



SERV Compact

A reference overview

Table of Contents

Introduction	2
SERV – Framework and environment	4
Cover practice	12
Conditions for policy issuance	14
From application to insurance policy	24
Insurable risks	28
Products	30
Premiums	42
Insured events and claims management	48
Contact	52



Introduction

Swiss Export Risk Insurance (SERV) is an institution of the Swiss Confederation under public law. SERV supports Swiss exports, and is active in segments of the credit insurance market that are generally not served by private-sector providers or only to a limited degree.

Every year, billions in exports are transacted from Switzerland thanks to the services SERV provides. These orders secure jobs in Switzerland, both in exporting and in export supplier industries.

The Swiss Confederation has commissioned SERV to extend its product range as part of federal stabilisation measures II, in an effort to counter the negative impact of the economic crisis on Swiss exports. These new products are designed to facilitate Swiss exporters' access to financing and help preserve their liquidity.

This brochure provides information on SERV as an organisation, the services it provides and its methods of operation. This information is provided both as an introduction to export risk insurance and as a reference work.

You are invited to contact SERV for any additional information required. See page 52 for contact details.



SERV – Framework and environment

Business policy

Fundamentals

SERV business policy is based on the Swiss Export Risk Insurance Act (SERVG), the Swiss Export Risk Insurance Ordinance (SERV-V) and the strategic priorities outlined by the Federal Council. SERV upholds Switzerland's commitments assumed under international agreements. These include, in particular, the OECD Export Credit Arrangement and the Berne Union Guiding Principles.

Objectives

SERV contributes to creating and preserving jobs in Switzerland. The organisation promotes Switzerland as a business location by making it easier for the Swiss export economy to engage in international competition (Art. 5 SERVG).

This is done by offering insurance coverage for specific risks on the basis of established cover practice. SERV regularly reviews and adapts its cover practice in consultation with exporters and banks.

Transparency and customer-focused advice are key priorities for SERV, so that customers know and are able to use the full range of export insurance options. Providing support to small and mid-sized enterprises (SMEs) is a special priority.

SERV's mission is to function as a reliable partner for its customers, providing insurance coverage and advice on appropriate terms, especially in difficult economic times.

Legal framework conditions

SERV is subject to legal obligations concerning its business and cover practices. Among others, the following framework conditions are observed:

Subsidiarity

SERV provides services supplementary to the existing market offer. The organisation only insures risks that are not marketable, or for which there is no sufficient insurance offer. SERV generally distinguishes between marketable and non-marketable risks on the basis of European Commission notifications.

Economic viability

SERV is an economically viable organisation from a long-term standpoint. This means that premiums and other income generated by SERV are sufficient to cover claims, risk-related costs and operational expenses. It ensures that the Swiss Confederation incurs no cost over the long term, and that international commitments and agreements are upheld.

Compliance with foreign policy

SERV ensures that its business practices are compliant with national foreign policy objectives regarding the environment, development, human rights, democracy and the peaceful co-existence of peoples.

International export credit regulations

Public export credit agencies (ECAs), of which there are some 60 worldwide, cooperate via various international forums. The principal objective of these is to develop universal principles for credit terms in international trade and to avoid distortions in competition. The most important international organisations in this regard are the OECD, the Berne Union and the Paris Club.

OECD

OECD agreements are geared primarily to avoiding distortions in competition. The establishment of minimum premiums for state-guaranteed export financing is a primary feature of these agreements.

Arrangement

The OECD Export Credit Arrangement of 1998 was signed by 33 countries: Australia, Canada, the EU (25 nations), Japan, Korea, New Zealand, Norway, the USA and Switzerland. The Arrangement outlines rules for transactions with a credit period of 24 months or more.

Export financing

Applicable rules for state-guaranteed export financing with a credit period of 24 months or more include:

- Cash payment (advance and interim payments) of a minimum of 15 percent, due no later than the starting point of credit;
- Definition of starting point (start of loan repayment period);
- Minimum interest rate CIRR¹ (for government loans);
- Maximum repayment period:

Importing country:	Consensus Cat. I ²	5 years (or 8.5 years with prior notification to the OECD)
	Consensus Cat. II ³	10 years
- Local costs: 15 percent is generally insurable; maximum 30 percent of export contract value (or 23 percent of total order value) is insurable on case-by-case basis with prior notification provided to the OECD.

¹ Commercial Interest Reference Rate (currency-specific reference interest rates, typically government bond yield plus 100 basis points)

² Annual definition by the World Bank based on per capita income

³ All countries not falling under Cat. I

Other provisions apply for ships, nuclear power plants, renewable energies, water projects, aircraft and project financing.

Matching

If terms granted to a buyer are more favourable than those permitted by the OECD-Arrangement, the other OECD members are to be notified in advance (notification to the OECD). The members have the right to modify their financing terms accordingly. Members have the right to demand detailed data on the export transaction concerned from the export credit insurer.

Berne Union

The London-based Berne Union is committed to promoting the acceptance of principles in international trade and discipline in the upholding of credit terms.

This includes:

- outlining of maximum repayment periods for specific export goods and amounts;
- determining the start of the repayment period.

More than 50 public and private export credit insurers from over 40 different countries are members of this international association. The Berne Union provides a forum for the exchange of information among members and works to identify solutions to shared problems.

Paris Club

The Paris Club is an international forum for debt rescheduling and debt relief negotiations between lender nations and heavily indebted borrower nations.

Environment, development and transparency

SERV upholds the principles of Swiss foreign policy (Art. 6 SERVG). At times, SERV is obliged to reconcile the interests of promoting Swiss exports with foreign and environmental policy objectives. SERV takes these obligations very seriously, weighing all relevant considerations thoroughly.

