Loss and Claims Management of SERV

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Schweizerische Exportrisikoversicherung
Assurance suisse contre les risques à l'exportation
Assicurazione svizzera contro i rischi delle esportazioni
Swiss Export Risk Insurance

The basis for loss management are art. 17 to 19 SERVG and art. 17 SERV-V. These provisions lay down the rights and obligations of policyholders and of SERV in the event of a loss. They are supplemented by the General Terms and Conditions (GTC) of SERV. In claims management, SERV distinguishes between the recoupment of indemnifications by recovery, restructuring and debt rescheduling.

Pre-Loss Management

SERV's loss management begins in the pre-loss phase. Accordingly, a distinction is drawn between pre-loss management and the actual handling of losses. The aim of pre-loss management is to avoid the occurrence of loss or to reduce its scope in close cooperation with all parties involved through corresponding measures. If there is a loss, SERV processes indemnification applications after the expiry of agreed waiting periods and indemnifies claims within the framework of agreed conditions.

In the event of major breaches of duty by the debtor or the presence of risk aggravating factors, the probability of the occurrence of an insured risk arising increases. This is particularly the case if contractually agreed payments are not received on maturity, a debtor seeks an extension of payment periods, changes occur in the financial situation of the debtor or debt readjustment or liquidation proceedings are initiated against the debtor. The GTC specify that the policyholder must report such events immediately on learning of them. The policyholder must behave as if it had no SERV cover. This means that as part of its due diligence to avoid an insured event or to mitigate the loss, suitable measures must be taken. These include for example warnings, taking legal action, a temporary halt to production and delivery or if necessary intervention via diplomatic representation, especially in the case of public debtors. In this phase SERV has an advisory function.

Handling of Losses

Loss is understood as the realisation of a risk insured by SERV, connected with the expiry of a waiting period. Depending on the product, this runs for one to three months. Technically, one speaks of an insured event, meaning the occurrence of an insured risk and the expiry of the waiting period. The risks covered differ, depending on the product. They are listed in the associated GTC of a product. For example, these may include political risks, del credere risks (commercial risks), transfer risks or risks of force majeure. If an insured event occurs, claims are remunerated by making indemnity payments. The indemnity payments consist of the insured principal claim, the ancillary claims (such as interest) and the agreed or statutorily determined default interest accruing within the waiting period, taking the agreed cover ratio into account. Claims of the policyholder against the debtor pass to SERV on payment of the indemnification in the amount of the indemnity payment. The policyholder remains responsible for taking measures to recover assets or mitigate losses.

Recovery and Restructuring

SERV defines recovery as the assertion of claims against a debtor by the policyholder, the capitalisation of securities or settlement agreements. Possibilities of assertion are for example involving lawyers or collection firms, conducting legal proceedings against a debtor and/or against a guarantor or concluding private restructuring agreements. If a claim is re-regulated as part of a contract between SERV and a public debtor, this is termed restructuring. The associated claims are correspondingly designated and posted as claims from restructuring, the remaining claims are designated claims from losses.

Debt Rescheduling

Debt rescheduling is a special form of restructuring. SERV submits its claims for debt rescheduling that are negotiated by the Swiss State Secretariat for Economic Affairs (SECO) in the Paris Club, an association of creditor nations. Debt rescheduling agreements are international understandings between a group of creditors and a debtor country, whereby debt repayments are postponed to avoid the financial collapse of a country. This procedure ensures that the creditor nations are treated and serviced equally. In general, only medium- to long-term claims which are based on credit periods of 12 months and longer are handled in the Paris Club. Since only countries can qualify for debt rescheduling, only claims against public debtors or private debtors with public guarantees can be considered. The possibility of debt rescheduling is established in art. 31 SERVG and art. 23 to 25 SERV-V. The legal foundations also provide for the possibility that SERV can assume claims from uninsured shares and represent credit balances of the Confederation.

The precondition for debt rescheduling of a debtor country is a prior assessment by the International Monetary Fund (IMF). The IMF investigates whether the government of the debtor country has introduced measures to improve the economic and financial situation. Claims which are regulated within the framework of debt rescheduling agreements are termed credit balances from debt rescheduling agreements or rescheduling credit balances. Recoveries associated with credit balances from debt rescheduling agreements or debt rescheduling credit balances are described as repayments from credit balances from debt rescheduling agreements. The debt rescheduling agreements also commit the debtor countries to interest payments. SERV reports this revenue as interest income from debt rescheduling agreements.

Early Repayments

If a debtor country with a debt rescheduling agreement intends to pay its debts to the creditor countries early, the previous multilateral agreement is replaced by a new agreement on early repayments in the Paris Club. This lays down the necessary conditions for the repayment and is in turn the basis for a bilateral agreement on early repayments between the creditor and debtor country. As a result of such an agreement the debtor country achieves a final regulation of its debt repayments. The creditor countries in the Paris Club ensure equal treatment on the basis of this agreement mechanism. At SERV early repayments result in a cash inflow. At the same time early repayments can release the value adjustments planned for the claims involved, as a result of which the debt rescheduling expense is reduced and the insurance or operating result is positively influenced.

Debt Relief

Debt relief normally involves a debt relief initiative launched by the World Bank and IMF for heavily indebted, low-income countries (Heavily Indebted Poor Countries, HIPC/HIPC initiative). The Paris Club member countries have joined this initiative. Partial debt relief or even a final debt reduction of up to 100 per cent on the outstanding claims is granted if the debtor country meets the criteria required.

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