

PRODUCT INFORMATION



MANUFACTURING RISK COVER **MARCH 2012**

EXPORT CREDIT GUARANTEES OF THE
FEDERAL REPUBLIC OF GERMANY

► **Hermes Cover**

► MANUFACTURING RISK COVER

Manufacturing risk cover protects the exporter against the loss of prime costs (direct and indirect) accruing up to the level of the respective order value for the supplies and services to be provided to the foreign buyer under the export contract.

WHAT RISKS ARE COVERED?

A Manufacturing Risk Guarantee offers protection against the losses caused by discontinuation of production, particularly if

- ▶ the foreign buyer becomes insolvent
- ▶ the contract is cancelled or other grave violations occur
- ▶ adverse measures are taken by foreign governments or warlike events arise
- ▶ embargo measures are taken by the Federal Republic of Germany or third countries participating in the export transaction
- ▶ the cancellation fee is not paid and/or the claim to partial payment is not fulfilled following a justified cancellation of the contract by the buyer

It is particularly advisable to take out cover for the prime costs when custom-made products are involved which cannot be re-marketed if production is discontinued.

On request of the exporter, manufacturing risk cover can be limited to the prime costs accruing for clearly definable elements of the supplies/services to be delivered under the export contract, which function and can be remarketed as separate units (partial cover).

Not eligible for cover are the following:

- ▶ the calculatory profit
- ▶ the cover premium
- ▶ illegal expenses.

WHO CAN APPLY FOR MANUFACTURING RISK COVER?

Manufacturing risk cover is available to **EVERY GERMAN EXPORTER**. Foreign business enterprises may also take out manufacturing risk cover for the export business transacted by their German branch offices, which must, however, be listed in the German Companies' Register.

CAN MANUFACTURING RISK COVER BE COMBINED WITH OTHER TYPES OF COVER?

In addition to the prime costs accruing during the production phase, the exporter should insure against the risk of bad debt losses after shipment of the goods (see Product Information **SUPPLIER CREDIT COVER**) in order to avoid gaps in the cover. This, however, is not obligatory.

If the exporter is required to furnish contract bonds (e.g. advance payment, performance or maintenance bonds), separate cover can be issued (see Product Information **CONTRACT BOND COVER**).

WHAT HORIZON OF RISK IS COVERED?

Cover takes effect with the entry into force of the export contract and normally ends with the shipment of the goods.

CAN A MANUFACTURING RISK GUARANTEE BE USED FOR REFINANCING PURPOSES?

The claims arising under a Manufacturing Risk Guarantee may be assigned to banks and forfaiting houses for refinancing purposes.

HOW MUCH DOES MANUFACTURING RISK COVER COST?

A **CERTAIN PERCENTAGE OF THE PRIME COSTS** is charged as premium for cover. In each case, the level of this premium depends on the length of the manufacturing period and the scope of the risks to be covered. As per October 1st, 2010, the premium system has been changed to a more risk based approach.



Separate processing fees for manufacturing risk cover are charged only if supplier credit cover has not been applied for. They depend on the level of the prime costs.

Insurance tax is not payable.

To give you an estimate of the premium for manufacturing risk cover applicable in your specific case, an interactive premium calculator is available on the Internet. Further details are given in the information leaflet [FEES AND PREMIUM RATES](#).

WHEN AND HOW IS A CLAIM PAID?

Before a claim can be filed, a covered event of loss must have occurred under the legally valid and enforceable export contract. The exporter must also provide evidence as to the level of the prime costs eligible for indemnification.

From these prime costs, the Federal Government will regularly deduct any assets received by the exporter (e.g. payments by the debtor and/or guarantor, or remarketing proceeds).

When all the necessary documents have been submitted to the Federal Government, the claim will be processed within two months' time. Claims payment will be effected within the space of one further month.

The policyholder participates in the loss up to the level of the **UNINSURED PORTION**, which normally is 5%.

HOW CAN YOU APPLY FOR COVER?

Contact with the Federal Government is established via [EULER HERMES DEUTSCHLAND AG](#).

The company's head office in Hamburg as well as its numerous branch offices in Germany offer competent advice on general and specific questions. Extensive information material, application forms and the General Terms and Conditions are also available for study and download at [WWW.AGAPORTAL.DE](#), partly only in German.

MAIN FEATURES OF MANUFACTURING RISK COVER AT A GLANCE:

Eligible policyholders:	German exporters and foreign trading companies for export transactions of their German branches which are entered in the German Companies' Register
Object of cover:	The prime costs accruing for the goods to be supplied (direct and indirect costs)
Covered risks:	Political risks (e.g. warlike events) and commercial risks (e.g. insolvency)
Uninsured portion:	5 % for all risks
Processing fees:	Application and, if necessary, renewal and issuing fees, calculated as percentage of the prime costs, if supplier credit cover has not been applied for
Premium:	An individually calculated percentage of the prime costs (see premium calculator available at www.agaportal.de)

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 political risks of untied loans to finance projects which are particularly deserving of support.

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



Federal Ministry
of Economics
and Technology

OUR PARTNERS



EULER HERMES



Euler Hermes Deutschland AG
Export Credit Guarantees of
the Federal Republic of Germany

Postal address

22746 Hamburg

Visitors should call at

Gasstraße 27
Hamburg - Bahrenfeld

Phone: +49 (0)40 / 88 34-90 00

Fax: +49 (0)40 / 88 34-91 75

info@exportkreditgarantien.de

www.agaportal.de

Branch offices: Berlin, Frankfurt,
Hamburg, Cologne, Munich, Stuttgart