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

SERV Compact

SERV and its products

Minimise risks. Maximise exports.

9th edition, April 2021

You can find explanations of key technical terms relating to SERV on the SERV website at www.serv-ch.com > Glossary.

The information in this brochure has been written and/or presented in a simplified manner and is not legally binding. Subject to amendment and error. SERV's General Terms and Conditions apply exclusively.

Contents

Introduction

This brochure provides information about the functions and products of Swiss Export Risk Insurance SERV. It constitutes an introduction to export credit insurance and also serves as a point of reference.

Security and liquidity for Swiss exporters
If a Swiss company exports or renders a service for a foreign buyer, the risk that it will not be paid for its services can increase. SERV provides exporters with the security they need to accept potentially risky export orders by insuring incoming payments against political risks and the buyer's insolvency or unwillingness to pay. SERV also helps exporters to maintain their liquidity and improves their access to financing.

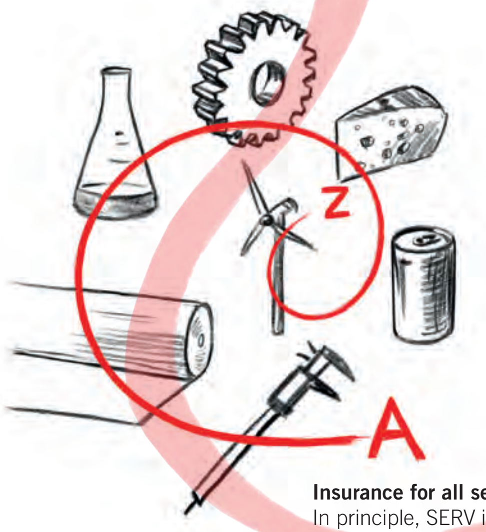
No minimum size
SERV sets no minimum company or order volume size for its insurance cover. However, the exporter must be headquartered in Switzerland and the export transaction must include an appropriate amount of Swiss content.

Serving the Swiss economy
As a public-law organisation, SERV concentrates on those areas that private insurers either do not cover or cover inadequately. SERV is self-financing. That means that it finances itself through the premiums it earns – without any taxpayers' money. SERV's products promote the international competitiveness of the Swiss economy and support exports worth billions every year. These mandates secure Swiss jobs both in the export industry and the industries that supply them.

SERV has many years of experience assessing and analysing country, bank and corporate risks. SERV's employees will be happy to provide you with further information. Contact details can be found on the SERV website at www.serv-ch.com > About us > Employees.

1 From the initial enquiry to SERV cover

Enquiries
SERV advises its policyholders and helps them to select products that meet their requirements and complete the relevant application processes. Contact details can be found at www.serv-ch.com.



Insurance for all sectors, with no minimum size
In principle, SERV insures exports of all types of goods from all sectors, with a variety of payment or financing structures. In addition, it sets no minimum size either in terms of the value of the order to be insured or the policyholder.

Insurance commitment in principle
The policyholder should apply for the insurance commitment in principle (ICP) as early as possible, ideally while still negotiating with the buyer. The ICP is valid for six months and can be extended by a further six months. It provides clarity about eligibility for cover and the premium that will be charged, as well as giving additional certainty to the negotiations.

Application portal
The policyholder submits applications via the electronic application portal. The client advisors help complete the application. The application portal can be found on the SERV website at www.serv-ch.com > To the application portal. Policyholders should submit applications in good time and no later than the commencement of the risk.

Additional information
SERV will contact the policyholder directly if any additional information is required.

Conditions

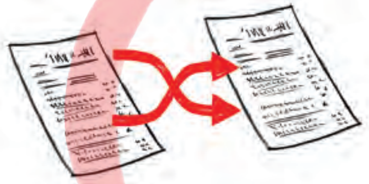
- The exporter is headquartered in Switzerland and listed in the commercial register
- The buyer is headquartered abroad
- The transaction complies with SERV's policy on transactions, Switzerland's foreign policy principles and commitments according to international law, and international standards (cf. Sustainability, p. 43)
- SERV only insures exports to EU and OECD member states with a risk period of less than 24 months for reasons of subsidiarity if they are not insured on the private market (cf. Legal requirements, p. 37)
- Appropriate amount of Swiss content

Policyholder's obligations
The policyholder or assignee must inform SERV in good time if contractual payments are not received on time or if a loss begins to look likely. The general terms and conditions of the respective insurance policy apply in such cases.

Examination of the application
The Insurance Committee must approve the application if the premium exceeds a certain level. There is no legal entitlement to insurance cover.

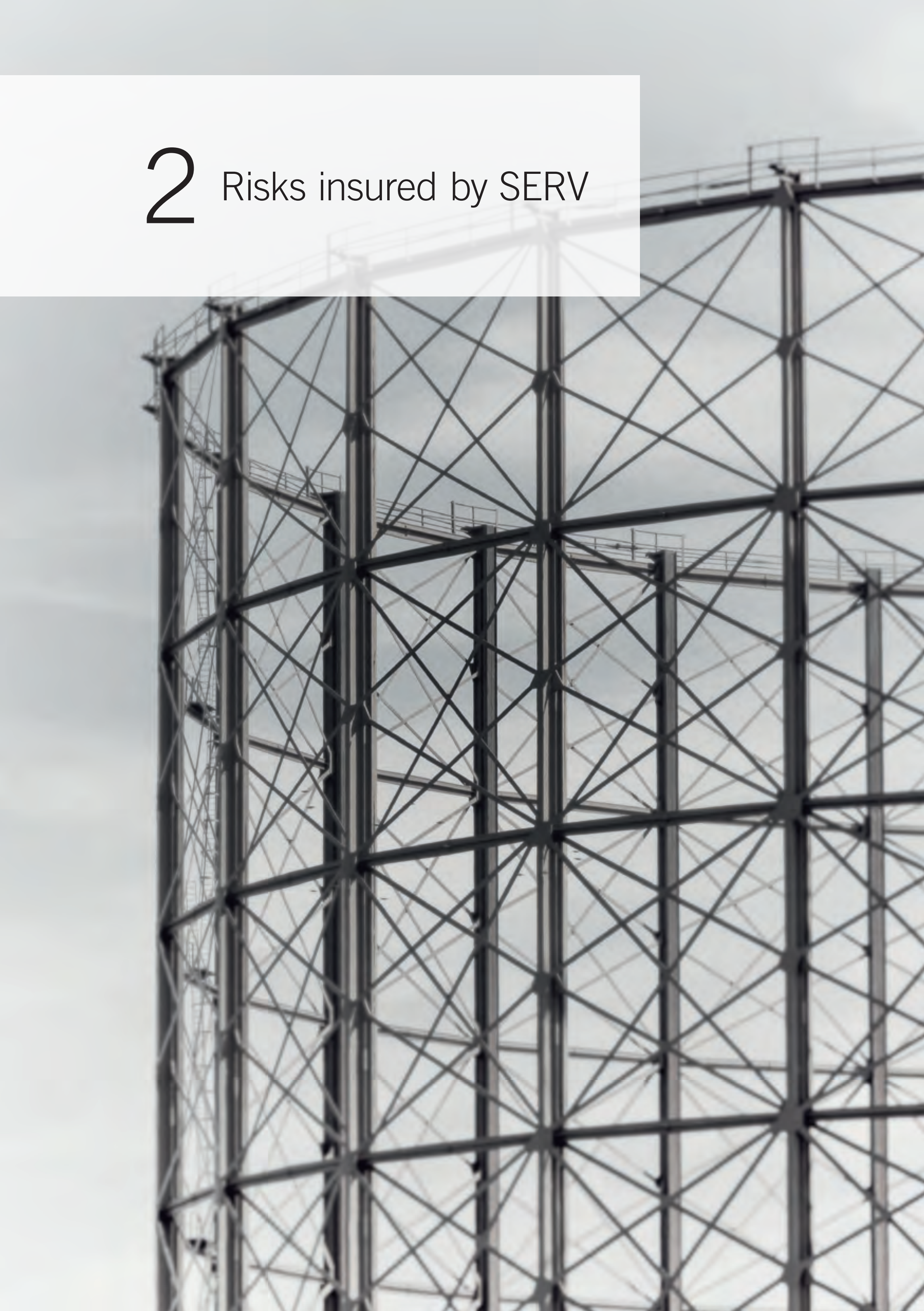
Premiums
SERV charges a premium for the risk cover and the associated administrative costs (cf. Premiums, p. 30).