SERV pursues specifically defined sustainability objectives jointly with over 30 export credit insurers from other OECD member nations. OECD environmental and social standards will only be upheld by all partners if there is systematic international cooperation and willingness to enforce adequate transparency.

Environment

SERV observes international standards and agreements in addressing environmental policy aspects in connection with its business. The relevant policies are the environmental guidelines effected by the OECD in 2001, which are regularly updated, most recently in 2007. Pursuant to these guidelines, local environmental laws and World Bank standards («Safeguard Policies») are applicable to projects.

All projects and project-related exports of capital goods with repayment terms of 24 months or more, and a delivery portion above a threshold of ten million special drawing rights (SDR)⁴, are reviewed in accordance with OECD regulations, provided that they involve new projects or significant project expansions. Projects falling below the threshold are reviewed if conducted at sensitive locations. For all other projects (lower threshold, shorter term, delivery to existing facility), a simple environmental assessment is conducted, based on OECD standards.

Development

SERV likewise upholds principles of Swiss foreign policy in addressing issues of development policy. For larger deliveries to low-income developing countries, the applicant must complete a questionnaire soliciting information on the impact in the country where the project is being conducted. Questions refer, for example, to employment, working conditions and social issues. This additional information allows SERV to analyse and assess the implications for the importing country from a development policy standpoint.

⁴ Ten million SDR corresponds to roughly CHF 17.3 million (source: IMF, March 2009)

Sustainable lending Where export transactions involve deliveries to the lowest-income developing countries, insurance is only granted for projects that further these countries' social and economic development. SERV applies the general OECD recommendations (including «Unproductive Expenditure») and the OECD Principles and Guidelines to Promote Sustainable Lending. These are binding for deliveries to public-sector procurers and for credit periods of 12 months or more. These rules prescribe that projects must observe restrictions imposed by the International Monetary Fund (IMF) and the World Bank. In the review process, SERV shares information with the World Bank and the IMF to ensure that insured transactions are in accordance with the agreed World Bank programme where public-sector buyers are concerned.

Corruption SERV requires exporters to comply both with Swiss laws and the laws of the buyer country. This applies equally to corruption laws. SERV opens investigations when given reasonable indication or founded suspicion of bribery. Insurance applications are rejected if evidence of bribery is found.

An insurance policy may be cancelled after issuance if such evidence subsequently emerges, on the basis of information material to assessment having been concealed from decision-making bodies at the time of conclusion of contract. Indemnification payments for claims filed may likewise be refused for the same reason. In more egregious cases, culpable parties may be temporarily barred from receiving insurance policies. SERV encourages exporters to outline, establish and document adequate internal control procedures for deterring corruption.

Transparency Projects in which SERV is called upon to clarify with precision issues of compliance with environmental and development policy attract public interest. SERV maintains a clear-cut information policy to satisfy this interest. Activities include organising regular talks with NGOs (non-governmental organisations) and ad-hoc meetings on important projects as needed. These talks provide an insight into SERV's activities and serve as a discussion platform for the inclusion of various issues in solution-finding efforts.

In the interests of transparency, SERV posts on its website information on projects with a contract value above CHF 10 million, in consultation with the respective exporter.

Support for renewable energy and water projects SERV supports Swiss exporters' involvement in renewable energy and water projects by offering preferred terms on the basis of OECD agreements. These include, for example, contractual credit periods of up to 15 years to provide feasible project financing. These terms are available for drinking water and sewage projects in addition to wind, water, geothermal, tidal, solar and bioenergy projects.



Cover practice

Export transactions require a range of cover options. These options vary not only as to risk cover before and / or after despatch of goods, but also as to credit terms and risk groups such as countries, banks and private buyers.

SERV maintains lists of countries and banks approved for SERV insurance cover. These lists are regularly updated.

Countries Eight country categories are recognised ranging from 0 to 7 (0 representing the lowest risk and 7 the highest risk). This list of countries is available at www.serv-ch.com/en > Cover practice > Overall List of countries.

Banks The up-to-date list of banks contains details of institutions that are generally accepted for the cover of economic risk, and is available at www.serv-ch.com/en > Cover practice > List of banks. Banks are assigned to categories ranging between 1 and 5 (bank category 1 represents the lowest risk, 5 the highest). Banks not on the list may also be eligible for cover given adequate creditworthiness.

Private buyer risk SERV reviews the following information for the insuring of private buyer risk:

- Private buyer risk questionnaire (completed by the prospective policyholder);
- Annual reports of the buyer for the last three years, including auditor's reports;
- Additional information including brochures, credit reports, market studies etc.

SERV credit specialists utilise these documents to analyse the buyer's business and assign buyers with acceptable risk levels to one of five risk categories (buyer category 1 for the lowest and 5 for the highest risk). SERV charges a premium based on contract value for conducting this credit review. If further data is required or information is unclear, SERV may directly consult other information sources in coordination with the applicant (consulates, OSEC, rating agencies, banks, advisors etc.).



Conditions for policy issuance

General

The issuance of an insurance policy is subject to conditions laid down by international agreements and Swiss law. The basic conditions include, in particular, data on the origin of export goods, terms and conditions of payment and collateral as required. Depending on the type of export good (consumer goods, capital goods, services), the applicable conditions vary.

- Basic conditions**
- the exporter has a registered office in Switzerland and is listed in the Commercial Register;
 - the export transaction involves deliveries and services originating in Switzerland or containing adequate Swiss value added;
 - the buyer's registered office or place of residence is outside Switzerland;
 - the export transaction to be insured is in accordance with SERV business policy.

- Insurable exports**
- Exports of capital goods (see «Export transactions involving capital goods and/or comparable services», page 17);
 - Exports of consumer goods (see «Export transactions involving consumer goods and/or comparable services», page 19);
 - Exports of parts and components (see «Export transactions involving parts and components and/or comparable services», page 20);
 - Project financing connected with export transactions (see «Project financing», page 22);
 - Construction and engineering work and other services;
 - Licence and know-how agreements;
 - Consignment stock outside Switzerland or trade show goods for temporary export;
 - Contract bonds (bid, advance payment, performance of contract and performance bonds).

