SERV Compact
A Reference Overview

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

serv

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5th edition, April 2013

Introduction

SERV Swiss Export Risk Insurance is an institution of the Swiss Confederation under public law. SERV supports the Swiss export economy and is active in segments of the credit insurance market that are generally not served by private-sector providers or only to a limited degree.

Every year, billions in exports are transacted from Switzerland thanks to the services SERV provides. These orders secure jobs in Switzerland, both in exporting and in export supplier industries.

This brochure provides information on SERV as an organisation and its methods of operation. This information is provided both as an introduction to export risk insurance and as a reference work.

You are invited to contact SERV for any additional information required. See page 56 for contact details.

SERV – Framework and Environment

Business Policy

Fundamentals

SERV's business policy is based on the Swiss Export Risk Insurance Act (SERVG), the Swiss Export Risk Insurance Ordinance (SERV-V) and the strategic priorities outlined by the Federal Council. SERV upholds Switzerland's commitments assumed under international agreements. These include, in particular, the OECD Export Credit Arrangement, the debt rescheduling agreements of the Paris Club and the Berne Union Guiding Principles.

Objectives

SERV contributes to creating and preserving jobs in Switzerland. The organisation promotes Switzerland as a business location by making it easier for the Swiss export economy to engage in international competition (Art. 5 SERVG).

This is done by offering insurance coverage for specific risks on the basis of established cover practice. SERV regularly reviews and adapts its cover practice in consultation with exporters and banks.

Transparency and customer-focused advice are key priorities for SERV so that customers know and are able to use the full range of export insurance options. Providing support to small and mid-sized enterprises (SMEs) is a special priority.

SERV's mission is to function as a reliable partner for its customers, providing insurance coverage and advice on appropriate terms, especially in difficult economic times.

Legal framework conditions

SERV is subject to legal obligations concerning its business and cover practices. Among others, the following framework conditions are observed:

Subsidiarity

SERV provides services supplementary to the existing market offer. The organisation only insures risks that are not marketable or for which no sufficient insurance offer exists. SERV generally distinguishes between marketable and non-marketable risks on the basis of European Commission notifications.

Economic viability

SERV is an economically viable organisation from a long-term standpoint. This means that premiums and other income generated by SERV are sufficient to cover claims, risk-related costs and operational expenses. It ensures that the Swiss Confederation incurs no cost over the long term, and that international commitments and agreements are upheld.

Compliance with foreign policy

SERV ensures that its business practices are compliant with national foreign policy objectives regarding the environment, development, human rights, democracy and the peaceful co-existence of peoples.

International Framework Conditions

As a public credit agency (ECA, Export Credit Agency), SERV must observe various international framework conditions. Their primary objective is to avoid distortion of competition. The most important international organisations are the OECD, the Berne Union and the Paris Club.

OECD

Export Credit Arrangement

The OECD Export Credit Arrangement is an agreement between OECD countries that aims to guarantee fair competition for officially supported export credits with periods of 2 years or more. The agreement contains (minimum) standards, e.g. for credit periods, terms and conditions of payment as well as for premium calculation.

Terms and conditions of credit and payment (standard conditions)

To qualify for support from an ECA, export credits with a credit period of 2 years or more must generally meet the following terms and conditions of credit and payment:

- Advance payment and/or interim payment of at least 15 percent of the export contract value (i.e. of the order value excluding local costs).
- Maximum credit period, importing country of consensus category I[1]:
  5 years (or 8.5 years with prior notification of the OECD);
  maximum credit period, importing country of consensus category II[2]:
  10 years.
- Loan repayment conditions:
  Repayment of principal in equal instalments;
  Payments of principal and interest at no more than semi-annual intervals;
  First repayment of principal and interest no later than six months after starting point. The starting point determines the start of the loan repayment period. It depends on the type of export goods and is defined differently for consumer goods, capital goods and installations.
- If the local costs for a project are financed by export credit, local costs of up to 30 percent of the export contract value can be supported. This corresponds to 23 percent of the order value.
- If an export transaction is not only insured but also financed by an ECA, interest rates for the transaction must not fall below a certain minimum (CIRR, Commercial Interest Reference Rates).

1 Defined annually by the World Bank on the basis of per capita income
2 All countries that do not come under cat. I

Terms and conditions of credit and payment (special conditions)
If export transactions meet certain criteria for export goods or types of financing, special terms and conditions of credit and payment may apply.

The most important types are listed below:
- Leasing financing: Repayment in the form of equal instalments consisting of the repayment of principal and the repayment of interest (annuities).
- Project financing: Extension of maximum credit periods up to a maximum of 14 years (depending on the percentage of credit supported by an ECA in the total extended and depending on the consensus category).
- Conventionally fired power plants (e.g. coal, gas, steam and combined cycle power plants): Maximum credit period of 12 years regardless of the consensus category.
- Renewable energies and water projects (including hydroelectric power plants): Maximum credit period of 18 years regardless of the consensus category as well as the possibility of flexible repayment profiles.

If export credits subject to these special terms and conditions of credit and payment are backed by an ECA, such transactions usually have to be reported to the OECD.

You will find the terms and conditions of credit and payment for specific types of export goods on page 16 et seq.

Minimum premiums
The OECD Export Credit Arrangement stipulates a minimum premium to cover the political and del credere risks involved in export credits. For export transactions in high-income countries of category OECD and the Eurozone countries the insurance premiums for governments, banks and private companies as debtors must not be lower than the current market price. For export transactions in OECD country categories 1 to 7, the risk-adjusted insurance premiums must be charged to all debtors and must not, as a rule, fall below the current minimum premiums for that specific debtor rating.

Berne Union

The Berne Union, with its registered office in London, is the largest association of public and private export credit insurance companies worldwide. It strives for a convergence of and compliance with minimum insurance standards for export transactions and international project investments. The Berne Union has set out Operational Guidelines to this end. The Operational Guidelines for export transactions make a distinction between credit periods of up to 2 years and credit periods of 2 years or more.

Operational guidelines for credit periods of up to 23 months

No minimum advance payments and/or interim payments are required for credit periods of up to 23 months. The maximum credit period is based on the economic life of the export goods.

The starting point is defined according to the type of export goods and therefore varies for services, raw materials, consumer goods and semi-finished goods.

Operational guidelines for credit periods of 24 months or more

For credit periods of 24 months or more, the Operational Guidelines are based on the OECD Export Credit Arrangement. Furthermore, the maximum credit period should be guided by the amount of the export contract value (excluding interest).

Paris Club

The Paris Club is an association comprising 19 creditor nations. Representatives of creditor nations meet with representatives of debtor nations in the Paris Club to agree on the minimum standards to be applied to debt rescheduling (i.e. restructuring of export credits granted) in the event of excessive debt. Its members use multilateral agreements reached in the Paris Club to ensure that creditors receive equal treatment during debt rescheduling.

Debt rescheduling negotiations

Generally, the Paris Club is only concerned with creditor country debts based on export credits with a period of 2 years or more. As only countries in the Paris Club can qualify for negotiations, only debts to public debtors or private debtors with a government guarantee (e.g. from the Ministry of Finance) can be considered. There do not necessarily have to be specific claims with an ECA in order for debts to be included in negotiations.

Prior assessment by the International Monetary Fund (IMF) is a prerequisite for the rescheduling of a debtor country's debt. The IMF is to ensure that the governments in question have introduced measures to improve their country's economy and finances.