Currencies
SERV issues insurance policies in freely convertible currencies; they are generally issued in the currency specified in the contract. Unless another currency has been requested and agreed, the premium must normally be paid in Swiss francs.



Subsequent changes
The policyholder must notify SERV immediately of any changes to the order or terms and conditions of payment, the delivery or service periods, etc.

2 Risks insured by SERV

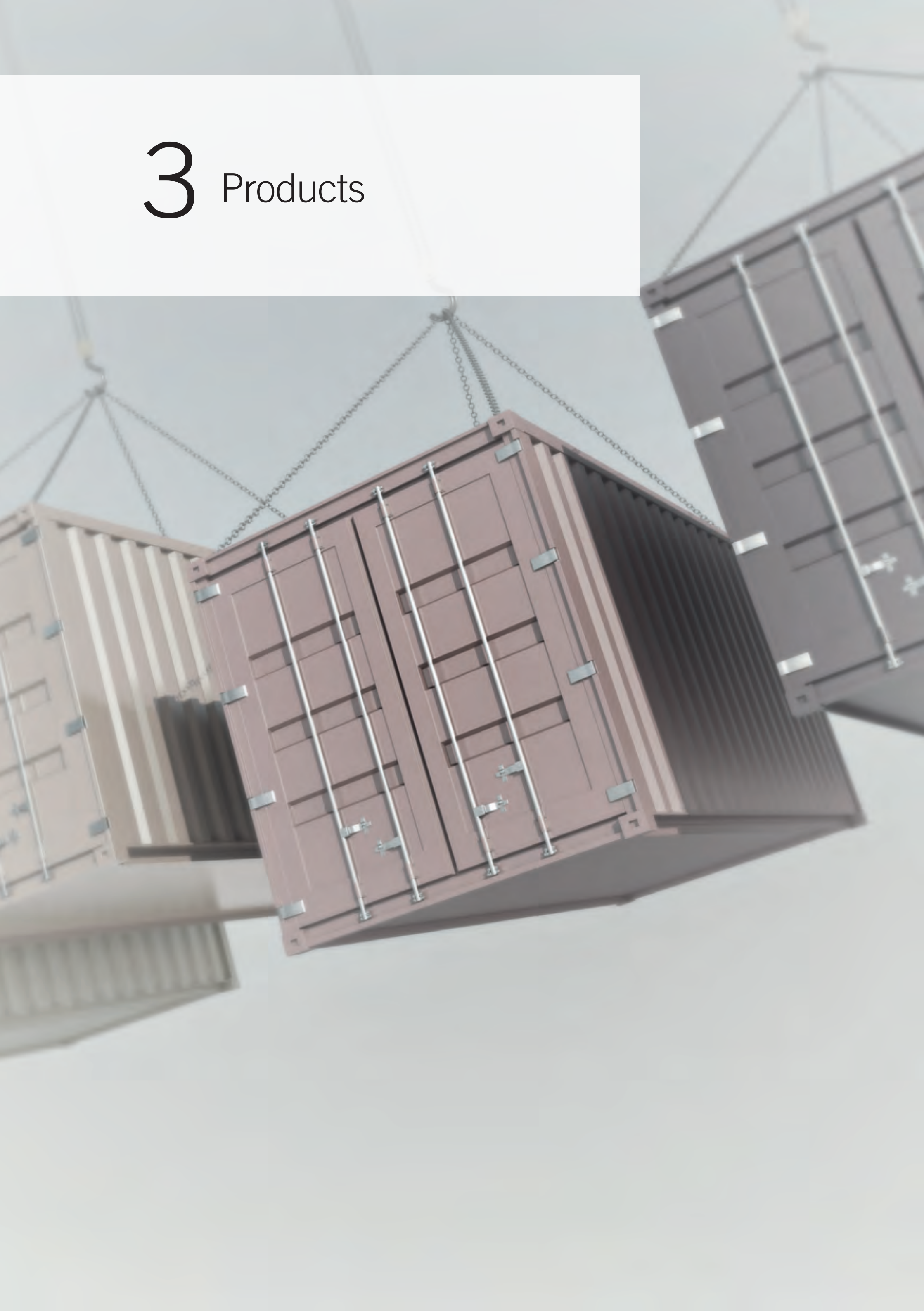


Risks	Description	Insurable with the following SERV products
Buyer's commercial risk	Insolvency or unwillingness to pay on the part of the foreign buyer or debtor.	Pre-shipment risk insurance Supplier credit insurance Contract bond insurance Buyer credit insurance Letter of credit confirmation insurance
Creditor's commercial risk	Inability of the lending bank to meet its obligations to the refinancing institution.	Refinancing guarantee
Exporter's commercial risk	Insolvency or unwillingness to pay on the part of the Swiss exporter.	Counter guarantee Working capital insurance
Fair calling	The risk that the buyer may lawfully call a contract bond should the exporter be unable to fulfil its obligations under the contract due to: – Political risks – Force majeure	Contract bond insurance
Force majeure	The following risks that lead to non-payment, damage or loss of goods: – Hurricanes – Floods – Earthquakes – Volcanic eruptions – Tidal surges – Nuclear accidents SERV covers this risk if it cannot be insured elsewhere.	Pre-shipment risk insurance Supplier credit insurance Contract bond insurance Confiscation risk insurance Buyer credit insurance Letter of credit confirmation insurance
Political risk	Unforeseeable extraordinary events such as: – War – Revolution – Annexation – Civil unrest – Government measures undertaken by Switzerland, e.g. export bans	Pre-shipment risk insurance Supplier credit insurance Contract bond insurance Confiscation risk insurance Buyer credit insurance Letter of credit confirmation insurance
Transfer risk	– Impairment of international payments – Payment moratorium	Pre-shipment risk insurance Supplier credit insurance Contract bond insurance Buyer credit insurance Letter of credit confirmation insurance
Unfair calling	The risk that the buyer unlawfully calls a contract bond.	Contract bond insurance

Risks not insured by SERV

- Exchange rate risk: this is a risk that the policyholder can hedge with another provider.
- Document risk: the policyholder bears the risk of any contractual defects in the underlying transaction or credit transaction.

3 Products



From the start of production to payment of the last instalment: SERV products offer uninterrupted cover over the entire term of an export transaction. SERV insures exports of consumer goods, services and capital goods. Policyholders can select and combine insurance products and guarantees according to their specific needs.