- Origin of goods / foreign content**
- Goods or services must either be of Swiss origin or involve adequate Swiss value added. The foreign content portion of supplied goods or services generally may not exceed 50 percent of the contract value. A maximum of 70 percent of contract value may apply in exceptional cases.

SERV assesses on a case-by-case basis the extent to which foreign content can be insured. Important considerations in this review process include risk evaluation, the absolute value of foreign content and other insurance options such as reinsurance. A premium surcharge applies if the foreign content-portion of supplied goods or services including local costs exceeds 50 percent of the contract value.

Local costs

Local costs arise from supplied goods and services from the buying country directly connected with the export transaction, which are part of the exporter's receivables due from the buyer. These include, among others, costs for the construction of facilities for equipment being delivered. For export financing with a term of more than 23 months, local costs may be insured up to a maximum of 30 percent of the export contract value or 23 percent of the total order value. The export contract value is equal to the total order value less insurable local costs.

Foreign currencies

SERV generally issues policies in Swiss francs. However, policies can also be issued in euros or US dollars, insofar as the export or the related financing transactions are denominated in such a currency and the term is not less than 24 months. Please note that an insurance premium surcharge of 5 percent will be charged on policies denominated in euros, and 10 percent on policies denominated in US dollars. At the applicant's request, premiums and indemnity payments can be calculated in either the policy currency or in Swiss francs.

In the case of transactions with a risk period of 24 months and more, the limitation of the indemnity conversion rate to the level of the premium conversion rate for claims in foreign currencies and policies denominated in Swiss francs can be suspended subject to a premium surcharge.

Export transactions involving capital goods and/or comparable services**Description**

Capital goods and/or comparable services are goods such as machines and equipment with high unit prices, or entire production systems and project service packages.

Terms and conditions of payment

Terms and conditions of payment must be in accordance with international rules. The following conditions apply for capital goods:

- minimum 15 percent advance and/or interim payments, payable no later than the starting point;
- maximum 85 percent of financing is repayable in semi-annual instalments of equal amount, the first instalment being payable no later than six months from the starting point.

The advance payment requirement may be waived for credit periods of up to 23 months. The maximum credit period is determined based on the OECD consensus category for the buyer country (see www.serv-ch.com/en > Cover practice > Overall List of countries > Country) and the contract value, subject to the following limits:

Contract value	Credit period
< CHF 150 000	max. 2 years
CHF 150 000 – CHF 250 000	max. 3 years
CHF 250 000 – CHF 500 000	max. 4 years
> CHF 500 000	5 years or more

The OECD allows longer credit periods for large projects, particularly for those in the infrastructure sector.

Starting point	<p>The starting point is the date from which the buyer derives utility from the supplied goods or services. This date represents the start of the repayment period. For capital goods, the starting point is determined as follows:</p> <ol style="list-style-type: none"> For capital goods usable by themselves, e.g. locomotives: the effective or weighted average date of acceptance or delivery; Equipment goods for complete installations or plants which the exporter is not responsible for commissioning: last delivery; Erection of structural works which the exporter is not responsible for commissioning: completion of the structural works; Installations or works which the exporter is responsible for commissioning: operational readiness; In cases b) to d), when individual parts are exported: the applicable starting point is that of the respective part or average point in time for individual parts, or if the exporter is not responsible for the entire project but rather a significant portion thereof, the applicable starting point is that of the overall project.
Repayment instalments	<p>There are no special requirements for credit periods of up to 12 months. For credit periods of 13 months or more, repayment of principal must be made in semi-annual instalments of equal amount (or annuity instalments for leases).</p>

Export transactions involving consumer goods and/or comparable services

Description	Consumer goods and/or comparable services are expendable goods and services which have a short economic life.
Terms and conditions of payment	Terms and conditions of payment are freely negotiable. The credit period for consumer goods is a maximum of six months from acceptance or delivery.
Starting point	For consumer goods the starting point is the effective or weighted average date of acceptance or delivery.
Repayment instalments	There are no special requirements.

Export transactions involving parts and components and/or comparable services

Description	Parts and components and/or comparable services are finished goods used for the manufacture of capital goods.
Terms and conditions of payment	The credit period is typically six months from acceptance or delivery, extendable up to five years on an exceptional basis if justified by the parts' lifespan and high unit price.
Starting point	For parts and components, the starting point of credit is no later than the effective or weighted average date of acceptance or delivery.
Repayment instalments	There are no special requirements for credit periods of up to 12 months. For credit periods of 13 months or more, repayment of principal must be made in semi-annual instalments of equal amount.

Other insurance options

Reinsurance If deliveries of different origins can be divided among multiple export credit agencies (ECA), such as for multinational projects, then reinsurance is the simplest way of cooperation among different ECAs for both the exporter and the financing bank. The ECA of the principal supplier provides cover for the entire project volume, while the other ECA(s) provide(s) insurance cover for sub-contracted deliveries. The decision of whether to obtain reinsurance lies with SERV or the foreign ECA involved.

Within the framework of the reinsurance agreement between the primary insurer and the reinsurer a policy or cover note is issued. The policy or cover note specifies the procedures outlined in the reinsurance agreement. The reinsurer acts on the terms of the primary insurance. Reinsurance agreements are in place between SERV and various ECAs, and are listed on the website under www.serv-ch.com/en > International > Reinsurance > Overview of agreements.