Debt relief

Debt relief is usually an initiative launched by the World Bank or the IMF for heavily indebted poor countries (HIPC). It allows partial debt relief or final debt relief of up to 90 percent to be granted.

Environment, Human Rights, Development and Transparency

SSERV gives high priority to the examination of the environmental and social sustainability of export risk insurance as well as the human rights aspects. SERV thus takes the principles of Swiss foreign policy (Art. 6 of the SERV Act) into account. 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, as well as the protection of Swiss business interests abroad. Given the diversity of these principles, assessing transactions often involves a complex trade-off between commercial interests and public concerns.

Human rights, environmental and social sustainability

SERV observes international standards and agreements in addressing environmental and social policy aspects and the project-related effects on human rights in connection with its business. The relevant policies are the OECD environmental and social guidelines updated in 2012. According to these guidelines, the national environmental laws of the recipient country, the performance standards of the IFC (International Finance Corporation) and the World Bank standards ("World Bank Safeguard Policies") are applicable to projects.

All projects and project-related exports of capital goods with terms and conditions of payment of 24 months or more and a delivery portion above a threshold of 10 million special drawing rights (SDRs)[3] are reviewed in accordance with OECD regulations, provided that they involve new projects or significant project expansions. Projects falling below this threshold are reviewed if conducted at or near sensitive locations. For all other projects (lower threshold, shorter term, delivery to existing facility) there is a general assessment of environmental, social and human rights issues, based on the OECD standard.

Development

SERV upholds the principles of Swiss foreign policy in addressing issues of development policy. For deliveries to low-income countries of more than 10 million francs, applicants must complete a questionnaire giving information on the economic and social impact on the country where the project is being conducted. Questions refer, for example, to employment, working conditions and socio-economic issues. This additional information allows SERV to analyse and assess the implications for the importing country from a development policy standpoint.

3 10 million SDRs correspond to around 14.3 million francs (Source: IMF, updated March 2013)

Sustainable lending to low-income countries

Where export transactions involve deliveries to the lowest-income developing countries, insurance is only granted for projects that further these countries' social and economic development. SERV applies the general OECD recommendations (including "Unproductive Expenditure") and the OECD "Principles and Guidelines to Promote Sustainable Lending". These are binding for deliveries to public-sector buyers and for credit periods of 12 months or more. These rules prescribe that projects must observe restrictions imposed by the International Monetary Fund (IMF) and the World Bank. In the review process, SERV shares information with the World Bank and the IMF to ensure that insured transactions are in accordance with the agreed World Bank programme.

Corruption

SERV requires exporters to comply both with Swiss laws and the laws of the buyer country. This applies equally to corruption laws. SERV opens investigations when there is reasonable indication or founded suspicion of bribery. Insurance applications are rejected if evidence of bribery is found.

An insurance policy may be cancelled after issuance if such evidence subsequently emerges, on the basis of information material to the assessment having been concealed from decision-making bodies at the time of conclusion of the contract. Indemnification payments for claims filed may likewise be refused for the same reason. In more egregious cases, culpable parties may be temporarily barred from receiving insurance policies. SERV encourages exporters to outline, establish and document adequate internal control procedures for deterring corruption.

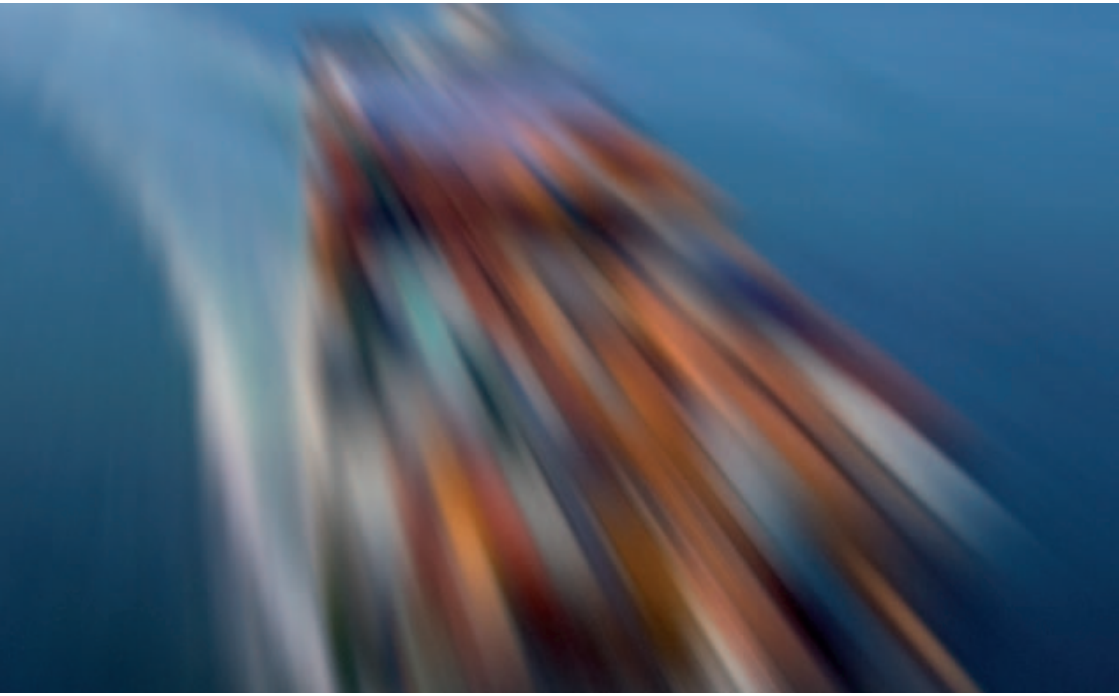
Transparency

Projects in which SERV is called upon to clarify precisely issues of compliance with environmental and development policy attract public interest. SERV maintains a clear-cut information policy to satisfy this interest. Activities include organising annual talks with NGOs (non-governmental organisations) and ad-hoc meetings on important projects as required. These talks provide an insight into SERV's activities and serve as a discussion platform for the inclusion of various issues in solution-finding efforts.

In the interest of transparency and in consultation with the respective exporter, SERV posts information on projects with a contract value of above 10 million francs on its website.

Support for renewable energy and water projects

SERV supports Swiss exporters' involvement in renewable energy, climate protection and water projects by offering special terms on the basis of OECD agreements. These may include credit periods of up to 18 years with flexible repayment terms to provide feasible project financing. These terms are applicable for climate protection, drinking water and sewage projects in addition to wind, water, geothermal, tidal, solar and bioenergy projects.



Cover Practice

Export transactions require a range of cover options. These options vary not only with regard to risk cover before and/or after the despatch of goods, but also with regard to credit terms and risk groups such as countries, banks, private buyers and exporters.

Countries

The countries are divided into nine different country categories (CCa; CCa 0 for high-income OECD countries and Eurozone countries, CCa 1–7 for all other countries, with 1 for the lowest and 7 for the highest risk). This list of countries is available at www.serv-ch.com/en > Cover practice > List of countries.

Banks

The up-to-date list of banks contains details of institutions that are generally accepted for the coverage of del credere risk and is available at www.serv-ch.com/en > Cover practice > List of banks. The banks are divided into seven categories depending on risk (CC0 or SOV+ for the lowest and CC5 for the highest risk). Banks not on the list but with adequate creditworthiness may also be eligible for cover.