Products for exporters

Products for financial institutions

Products for export credit agencies

Pre-shipment risk insurance

Initial situation
A Swiss company produces goods or merchandise for a buyer abroad and there is a risk that the company will be unable to deliver and that the buyer will therefore not pay the production costs.

Object of cover
Pre-shipment risk insurance insures the production costs that the Swiss company incurs to deliver goods and services to a foreign buyer. SERV assumes the production costs if an insured risk occurs that renders the exporter unable to manufacture or ship its goods or render its services.
The production costs also include the costs of any supplies. The costs incurred when currency hedging transactions are terminated can also be insured by means of an additional application. In the event of premature termination by the foreign buyer, any claims for payment of cancellation costs are also covered if these were agreed in the export contract or if the exporter is legally entitled to them.

Insurable risks
– Political risk
– Buyer's commercial risk
– Transfer risk
– Force majeure

Special provisions
SERV may limit cover to non-recyclable elements or, in the case of several production and delivery stages, to the peak exposure.

Period of insurance
The insurance cover commences as soon as the sales contract enters into force and terminates when the exporter has dispatched the delivery or provided its services.

Cover ratio Up to 95 per cent

What is not covered by pre-shipment risk insurance
The imputed profit, SERV's premiums, claims for damages and contractual penalties are not covered by the insurance. The maximum insurable amount is limited to the export transaction's order value.

Supplier credit insurance

Initial situation
When a Swiss company delivers goods or services abroad, there is a risk that the buyer will delay payment or not pay for the delivery in full or at all.

Object of cover
Supplier credit insurance protects the exporter against the foreign buyer defaulting on a cash or credit claim. If the exporter has insured this risk, the exporter receives its money from SERV if the buyer fails to meet its payment obligations.

- Cash or credit claims for deliveries
- Reimbursement claims for ancillary financing costs (including the SERV premium)
- Interest claims up to maturity
- Interest on late payments within the waiting period

The supplier credit insurance includes cover for production costs. The production cost cover compensates for losses that incur from the time the goods are shipped. This means that there are no gaps in cover, regardless of the basis on which a claim arises. The exporter can cover the risks that arise in the production phase by taking out an additional pre-shipment risk insurance policy.

Insurable risks
- Political risk
- Commercial risk
- Transfer risk
- Force majeure

Special provision
SERV also insures receivables arising from multiple transactions (individual export transactions or partial deliveries) with the same buyer for the duration of a predetermined period of insurance and up to a maximum amount (revolving individual insurance cover).

Period of insurance
The insurance cover commences as soon as the goods are dispatched or the service commences and ends when the buyer settles the insured receivable.

Cover ratio Up to 95 per cent

Service insurance

Initial situation
When a Swiss company delivers a service to a buyer abroad, it runs the risk that the buyer will delay payment or not pay for the service in full or at all.

Object of cover
Service insurance covers a Swiss company's payment claims for services provided against a buyer abroad. Such services typically include architecture, information technology, engineering, multimedia (films, games, music), training and construction.

Insurable risks
- Political risk
- Commercial risk
- Transfer risk
- Force majeure

Special provisions
SERV also insures receivables arising from multiple services provided to the same buyer for the duration of a predetermined period of insurance and up to a maximum amount (revolving individual insurance cover).
SERV's General Terms and Conditions for Supplier Credit Insurance (GTC S) apply.

Period of insurance
The insurance cover commences as soon as the goods are dispatched or the service commences and ends when the buyer settles the insured receivable.

Cover ratio Up to 95 per cent

Counter guarantee

Initial situation
A Swiss company needs to provide its foreign buyer with a guarantee for the sum guaranteed, but its credit limit at its principle bank is insufficient or the amount would impair its liquidity.

Object of cover
Whatever the export transaction, the buyer requires one or more guarantees from the exporter. SERV covers the Swiss exporter's payment obligation to the bank issuing a bond in the form of a counter guarantee. Should the buyer make use of a contract bond and the exporter subsequently fails to meet its payment obligations to the bank issuing the bond, SERV will compensate the bank as soon as it is called upon in writing to do so.
For the exporter, counter guarantees come with the advantage that it is not required to provide the bank with readily realisable securities in exchange for the required contract bond. This means that the exporter is able to preserve its liquidity or that it is possible for its bank to issue a contract bond.
The maximum amount that can be covered is the nominal amount of the contract bond on which the counter guarantee is based. In the event of default, SERV compensates the bank and then launches recourse proceedings against the Swiss exporter.

Insurable risk
– Exporter's commercial risk

Special provisions
Counter guarantees complement contract bond insurance and make it easier for exporters to obtain a contract bond from their bank: counter guarantees help exporters preserve their liquidity as they do not need to provide the bank with any collateral.

Guarantee period
SERV becomes liable under the counter guarantee when the contract bond comes into effect and the counter guarantee is received by the bank issuing the guarantee. The counter guarantee expires upon its return, when SERV is discharged by the bank issuing the guarantee, or at the latest 45 days following the expiry of the contract bond.

Cover ratio 90 per cent, in justified exceptional cases up to 100 per cent

Immediate disbursement in the event of the occurrence of the guaranteed event
Compensation under the counter guarantee is paid within ten working days of the receipt of the written request and the necessary proof in accordance with the counter guarantee declaration.

Contract bond insurance

Initial situation

A foreign buyer demands a performance and a warranty bond for the delivery from its Swiss supplier within the framework of an export transaction. The Swiss supplier instructs its bank to issue these bonds. The Swiss supplier then runs the risk that the buyer could call in this bond.

Object of cover

Contract bond insurance protects the exporter against losses incurred if the buyer calls in a contract bond and generally comes in the form of a bank guarantee. These are guarantees provided by an exporter to ensure its contractual obligations vis-à-vis the buyer. Typical types of guarantee include bid, advance payment, performance and warranty bonds. In principle, SERV insures all types of contract bond.
It covers the sum guaranteed of direct or indirect contract bonds. A buyer can call in the guarantee either lawfully or unlawfully (fair and unfair calling). SERV's insurance primarily covers unlawful claims, only covering legitimate claims in the event that the exporter is unable to meet its obligations due to reasons such as political occurrences, transfer risks or force majeure.

Insurable risks

- Political risk
- Buyer's commercial risk
- Transfer risk
- Force majeure

Special provisions

The exporter may supplement its contract bond insurance with a counter guarantee (cf. Counter guarantee, p. 13).

Period of insurance

The insurance cover commences when the guarantee document is delivered to the beneficiary and ends either when it is returned or expires or when the institution issuing the guarantee releases the exporter from its liability. In the event of unlawful claims on the contract bond, the insurance cover ends when the beneficiary repays the unlawfully paid amount.

Cover ratio Up to 95 per cent

What is not covered by contract bond insurance
It is not possible to insure the commissions and fees that the guarantor incurs in connection with a contract bond.

Confiscation risk insurance

Initial situation
A Swiss company is involved in a construction project abroad. It has to provide a warehouse for spare parts on the building site for the duration of the project. The Swiss company runs the risk of being denied access to the warehouse by the authorities in the buyer's country.