Coinsurance Under a coinsurance arrangement, a domestic exporter delivers to a buyer via a foreign exporter. Although only the foreign exporter has a direct contractual relationship with the buyer, the domestic exporter is only paid if and when the buyer pays. Each exporter insures the buyer's risk with its own national ECA. Because there is no direct contractual relationship between the passive coinsurer (ECA of the first exporter) and the buyer, the passive coinsurer's interests are represented by the active coinsurer on the basis of a coinsurance agreement.

Other financing options

Project financing Large infrastructure projects often utilise project financing. To this end, a special purpose company is founded as project operator. Financing granted is repaid with self-generated funds. SERV may cover political, transfer and del credere risk of the special-purpose company with this type of financing. The prerequisite is a positive assessment of country risk and future cash flows from project operations. For such transactions, SERV analyses project-specific risks extensively, usually with external expert support.

Mixed credits In Switzerland aid credit is offered in the form of mixed credits (tied aid) for a number of countries. Mixed credits are export credits based on international treaties. The conditions are determined by SECO, the Swiss State Secretariat for Economic Affairs. Preferential government terms apply to a portion of the credit granted (government tranche). The commercial tranche (bank tranche) is generally insured by SERV.

«New products within the scope of federal stabilisation measures II – support for Swiss exports in the economic crisis.»

→ SERV products, page 30



From application to insurance policy

New applications	Exporters and financial institutions can submit applications using the SERV application form. This application form plus attachments are available on the website www.serv-ch.com/en .
Insurance commitments in principle	Application for an insurance commitment in principle may be submitted to determine whether and on what terms a transaction can be insured. These commitments are typically valid for six months. A review premium is only charged if a detailed del credere risk check is required.
Insurance policies	Insurance policies may be applied for directly if a valid export contract is on hand.
Application date	Insurance policies may be applied for a maximum six months prior to commencement of risk. The filing of applications after commencement of risk should be avoided whenever possible.
Additional information	Additional information may be necessary depending on the complexity of the transaction. In such cases, SERV contacts the prospective policyholder directly.
Environment	SERV observes international standards and agreements in addressing environmental issues connected with export risk insurance (see also «Environment, development and transparency», page 9).
Development	SERV upholds the principles of Swiss foreign policy in addressing issues of development policy. See «Environment, development and transparency», page 9, for additional information.
Corruption	Compliance with legal provisions applicable to the export transaction is a prerequisite for the issuance and validity of a SERV policy. This includes in particular anticorruption legislation. See «Environment, development and transparency», page 10, for additional information concerning corruption.
Application review	Larger coverage amounts applied for must be approved by the regularly convening insurance committee and / or the SERV Board of Directors.
Insurance policy issuance	Upon approval, an insurance policy may be issued.

Assignment	Claims under an insurance policy may be assigned to financial institutions or third parties with the approval of SERV.
Subsequent amendments	SERV must be notified immediately of amendments to the terms and conditions of ordering or payment, changes in delivery and completion deadlines etc. Changes and amendments may only be approved on an exceptional basis in the event of imminent losses or recognised claims.
Policyholder obligations	SERV is dependent on information concerning the course of the transaction provided by the policyholder or assignee. After determining the starting point, the repayment schedule must be immediately submitted to SERV. Prompt notification is furthermore essential if contractual payments have not been received on time or if there is an imminent loss.

«As an important element of the Swiss Confederation's economic policy, SERV helps to create and preserve jobs in Switzerland.»

→ SERV objectives, page 5



Insurable risks

Political risk	Political risks include extraordinary government measures and foreign political events such as war, revolution, annexation and civil unrest. The insurance is called upon when the political situation results in a debtor's incapacity to fulfil a contract. It also applies when the political situation leads to loss, confiscation, damage or prevention of the re-export of goods, or if the policyholder's rights are compromised.
Transfer risk	Transfer risk arises from government or central bank currency measures resulting in the buyer's incapacity to pay. The buyer in such cases may have deposited equivalent funds in local currency, but the central bank will not release the currency required. Transfer risk also includes the risk of debt rescheduling for countries in financial distress by an intergovernmental agreement, postponing repayment by several years (Paris Club).
Del credere risk	Commercial risk (del credere risk) concerns insolvency or unwillingness to pay on the part of the buyer or guarantor. SERV may insure the del credere risk of public and private buyers.
Force majeure risks	The impossibility or unacceptability of despatching goods as a direct consequence of a force majeure event is insurable through SERV if this risk was not otherwise insurable on reasonable terms upon commencement of risk.
Cover ratio	The maximum cover ratio for political and del credere risks is 95 percent.



Products

Overview

The SERV range of insurance provides for uninterrupted cover over the entire term of an export transaction. Customers may select and combine insurance products according to their individual needs.



* Products launched within the scope of federal stabilisation measures II

Pre-shipment risk insurance

SERV offers pre-shipment risk insurance to cover exporters' production costs (prime costs) in the event of a production stop.

Insured risks	Cover is provided against a production stop, due in particular to <ul style="list-style-type: none"> – political risks, such as extraordinary government measures and warlike events; – embargo measures imposed by Switzerland or third countries involved in the export transaction; – the insolvency of the foreign buyer; – the withdrawal from the contract and non-payment of cancellation costs, or serious breaches of contract on the part of the foreign debtor.
Object of cover	Production costs (prime costs) necessary for executing transactions of goods and services, up to contract value.
Period of insurance	Generally from the date the contract becomes effective until final delivery or despatch of goods.
Waiting period	Three months
Cover ratio	95 percent

Supplier credit insurance

Supplier credit insurance allows Swiss exporters to cover short-term or long-term cash or credit receivables from individual export transactions. This insurance also allows coverage of non-disbursement risk during the period between dispatch and the disbursement of the buyer credit for export transactions in which a maximum of 95 percent of the order value is financed by a tied buyer credit.