Private buyers

SERV reviews the following information for insuring private buyer risk:

- Private buyer risk questionnaire (completed by the policyholder).
- The buyer's Annual reports for the last 3 years, incl. reports of statutory auditors.
- Further information such as brochures, credit reports, market research, etc.

SERV uses these documents to analyse the company and assigns companies that demonstrate acceptable risk levels to one of the seven risk categories (CC0 or SOV+ for the lowest and CC5 for the highest risk).

Exporters

In the case of counter guarantees and working capital insurance the exporter's performance is judged on the basis of the following information:

- The company's operations and products, especially export goods, by means of brochures, presentations etc.;
- The exporter's annual reports of the last three years, including the reports of the statutory auditors and the notes;
- The budget and monthly liquidity plan for the current year;
- Further lists depending on the case, e.g. order intake, qualitative information concerning the exporter, reference projects, the competition situation etc.

The exporter is classified into one of five risk classes (P1 to P5, with P1 representing the lowest and P5 the highest risk).

SERV maintains lists of countries and banks approved for SERV insurance cover, which are updated on a regular basis and published on the SERV website.

Conditions for Policy Issuance

General

The issuance of an insurance policy is subject to conditions laid down by international agreements and Swiss law (cf. "International Framework Conditions", page 7). The basic conditions include, in particular, data on the origin of export goods, terms and conditions of payment, and collateral as required. Depending on the type of export good (consumer goods, capital goods, services), the applicable conditions vary.

Basic conditions

- The exporter has a registered office in Switzerland and is listed in the Commercial Register;
- the export transaction involves deliveries and services originating in Switzerland or containing adequate Swiss added value (see below);
- the buyer's registered office or place of residence is outside Switzerland;
- the export transaction to be insured is in accordance with SERV's business policy.

Insurable exports

There are not generally any restrictions on insurable export transactions in the goods or services sector. Nevertheless, special provisions apply to certain export goods. These include:

- exports of capital goods (see "Export Transactions in Connection with Investment Projects", page 19);
- exports of consumer goods (see "Export Transactions Involving Goods or Services with a Short Economic Life (Consumer Goods)", page 21);
- exports of parts and components (see "Export Transactions Involving Goods or Services for the Manufacture of Capital Goods (Parts and Components)", page 22);
- project financing connected with export transactions (see "Project Financing", page 24).

Origin of goods/ foreign content

Goods or services must either be of Swiss origin or involve adequate Swiss added value. The foreign content portion of supplied goods or services generally may not exceed 50 percent of the contract value. A maximum of 70 percent of the contract value may apply in exceptional cases when justified.

SERV assesses on a case-by-case basis the extent to which foreign content can be insured. Important considerations in this review process include risk evaluation, the absolute value of foreign content and other insurance options such as reinsurance. A premium surcharge applies if the foreign content portion of supplied goods or services including local costs exceeds 50 percent of the contract value.

Local costs

Local costs arise from supplied goods and services from the buying country directly connected with the export transaction, which are part of the exporter's receivables due from the buyer. These include, among others, costs for the construction of facilities for equipment being delivered. For export financing with a term of more than 23 months, local costs may be insured up to a maximum of 30 percent of the export contract value. The export contract value is equal to the total order value less insurable local costs.

Currencies

For supply contracts in a foreign currency, insurance policies may be issued in euros or other convertible currencies. Indemnification for claims is paid out in the corresponding foreign currency. Insurance premiums may be paid either in Swiss francs or the foreign currency concerned. A premium surcharge may apply in the event of the issuance of foreign-currency policies. This is 5 percent for policies in euros and 10 percent in any other currency. Alternatively, the indemnification in foreign currency may be limited to the maximum amount on the basis of the exchange rate at the time of policy issuance.

Export Transactions in Connection with Investment Projects

Description

Exports of goods such as machines, equipment with high unit prices, entire production systems and project service packages are deemed to be export transactions in connection with investment projects.

Terms and conditions of payment

Terms and conditions of payment must be in accordance with international rules. The following conditions apply for capital goods:

- minimum 15 percent advance and/or interim payments, payable no later than the starting point;
- maximum 85 percent of financing is repayable in equal semi-annual instalments, the first instalment being payable no later than 6 months from the starting point.

The advance payment requirement may be waived for credit periods of up to 23 months. The maximum credit period is determined on the basis of the OECD consensus category for the buyer country and is 5 or 10 years (see www.serv-ch.com/en > Cover practice > List of countries).

The OECD allows longer credit periods for large projects, particularly for infrastructure. Moreover, the following Berne Union reference values should be observed.

Contract value	Credit period
less than CHF 100 000	max. 2 years
less than CHF 200 000	max. 3 years
less than CHF 400 000	max. 4 years
more than CHF 400 000	max. 5 or 10 years

Starting point

The starting point is the date from which the buyer derives utility from the supplied goods or services. This date represents the start of the repayment period. For capital goods, the starting point is determined as follows:

a) for capital goods usable by themselves, e.g. locomotives: the effective or weighted average date of acceptance or delivery;
b) equipment goods for complete installations or plants that the exporter is not responsible for commissioning: last delivery;
c) erection of structural works that the exporter is not responsible for commissioning: completion of the structural works;
d) installations or works that the exporter is responsible for commissioning: operational readiness;
e) in cases b) to d), if individual parts are exported: the applicable starting point is that of the respective part or average point in time for individual parts or, if the exporter is not responsible for the entire project but rather a significant portion thereof, the applicable starting point is that of the overall project.

Repayment instalments

There are no special requirements for credit periods of up to 12 months. For credit periods of 13 months or more, repayment of principal must be made in equal semi-annual instalments (or annuity instalments for leases).

Export Transactions Involving Goods or Services with a Short Economic Life (Consumer Goods)

Description	Export transactions involving goods or services with a short economic life cover exports of consumer goods or similar services.
Terms and conditions of payment **Starting point**	Terms and conditions of payment are freely negotiable. The credit period for consumer goods is a maximum of 6 months from acceptance or delivery. For consumer goods the starting point is the effective or weighted average date of acceptance or delivery.
Repayment instalments	There are no special requirements.

Export Transactions Involving Goods or Services for the Manufacture of Capital Goods (Parts and Components)

Description	Export transactions involving goods or services for the manufacture of capital goods cover parts and components, i.e. finished goods for the production of capital goods.
Terms and conditions of payment	The credit period is typically 6 months from acceptance or delivery, extendable up to 5 years on an exceptional basis if justified by the parts' lifespan and high unit price.
Starting point	For parts and components, the starting point of credit is no later than the effective or weighted average date of acceptance or delivery.
Repayment instalments	There are no special requirements for credit periods of up to 12 months. For credit periods of 13 months or more, repayment of principal must be made in equal semi-annual instalments.

Other Insurance Options

Reinsurance

If deliveries of different origins can be divided among multiple export credit agencies (ECAs), such as for multinational projects, then reinsurance is the simplest way of co-operation among different ECAs for both the exporter and the financing bank. The ECA of the principal supplier provides cover for the entire project volume, while the foreign ECA provides insurance cover for sub-contracted deliveries. The decision of whether to obtain reinsurance lies with SERV or the foreign ECA involved.

A policy or cover note is issued within the framework of the reinsurance agreement between the primary insurer and the reinsurer. The policy or cover note specifies the procedures outlined in the reinsurance agreement. The reinsurer acts on the terms of the primary insurance. Reinsurance agreements are in place between SERV and various ECAs, which are listed on the website under www.serv-ch.com/en > International > Reinsurance > Overview of agreements.

