

Regulations on Premium Calculation Annex 1

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Subject	The regulations on premium calculation stipulate the calculation of insurance premiums, expense premiums and the premiums for granting reinsurance. The calculation of insurance premiums, surcharges, reductions and correction factors is set out here in annex 1
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Content

Art.1	Formula for calculation of SERV insurance premiums for pre-shipment risk insurance, supplier creditinsurance, confiscation risk insurance, contract bond insurance, multi-buyer insurance, buyer credit insurance, letter of credit confirmation insurance and refinancing guarantees.	3
Art.2	Coefficients and constants	4
Art.3	Surcharges	4
Art.4	Reductions.....	4
Art.5	Correction factor	6
Art.6	Overview for transactions to country categories 1 to 7	7
Art.7	Effect of the surcharges, reductions and correction factor.....	7

The regulations on premium calculation stipulate the calculation of insurance premiums, expense premiums and the premiums for granting reinsurance. The calculation of insurance premiums, surcharges, reductions and correction factors is set out here in annex 1. In annex 2 the calculation of premiums based on market prices is described.

Art.1 Formula for calculation of SERV insurance premiums for pre-shipment risk insurance, supplier credit insurance, confiscation risk insurance, contract bond insurance, multi-buyer insurance, buyer credit insurance, letter of credit confirmation insurance and refinancing guarantees.

$$BC \times \left\{ \left[(a_i \times RP + b_i) \times \frac{\max(\text{PRCR}, \text{ERCR})}{0.95} \times (1 - \text{PRR}) \right] + \left[c_{in} \times \frac{\text{ERCR}}{0.95} \times RP \times (1 - \text{CRR}) \right] \right\} \\ \times \frac{1}{100} \times (1 + \text{FCS}) \times (1 + \text{FXS}) \times (1 + \text{IRS}) \times (1 - \text{BSR}) \times (1 - \text{AER}) \times (1 - \text{SPR}) \times (1 - \text{CF})$$

Variable	Description	See also
a	Coefficient for the political risk including the transfer risk and the risk of force majeure by country risk category	Annex 1, chapter 2
AER	Reduction for reduced administrative expenses	Annex 1, chapters 4.4, 6 and 7
b	Constants by country risk category	Annex 1, chapter 2
BC	Basis for calculation by insurance type	
BSR	Reduction for “better than sovereign” risks (SOV + R)	Annex 1, chapters 4.3, 6 and 7
c	Debtor coefficient by debtor category and country risk category	Annex 1, chapter 2
CF	Correction factor	Annex 1, chapters 5, 6 and 7
CRR	Reduction for collateral mitigating the del credere risk	
ERCR	Cover ration for del credere risk	
FCS	Foreign content surcharge	Annex 1, chapters 3.2, 6 and 7
FXS	Foreign exchange surcharge	Annex 1, chapters 3.2, 6 and 7
i	Index for country risk category	Annex 1, chapter 2
IRS	Increased risk surcharge	Annex 1, chapters 3.1, 6 and 7
max. (PRCR, ERRCR)	The higher of the two cover rations PRCR and ERRCR applies	
n	Index for debtor category	
PRCR	Cover ration for political risk including transfer risk and risk of force majeure	
PRR	Reduction for collateral mitigating the political risk including transfer risk and risk of force majeure	Annex 1, chapters 4.1, 6 and 7
RP	Risk period in years, calculated by insurance type	
SPR	Reduction for special properties of the export goods	Annex 1, chapters 4.5, 6 and 7

Art.2 Coefficients and constants

		Country Risk Category (i)						
		CRC 1	CRC 2	CRC 3	CRC 4	CRC 5	CRC 6	CRC 7
a		0,090	0,200	0,350	0,550	0,740	0,900	1,100
b		0,350	0,350	0,350	0,350	0,750	1,200	1,800
c	SOV+	0,000	0,000	0,000	0,000	0,000	0,000	0,000
Debtor cat. (n)	SOV/CC0	0,000	0,000	0,000	0,000	0,000	0,000	0,000
	CC1	0,110	0,120	0,110	0,100	0,100	0,100	0,125
	CC2	0,200	0,212	0,223	0,234	0,246	0,258	0,271
	CC3	0,270	0,320	0,320	0,350	0,380	0,480	
	CC4	0,405	0,459	0,495	0,540	0,621		
	CC5	0,630	0,675	0,720	0,810			

Art.3 Surcharges**3.1 Increased risk surcharge**

If a transaction is subject to increased risks, SERV may charge a premium surcharge of up to 100 percent. In particular, increased risk is on hand if the conditions of the applicable country risk category or cover policy of SERV are not fulfilled or in the case of major risks or increased project or market-specific risks.

