

# Why is SERV introducing new premium regulations?

Under the SERV Act (SERVG), SERV is required to charge risk-adjusted premiums on a case-by-case basis as part of its business policy (SERVG 6 I let. c). In particular, premiums must be based on the respective risks, the insurance term and the amount of cover (SERVG 14 II). Furthermore, the long-term viability of SERV's insurance business must be ensured (SERVG 6 I a). To improve compliance with these requirements, SERV already introduced a new premium tariff on 1 January 2021, which will continue to apply unchanged.

The detailed calculation methods can be found in the premium regulations, which are based on the premium tariff. SERV is introducing its new 2023 Regulations on Premium Calculation this summer to align the specific calculation formulas even more closely with the following principles:

#### More simplicity

SERV will use a new method to calculate premiums for products and periods that do not fall under the OECD Arrangement. It makes the regulations less complex than before and will now apply the same standardised method for exporter risks and buyer risks.

## More risk adequacy

The new 2023
Regulations on Premium
Calculation will take into
account effective default probabilities, making them more
aligned with the business
principle of charging premiums that are risk-adjusted.

## More transparency

Under the new premium regulations, the premium calculation will be defined more clearly, and it will be possible to take into account various product variants such as limits or pro-rata transactions. At the same time, having a separate premium calculation for each individual product will create more transparency.

### What's new?

#### **OECD Arrangement versus SERV pricing method**

Pricing pursuant to the OECD Arrangement is now only applied to transactions that are actually subject to the Arrangement. This covers supplier credit insurance, buyer credit insurance and letter of credit confirmation insurance with credit periods of at least 24 months. For all other transactions, SERV is introducing a new premium calculation method: the STEx pricing.

#### One premium for each insurance product

For the sake of transparency, risk adequacy and economic viability, each product will now be priced separately according to its effective default risk under the new method.

#### Amendment requests

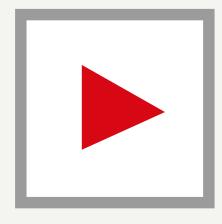
To determine credits or additional charges in the event of changes to insurance transactions, a separate calculation method will be applied for all products (instead of STEx pricing or OECD calculation methods). When calculating credits or additional charges, only forward-looking changes to an insurance transaction will be taken into account. SERV will also consider the actual changes to the coverage profile of a transaction. The main thing to note is that no retroactive changes will be considered.

#### STEx pricing

The premiums for transactions not subject to OECD pricing will be calculated using the new STEx method (Short-Term and Exporter Transactions). This is based on historical effective default statistics provided by credit rating agencies and takes into account both the rating level and the term. Alignment with the effective default risk will ensure that the classification of exporter risks and buyer risks is weighted in a more risk-adjusted way. The calculation method also incorporates SERV's experiences with specific products. STEx pricing covers SERV's risk costs, as well as its administrative costs. A minimum premium of CHF 250 will now apply.

# What does this mean exactly?

Use the premium simulator to calculate your premium under the new 2023 Regulations on Premium Calculation:



Click on the play button



or scan the code

#### SERV

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