

# PRODUCT INFORMATION



WHOLE-TURN-KEY POLICY **JANUARY 2011**

EXPORT CREDIT GUARANTEES OF THE  
FEDERAL REPUBLIC OF GERMANY

► **Hermes Cover**

► WHOLETURNOVER POLICY

*By taking out a Wholturnover Policy, an exporter can protect foreign trade receivables due in respect of the supply of goods and services abroad with a maximum credit period of 12 months.*

**WHAT IS COVERED?**

A Wholturnover Policy offers protection against payment default, particularly if

- the buyer fails to make payment within 6 months after due date (protracted default)
- the foreign buyer becomes insolvent
- adverse measures are taken by foreign governments or warlike events arise
- local currency amounts are not converted or transferred
- goods are confiscated due to political circumstances
- contract performance becomes impossible due to political circumstances

Cover includes also receivables due for the sale of goods of foreign origin. Engineering transactions involving the installation of plant and equipment and constructional works contracts are not suitable for wholturnover cover, even if short payment terms triggered by consignments or predefined phases of construction or installation have been agreed.

The debtor must be domiciled in a country outside the EU and the OECD. Cover is also available, however, for Chile, Israel, Mexico, South Korea and Turkey as well as, subject to certain conditions and limited in time until the end of 2011, for Bulgaria, Iceland, Latvia, Lithuania and Romania, which are in principle classified as marketable risks.

Receivables due to the German subsidiaries of the German exporter may also be included in the cover without any problems.

**WHO CAN APPLY FOR A WHOLETURNOVER POLICY?**

Wholturnover Policies are available to **ANY GERMAN EXPORTER** with an annual export turnover of at least EUR 500,000 spread over different markets.

**DO ALL TRADE RECEIVABLES FROM FOREIGN BUYERS HAVE TO BE INCLUDED?**

A Wholturnover Policy can be largely tailored to the individual needs of the exporter. He decides what countries are to be covered (**RIGHT OF INCLUSION**). The only condition is that a certain minimal mix of risks must be included. Once a country is included, **ALL AMOUNTS DUE FROM PRIVATE SECTOR CUSTOMERS** in the country must be presented for cover as soon as the amount due from one and the same customer exceeds the **DECLARATION LIMIT** of EUR 15,000. Turnover below this limit can be optionally included. Receivables secured by letter of credit, turnover with foreign affiliates (especially subsidiaries) and amounts due from public buyers can – for each policy period and country – also be **OPTIONALLY INCLUDED** in the Wholturnover Policy.

**WHAT HORIZON OF RISK IS COVERED?**

A Wholturnover Policy **RUNS FOR 1 YEAR**. Approximately 2 months before it is due to expire, the Federal Government makes an offer of renewal to the exporter. Cover for the individual amounts receivable begins as from the date of shipment. The precondition for this is that turnover is notified monthly online via the Internet, broken down only by country and payment terms. The Federal Government is liable for an insured account until it has been paid in full, irrespective of whether the Wholturnover Policy is renewed or not.

**HOW MUCH DOES A WHOLETURNOVER POLICY COST?**

**A PERCENTAGE OF THE MONTHLY TURNOVER** is charged as premium. The premium rate is calculated individually by the Federal Government based on the risks covered under the respective policy and is valid for one policy period. The average premium rate for policies with a medium risk level is 0.60 %. The loss experience per policy is taken into account annually by means of a system of discounts and surcharges (Bonus/Malus-System): if the Federal Government has paid indemnification amounting to less than 10 % of the premium received, the premium rate for the following year will be reduced by 5 %. If indemnification exceeds the premium, the premium rate goes up by at least 10 %. Reductions over time can add up to a maximum of 25 %, increases to a maximum of 30 %. **No MINIMUM PREMIUM OR APPLICATION OR ANY OTHER PROCESSING FEES** are charged. No insurance tax is payable.

**CAN A WHOLETURNOVER POLICY BE USED FOR REFINANCING PURPOSES?**

The benefit of the Wholturnover Policy can be assigned – either alone or together with the export receivables – to banks or forfaiting houses for refinancing purposes.