Object of cover
Confiscation risk insurance protects the exporter against losses if foreign government agencies confiscate, obstruct, destroy or damage exported goods. This may involve goods owned, rented or leased by the Swiss company and exported abroad, regardless of whether they are exported to provide contractual services, to be stored in a warehouse, put on display or tested.
The insurance covers the cost price directly attributable to the seized goods: where equipment, machines or installations are subject to operational wear and tear, the insurance covers their market value at the time the insured risk is realised. If the exporter rents, leases or has payment obligations relating to the equipment, machines or installations, it can insure the rent, lease or payment instalments due until the next possible termination date of the contract at the market value pertaining at the time of the termination of the contract.

Insurable risks
- Political risk
- Force majeure

Period of insurance
The insurance cover commences when the goods are transferred to a haulage contractor, but no later than when the goods cross the Swiss border. It ends with the sale or repatriation of the goods, but no later than the end of the period stipulated in the insurance policy.

Cover ratio Up to 95 per cent

Multi-buyer insurance

Initial situation

An association would like to combine the export transactions of its member companies to various countries into a single insurance policy.

Object of cover

Multi-buyer insurance makes it possible for an association to combine and insure its Swiss members' exports to various foreign buyers. Multi-buyer insurance covers all exports invoiced by an exporter to buyers in certain countries that have non-marketable risks with payment periods of up to twelve months during a settlement period, within the limits of the fixed maximum amounts. This option is currently being used by the scienceindustries association.

Multi-buyer insurance is based on a contract between SERV and the central insurance unit authorised by the Swiss exporters. The insurance policy sets out the following:

- Country and debtor limits
- Approved goods
- Maximum credit periods depending on the type of goods
- Cover ratios
- Volume of the foreign deliveries

Insurable risks

- Political risk
- Transfer risk
- Force majeure
- Buyer's commercial risk

Special provisions

The application must be submitted by the central insurance unit. Please contact SERV for further advice.

Cover ratio Up to 95 per cent

Buyer credit insurance

Initial situation
A foreign buyer needs to take out a loan to purchase goods exported from Switzerland, but the bank granting the loan is not willing to assume the buyer's payment risk in full.

Object of cover
Buyer credit insurance allows a Swiss or foreign bank to secure its financial claims in relation to the financing of an export transaction against a foreign borrower.

Buyer credit insurance covers the following claims arising from an export credit agreement (buyer credit):

- Repayment claims agreed in the loan agreement against the foreign debtor (the buyer or its bank)
- Reimbursement claims for ancillary financing costs (including SERV premium)
- Interest claims up to maturity
- Default interest until the end of the waiting period
- Capitalised interest for civil work

Insurable risks

- Political risk
- Commercial risk
- Transfer risk
- Force majeure

Special provisions
The policyholder may apply for buyer credit insurance either on its own or in combination with supplier credit insurance. In the latter instance, supplier credit insurance protects the exporter from the risk of not receiving any payments from the buyer credit after the goods have been shipped due to an insured risk and the buyer not complying with agreed alternative terms and conditions of payment (non-payment risk).
The exporter must in all instances sign the declaration of authorisation, obligation and anti-corruption if SERV is to issue the buyer credit insurance in favour of the financing bank.

Period of insurance
The insurance cover commences when the bank disburses the loan. Liability for reimbursement claims for ancillary financing costs commences when they fall due. The insurance ends when the buyer pays the last covered credit instalment.

Cover ratio Up to 95 per cent

Special case: supplementary financing in the reimbursement procedure
Supplementary financing in the reimbursement procedure involves financing an export transaction by means of a buyer credit after the buyer has already made payments to the exporter. Unlike a traditional buyer credit, the financing bank disburses the loan to the buyer rather than the exporter.
SERV can cover supplementary financing in the reimbursement procedure in the form of buyer credit insurance, as long as the loan is related to the export transaction. The most recent loan disbursement must generally have been made no later than six months after the last delivery or commissioning by the exporter.

Working capital insurance

Initial situation
A Swiss company is unable to finance the production costs for an export transaction using its own funds or with the help of its bank, or the costs of doing so would adversely impact on its liquidity.

Object of cover
If a bank grants an exporter a loan to finance the production costs of an export transaction, the bank can take out working capital insurance with SERV. SERV's working capital insurance covers a bank's repayment claims against an exporter arising from a working capital loan for an export transaction. This means that SERV indemnifies the bank if the exporter fails to repay the loan on time. SERV then launches recourse proceedings against the Swiss exporter.

Working capital insurance covers the following claims arising from a credit agreement:
- Principle claims of the working capital loan amounts disbursed for the purposes of repayment;
- Reimbursement claims for ancillary financing costs (including SERV premium);
- Interest claims up to maturity;
- Interest on late payments within the waiting period.

Insurable risk
- Exporter's commercial risk

Special provisions
Working capital insurance is only issued in conjunction with supplier credit insurance and, in specific circumstances, also with pre-shipment risk insurance. The bank may combine working capital insurance with buyer credit insurance.

Period of insurance
From the disbursement of the loan to its repayment

Cover ratio 80 per cent, in justified exceptional cases up to 95 per cent

What is not covered by working capital insurance
The insurance excludes claims for damages, contractual penalties, compound interest and currency losses.

Letter of credit confirmation insurance

Initial situation
A Swiss bank is supposed to confirm a letter of credit from the buyer's bank as part of an export transaction. However, the Swiss bank is not prepared to assume the payment risk of the bank that has issued the letter of credit.

Object of cover
Letter of credit confirmation insurance enables a bank to confirm a letter of credit from a foreign bank if it is not prepared to bear the foreign bank's risk without insurance from SERV. The insurance also covers the financial claim the exporter acquires from the letter of credit against the bank issuing the letter of credit through assignment, if the bank confirming the letter of credit has silently confirmed the letter of credit in favour of the exporter. The insurance covers the fulfilment of the principal claims from letter of credit transactions including interest on late payments by the bank issuing the letter of credit.

Insurable risks
- Political risk
- Commercial risk (which in this case would be the insolvency of the bank opening the letter of credit or improper non-payment of the claim arising from the letter of credit)
- Transfer risk
- Force majeure

Special provisions
SERV also issues letter of credit confirmation insurance in conjunction with pre-shipment risk insurance.

Period of insurance
The insurance begins from the confirmation of the letter of credit or submission of the silent confirmation and lasts until the foreign bank meets the insured claim.

Cover ratio Up to 95 per cent

Refinancing guarantee

Initial situation
As part of an export transaction, a bank grants the foreign buyer a loan or assumes its payment risk. The bank obtains refinancing from another bank for this purpose.

Object of cover
The refinancing guarantee means that SERV undertakes to indemnify a refinancing bank in the event of non-payment of the refinancing loan by the bank granting the export credit as soon as it is called upon in writing to do so. The refinancing guarantee allows a bank that finances a SERV-covered export credit to obtain refinancing on better terms, thus enabling the exporter to obtain more favourable financing.

Insurable risk
Commercial risk: risk that the bank granting the export credit will not repay the refinancing loan

Special provisions and requirements
SERV always issues refinancing guarantees as a supplement to buyer credit insurance or supplier credit insurance assigned to the bank.
The issuance of a refinancing guarantee requires the bank granting the export credit to assign the principal and ancillary claims of the insured credit transaction and the collateral to SERV.

Period of insurance
SERV's liability under the refinancing guarantee commences when it is received by the refinancing bank from SERV and ends when the refinancer returns the guarantee, the refinancer releases SERV from its liability, the refinanced bank meets the guaranteed claim or the fixed period expires.