Coinsurance

Under a coinsurance arrangement, a domestic exporter delivers to a buyer via a foreign exporter. Although only the foreign exporter has a direct contractual relationship with the buyer, the domestic exporter is only paid if and when the buyer pays. Each exporter insures the buyer's risk with its own national ECA. Because there is no direct contractual relationship between the passive coinsurer (ECA of the first exporter) and the buyer, the passive coinsurer's interests are represented by the active coinsurer on the basis of a coinsurance agreement.

Other Financing Options

Project financing

Large infrastructure projects often utilise project financing. To this end, a special-purpose company is founded to run the project. Financing granted is repaid with self-generated funds. SERV may cover the political, transfer and del credere risk of the special-purpose company with this type of financing. The prerequisite is a positive assessment of the country risk and future cash flows from project operations. For such transactions, SERV analyses project-specific risks extensively, usually with external expert support.

Mixed credits

In Switzerland aid credit is offered in the form of mixed credits (tied aid) for a number of countries. Mixed credits are export credits based on international treaties. The conditions are determined by SECO, the Swiss State Secretariat for Economic Affairs. Preferential government terms apply to a portion of the credit granted (government tranche). The commercial tranche (bank tranche) is generally insured by SERV.

Security for the entire process of an export transaction – from the bid to the last partial payment.

→ SERV Products, page 32

From Application to Insurance Policy

New applications

New applications can be submitted using the SERV Application Portal, available on the SERV website www.serv-ch.com/en under menu item “Application Portal”.

Insurance commitments in principle

An application for an insurance commitment in principle may be submitted to determine whether and on what terms a transaction can be insured. These commitments are typically valid for 6 months.

Insurance policies

Insurance policies may be applied for directly if a valid export contract exists.

Application date

Insurance policies may be applied for a maximum of 6 months prior to the commencement of risk. The filing of applications after the commencement of risk should be avoided whenever possible.

Additional information

Additional information may be necessary depending on the complexity of the transaction. In such cases, SERV contacts the prospective policyholder directly.

Environment

SERV observes international standards and agreements in addressing environmental issues connected with export risk insurance (see also “Environment, Development and Transparency”, page 11).

Development

SERV upholds the principles of Swiss foreign policy in addressing issues of development policy. See “Environment, Development and Transparency”, page 11, for additional information.

Corruption

Compliance with legal provisions applicable to the export transaction is a prerequisite for the issuance and validity of a SERV policy. This particularly includes anticorruption legislation. See “Environment, Development and Transparency”, page 12, for additional information on this issue.

Application review

Larger coverage amounts applied for must be approved by the regularly convening insurance committee and/or the SERV Board of Directors. An insurance policy may be issued upon approval.

Assignment

Claims under an insurance policy may be assigned to financial institutions or third parties with the approval of SERV.

Subsequent amendments

SERV must be notified immediately of amendments to the terms and conditions of ordering or payment, changes in delivery and completion deadlines, etc. Changes and amendments may only be approved on an exceptional basis in the event of imminent losses or recognised claims.

Obligations of the policyholder

SERV is dependent on information concerning the course of the transaction provided by the policyholder or assignee. After determining the starting point, the repayment schedule must be immediately submitted to SERV. Prompt notification is furthermore essential if contractual payments have not been received on time or if there is an imminent loss.

As an important element of the Swiss Confederation's economic policy, SERV helps to create and preserve jobs in Switzerland.

← SERV Objectives, page 5

Insurable Risks

Political risk Political risks include extraordinary government measures and foreign political events such as war, revolution, annexation and civil unrest. The insurance is called upon when the political situation results in a debtor's incapacity to fulfil a contract. It also applies when the political situation leads to loss, confiscation, damage or prevention of the re-export of goods, or if the policyholder's rights are compromised.

Transfer risk Transfer risk arises from government or central bank currency measures resulting in the buyer's incapacity to pay. In such cases, the buyer may have deposited equivalent funds in the local currency, but the central bank will not release the currency required. Transfer risk also includes the risk of debt rescheduling for countries in financial distress by an intergovernmental agreement, postponing repayment by several years (Paris Club).

Del credere risk Del credere risk concerns insolvency or unwillingness to pay on the part of the buyer or guarantor. SERV may insure the del credere risk of public and private buyers.

Force majeure risks The impossibility or unacceptability of despatching goods as a direct consequence of a force majeure event is insurable through SERV if this risk was not otherwise insurable on reasonable terms upon commencement of risk.

The maximum cover ratio for the above-mentioned risks is 95 percent.

Products

Overview

The SERV range of insurance offers uninterrupted cover over the entire term of an export transaction. Customers may select and combine insurance products according to their individual needs.

Exporters	Associations	Financial institutions	ECA
Pre-shipment risk insurance	Multi-buyer insurance	Buyer credit insurance	Reinsurance
Supplier credit insurance		Working capital insurance*	
Confiscation risk insurance		Letter of credit confirmation insurance	
Contract bond insurance		Refinancing guarantee*	
Counter guarantee*			

* Products offered within the scope of federal stabilisation measures II

Pre-Shipment Risk Insurance

SERV offers pre-shipment risk insurance to cover exporters' prime costs in the event of a production stop.

Risk covered

Cover is provided against a production stop, particularly due to
- political risks, such as extraordinary government measures or warlike events;
- embargo measures imposed by Switzerland or third countries involved in the export transaction;
- the insolvency of the foreign buyer;
- the withdrawal from the contract and non-payment of cancellation costs, or serious breaches of contract on the part of the foreign debtor;
- cash outflow from unjustified call of the advance payment guarantee, provided it was included in the insured amount.

Object of cover

Prime costs necessary for executing transactions of goods and services, up to the contract value. Cover of a peak risk or limitation to goods and services that can no longer be used in the event of a loss is also possible. Prime costs for closing currency hedging transactions are insurable on additional application and are shown in the insurance policy.

Period of insurance

Usually from the effective date of the contract until the delivery of the goods or the provision of services.

Waiting period

3 months

Cover ratio

Up to 95 percent

Documents to be submitted

- Exporter application form.

For applications to cover the private buyer risk:
- Private buyer risk questionnaire;
- Annual reports of the buyer for the last 3 years.

Supplier Credit Insurance

Supplier credit insurance allows Swiss exporters to cover short-term or long-term cash or credit receivables from individual export transactions. This insurance also allows coverage of non-disbursement risk during the period between despatch and the disbursement of the buyer credit for export transactions in which a maximum of 95 percent of the order value is financed by a tied buyer credit, if the export transaction is financed by a tied buyer credit.

Risk covered

Cover is provided against non-payment due to
- political risks such as extraordinary government measures or warlike events;
- transfer risks such as the non-conversion/non-transfer of amounts in the respective national currency;
- force majeure risks, unless otherwise insurable on market terms;
- del credere risks such as the insolvency of the buyer or non-payment of the debt within 3 months of its maturity (protracted default).

Regardless of the legal existence of a due claim, the risk of confiscation, damage or destruction of despatched goods for political reasons is fully covered, provided that this risk could not have been otherwise insured at reasonable terms. If this provision is not applied, at least the prime costs shall be insured within the scope of the supplier credit insurance, unless this risk was otherwise insurable at reasonable terms.

Object of cover

Receivables from an individual export contract:
- cash or credit receivables for shipped goods/services provided;
- contractual interest up to the due date;
- any default interest up to the end of the waiting period;
- ancillary financing costs.

