager?

In the current version of Global Limit Manager we only use D&B risk data, but it is planned to incorporate other data providers in future releases, provided they meet our standards, add real value and – frankly – provided our customers are asking to have them!

Q17. Do I have to load all my customers into Global Limits Manager?

In theory no, you can load as many or as few as you wish, but remember one of the real benefits is in loading as many as you can into the automated process to optimise your own credit team's resources and to be sure of compliance to your credit insurance policy and credit procedures. However, if you use our automatic ledger data extractor, the extractor will automatically send all ledger customers and their invoices, payments etc to us.

Q18. If Global Limits Manager is set up to handle multiple ledgers how can security be managed to protect confidential information?

When Global Limits Manager is initially set up, access privileges can be defined so that, for example, the credit manager of a specific division may be permitted to see only customers in that division's ledger. If there is a Divisional Credit Controller, then only aggregated data pertinent to those Divisions may be managed. If the CFO is responsible for the full group of ledgers then the totally combined view would be available. However, it is the customer who defines how access privileges are structured.

Q19. How does Global Limits Manager handle multiple currencies?

Global Limits Manager can only handle a single currency in each ledger. If multiple currencies exist in your ledger we simply create multiple views of the ledger based on the currencies and aggregate them into a master ledger view using an agreed table of exchange rates. Simple but effective. You can view Global Limits Manager in a number of supported currencies and this is set at an individual user level.

Q20. What level of commitment do I need from my own IT resources?

Global Limits Manager is a hosted asp service accessible via a secure website. Provided Internet Explorer 5.5 or higher is the web browser and you can produce a file of aged debt information from the accounting system in a defined format on a regular basis then you will be able to use Global Limits Manager effectively. Most licensees prefer to automate the exchange of receivables data via our "data extractor" but for those who prefer to manage this data transfer themselves they will send to our secure ftp server and we will assist with this process.

This approach will, we anticipate, enable our clients to involve IT resource minimally. In fact we often see major benefits to the client because they can use Global Limits Manager as a means of "warehousing" customer data centrally from disparate systems that may not otherwise be able to exchange data without considerable IT investment.

Q21. How expensive is the license fee?

There is no license fee per se.

There are some nominal set up fees and charges are volume related and calculated on a per account per year basis. Although the cost for appending agency data is incremental and varies according to the country of risk, it is generally more cost effective and operationally efficient than the traditional purchase of business information reports.

If you predominantly manage credit limits using trading experience data sourced and interpreted from your own ledgers, the costs per account per year will be the same for every country of risk, whether the UK or Japan. This approach puts you, the customer in control not only of credit risk and exposure but also the cost of data purchase.

For those businesses managing trade credit under the discretionary provisions of an insurance policy using trade experience or credit recommendations in business information reports as the basis of their decision, then Global Limits Manager becomes commercially invaluable. In addition, the automation of decision making in Global Limits Manager means you will also be compliant with the terms of your insurance policy because the reporting of overdues will be automatic and changes in payment experience will be reflected in the value of credit lines. (You should discuss this with your broker or AIG to ensure policy wording is complete).

Q22. Under our AIG trade credit insurance policy, some limits need to be approved by our Credit Committee. Can Global Limits Manager handle these?

There is a facility for an authorised user to "Override" a limit that has been automatically approved by Global Limits Manager. You can select from a drop down menu the reason for the override, the value of the new limit and a review date which will then appear in Event History to prompt a review to be actioned.

Please also note how the use of an "Override" limit is affected by your insurance policy wording.

Q23. Under our AIG trade credit insurance policy we are required to advise AIG when our customers have not paid us on time and to notify AIG of any adverse information, will this assist us to do this?

There are simple-to-use tools that will help you comply with these policy requirements. Once you have set up the values and time periods which define your policy obligations, Global Limits Manager will periodically prompt you to provide commentary about the actions you have taken to collect any overdue payments. Once you have confirmed your statements, the entire document is emailed to AIG and to any other recipient you need to advise of your credit control actions.

Q24. Apart from managing my trade credit limits can Global Limits Manager assist in any other way?

Global Limits Manager provides a great deal of analysis using all of the historic and current data available.

A detailed, graphically presented Dashboard analyses the customer base into size categories, compares contractual terms with terms actually experienced, provides a 12 month debt profile and limit distribution views across the portfolio under review.

Furthermore, under the "Analysis" menu, you can take a detailed look at your portfolio using failure scores (where they have been used), by trade

experience scores, by industry sectors or by account size to see where you have available credit lines on good customers and, importantly, by Global Ultimate Parent company to establish where multiple customer accounts might aggregate.

In addition, we can utilise your borrowing rates to calculate how much it costs your business to provide credit lines to your customers, especially the ones who do not pay you to the terms agreed and directly impact profitability.

We use the same invoice level data to look forward too. We know when current invoices fall due in the future but we also know how the customers involved have paid you in the past. We can then apply that experience to predict the probable payment date of the current invoices. This will help in delivering more accurate cash flow forecasts, focus collection activity, revise your sales approach to customers and possibly avoid bank charges by trading within borrowing limits.

Q25. What do I do next?

Go to www.aig.com for more information

www.aig.co.uk

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