## WHEN AND HOW IS A CLAIM PAID?

Before a claim can be filed, the legally valid and matured claim to payment of the amount owing must have become uncollectible due to the occurrence of a covered risk. When all necessary documents have been submitted to the Federal Government, the claim will be processed within 2 months. The claim will then be paid within one further month. The exporter retains an **UNINSURED PERCENTAGE** of the loss for his own account. As a rule, this is 5 % in the case of political risks. For all other risks the uninsured portion is 10 %. However, for a limited period of time until the end of 2013 and subject to certain conditions it can be reduced upon application to 5 % against the payment of a premium surcharge.

## HOW CAN YOU APPLY FOR COVER?

Contact with the Federal Government is established via **EULER HERMES KREDITVERSICHERUNGS-AG**. Our Head Office in Hamburg as well as the regional branch offices all over Germany will be happy to give you details and answer any specific questions you may have.

The first step in concluding a Wholeturnover Policy is to submit a **PROPOSAL** in which the exporter gives details of the payment terms agreed and the turnover made in his previous dealings with his buyers. This forms the basis for a draft policy and quotation from Euler Hermes Kreditversicherungs-AG, which in turn serves as the basis for the application for a Wholeturnover Policy.

The Wholeturnover Policy is the legal basis of the contractual relationship with the Federal Government. It is valid in conjunction with the **GENERAL CONDITIONS OF INSURANCE** for the Wholeturnover Policy, the **LIST OF INSURED COUNTRIES**, as well as any special **COUNTRY COVER CONDITIONS** which may regulate the details of cover for specific countries.

At the request of the exporter, Euler Hermes Kreditversicherungs-AG assesses the creditworthiness of the foreign buyer. If the result is positive, a **CONFIRMATION OF COVER** is issued, which specifies the maximum cover amount (credit limit), the accepted payment terms and other important details of cover. The cover limit accepted by the Federal Government is a revolving one, i.e. after payment of insured receivables has been made, the amount of cover thus freed up is available for other deliveries.

## HOW IS A WHOLETURNOVER POLICY HANDLED?

The hallmark of the Wholeturnover Policy is easy, efficient and convenient handling for the exporter. All the transactions you need to manage your cover, such as making requests for credit limits or declaration of turnover, are done online via the Internet. For this, each exporter signs an Online Service Agreement with Euler Hermes Kreditversicherungs-AG. You can also choose to pay your premium by direct debit.

## MAIN FEATURES OF WHOLETURNOVER POLICY AT A GLANCE:

<b>Eligible policyholders:</b>	Any German exporter
<b>Policy period:</b>	1 year
<b>Eligible countries:</b>	Any non-EU and non-OECD country (subject to certain conditions and limited in time until the end of 2011, Bulgaria, Iceland, Latvia, Lithuania and Romania, in principle classified as marketable risks, may qualify for cover), as well as Chile, Israel, South Korea, Mexico and Turkey
<b>Covered risks:</b>	Buyer's failure to make payment within 6 month after due date (protracted default), other commercial risks (e.g. insolvency), as well as political risks (e.g. warlike events))
<b>Payment terms:</b>	12 months max.
<b>Uninsured portion:</b>	Normally 5 % for political risks and 15 % for commercial risks; however, llimited in time until the end of 2013 the uninsured portion for commercial risks can be reduced to 5 % on request subject to certain conditions; for this a supplement on the premium will be charged
<b>Handling fee:</b>	None
<b>Premium:</b>	Individually calculated as a percentage of monthly turnover and valid for the entire policy period; loss experience is factored in from third policy year on (system of discounts and surcharges)
<b>Handling:</b>	Online via the Internet Option of paying premium by direct debit

## Cover from the Federal Republic of Germany for business transactions abroad

The German Government supports German business ventures abroad with its Export Credit and Investment Guarantee Schemes as well as the Untied Loan Guarantee Scheme, thus securing economic growth and safeguarding jobs. To this end, the Federal Republic of Germany provides guarantees against commercial and political risks in connection with export transactions as well as against the political risks of foreign direct investments. In addition to this framework, it is also possible to cover the commercial and the political risks of untied loans relating to projects which are in the overriding national interests of Germany.

The German Government has mandated a consortium formed by Euler Hermes Kreditversicherungs-AG and PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft to manage these promotion schemes.



Federal Ministry  
of Economics  
and Technology

### OUR PARTNERS



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