3.2 Foreign content surcharge (FCS)

SERV currently raises no surcharges for foreign content.

3.3 Foreign exchange surcharge (FXS)

SERV currently raises no surcharges for insurances or guarantees in foreign currencies.

Art.4 Reductions**4.1 Reduction for collateral mitigating the political risk (PRR)**

SERV may grant a reduction for collateral mitigating the political risk, the transfer risk, and the risk of force majeure if the documented collateral or the insured transaction has properties that considerably mitigate the political risk or the transfer risk.

If supplier and buyer credit insurance as well as letter of credit confirmation insurance are financed and insured in a local currency permitted by SERV in line with the criteria of the OECD credit arrangement, i.e. not in a so-called hard currency, a maximum PRR of 20% may be granted in individual cases.

No PRR is granted for pre-shipment risk insurance, confiscation risk insurance, contract bond insurance and multi-buyer insurance.

4.2 Reduction for collateral mitigating the commercial risk (CRR)

For supplier and buyer credit risk insurance as well as letter of credit confirmation insurance, SERV may grant the following reductions:

No	Collateral	ST*	MLT*
1	Security in rem on movable goods (asset-based security)	max. 25 %	max. 25 %
2	Security in rem on immovable goods (fixed-asset security)	max. 15 %	max. 15 %
3	Assignment of income from purchase contracts or claims of the foreign buyer	max. 10 %	max. 10 %
4	Escrow Account	Collateral amount as a percentage of the credit amount, max. 10%	Collateral amount as a percentage of the credit amount, max. 10%
5	Bank guarantee/Bank debtor/Letter of credit	20 %	0 %
6	Guarantee of a company organised under private law	10 %	0 %

*ST: short-term periods; MLT: medium- and long-term periods

Collateral securities 1 to 4 can be aggregated, but the CRR may not exceed 35 percent.

Collateral securities 5 and 6 apply alternatively to each other and to the other collateral securities. CRR for collateral securities 1 and 2 cannot be granted together for one transaction. The amount of the CRR for collateral securities 1 to 3 is determined on the basis of the Rule of Law Index (ROLI) of the World Bank and other factors.

For pre-shipment risk insurance and contract bond insurance, the CRR generally amounts to 50 percent.

4.3 Reduction for “better than sovereign” risks (SOV+R)

SOV+R may be granted for pre-shipment risk insurance, supplier credit insurance, contract bond insurance, buyer credit insurance and letter of credit confirmation insurance.

The SOV+R amounts to 10 percent if

- a private debtor receives a rating better (SOV+) than the rating of the debtor’s country (SOV) from a ratingagency recognised by OECD, and SERV confirms this debtor rating, or
- the country of the debtor qualifies for SOV+ ratings according to OECD, and SERV issues such for a private debtor, and
- the del credere risk is covered.

Exception: for transactions whose insurance premium is calculated according to the market price, no SOV+ is granted for supplier credit, buyer credit and letter of credit confirmation insurance.

4.4 Reduction for reduced administrative expenses (AER)

For transactions with a term of less than 24 months, SERV may grant a reduction of up to 20 percent if the transaction involves much lower administrative expenses than usual.

For multi-buyer insurance, an AER of 10 percent is granted.

For other insurance types, no AER is generally granted. Exceptions are possible in substantiated cases.

4.5 Reduction for special properties of the export goods (SPR)

For transactions with a risk period of less than 24 months, SERV may grant a reduction of up to 15 percent if the export goods have special properties that mitigate the risk of non-payment. In particular, this includes basic necessities such as indispensable medication, medical equipment, or water treatment systems.