In order to avoid gaps in cover before a claim arises, prime cost cover (on the basis of the terms and conditions of the pre-shipment risk insurance) integrated into the supplier credit insurance offers protection if the delivery of the goods or services during the period of insurance - but before an insured claim arises - becomes impossible or unreasonable due to the occurrence of the insured risk. However, risks arising during the manufacturing phase (from the time that the export contract is concluded until the despatch of the export goods or the provision of the service) can only be insured under additional pre-shipment risk insurance.

Special provisions	The cover extends to cash or credit receivables coming from several transactions (individual export transactions or partial deliveries) with the same buyer (revolving individual insurance policy). This insures all receivables up to a maximum amount for a certain period. This period begins after the first delivery and ends after the repayment period of the last invoice issued.
Period of insurance	Starts upon the point of despatch or delivery of goods, or with the commencement of services being provided. Insurance coverage ends upon payment in full of the covered receivable.
Waiting period	3 months
Cover ratio	Up to 95 percent*
Documents to be submitted	– Exporter application form. For applications to cover the private buyer risk: – Private buyer risk questionnaire; – Annual reports of the buyer for the last 3 years.

* Cover ratio increased under federal stabilisation measures II

Confiscation Risk Insurance

The insurance covers the prime costs of the policyholder for goods owned, rented or leased by the policyholder that are exported abroad for the provision of contractual services, storage, exhibition or testing. Up to a predetermined period of insurance and a maximum amount the confiscation risk insurance may also cover the recurrent shipment of certain items. This may be the case, for example, when shipping different sets of equipment for large projects or goods to a consignment store (revolving utilisable maximum amount).

Risk covered

The insurance covers the risk of
- confiscation of the goods by foreign government agencies directly for political reasons or permanent withdrawal from the policyholder's power of disposal in other ways;
- destruction, damage or loss of the goods by force majeure, provided that this risk was uninsurable or insurable only under unreasonable terms on the private market upon commencement of the risk.

Object of cover

Prime costs directly attributable to the confiscated goods.

Period of insurance

Starting with despatch of the goods or no later than crossing the Swiss border, until sale on site or repatriation of the exported goods concerned.

Waiting period

3 months

Cover ratio

Up to 95 percent

Documents to be submitted

- Exporter application form.

Contract Bond Insurance

SERV insures losses arising from the invocation of contract bonds (typically a bank guarantee), which policyholders are obligated to provide to secure their own contractual commitments to the buyer. Advance payment, performance and bid bonds are common types of bonds. SERV basically insures all types of contract bonds. Note, however, that advance payment bonds are already indirectly insured within the scope of pre-shipment risk insurance and do not have to be covered twice (see also Pre-Shipment Risk Insurance, page 34).

Risk covered

Cover against loss of the bond amount when the bond

- is illegitimately called by the buyer (unfair calling) and the policyholder has a claim for repayment;
- is called as a result of political causes abroad; this also applies to the eventuality that the contract bond is legitimately called because the policyholder cannot fulfil its contractual obligations as the direct result of political causes;
- is called is called because the policyholder cannot reasonably be expected to fulfil its contractual obligations as a direct result of force majeure (provided that this risk was not insurable at reasonable terms on the private market).
- is called because the policyholder cannot reasonably be expected to fulfil its contractual obligations as a direct result of difficulties with international payment transactions or payment becomes impossible on the due date due to an official or statutory payment prohibition.

Object of cover

The face value of the underlying contract bond.

Special provisions

The contract bond insurance may be supplemented by a counter guarantee (p. 39)

Period of insurance

From issuance of the bond until its return or expiration, or upon fulfilment of the claim for repayment (in cases of unfair calling).

Waiting period

3 months

Cover ratio

Up to 95 percent

Documents to be submitted

- Exporter application form.

Counter Guarantee

SERV's counter guarantee provides default cover for the financial institution providing the guarantee and is issued to the financial institution at the exporter's request and for the exporter's account. The counter guarantee supplements SERV's contract bond insurance, making it easier for exporters to obtain the issue of a contract bond. The exporter therefore keeps its liquidity, as a counter guarantee means that the financial institution does not have to be provided with any cash deposits or collateral until the guarantee is called. The counter guarantee therefore serves the financial institution as collateral in case the exporter fails to fulfil its payment obligations towards the financial institution if the guarantee is called. If the guarantee is called, the exporter may claim against SERV's contract bond insurance (see also contract bond insurance, page 38) after making the guarantee payment to the financial institution. SERV's counter guarantee therefore covers the exporter's payment risk.

Risk covered

Payment of guaranteed amounts that the financial institution has disbursed due to the contract guarantee being called if the exporter fails to fulfil its obligation to make payment to the financial institution.

Object of cover

Up to the face value of the contract bond underlying the counter guarantee.

Special provisions

Only possible in connection with contract guarantee insurance (see page 38).

Guarantee period

As from the effective date of the contract guarantee and receipt of the counter guarantee by the financial institution issuing the guarantee until the return of the counter guarantee, discharge of SERV by the financial institution issuing the guarantee or 30 days after the expiry of the contract guarantee.

Waiting period

None; compensation resulting from the counter guarantee is paid within ten banking days of receipt of the written demand and the necessary evidence according to the counter guarantee declaration.

Cover ratio

Up to 100 percent

Documents to be submitted

- Exporter application form;
- Declaration of undertaking from the financial institution for the counter guarantee;
- Annual reports of the exporter for the last 3 years.

Multi-Buyer Insurance

Swiss exporters may integrate multiple insurance applications for exports to different buyers in various non-marketable countries via a central multi-buyer office and obtain multi-buyer insurance cover.

Insurable export transactions

Multi-buyer insurance is based on a contract between the multi-buyer office authorised by Swiss exporters and SERV. Within the scope of the maximum amounts and other conditions (limits) outlined in the policy, the multi-buyer insurance applies to all export transactions invoiced by an exporter during a settlement period. Coverage, however, only extends to export transactions with buyers in countries specified under the policy and with a maximum credit period of 12 months. In particular, these insurance policies specify: country and debtor limits, approved types of goods, maximum credit periods for different types of goods, the applicable cover ratios and the percentage of foreign content.

Multi-buyer office

The multi-buyer office processes applications for insurance from multiple exporters and files applications for insurance with SERV. Information and data for credit analysis must be submitted with applications where limits are applied for private buyers not yet accepted. The multi-buyer office determines the allocation of approved multi-buyer insurance among exporters. Exporters enjoy immediate rights upon the allocation of multi-buyer insurance.

Waiting period

3 months

Cover ratio

Up to 95 percent

Documents to be submitted

- Multi-buyer application;
- Exporter's declaration of authorisation, undertaking and anti-corruption for participation in multi-buyer insurance.

Buyer Credit Insurance

Banks or financial institutions can obtain cover from SERV for claims for repayment against foreign borrowers arising from the financing of Swiss export transactions. This insurance is available for short or medium/long-term, export-linked financing (buyer credit). The cover ratio of the buyer credit insurance is strictly independent of the exporter's export contract.

Risk covered

Cover is provided against non-payment due to
- political risks such as extraordinary government measures or warlike events;
- transfer risks such as the non-conversion/non-transfer of amounts in the respective national currency;
- force majeure risks, unless otherwise insurable on normal market terms;
- del credere risks such as the insolvency of the buyer or non-payment of the debt within 3 months of maturity (protracted default).