Insured risks	Cover is provided against non-payment due to <ul style="list-style-type: none"> – political risks such as extraordinary government measures or warlike events; – transfer risks such as the non-conversion / non-transfer of amounts in the respective national currency; – risks of force majeure, unless otherwise insurable on market terms; – del credere risks such as the insolvency of the buyer or non-payment of the debt within three months of its maturity (protracted default). <p>Regardless of the legal existence of a due claim, the risk is covered of</p> <ul style="list-style-type: none"> – performance of the contract being impossible due to political reasons so that the exporter has no claims for shipped goods or services provided; – despatched goods being confiscated, damaged or destroyed for political reasons, unless this risk was insurable otherwise on reasonable terms.
Object of cover	Receivables from an individual export contract: <ul style="list-style-type: none"> – Cash or credit receivables for shipped goods/services provided; – Contractual interest up to due date; – Any default interest up to end of waiting period; – Ancillary financing costs.
Period of insurance	Starts upon the point of despatch or delivery of goods, or of the commencement of services being provided. Insurance coverage ends upon payment in full of the covered receivable.
Waiting period	Three months
Cover ratio	95 percent*

* Cover ratio generally increased to 95 percent under federal stabilisation measures II.

Contract bond insurance

SERV insures losses arising from the invocation of contract bonds (typically a bank guarantee), which policyholders are obligated to provide to secure their own contractual commitments to the buyer.

Advance payment, performance and bid bonds are common types of bonds. SERV basically insures all types of contract bonds. Note, however, that advance payment bonds are already indirectly insured within the scope of pre-shipment risk insurance, and cannot be doubly covered (see also pre-shipment risk insurance).

Insured risks	Cover against loss of the bond amount when the bond <ul style="list-style-type: none"> – is legitimately called by the foreign buyer due to a Swiss exporter being unable to fulfil commitments for foreign political reasons or due to force majeure; – is legitimately called by the foreign buyer due to embargo measures adopted by Switzerland rendering execution of the contract impossible; – is illegitimately called for other reasons (unfair calling), and the loss has not been reimbursed within three months of invocation and payment of the bond amount.
Object of cover	The face value of the underlying contract bond.
Period of insurance	From issuance of the bond until its return or expiration, or upon fulfilment of the claim for repayment (in cases of unfair calling).
Waiting period	Three months
Cover ratio	95 percent

Counter guarantee

The exporter may arrange for SERV to provide a counter guarantee that SERV will remit a specific compensation to the bank issuing the guarantee immediately, upon written demand, in the event of the contract bond being called and the non-fulfilment of contractual obligations on the part of the exporter.

The counter guarantee supplements SERV's contract bond insurance, making it easier for exporters to obtain contract bonds from banks. Exporters retain their liquidity (particularly with advance payment bonds), as no additional collateral must be provided to the bank.

The exporter remains obligated to provide cover to the guarantor if the contract bond is called. If unable to do so, SERV pays the guarantor the amount specified in the counter guarantee upon first demand. SERV thus covers the exporter's non-payment risk.

Insured risks	Cover against insolvency of the exporter in the event a contract bond is called. Guaranteed compensation of the bond amount specified in the counter guarantee upon first demand if the exporter does not provide cover.
Object of cover	Up to the face value of the contract bond underlying the counter guarantee.
Guarantee period	May start from effectiveness of the contract bond, at the earliest, however, when the guarantor receives the counter guarantee. The counter guarantee expires upon its return, upon the discharge of SERV by the guarantor, or 30 days after expiry of the contract bond.
Waiting period	None
Cover ratio	Up to 95 percent

Confiscation risk insurance

SERV provides coverage against losses due to the confiscation, destruction or damage of goods exported for storage, exhibition, testing or the execution of assembly work.

Insured risks	Cover is provided against confiscation risks in connection with <ul style="list-style-type: none"> – the confiscation of insured goods by government agencies; – permanent loss of power of disposal, sinking, destruction or damage of insured goods through political risks abroad; – permanent loss of power of disposal, sinking, destruction or damage of insured goods directly as a consequence of force majeure, provided that this risk was uninsurable or insurable only under unreasonable terms on the private market upon commencement of the risk.
Object of cover	Production costs directly attributable to the confiscated goods.
Period of insurance	Starting with despatch of the goods or no later than the crossing of the Swiss border, until sale from consignment stock or repatriation of the exported goods concerned.
Waiting period	Three months
Cover ratio	95 percent

Multi-buyer insurance

Swiss exporters may integrate multiple insurance applications for exports to different buyers in various non-marketable countries via a central multi-buyer office, and obtain multi-buyer insurance cover.

Insurable export transactions	Multi-buyer insurance is based on a contract between the multi-buyer office authorised by Swiss exporters and SERV. Within the maximums and other conditions (limits) outlined in the policy, the multi-buyer insurance applies to all export transactions invoiced by an exporter during a settlement period. Coverage, however, only extends to export transactions with buyers in countries specified under the policy and with a maximum credit period of twelve months. In particular, these insurance policies specify: country and debtor limits, approved types of goods, maximum credit periods for different types of goods, the applicable cover ratio and the percentage of foreign content.
Multi-buyer office	The multi-buyer office processes applications for insurance from multiple exporters and files applications for insurance with SERV. Information and data for credit analysis must be submitted with applications where limits are applied for private buyers not yet accepted. The multi-buyer office determines the allocation of approved multi-buyer insurance among exporters. Exporters enjoy immediate rights upon the allocation of multi-buyer insurance.
Waiting period	Three months
Cover ratio	95 percent

Buyer credit insurance

Banks or financial institutions can obtain cover from SERV for claims for repayment against foreign borrowers arising from the financing of Swiss export transactions. This insurance is available for short or medium/long-term, export-linked financing (buyer credit).

