


Contract bond insurance



SERV insures Swiss exporters against losses arising from claims under contract bonds (normally bank guarantees), which they are required to provide as security for their own contractual obligations toward the buyer.

Our policyholders

As a Swiss exporter listed in the Swiss Commercial Register and domiciled in Switzerland, you – or a third party authorised by you – are eligible to apply for contract bond insurance.

Our product

When engaging in export business, you, as the exporter, will often be obliged to provide a contract bond to protect the buyer. The most common types of guarantee include advance payment guarantees and performance bonds. Another type of guarantee in this context is the bid bond, although bid bonds are provided at a stage when a legally binding contract does not yet exist.

We insure all types of guarantees without exception. However, it should be noted that the advance payment guarantee is already covered under pre-shipment risk cover (see also product information leaflet entitled “Pre-shipment risk cover”).

Normally, the exporter’s bank will provide the contract bond in the form of an “irrevocable guarantee payable on first demand”. This gives the buyer the security of immediate reimbursement of the agreed guaranteed sum in the event of a breach of contract on the part of the exporter.

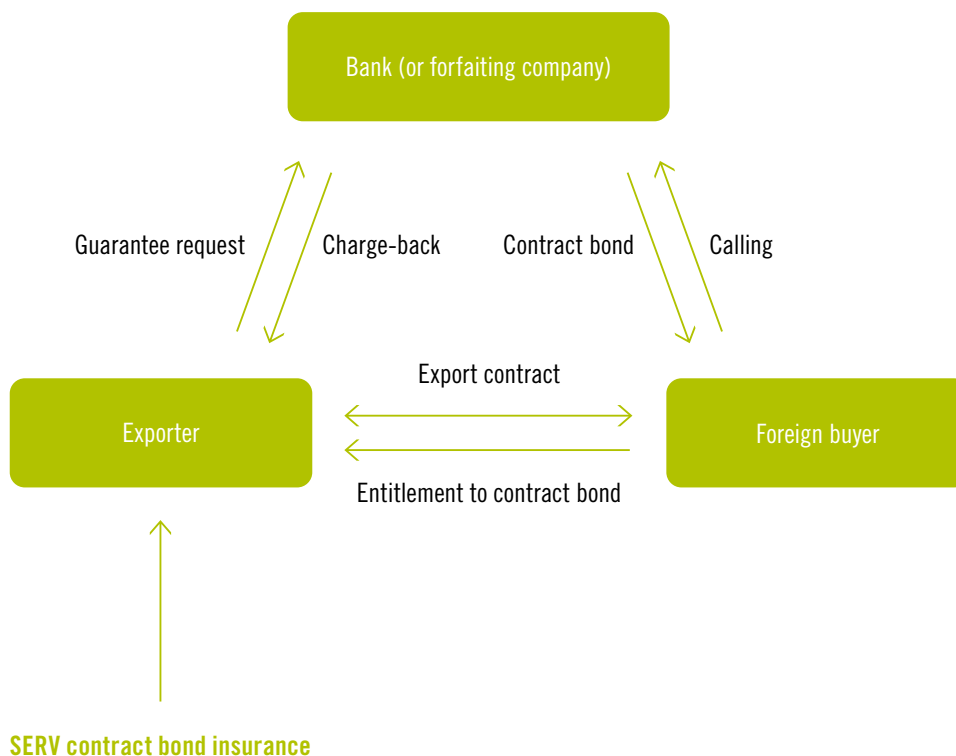
From your point of view, this entails the risk of the contract bond being called even though you, the exporter, are not responsible for any breach of contract (unfair calling). When you take out contract bond insurance, we assume this risk.

Our services

Under a contract bond policy we insure you against the loss of the sum specified in the bond.

Our premiums

The insurance premium we charge amounts to a certain percentage of the sum guaranteed. This premium rate is determined by the length of the guarantee period and the country risk category (see also “SERV premium tariff”). No expense premiums (review and extension premiums) are incurred.



Possible combinations

A contract bond policy must always be applied for in combination with pre-shipment risk cover or a supplier credit policy (see also product information leaflets entitled “Pre-shipment risk cover” and “Supplier credit insurance”). Contract bond insurance can only be requested in isolation for a bid bond. In this case, we also reserve the right to verify the export transaction’s eligibility for support.

Period of insurance

Our cover commences with the issuance of the guarantee and ends with its redemption or expiry. In the event of unfair calling by the foreign buyer, the insurance cover will end with the fulfilment of the repayment claim.

Assignment

Subject to approval by SERV, your rights to indemnification under the contract bond policy may be assigned, in particular to banks and other financing companies.



Indemnity payments

The prerequisite for indemnity payments is the occurrence of an insured risk.

An indemnity payment is triggered:

- if the guarantee has been invoked on the basis of an insured risk,
- if the sum guaranteed has been paid out to the beneficiary by the bank providing the guarantee and
- if the loss incurred as a result of the charge-back to the Swiss exporter has not been refunded within the waiting period (3 months from payment of the sum guaranteed).

As soon as we are in possession of all necessary documents and evidence, we will acknowledge the loss on expiry of the waiting period and subsequently pay the claim. As the policyholder, you are required to bear part of the loss in the form of a percentage share, normally amounting to 5 percent for all risks.

In divergence from these principles, the advance payment guarantee is subject to the following special provisions: if advance payment guarantees expire proportionally as deliveries are made or services provided, they are insured under pre-shipment risk cover. To this extent, the payment of the indemnity depends on the same preconditions as apply to pre-shipment risk cover (see also product information leaflet entitled “Pre-shipment risk cover”).



Insured risks at a glance

The contract bond policy **insures against the loss of the sum guaranteed** in the event of the foreign buyer

- legitimately calling the guarantee because the Swiss exporter is unable to fulfil its obligations owing to political circumstances abroad or because of force majeure,
 - legitimately invoking the guarantee because the performance of the contract is rendered impossible owing to an embargo measure imposed by Switzerland,
 - calling the guarantee on other grounds which have no legitimate basis (unfair calling) and in the event of the loss not being refunded within 3 months of the invocation and payment of the sum guaranteed.
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Facts and figures

Policyholder

Swiss exporters domiciled in Switzerland and listed in the Swiss Commercial Register

Object of insurance

Face value of the underlying contract bond

Countries eligible for cover

Generally all

Exception: exports with risk periods of up to 2 years to EU and core OECD countries (i.e. EU member states, Iceland, Japan, Canada, New Zealand, Norway and USA)

Risks covered

Loss of sum guaranteed owing to

- unfair calling (illegitimate invocation of the guarantee)
- a (legitimate) invocation of the guarantee for political reasons or as a result of force majeure

Cover ratio

Normally 95 percent for all risks

Waiting period

3 months

Expense premiums

None

Insurance premium

Single premium payable depending on sum guaranteed, term and country risk category

Our specialists will be happy to advise you

SERV Swiss Export Risk Insurance

Kirchenweg 8

8032 Zurich

Tel. +41 44 384 47 77

Fax +41 44 384 47 87

E-mail: info@serv-ch.com

www.serv-ch.com

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You can apply for contract bond 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 contract bond insurance (GT&C CB) apply exclusively and independently of the contents of this brochure.