Cover ratio Up to 100 per cent

Reinsurance

Initial situation
A foreign export credit agency (ECA) insures an export transaction, a proportion of which is to be delivered from Switzerland, and does not wish to bear the payment risks in their entirety.

Object of cover
ECAs have the option of applying to SERV for reinsurance. This is of particular use in safeguarding transactions that consist of deliveries from several countries of origin. For exporters and financing banks, reinsurance is the simplest form of collaboration between several ECAs for projects involving multiple countries.
Reinsurance means that the principal supplier's credit insurer covers the entire volume of the project, while the foreign credit insurer covers the insurance services it assumes relating to the foreign deliveries. In the event of a claim, the primary insurer has recourse to the reinsurer.

Existing reinsurance agreements
SERV or the foreign ECA are responsible for deciding on the need to conclude reinsurance. Reinsurance agreements between SERV and other ECAs are listed on the SERV website at www.serv-ch.com > Products > Financing options.

4 Project financing

Project financing

Initial situation
Its mandate to promote Swiss exports and Switzerland as a business location allows SERV to react flexibly to financing requirements. Major investment projects in particular are often realised by means of project financing. SERV's range of insurance products includes the insurance of such financing, with buyer credit insurance being the most common form.

What is project financing?
SERV assumes a case involves project financing when the following criteria are met:
1. It is an investment project with a project company (economically independent single-purpose company) set up to implement the project. The loans issued to pay a Swiss supplier's receivables are to be repaid from the proceeds of the project;
2. The financing is therefore based on income from the project (cash-flow related lending);
3. The loans do not negatively impact on the investors' balance sheets (off balance sheet financing);
4. The project, including both the construction and the operating phases, is new (greenfield).

Object of cover
SERV also offers insurance cover for risks incurred by the exporter (manufacturing risk and non-disbursement risk) as well as for the payment risks of the financing bank where this form of financing is used.

Insurable risks
- Political risk
- Commercial risk
- Transfer risk

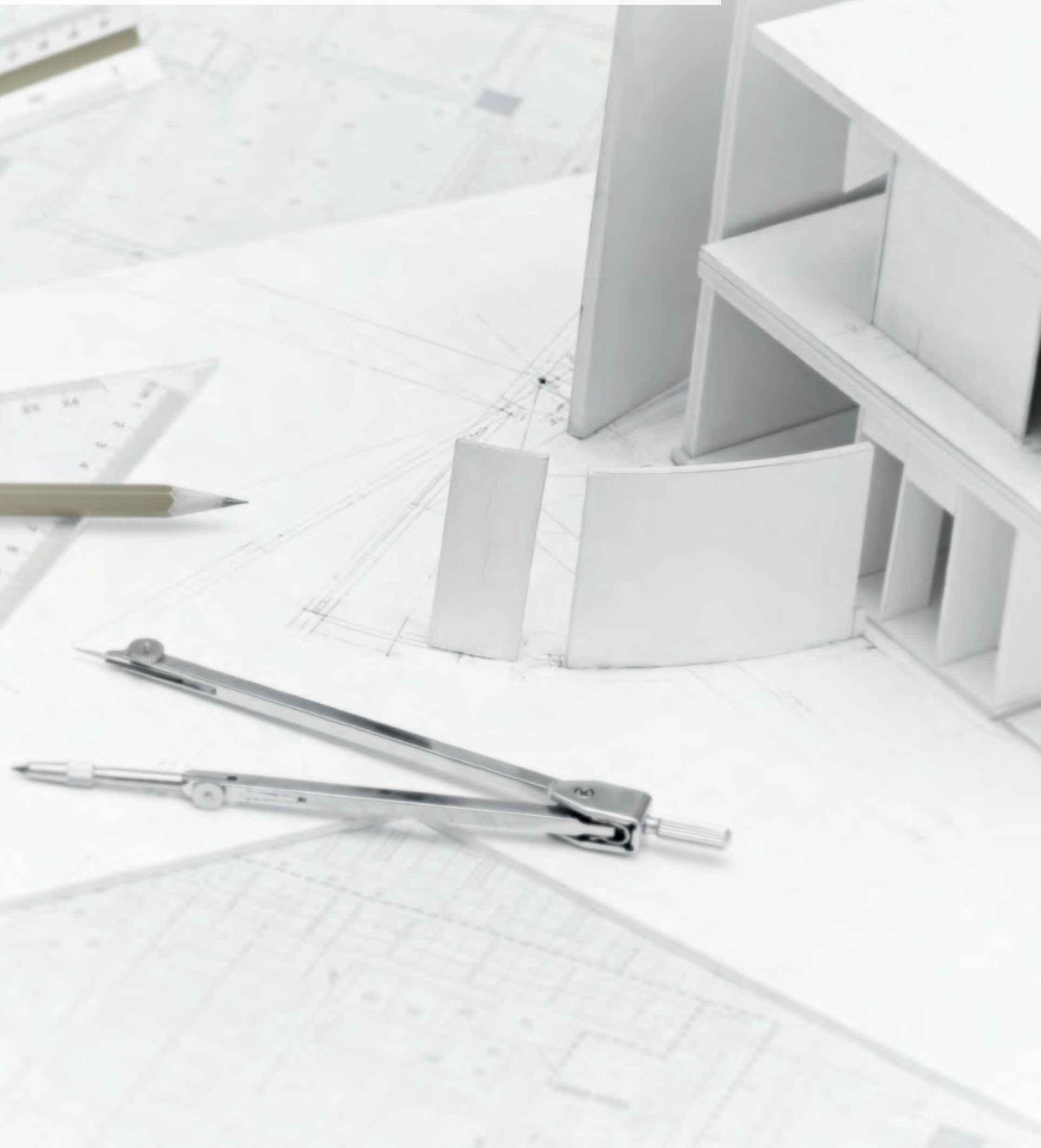
Special provisions and requirements
The financial model is a key element in SERV's assessment of the risks involved in a project's financing. The assumptions it is based on reveal the project's robustness, with the debt service cover ratio being the decisive factor. SERV generally brings in an external consultant to examine the financial model, the costs of which are borne by the sponsors.

The requirements for project financing are highly project specific. SERV does, however, generally require an acceptable risk distribution that includes the following criteria:

- Sponsors contributing equity capital to the operating company to an extent that is commensurate with the project;
- Potentially a guarantee obligation on the part of the sponsors of the project to reduce the manufacturing risk (limited recourse financing);
- The existence of turnkey EPC contracts (rather than simple supply contracts);
- Ensuring operability and acceptance, if necessary with support from government authorities in the project country;
- Despite sometimes being closely involved in the negotiations, SERV does not assume any documentation risks, even in the case of project financing;
- As is customary, a collateral package is always a requirement for project financing.

The OECD arrangement gives these transactions a particularly broad scope via its sector agreement for project financing. Alongside a longer maximum credit period than is the case with financing with private buyer risk, it is also possible to negotiate flexible repayment profiles and a grace period.

5 Cover practice



Cover practice

The risk, type and extent of cover for an export transaction are influenced by various factors. For example, SERV distinguishes between covering risks before and after the exporter ships the goods, the term of the loan and the risks of the countries, banks, buyers and Swiss exporters involved.