Insured risks	Cover is provided against non-payment due to <ul style="list-style-type: none"> – political risks such as extraordinary government measures or warlike events; – transfer risks such as the non-conversion/non-transfer of amounts in the respective national currency; – risks of force majeure, unless otherwise insurable at market terms; – del credere risks such as the insolvency of the buyer or non-payment of debt within three months of maturity (protracted default).
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Non-disbursement risk

Buyer credit insurance is available as a stand-alone insurance product or in combination with other policies to cover exporters. In combination, exporters can utilise supplier credit insurance for cover against buyer credit funds not being disbursed (non-disbursement risk) due to an insured risk after the despatch of goods.

Object of cover	Claims from a tied buyer credit: <ul style="list-style-type: none"> – principal; – contractual interest up to due date; – default interest up to end of waiting period; – ancillary financing costs.
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Period of insurance	Begins upon disbursement of the credit. Insurance coverage ends upon payment of the last covered loan instalment. There is no liability for undisbursed amounts if no other coverage (supplier credit insurance for the exporter) was applied for.
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Waiting period	One month
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Cover ratio	95 percent for all risks – the 5 percent deductible cannot be insured elsewhere.
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Working capital insurance

SERV offers working capital insurance covering bank claims for repayment from an exporter under working capital loan agreements. SERV must pay indemnification if the exporter fails to repay credit on time. The risk is thus assumed of the exporter becoming insolvent during the production phase. With a working capital loan, a bank (the policyholder) finances an exporter's production costs for export transactions covered by SERV. Working capital insurance policies are typically issued in combination with supplier and/or buyer credit insurance.

Insured risks	Non-fulfilment of bank claims for repayment agreed in the working capital loan agreement for loan amounts disbursed to the exporter.
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Object of cover	Fulfilment of claims for repayment agreed in the working capital loan agreement including contractual ancillary financing costs, interest receivable and default interest.
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Period of insurance	From disbursement of the respective loan until settlement of the bank's claim for repayment.
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Waiting period	One month
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Cover ratio	Max. 80 percent of loan amount
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Letter of credit confirmation insurance

Letter of credit confirmation insurance allows banks to confirm letters of credit from foreign financial institutions, the risks of which they would not accept without such insurance. SERV establishes limits for major foreign banks issuing letters of credit. This enables SERV to provide confirming banks with insurance commitments for individual transactions within 24 hours. Under letter of credit confirmation insurance, SERV waives coverage intervention rights vis-à-vis the confirming bank due to elevated risk during the term of the letter of credit. Letter of credit confirmation insurance may also be issued in combination with pre-shipment risk cover.

Insured risks	Cover is provided against non-payment due to <ul style="list-style-type: none"> – political risks such as extraordinary government measures or warlike events; – transfer risks such as the non-conversion/ non-transfer of amounts in the respective national currency; – risks of force majeure, unless otherwise insurable at market terms; – del credere risks such as insolvency of banks issuing letters of credit or improper non-payment of debt from letters of credit.
Object of cover	Fulfilment of the principal claim arising from letter of credit transactions against the issuing bank, including default interest.
Period of insurance	From confirmation of the letter of credit or from silent confirmation until settlement of the insured receivable.
Waiting period	One month
Cover ratio	95 percent for all risks – the 5 percent deductible cannot be insured elsewhere.

Refinancing guarantee

With a refinancing guarantee, SERV is obliged to compensate a refinancing institution for already insured receivables upon first written demand. The refinancing guarantee allows the financial institutions providing export credit to obtain more attractive refinancing terms. Refinancing guarantees are always issued in combination with buyer credit insurance or supplier credit insurance assigned to a bank.

Insured risks	Non-payment by a financial institution granting export credit of amounts due to the refinancing institution.
Object of cover	Claims of the refinancing institution against the financial institution granting export credit.
Guarantee period	May start upon conclusion of the refinancing contract, at the earliest, however, when the refinancing institution receives the refinancing guarantee. The obligations of SERV under the refinancing guarantee expire upon return of the refinancing guarantee, fulfilment of the guaranteed obligations or expiry of any time limit specified in the refinancing guarantee.
Waiting period	None
Cover ratio	100 percent



Premiums

Introduction

SERV charges expense and insurance premiums. These are based on the principles of economic viability and comply with OECD Consensus requirements (OECD country risk model). The premium tariff establishes premium principles, types, levels, surcharges, discounts, collection and reimbursement, and is posted at www.serv-ch.com/en > Premiums.

Expense premiums The types of expense premiums charged are review premiums, extension premiums and special review premiums. These do not count towards the insurance premium, and are non-refundable.

Review premiums

Review premiums are charged for conducting case-by-case reviews of private buyers and private banks upon application filing. The amount charged is based on contract value.

Extension premium

Insurance commitments in principle expire in six months; extensions of up to another six months may be filed for. An extension premium of 25 percent of the review premium is charged upon the first extension.

Special review premium

The special review premium is charged only in particular cases. It reflects costs incurred for substantial and recurrent review work involved in more complex financing arrangements such as project financing and structured financing projects.

