

Buyer credit insurance

Banks or financial institutions can insure the financing of Swiss export transactions with buyer credit insurance from SERV. The bank or financial institution acts as the policyholder. Buyer credit insurance is available for short-, medium- and long-term transactions.

Our policyholders

Our buyer credit insurance is available to domestic and, under certain preconditions, foreign banks and financial institutions. Policyholders must be authorised to apply for the insurance by the Swiss exporter.

Our product

Exports of capital goods are often financed by means of a buyer credit. The bank grants the foreign buyer or a foreign bank a credit, which is used to settle the exporter's claim for payment as soon as the goods are delivered. We provide cover for this common type of financing. The policyholder and direct beneficiary of buyer credit insurance is the bank or financial institution granting the buyer credit. Buyer credit insurance is available for short-term (up to 23 months max.) as well as for medium- and long-term (24 months and more) credit periods. When it comes to agreeing the terms of repayment, the requirements of the Berne Union and/or the OECD apply.

Compared to a supplier credit, a buyer credit has significant advantages for the exporter. There is no need to negotiate credit terms and, in addition, the export company benefits from the immediate removal of liabilities from the balance sheet and the provision of liquidity. For buyer credit insurance, we need a declaration of authorisation and undertaking from the Swiss exporter or manufacturer. This is to ensure that any defenses and objections arising from the financial export transaction – as well as breaches of duty by the exporter – are not taken into account in the event of an insured loss.

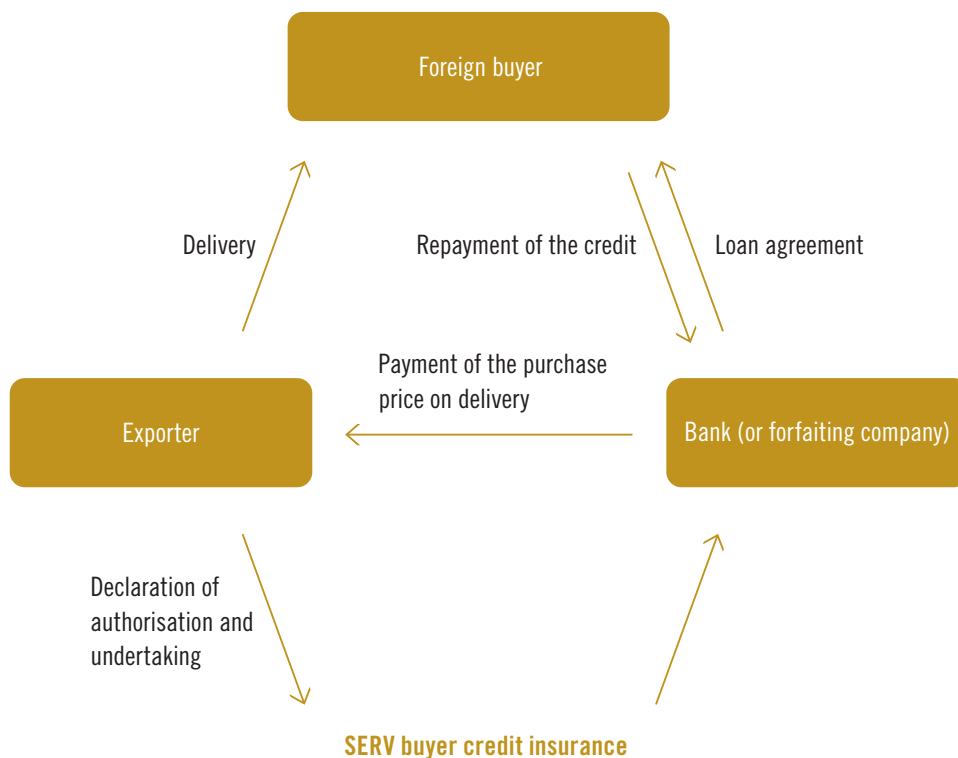
Our services/object of the insurance

With buyer credit insurance, we insure the claim for repayment of the credit amount disbursed to the exporter under the credit agreement with the foreign borrower.

Banks and financial institutions can thus insure credit receivables, contractual interest up to maturity, and also default interest up to expiry of the one-month waiting period (occurrence of the insured event). Additional financing costs, especially SERV premiums, can also be insured in cases where the borrower is obliged to reimburse these costs. Ancillary financing costs are also regularly financed from the buyer credit and are therefore an integral part of the insured principal. The interest mentioned in the credit agreement is included in the cover, without any separate premium being charged.