Countries
The Organisation for Economic Co-operation and Development (OECD) divides the countries into the country risk categories (CRC) 0 to 7 and High Income. CRC 0 is the lowest risk level, while CRC 7 is the highest. The High Income category includes the high-income OECD countries and all the eurozone countries. The risk classifications of the individual countries can be found at www.serv-ch.com > To cover practice.

Banks
The banks that SERV accepts for covering commercial risk and their ratings are listed at www.serv-ch.com > To cover practice. SERV may also insure banks that are not listed by name on a case-by-case basis if they can demonstrate a sufficient degree of creditworthiness.

Private buyers
SERV analyses the non-payment risk of the private buyer. It bases its analysis on information it obtains from a questionnaire completed by the policyholder (the "private buyer risk" questionnaire) and also takes other information into consideration, such as the buyer's annual reports, brochures, credit references and market studies. It categorises companies according to its own ratings (AAA to B-).

Swiss exporters
In the case of counter guarantees and working capital insurance, SERV analyses the performance of the Swiss exporter, assessing its technical capacities, the service being exported and the financial aspects, with a particular emphasis on the company's liquidity situation. It also takes its market and competitive situation into account as well as other qualitative information such as reference projects. It classifies the exporter as falling into one of five risk classes: P1 to P5, where P1 represents the lowest risk and P5 the highest.

The countries and banks eligible for SERV insurance are constantly updated and are listed on the SERV website at www.serv-ch.com > To cover practice.

6 Premiums

Premiums

SERV charges insurance premiums and, in certain cases, expense premiums. In doing so, it takes into account the principles of economic viability and complies with the requirements of the OECD Arrangement on Officially Supported Export Credits. The premium tariff and the associated “Regulations on Premium Calculation” govern the principles, amount, surcharges, reductions, collection and reimbursement of premiums. The premium tariff and the Regulations on Premium Calculation are available at www.serv-ch.com > Premiums, where you will also find the premium calculator that policyholders can use to calculate premium indications for specific export transactions.

Risk premium for insurances and guarantees
In return for the risks it insures, SERV charges a risk premium for insurance policies and guarantees. The risk premium depends on the following risk-determining factors:
- Assessment basis: depending on the product, the insured loan or sum guaranteed,
- Term of the transaction,
- Creditworthiness of the debtor or guarantor (rating) and its country,
- Quality of the securities on hand or the characteristics of the exported goods,
- Cover ratio.

The premiums for working capital insurance and counter guarantees are determined on the basis of market prices. The premiums for supplier credit insurance, buyer credit insurance, refinancing guarantees, letter of credit confirmation insurance and multi-buyer insurance are determined on the basis of market prices only if the debtor is located in a high-income OECD country, in the eurozone or a country listed under category 0. The resulting premiums may vary on a month-by-month basis. In all other cases, SERV calculates the premium in accordance with the minimum premium formula agreed in the OECD Arrangement on Officially Supported Export Credits.

Expense premiums
SERV does not charge expense premiums for standard transactions, but may do so in the event of additional review work, project financing, complex transactions or transactions involving increased environmental risk. Where this is the case, SERV informs policyholders in advance. In addition, it passes on the costs of third-party services such as legal advice, project and environmental analyses and expenses. Expense premiums can be charged for insurance policies and for insurance commitments in principle, which are not deducted from the insurance premium or refunded.

Example of a premium calculation: export business with pre-shipment risk insurance and supplier credit insurance

The calculation of the premium-relevant term is described in the document "Regulations on Premium Calculation" (see www.serv-ch.com > Documents). The following example illustrates a possible calculation for an export transaction with pre-shipment risk insurance and supplier credit insurance.

Underlying transaction

- An item of machinery is to be exported to a foreign buyer in a country in country risk category 5 that is rated B+ by SERV
- Production period: 6 months
- Credit period: 5 years
- The manufacturing risk and the supplier credit are insured

Terms and conditions of payment

- 15 per cent down payment, due before first delivery

Supplier credit

SERV insures 85 per cent in the form of a supplier credit and the exporter makes repayments in equal six-monthly instalments

Terms

Export contract enters into force	January (month 0)
First delivery	3 months after export contract enters into force
Final delivery	6 months after export contract enters into force
Commissioning/ starting point of credit	1 month after final delivery
Production period	6 months
Waiting period	4 months
Credit period	5 years/60 months

	Period for premium purposes (risk period)	**Insurance premium**
Pre-shipment risk insurance	3 months	0.7243 % of production costs
Supplier credit insurance	62 months	5.8443 % of the loan amount

7 Losses and claims

Losses and claims

Imminent loss
If a debtor violates fundamental obligations or if circumstances lead to a higher risk, the probability of an insured risk occurring increases. This is particularly the case if:
– Contractually agreed payments are not received when they fall due;
– A debtor requests an extension of the payment periods,
– The debtor's financial situation changes, or administration or liquidation proceedings are launched against it.

SERV's General Terms and Conditions stipulate that the policyholder must report such events immediately. As part of its duty of care, it must take measures to avoid the insured event or mitigate the loss.

Such measures include:
– Reminders
– Legal steps
– Temporarily halting production and deliveries
– An intervention via diplomatic channels, in particular in the case of public debtors.

SERV's claims experts advise the policyholder during this phase and support it with their expertise.

Indemnification request
The policyholder must submit the indemnification request within two years of the occurrence of an insured event (deadline as stipulated in Art. 17 para. 1 SERV Ordinance). The indemnification request must be accompanied by all the documentation necessary to determine that the conditions for indemnification have been met.

Indemnification
In particular, indemnification is conditional on the establishment of the existence, maturity and legal enforceability of the insured debt and the collateral documented in the policy, the covered risk having occurred and, in the case of insurance, the waiting period having expired. As a rule, this period is three months. The waiting period for buyer credit insurance, working capital insurance and letter of credit confirmation insurance is one month.
SERV pays indemnification within 30 days of acknowledging an insured event. Upon payment of the indemnity, the insured claims are transferred to SERV in the amount of the indemnification paid (subrogation). Irrespective of the transfer of claims and rights, the

policyholder remains obliged to launch recourse proceedings, realisation and loss mitigation measures.

Special provisions for buyer credit insurance
When paying indemnification, SERV accepts that the financing transaction is notionalised from the underlying transaction (export contract). This means that the bank only has to prove the existence, maturity and legal enforceability of its notional credit claim and any collateral furnished. Any objections raised by the debtor within the framework of the export transaction are not permissible in relation to the credit claim and therefore do not need to be taken into account by SERV.
The bank is only liable for a breach or neglect of duty on its own part. As a result, a breach or neglect of duty on the part of the exporter that was neither known nor should have been known by the bank does not preclude indemnification. In the event of improper performance of the contract or a material breach or neglect of duty on the part of the exporter, SERV may have recourse to the exporter by way of the declaration of authorization, undertaking and anti-corruption.

Handling of losses
The policyholder must take a variety of necessary and appropriate measures to mitigate a loss. These include capitalisation of securities (guarantees, pledges, etc.), settlement agreements and instigating legal action against the debtor or guarantor. Where necessary, SERV supports the policyholder and, if required, can conclude restructuring agreements. Debt rescheduling is a particular form of restructuring. SERV also brings up such claims in the Paris Club's debt rescheduling negotiations via the State Secretariat for Economic Affairs (SECO).