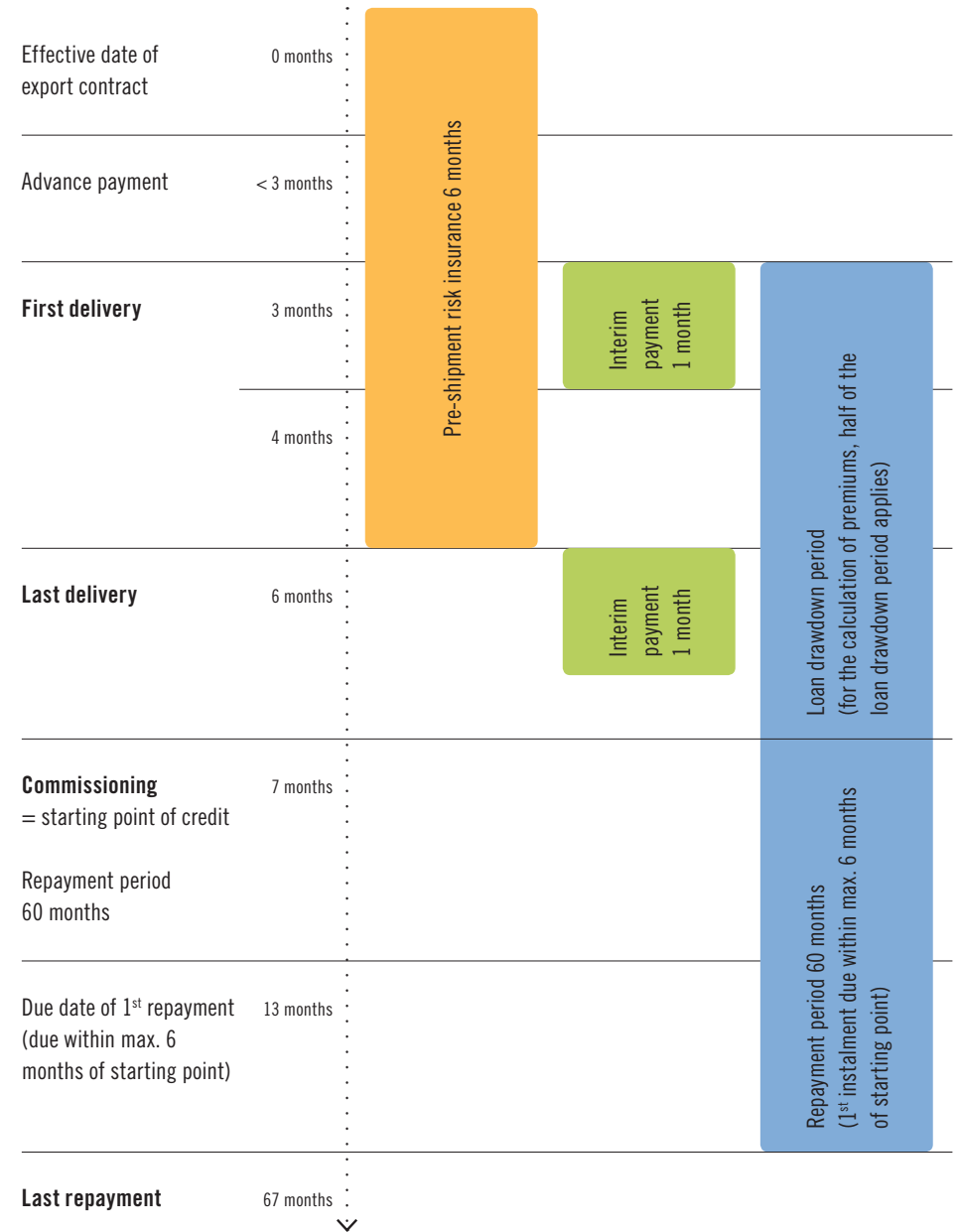
Insurance premiums The amount of the insurance premiums charged depends on the following risk-determinants: contract value, terms and conditions of payment, period of the transaction (risk period), country category and buyer/bank category.

Complement to the premium tariff for products within the scope of federal stabilisation measures II The complement to the premium tariff governs the calculation and collection of premiums for new SERV products (letter of credit confirmation insurance, counter guarantees, refinancing guarantees and working capital insurance) in connection with federal stabilisation measures II adopted by the Swiss Confederation. Consult www.serv-ch.com/en > Premiums for particulars on the charging and reimbursement of premiums for these new products.

Time periods relevant to premiums for supplier credit

The example below illustrates the time periods relevant to premiums. For medium and long-term transactions, half of the loan drawdown period is applied additionally to the repayment period to determine the relevant time period for premium purposes.