Non-disbursement risk

Buyer credit cover is available as a stand-alone insurance product or in combination with other policies to cover exporters. In the latter case, exporters can utilise supplier credit insurance for cover against buyer credit funds not being disbursed (non-disbursement risk) due to an insured risk after the despatch of goods.

Object of cover

Claims from a tied buyer credit:
- Principal;
- Contractual interest up to the due date;
- Default interest up to the end of the waiting period;
- Ancillary financing costs.

Period of insurance

Begins upon disbursement of the credit. Insurance cover ends upon payment of the last covered loan instalment. There is no liability for undisbursed amounts if no other cover (supplier credit insurance for the exporter) was applied for.

Waiting period

1 month

Cover ratio	Up to 95 percent
Documents to be submitted	– Bank / financing institution application form for combined or stand-alone buyer credit insurance; – Exporter application form for pre-shipment risk insurance and cover of non-disbursement risk (combined insurance); – Exporter's declaration of authorisation, undertaking and anti-corruption for the buyer credit insurance.

Working Capital Insurance

With the working capital insurance SERV insures a financial institution's claims to repayment of a working capital loan for an export transaction insured by SERV. As a rule, the cover provided by SERV allows finance to be provided on more attractive terms, obviates the need for further collateral and makes it possible for the company to preserve its liquidity. The insurance covers credit losses suffered by the exporter or by its subcontractors. The working capital credit may only be used to finance the prime costs for a specific export transaction insured by SERV. The claims against the foreign buyer and the relevant insurance claims are assigned to the financial institution that grants the working capital loan. These claims serve the repatriation of the working capital loan.

Risk covered	Non-fulfilment of bank claims for repayment agreed in the working capital loan agreement for loan amounts disbursed to the exporter.
Object of cover	Fulfilment of claims for repayment agreed in the working capital loan agreement including contractual ancillary financing costs, interest receivables and default interest.
Period of insurance	From disbursement of the respective loan until settlement of the bank's claim for repayment.
Waiting period	1 month
Special provisions	As a rule, only in connection with supplier credit insurance; in special circumstances also with pre-shipment risk insurance.
Documents to be submitted	– Bank/financing institution application form for combined or stand-alone buyer credit insurance; – Declaration of authorisation and undertaking of the exporter (or sub-contractor) for working capital insurance; – Exporter application form for presentation of export transaction; – Annual reports of the exporter for the last 3 years.

Letter of Credit Confirmation Insurance

Letter of credit confirmation insurance allows banks to confirm letters of credit from foreign financial institutions, the risks of which they would not have accepted without such insurance. SERV establishes limits for major foreign banks issuing letters of credit. This enables SERV to provide confirming banks with insurance commitments for individual transactions within 24 hours. Under letter of credit confirmation insurance, SERV waives coverage intervention rights vis-à-vis the confirming bank due to elevated risk during the term of the letter of credit. Letter of credit confirmation insurance may also be issued in combination with pre-shipment risk cover.

Risk covered

Cover is provided against non-payment due to
- political risks such as extraordinary government measures or warlike events;
- transfer risks such as the non-conversion/non-transfer of amounts in the respective national currency;
- force majeure risks, unless otherwise insurable at market terms;
- del credere risks such as the insolvency of banks issuing letters of credit or improper non-payment of debt from letters of credit.

Object of cover

Fulfilment of the principal claim arising from letter of credit transactions against the issuing bank, including default interest.

Period of insurance

From confirmation of the letter of credit or from silent confirmation until settlement of the insured receivable.

Waiting period

1 month

Cover ratio

Up to 95 percent

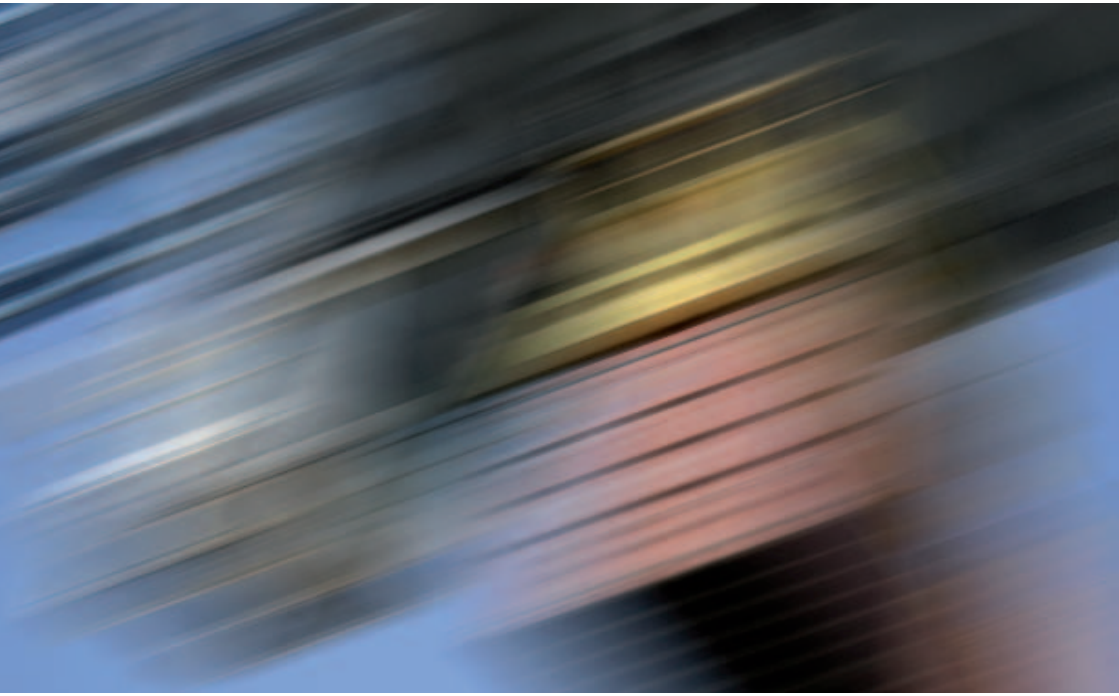
Documents to be submitted

- Bank/financing institution application form for combined or stand-alone buyer credit insurance;
- Declaration of authorisation and undertaking of the exporter for working capital insurance.

Refinancing Guarantee

With a refinancing guarantee, SERV promises a refinancing institution to honour on first written demand the payment obligations under a refinancing contract of an institution refinancing itself which provides export credit. The precondition is that the refinancing is used for an export transaction insured by SERV. The refinancing guarantee therefore allows a financial institution providing export credit insured by SERV to obtain more attractive refinancing terms, thus making it possible for an exporter to obtain finance. The precondition for a refinancing guarantee is that the financial institution providing export credit also assigns the main claims and ancillary claims from the insured export transaction to SERV.

Risk covered	Credit loss of the refinancing institution due to default by the financial institution granting export credit insured by SERV.
Object of cover	The main claims and ancillary claims of the refinancing institution against the financial institution granting export credit.
Guarantee period	From the date of issue until the return of the refinancing guarantee, until the discharge of SERV by the guarantor, until the fulfilment of the guaranteed claim or the expiry of any specified limit.
Waiting period	None
Special provisions	Refinancing guarantees are always issued in combination with buyer credit insurance, letter of credit confirmation insurance or supplier credit insurance assigned to the financial institution.
Cover ratio	Up to 100 percent
Documents to be submitted	By the bank financing the export: – Bank/financing institution application form for combined or stand-alone buyer credit insurance.