Debt rescheduling negotiations in the Paris Club
In principle, the Paris Club only concerns itself with receivables based on export credits with a term of at least 12 months. The Paris Club's negotiations only concern countries, which means that only claims against public debtors or private debtors with a state guarantee (e.g. from the Ministry of Finance) can be discussed.
To be eligible for negotiation, claims do not necessarily have to be made against an export credit agency. Before debts can be rescheduled in a debtor country, the countries generally have to have been assessed by the International Monetary Fund (IMF). The IMF ensures that the governments of the countries concerned have introduced measures to improve their countries' economies.

8 SERV's framework conditions

Legal requirements

Basic principles
SERV's business policy is derived from the SERV Act (SERVG), the SERV Ordinance (SERV-V) and the strategic goals of the Federal Council. SERVG is also the basis of the requirements that a transaction must meet in order to be insured by SERV. SERV complies with the commitments that Switzerland has signed up to under international agreements. These include in particular the OECD Arrangement on Officially Supported Export Credits, the Berne Union Guiding Principles and the debt rescheduling agreements of the Paris Club (cf. Berne Union, p. 39; Paris Club, p. 40).

Objectives
SERV helps to preserve and create jobs in Switzerland. It promotes Switzerland as a business location by making it easier for Swiss exporters to compete internationally (Art. 5 SERVG).

Subsidiarity
SERV's insurance policies are supplementary to those offered by the private sector (Art. 6 para. 1 let. d SERVG). In principle, it insures only risks that are not marketable or for which insufficient private insurance options exist. SERV bases its distinction between marketable and non-marketable risks on the European Commission's communications.

Economic viability
SERV operates on the principle of economic viability. This means that SERV's premiums and other income must be sufficient to cover the risk and operating costs (Art. 6 para. 1 let. a SERVG).

Compatibility with foreign policy
SERV takes into account the Swiss government's foreign policy objectives regarding the environment, development, human rights, democracy and the peaceful coexistence of peoples in its business activities (Art. 6 para. 2 SERVG, cf. Sustainability, p. 43).

Swiss content
SERV covers export transactions that are of Swiss origin or include an appropriate degree of Swiss content; an appropriate share of Swiss content being more than 50 per cent of the export transaction's order value.
If the proportion of Swiss content is less than 50 per cent, an export transaction may still be insurable under certain conditions and at the exporter's request. Where this is the case, SERV checks whether

- the value-adding activities of the exporter in Switzerland are the decisive factor in the successful conclusion of the export transaction or the overall success of the company, and
- insuring the individual export transactions contributes to creating and maintaining jobs at the company in Switzerland.

SERV does not insure the export transactions of Swiss companies that exist purely in the form of holding companies in Switzerland.

International agreements

As a state export credit agency (ECA), SERV complies with international agreements concerning state export credit support, the principle aim of which is to avoid distortions to competition. The most important international organisations are the World Trade Organisation (WTO) and the Organisation for Economic Co-operation and Development (OECD). The WTO member states have undertaken not to subsidise exports. Support in the form of state export credit insurance is not an export subsidy, insofar as the agreed minimum standards are adhered to. These are set out in the "Arrangement on Officially Supported Export Credits", which is affiliated to the OECD.

Arrangement on Officially Supported Export Credits
The OECD's Arrangement on Officially Supported Export Credits (see www.serv-ch.com > About us > International cooperation) is an agreement among the majority of OECD member states that aims to ensure equal competitive conditions for officially supported export credits with a term of 24 months or longer (cf. Minimum standards for export credit periods of 24 months or more, p. 41). The agreement sets out (minimum) standards, e.g. for credit periods, terms and conditions of payment and premium calculation.

Minimum premiums
The OECD's Arrangement on Officially Supported Export Credits sets out a minimum premium to cover the political and commercial risks of export credits. In the case of export transactions with debtors in countries in the High Income and CRC 0 country risk categories (CRC) (see www.serv-ch.com > To cover practice > Countries), the insurance premiums for export credits may not be lower than the respective market prices. For export transactions to countries in CRC 1 to 7, SERV must charge all debtors insurance premiums that are adequate for the degree of risk entailed. These must not fall below the minimum premiums applicable to a specific debtor rating.

Berne Union
The Berne Union is the leading global association of private and public ECAs. It advocates the harmonisation of and compliance with minimum standards in the insurance of export transactions and international investments. The Berne Union has established operational guidelines to achieve these objectives.
The operational guidelines for export transactions distinguish between credit periods of less than 24 months and credit periods of 24 months or more.
The operational guidelines do not require minimum advance payments and interim payments for transactions with a credit period of less than 24 months. The maximum repay-

ment term is based on the economic lifespan of the export goods. The starting point of credit (SPOC) is defined in accordance with the type of export goods and is therefore different for services, commodities, consumer goods and semi-finished goods.
The operational guidelines for credit periods of 24 months or more are based on the OECD Arrangement on Officially Supported Export Credits. In addition, the maximum credit period is based on the value of the export order (excluding interest).

Paris Club
The Paris Club is an association of 22 creditor nations plus other nations participating on an ad hoc basis. The representatives of the creditor nations meet with the representatives of the debtor countries in the Paris Club to agree upon minimum standards to be observed in the event of over-indebtedness (i.e. restructuring of granted export credits). By means of multilateral agreements, the members of the Paris Club ensure that creditors are treated equally when debts are rescheduled (cf. Losses and claims, p. 34).

Minimum standards for export credit periods of 24 months or more

The OECD Arrangement on Officially Supported Export Credits is an agreement among the majority of OECD member states that aims to ensure equal competitive conditions for officially supported export credits with a term of 24 months or longer. The agreement sets out (minimum) standards, e.g. for credit periods, terms and conditions of payment and premium calculation. These standards must be complied with by all parties if an export credit agency (ECA) such as SERV is to support exports in a manner compliant with the World Trade Organisation's (WTO) guidelines. The most important standards are outlined below.

Standard terms and conditions for export credits

- Advance payment or interim payment of at least 15 per cent of the value of the export delivery (i.e. the order value, excluding local costs)
- Maximum repayment term for an importing country in consensus category I[1]: 8.5 years
- Maximum repayment term for an importing country in consensus category II[2]: 10 years
- Loan repayment terms: repayment of principal in equal instalments (justified exceptions are possible)
- Principal and interest payments at intervals of a maximum of six months (justified exceptions are possible)
- First principal and interest payment no later than six months after the starting point of credit (SPOC).
- If the export credit is also intended to finance a project's local costs, these can be supported by up to 50 per cent of the export contract value. The limit is 40 per cent in countries in consensus category I (high-income OECD countries).
- The loan period may not exceed the economic life of the exported goods. This principle is laid down both in the Berne Union's operational guidelines and the OECD Arrangement on Officially Supported Export Credits.

Special conditions for export credits

Special credit and payment conditions may be applicable if the export transactions meet certain conditions regarding the export goods or the form of financing.

The most important special conditions are listed below:

[1] OECD member countries with high per capita income (in accordance with the World Bank classification)
[2] All countries not classified as Cat. I

- Where justified: repayments in equal instalments consisting of both principal and interest repayments (annuities)
- Project financing: extension of the maximum credit periods up to a maximum of 14 years (in CRC HI countries only on condition that the ECA support does not exceed 35 per cent of the total funding)
- Conventional power plants (e.g. gas-fired, steam and combined-cycle power plants): maximum repayment term of 12 years regardless of the consensus category
- Renewable energies and water-related projects (including hydroelectric power plants): maximum repayment term of 18 years regardless of the consensus category; flexible repayment profiles possible
- Climate change projects: depending on the project, credit periods of up to 18 years can be supported for mitigation measures (e.g. carbon capture and storage, CCS) and adaptation measures (e.g. drought control)
- Railway projects (infrastructure and rolling stock): extension of maximum repayment term up to 14 years (12 years for consensus category I countries)

Notification of participants in the export credit arrangement
If an ECA supports export credits with these special credit and payment terms, the ECA is generally required to notify the participants in the export credit arrangement of these transactions.