Our insurance contracts can be denoted in Swiss francs, Euros or US-Dollars. Upon request, we can cover foreign currency claims in other prevalent currencies. In the event of an insured loss, the conversion of the foreign currency amount is limited to the premium conversion rate defined in the insurance policy. For medium- and long-term transactions with a risk period of at least 24 months, this rate limitation can be removed against payment of a 10 percent surcharge on the premium. (See also "Foreign currency contingency risk" information.)

The cover ratio for all risks is generally 95 percent.



Our premiums

The costs consist of expense premiums (review, extension and special review premiums) and risk premiums (see also “SERV premium tariff”).

The review premium is dependent on the contract value and/or credit amount and is charged in particular on transactions with private borrowers. For transactions not involving any special review work, such as bank-collateralised transactions, a review premium is generally not charged.

For extensions of insurance commitments in principle, an extension premium may be charged, amounting to 25 percent of the review premium.

The risk premium is based on the borrower’s/debtor’s credit-worthiness, the country risk, the risk period and the insured credit amount. In the case of medium- and long-term buyer credits, we apply OECD minimum premiums.

Terms and conditions

SERV insures only financing transactions for the sale of goods/ services of Swiss origin or that include an acceptable amount of Swiss-produced content. The buyer credit to be insured must be based on an insurable Swiss export transaction (tied buyer credit, see also “Origin of goods and Swiss value added content” information).

Non-disbursement risk

Buyer credit insurance can be arranged either on its own or combined with an insurance in the exporter’s favour. In the latter case, a supplier credit insurance insures the exporter against the eventuality of his not receiving any disbursements from the buyer credit, due to an insured risk, after the goods have been despatched (non-disbursement risk).

The bank undertakes only to cancel any financing for which it has given a commitment with the agreement of SERV. In this respect, the buyer credit represents a security for the execution of the export transaction.

Countries of destination

In compliance with the principle of subsidiarity, we underwrite buyer credit insurance worldwide. However, in the case of financing transactions with credit terms of up to two years, it is a prerequisite that the buyers are not based in a EU and/or core OECD country (i.e. EU member states, Iceland, Japan, Canada, New Zealand, Norway and the United States).

Period of insurance

Our insurance cover commences as soon as the credit is disbursed and ends with payment of the last insured credit instalment. There is no liability for amounts not disbursed, insofar as no other cover (supplier credit insurance for the exporter) has been applied for.

Assignment possibilities

Subject to approval by SERV, your rights to indemnification under a buyer credit insurance policy may be assigned to other financial institutions or forfaiting companies, along with the credit receivable.

Indemnity payments

The prerequisite for the payment of indemnity is the uncollectibility of the valid and due debt as a result of an insured risk. As soon as we have all necessary documents and evidence available, we will acknowledge the loss on expiry of the waiting period (1 month). We then effect payment of the indemnity. As the policyholder, you are required to bear part of the loss yourself in the form of a deductible amounting to at least 5 percent (for all risks).

Insured risks at a glance

Buyer credit insurance **provides cover against default** resulting from

- political risks such as extraordinary government measures or warlike events,
 - transfer risks such as the non-conversion / non-transfer of amounts in national currencies,
 - force majeure, where not insurable on acceptable market terms,
 - credit risks such as insolvency of the buyer or non-payment of the debt within 1 month of its maturity (protracted default).
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Facts and figures

Policyholders

Banks and other financial institutions

Object of insurance

Receivables from a tied buyer credit

- Principal
- Contractual interest up to maturity
- Default interest up to the end of the waiting period
- Financing costs

Countries eligible for cover

Generally all

Exception: exports with credit terms of up to 2 years in core EU and OECD countries (i.e. EU member states, Iceland, Japan, Canada, New Zealand, Norway and the United States)

Risks covered

Political and transfer risks, Credit risk (economic risks)

Cover ratio

Generally 95 percent for all risks

Waiting period

1 month

Review premiums

Selectively, depending on the contract value and/or credit amount

Extension premium

Selectively, depending on the review premium

Risk premium

Calculated on the credit amount, depending on the country risk category, risk period and credit rating of the buyer/debtor/guarantor

Our specialists will be happy to advise you

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You can apply for buyer credit insurance from SERV in writing. Please use the application form provided for this purpose.

Further information, as well as application forms and general terms and conditions, is available at www.serv-ch.com.

For the insurance policy, the Swiss export risk insurance act, the Swiss export risk insurance ordinance and the general terms and conditions for buyer credit insurance (GT&C B) apply exclusively and independently of the contents of this brochure.