Premiums

Introduction

SERV charges insurance and expense premiums. These are based on the principles of economic viability and comply with the requirements of the OECD Export Credit Arrangement. The premium tariff and the related cover practice govern the principles, types, amount, surcharges, reductions, charging and reimbursement of premiums. The premium calculator is available at www.serv-ch.com/en > Premiums. The premium calculator for calculating indicative premiums for specific export transactions can also be found there.

Insurance premiums

An insurance premium is charged as consideration for the insured risk. It is made up of a premium for the political risk including the transfer risk and the risk of force majeure (country risk) and a del credere surcharge.

The amount of the insurance premiums charged depends on the following risk determinants: the basis for calculation (depending on the product – loan amount, prime costs, etc.), risk period for the transaction, cover ratio, country category (CCa 1 – 7) and type, and the creditworthiness of the buyer or guarantor (public, private, etc.). There may be additional premium reductions or surcharges depending on available collateral, the properties of the export goods, the foreign content and the foreign currencies involved.

The premiums for export transactions in high-income OECD countries and Eurozone countries as well as countries of country category 0 are determined by market price comparison.

Expense premiums

Expense premiums are charged at an hourly rate of CHF 200 as soon as the transaction requires more than 8 hours of work by SERV. Standard transactions generally require less than 8 hours of work. Expense premiums are only charged for additional review work, such as with complex transactions, project financing or transactions involving considerable environmental risks. Policyholders will be told of possible expense premiums in advance. Expense premiums are charged for insurance policies and for insurance commitments in principle and cannot be offset against the insurance premium or reimbursed.

Supplementary premium tariff

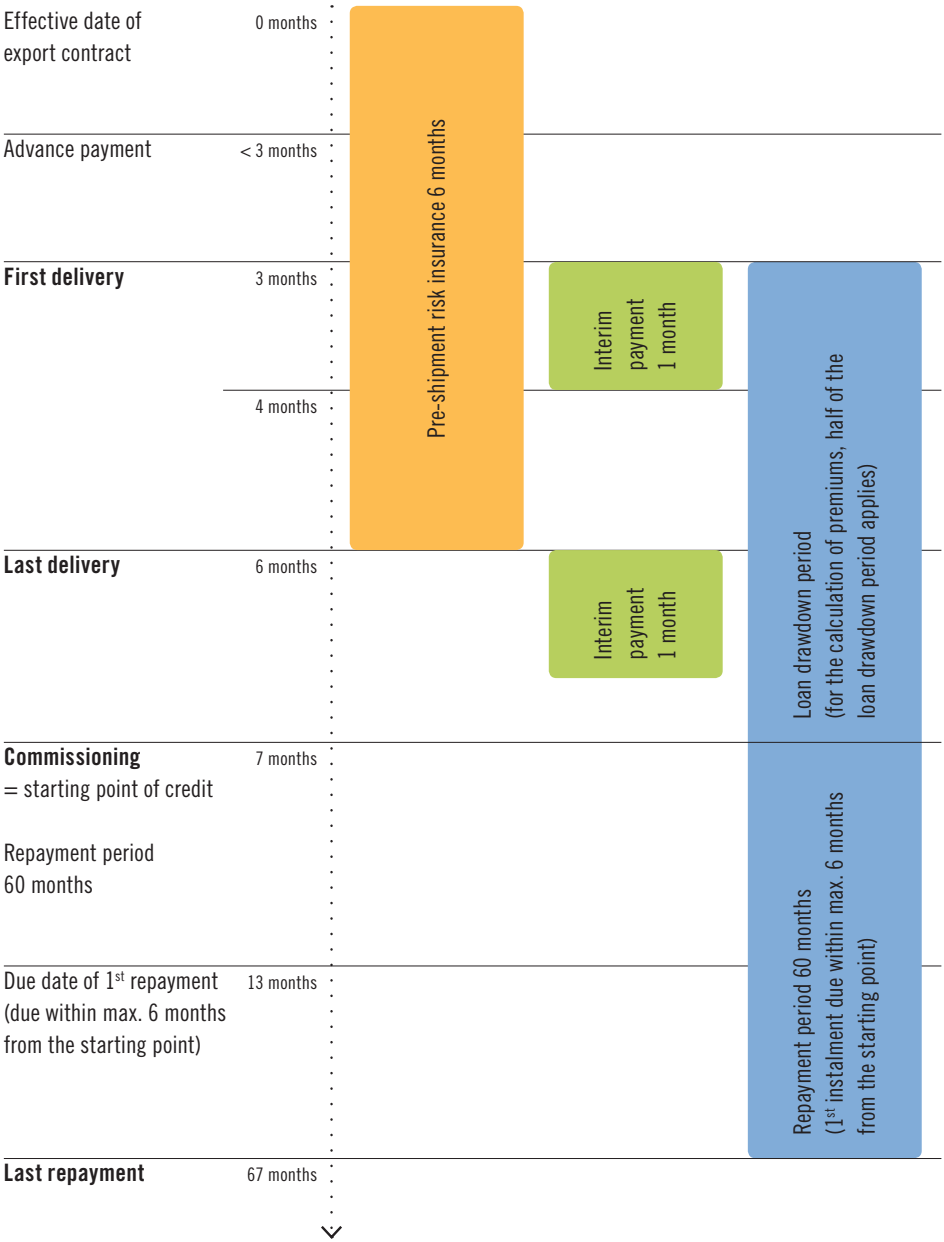
The supplementary premium tariff supplements the premium tariff. It governs the calculation and collection of premiums for SERV products (counter guarantees, refinancing guarantees and working capital insurance) introduced in connection with the federal stabilisation measures II adopted by the Swiss Confederation.

Periods Relevant to the Premium for Supplier Credit Insurance and Working Capital Insurance

The SERV premium tariff sets out the periods relevant to the premium. For supplier credit insurance, half of the loan drawdown period (waiting period) is added on to the credit period to determine the risk period relevant to the premium. For pre-shipment risk insurance, half of the production period is used for the calculation.

These periods are illustrated in the following example. You will find a chart showing them on the next page.