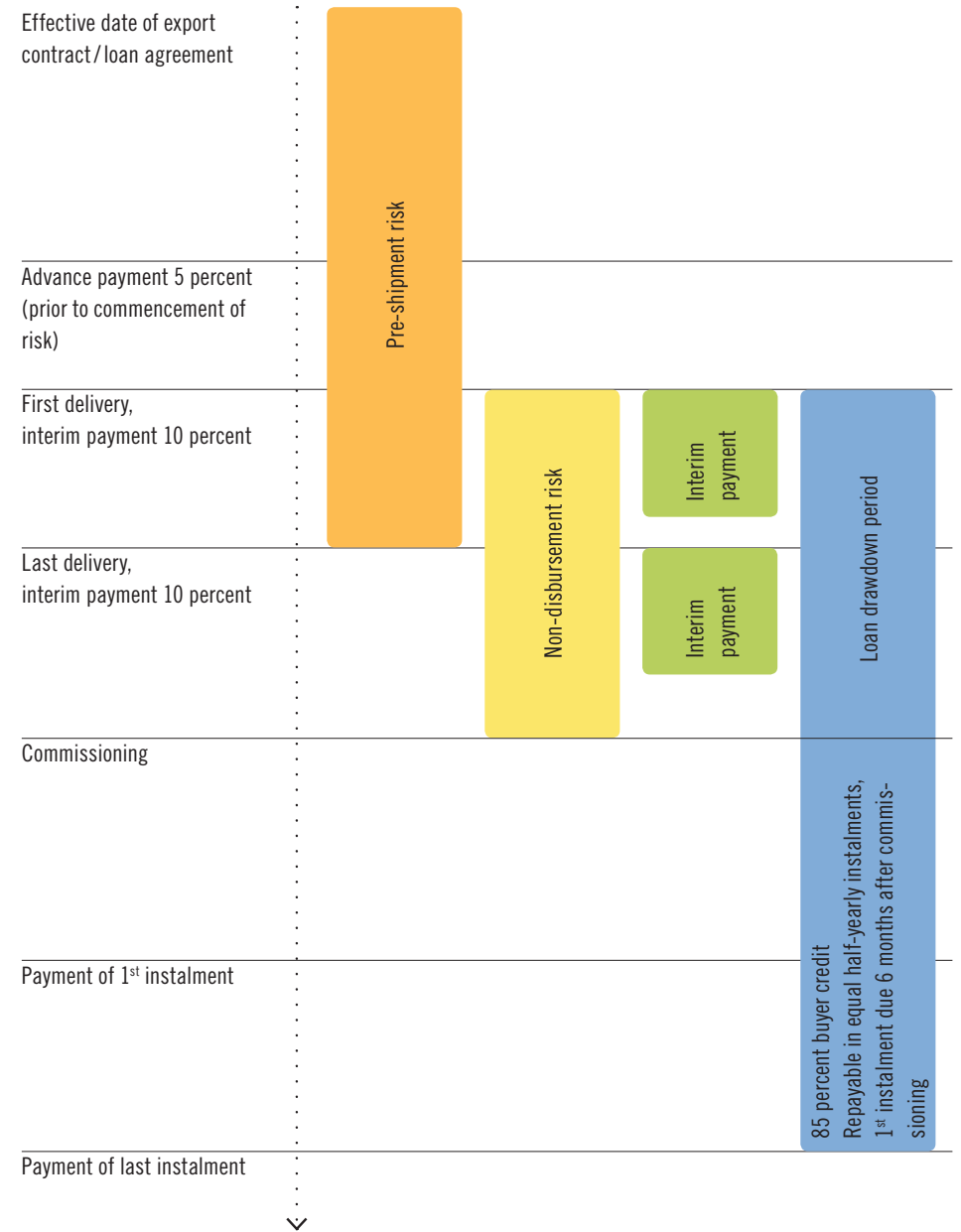
Terms and conditions of payment	10 percent advance payment, due prior to delivery 5 percent interim payment, due pro rata delivery/ commissioning 85 percent supplier credit
Contract value	Contract value: CHF 1 million Production costs: CHF 800 000 (for pre-shipment risk insurance)
Time periods	Effective date of export contract: January (month 0) First delivery: 3 months from effective date of export contract Last delivery: 6 months from effective date of export contract Production period: 6 months Commissioning: 1 month from last delivery Starting point: Commissioning Repayment period: 5 years/60 months



Procedure for combined buyer credit

The table below illustrates the typical procedure for a combined buyer credit.

Terms and condition of payment	5 percent advance payment
	10 percent interim payment, due pro rata delivery
	85 percent buyer credit, disbursement pro rata delivery/commissioning





Insured events and claims management

Pursuant to the general terms and conditions, the policyholder is obligated to do everything in his power to prevent the occurrence of an insured event. However, should insured losses occur, they will be indemnified in the covered amount upon expiry of the waiting period. The claim in question then devolves upon SERV. The policyholder remains obligated, however, to contribute to mitigating losses.

Imminent losses

A loss is assumed to be imminent in the presence of a material breach of obligations on the part of a debtor or risk aggravating factors. In such cases an elevated probability of the insured risk occurring must be identifiable. The policyholder must notify SERV immediately of material breaches of obligations on the part of the debtor or the advent of risk-aggravating factors.

Examples:

- Contractual payments are not received by the due date;
- The debtor requests an extension of the payment deadline, breaches material contractual obligations or defaults in accepting goods;
- Change in economic circumstances or negative information concerning the debtor;
- Implementation of restructuring or liquidation procedures (reorganisation bankruptcy, official settlement proceedings, liquidation bankruptcy).

Insured events

The occurrence of an insured loss and expiration of the waiting period constitute an insured event.

Waiting periods vary according to the policy between one and three months. The period begins on the occurrence of an insured loss (e.g. the due date of insured receivables). Default interest accruing within the waiting period is covered.

Upon payment of the indemnity, all claims against the foreign debtor and collateral provided in connection therewith devolve upon SERV up to the amount of indemnification paid.

SERV determines the further recourse and loss mitigation measures for the total claim in consideration of insured receivables in debt rescheduling and restructuring.

- Primary obligations**
- The policyholder must provide full and accurate information concerning the insured transaction;
 - SERV must be notified immediately of circumstances contrary to the facts of the case as documented;
 - Increased risks in connection with the insured transaction must be reported immediately;
 - All reasonable steps required to avoid or mitigate losses as dictated by circumstances must be taken;
 - A claims report form must be requested from SERV and submitted upon expiry of the waiting period and within two years of occurrence of the insured event;
 - Along with the claims report, all documents are to be submitted concerning occurrence of the insured risk, the scope of the occurred loss and causal relationships involved, as well as contractual collateral.

Special provisions for buyer credit insurance

SERV accepts abstraction of the financing transaction from the underlying transaction (export contract) for the payment of insurance claims. Accordingly, the bank only has to document the existence, due date and legal enforceability of its abstract credit receivables along with any collateral provided in connection therewith. Debtor objections raised in connection with the export transaction are excluded with regard to credit receivables, and thus are irrelevant for SERV.

The bank is furthermore only liable for breaches or neglect of duty on its own part. Breach or neglect of duty on the part of the exporter that was neither known nor should have been known by the bank does not thus preclude indemnification. In the event of improper performance of contract or serious breach or neglect of duty on the part of the exporter, SERV may have regress upon the exporter by way of declaration of authorisation and undertaking.

For documented insured events resulting in justified claims, indemnification is remitted within 30 days of written acknowledgement of the insured event by SERV.

«Security and confidence for Swiss exporters – SERV facilitates acceptance of foreign orders.»

→ Insurable risks, page 28

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