Starting point of credit
The starting point of credit (SPOC) is the date from which the buyer can derive an economic benefit from the delivery or service. The latest possible starting point of the repayment period is determined by this date. In the case of capital goods, the SPOC is determined as follows:

a. Capital goods that can be used individually, such as locomotives: the effective or weighted mean date of acceptance or delivery
b. Equipment for complete installations where the exporter is not responsible for their commissioning: final delivery
c. Construction of structures where the exporter is not responsible for their commissioning: completion of construction work
d. Installations where the exporter is responsible for their commissioning: operational readiness
e. In the case of b) to d), if an export credit is to be insured for partial deliveries: in this instance, the SPOC applies to the respective part or the average weighted time of the individual parts. If the exporter is responsible for a substantial part of a project, but not the project as a whole, the commissioning of the entire project is the SPOC.

The final decision on the applicable SPOC is taken by SERV.

Sustainability

SERV considers ensuring the environmental, social and human rights aspects of transactions with export risk insurance to be a high priority and takes the principles of Swiss foreign policy into account (Art. 6 SERVG). These include the peaceful co-existence of peoples, respect for human rights and promotion of democracy, conservation of natural resources, alleviation of poverty and destitution in the world, while also preserving the interests of the Swiss economy abroad (Art. 54.2 of the Swiss Federal Constitution). The dissimilar aspects of these principles mean that assessing transactions frequently involves a complex balancing of goods and interests.

Human rights, environmental and social sustainability
SERV ensures that all insurance applications comply with human rights obligations and are environmentally and socially sustainable. It bases its investigations on international standards and agreements, with priority given to the OECD environmental and social guidelines (OECD's Common Approaches). According to these guidelines, the applicable benchmarks for projects are the recipient country's national environmental legislation, the International Finance Corporation (IFC) performance standards and the World Bank's standards ("Environmental and Social Standards [ESS]").

The assessment is conducted in a manner befitting the project and consists of three steps: screening, categorisation and assessment. It is based, among other things, on the project description provided by the policyholder, any environmental and social studies, the results of SERV's research or embassy reports. In some cases, SERV employees also visit the site of the project.

This screening filters out applications whose services have no or only minimal environmental, social and human rights impact and which SERV therefore does not assess in more detail.

Assessment within the framework of the OECD Common Approaches
Applications with a repayment term of 24 months or more come under the scope of the OECD Common Approaches. The OECD Common Approaches distinguish between categorised and non-categorised projects. Categorised projects are situated close to critical locations or have a delivery value of at least CHF 10 million Special Drawing Rights (SDR), insofar as they are services for new projects or for significant expansions of projects.

The OECD Common Approaches distinguish between:

- Category A projects: these transactions require a comprehensive environmental and social impact assessment (ESIA) as they have significant, wide-ranging and irreversible impacts that are not confined to the immediate locality.
- Category B projects: the scope and content of the assessment of these transactions varies according to the nature and extent of the potential negative impacts.
- Category C projects: SERV does not assess these transactions in detail as their environmental and social impacts are minimal.
- Non-categorised projects: in the case of transactions where there are indications of serious human rights violations or with a scope of delivery of at least CHF 10 million SDR that are intended for an existing plant, the OECD Common Approaches provide for an assessment without categorisation.

Assessment outside the OECD Common Approaches
Besides the OECD Common Approaches, SERV also assesses in detail applications that have a credit period of less than 24 months or a delivery value of less than CHF 10 million SDR where it is not possible to rule out negative environmental and social impacts or where indications of serious human rights violations exist. The assessment is closely aligned to the OECD's recommendations.
The policyholder is responsible for ensuring that the documents submitted are correct and complete, and it must also bear the associated costs.
On a case-by-case basis, SERV monitors whether the parties involved are implementing specified measures and stipulates such implementation as a provision in the insurance policy.

Sustainable debt dynamics in low-income countries (sustainable lending)
Insurance is only issued for exports to low-income countries if the projects contribute to the social and economic development of those countries. Financing to these countries must not undermine the efforts of the International Monetary Fund (IMF) and the World Bank to prevent the accumulation of debt. Projects involving public debtors or guarantors must therefore comply with the relevant IMF agreement and the World Bank's specifications with regard to the export transaction's destination country. SERV applies the OECD Recommendation on Sustainable Lending Practices and Officially Supported Exports Credits, which were revised in 2018. These are binding for deliveries to public buyers and for credit periods of 12 months or more. It is generally not possible to obtain export credit insurance for public buyers in the poorest countries. Depending on the situation, debt ceilings must be taken into account when dealing with other poorer countries. SERV therefore informs the World Bank and the IMF during the application process to ensure that the transactions are in line with the agreed World Bank and IMF programmes.

Prevention of corruption
SERV works on the assumption that its policyholders comply with Swiss laws and regulations and those of the buyer country with regard to bribery and corruption. It is also bound by the OECD Recommendation of the Council on Bribery and Officially Supported Export Credits (2019). Every insurance policy issued by SERV therefore requires a "Declaration of anticorruption" signed by the policyholder and, if SERV so requests, by other relevant parties, which implements the requirements of the OECD Council Recommendation and forms an integral part of the SERV application formalities. If the policyholder consists of a consortium or a working group (ARGE), the declaration of anticorruption must generally be submitted by all the partners involved.

Duty of disclosure
Both during the application procedure and after SERV has issued the requested insurance policy, the policyholder must provide SERV with full, accurate information on all the circumstances of the export transaction material to the assessment and processing of the insurance policy. This also involves responding to questions regarding the identity of persons who are or were involved in the conclusion of the export contract on their behalf (e.g. agents), the country or jurisdiction in which any payments were made to these persons and the reasons for and amounts of those payments.

The declaration of anticorruption applies for the entire term of the insurance policy applied for. An in-depth examination will be required if SERV considers there to be an increased risk of corruption at the time that the application is made or if there are grounds to suspect the possibility of bribery in the relevant transaction during the term of the insurance. This "enhanced due diligence" involves the obtaining and evaluation of further information.

Cases of bribery
SERV will reject any insurance application where it establishes that bribery or corruption has occurred. Should such a situation arise only after SERV has issued an insurance policy, no indemnification can be paid to the perpetrators of the bribery or corruption under any circumstances. If SERV has already paid an indemnification, the recipient (in the case of a buyer credit, the exporter) must reimburse this sum, including any legal costs.

SERV expects its policyholders to have adequately documented, specifically designed internal processes and management control systems in place to prevent and uncover corruption.

Transparency
SERV pursues a transparent information policy. After consulting the policyholder, it publishes projects with a delivery value of over CHF 10 million on its website.

SERV organises annual meetings with NGOs (non-governmental organisations) and, where required, offers ad hoc meetings on important projects. These meetings provide an insight into SERV’s activities and serve as a discussion platform with the aim of addressing various concerns.

Your partner for insuring Swiss export transactions
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