For pre-shipment risk insurance, supplier credit insurance, contract bond insurance, multi-buyer insurance, buyer credit insurance and letter of credit confirmation insurance, SERV currently grants the following SPR:

Export goods	SPR
Pharmaceuticals	15 %
Medical commodities	15 %
Additives for water treatment plants	15 %
Fertilisers	10 %
Pesticides and similar products	10 %
Seeds	10 %

Art.5 Correction factor

The insurance type-specific correction factor takes the properties of the respective insurance type into consideration, especially the object of cover, the risk structure, and the loss experience of SERV. The maximum correction factor depends on the respective insurance type.

Depending on the insurance type and term, the following CF applies:

Insurance type	ST	MLT
Pre-shipment risk insurance	25 %	25 %
Supplier and buyer credit insurance, refinancing guarantee	15 %	0 %
Confiscation risk insurance	15 %	15 %
Contract bond insurance	25 %	25 %
Letter of credit confirmation insurance	15 %	0 %
Multi-buyer Insurance	15 %	0 %

Exception: for transactions whose insurance premium is calculated according to the market price, no correction factor applies to supplier credit insurance, multi-buyer insurance, buyer credit insurance, letter of credit confirmation insurance and refinancing guarantees.

Art.6 Overview for transactions to country categories 1 to 7

Insurance type	IRS		FCS		FXS		PRR		CRR		SOV+R		AER		SPR		CF	
	ST	MLT	ST	MLT	ST	MLT	ST	MLT	ST	MLT	ST	MLT	ST	MLT	ST	MLT	ST	MLT
P	max. 100 %	max. 100 %	max. 10 %	max. 10 %	0 %	0 %	0 %	0 %	50 %	50 %	10 %	10 %	0 %	0 %	15 % / 10 %	0 %	25 %	25 %
S/B/RG	max. 100 %	max. 100 %	max. 10 %	max. 10 %	0 %	0 %	max. 20 %	max. 20 %	max. 35 %	max. 35 %	10 %	10 %	0 %	0 %	15 % / 10 %	0 %	15 %	0 %
C	max. 100 %	max. 100 %	max. 10 %	max. 10 %	0 %	0 %	0 %	0 %	0 %	0 %	0 %	0 %	0 %	0 %	0 %	0 %	15 %	15 %
CB	max. 100 %	max. 100 %	max. 10 %	max. 10 %	0 %	0 %	0 %	0 %	50 %	50 %	10 %	10 %	0 %	0 %	15 % / 10 %	0 %	25 %	15 %
LC	max. 100 %	max. 100 %	max. 10 %	max. 10 %	0 %	0 %	max. 20 %	max. 20 %	20 %	0 %	10 %	10 %	0 %	0 %	15 % / 10 %	0 %	15 %	0 %
MB	max. 100 %	max. 100 %	max. 10 %	max. 10 %	0 %	0 %	0 %	0 %	0 %	0 %	0 %	0 %	10 %	0 %	15 % / 10 %	0 %	15 %	0 %

Key

AER	Reduction for reduced administrative expenses
C	Confiscation Risk Insurance
CB	Contract Bond Insurance
CF	Correction factor
CRR	Reduction for collateral mitigating the commercial risk
FCS	Foreign content surcharge
FXS	Foreign exchange surcharge
IRS	Increased risk surcharge

LC	Letter of Credit Confirmation Insurance
MB	Multi-buyer Insurance
MLT	Medium and Long Term
P	Pre-Shipment Risk Insurance
PRR	Reduction for collateral mitigating the political risk
RG	Refinancing Guarantee
S/B	Supplier Credit Insurance/Buyer Credit Insurance
SOV+R	Reduction for "better than sovereign" risks
SPR	Reduction for special properties of the export goods
ST	Short Term

Art.7 Effect of the surcharges, reductions and correction factor

Insurance premium	IRS	FCS	FXS	PRR	CRR	SOV+R	AER	SPR	CF
Total insurance premium	x	x	x			x	x	x	x
Premium for the political risk (including transfer risk and risk of force majeure)				x					
Premium for the commercial risk (del credere surcharge)					x				