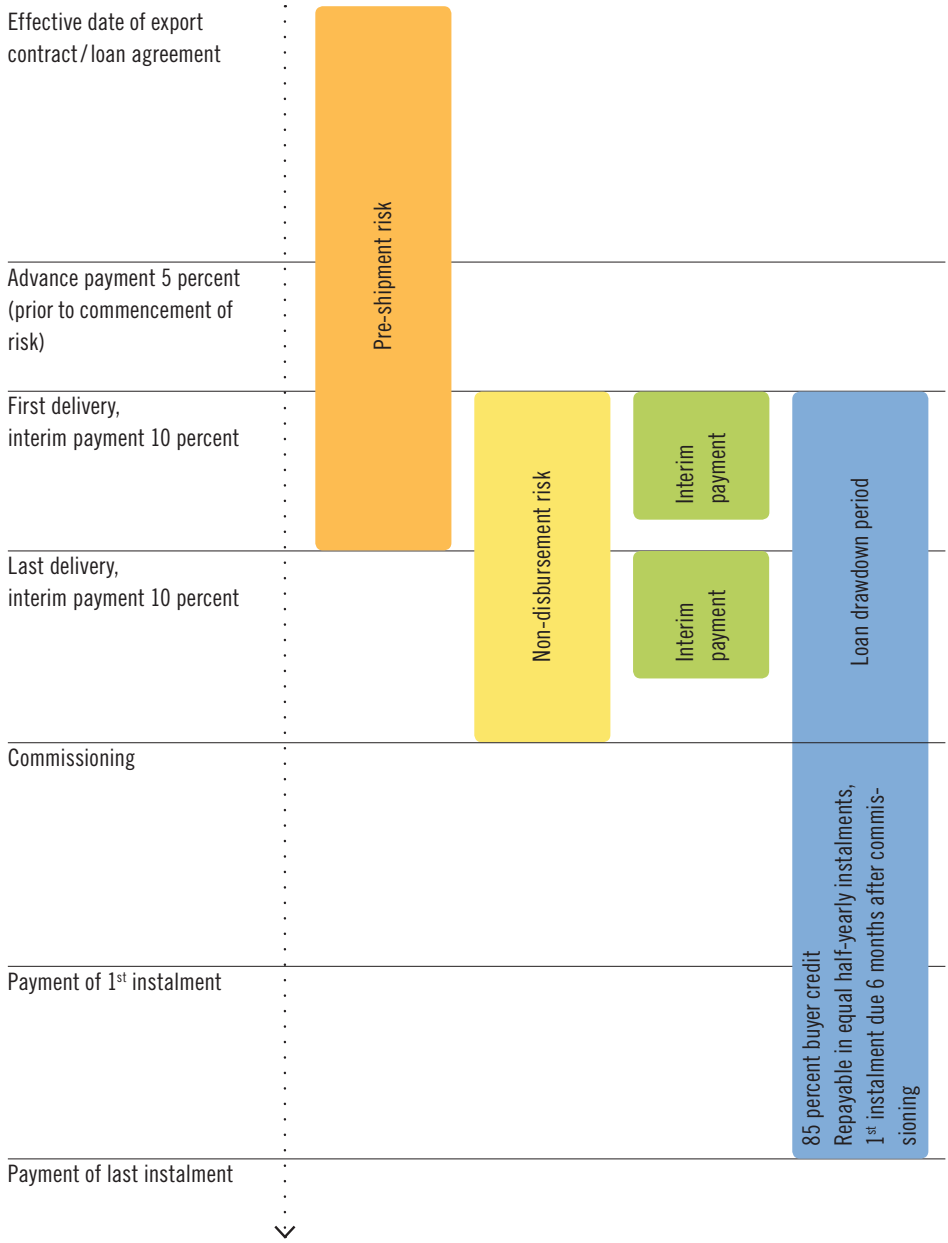
Order value	Contract value: CHF 1 000 000 Prime costs: CHF 800 000 (for pre-shipment risk insurance)	
Terms and conditions of payment for supplier credit	10 percent advance payment, due prior to delivery 5 percent interim payment, due pro rata delivery/commissioning 85 percent is insured as supplier credit Repayments in equal half-yearly instalments	
Periods	Effective date of export contract:	January (month 0)
	First delivery:	3 months after entry into force of the export contract
	Last delivery:	6 months after entry into force of the export contract
	Commissioning:	1 month after last delivery
	Starting point:	Commissioning
	Production period:	6 months
	Waiting period:	4 months
	Credit period:	5 years / 60 months
	Risk period for production risks:	3 months
	Risk period for supplier credit:	62 months


Effective date of export contract
0 months
Advance payment
< 3 months
First delivery
3 months
4 months
Last delivery
6 months
Commissioning
= starting point of credit
7 months
Repayment period
60 months
Due date of 1st repayment
(due within max. 6 months
from the starting point)
13 months
Last repayment
67 months
Pre-shipment risk insurance 6 months
Interim payment 1 month
Interim payment 1 month
Loan drawdown period
(for the calculation of premiums, half of the loan drawdown period applies)
Repayment period 60 months
(1st instalment due within max. 6 months from the starting point)

Procedure for Combined Buyer Credit

The following table illustrates the typical procedure for a combined buyer credit.

Terms and conditions of payment	5 percent advance payment 10 percent interim payment, due pro rata delivery 85 percent buyer credit, disbursement pro rata delivery/commissioning


Effective date of export contract / loan agreement
Advance payment 5 percent (prior to commencement of risk)
First delivery, interim payment 10 percent
Last delivery, interim payment 10 percent
Commissioning
Payment of 1st instalment
Payment of last instalment
Pre-shipment risk
Non-disbursement risk
Interim payment
Interim payment
Loan drawdown period
85 percent buyer credit
Repayable in equal half-yearly instalments, 1st instalment due 6 months after commis-sioning

Insured Events and Claims Management

Pursuant to the general terms and conditions, the policyholder is obligated to do everything in his power to prevent the occurrence of an insured event. However, should insured losses occur, they will be indemnified in the covered amount upon expiry of the waiting period. The claim in question then devolves upon SERV. The policyholder remains obligated, however, to contribute to mitigating losses.

Imminent losses

A loss is assumed to be imminent in the presence of a material breach of obligations on the part of a debtor or risk-aggravating factors. In such cases, an elevated probability of the insured risk occurring must be identifiable. The policyholder must notify SERV immediately of material breaches of obligations on the part of the debtor or the onset of risk-aggravating factors.

Examples:
- Contractual payments are not received by the due date.
- The debtor requests an extension of the payment deadline, breaches material contractual obligations or defaults in accepting goods.
- Change in economic circumstances or negative information concerning the debtor.
- Initiation of restructuring or liquidation proceedings (debt restructuring moratorium, official debt composition proceedings, bankruptcy).

Insured events

The occurrence of an insured risk and expiry of the waiting period constitute an insured event. Waiting periods can be up to three months depending on the policy. The period begins upon occurrence of an insured loss (e.g. the due date of the insured receivable). Default interest accrued during the waiting period is covered.

Upon payment of the indemnity, all claims against the foreign debtor and collateral provided in connection therewith devolve upon SERV up to the amount of indemnification paid.

SERV determines the further recourse and loss mitigation measures for the total claim in consideration of insured receivables in debt rescheduling and restructuring.

Primary obligations

- The policyholder must provide full and accurate information concerning the insured transaction.
- SERV must be notified immediately of circumstances contrary to the documented facts of the case.
- Increased risks in connection with the insured transaction must be reported immediately.
- All reasonable steps required to avoid or mitigate losses as dictated by the circumstances must be taken.
- A claims report form must be requested from SERV and submitted upon expiry of the waiting period and within two years of the occurrence of the insured event.
- Along with the claims report, all documents are to be submitted concerning the occurrence of the insured risk, the scope of the occurred loss and causal relationships involved, as well as contractual collateral.

Special provisions for buyer credit insurance

SERV accepts abstraction of the financing transaction from the underlying transaction (export contract) for the payment of insurance claims. Accordingly, the bank only has to document the existence, due date and legal enforceability of its abstract credit receivables along with any collateral provided in connection therewith. Debtor objections raised in connection with the export transaction are excluded with regard to credit receivables and thus are irrelevant for SERV.

The bank is furthermore only liable for breaches or neglect of duty on its own part. Any breaches or neglect of duty on the part of the exporter that were neither known nor should have been known by the bank thus do not preclude indemnification. In the event of improper performance of contract or a serious breach or neglect of duty on the part of the exporter, SERV may have regress upon the exporter by way of declaration of authorisation and undertaking.

For documented insured events resulting in justified claims, indemnification is remitted within 30 days of written acknowledgement of the insured event by SERV.

Security and confidence for Swiss exporters – SERV facilitates acceptance of foreign orders.

← Insurable Risks, page 30

Contact

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