

PRODUCT INFORMATION



LEASING COVER **MAY 2009**

EXPORT CREDIT GUARANTEES OF THE
FEDERAL REPUBLIC OF GERMANY

► **Hermes Cover**

► LEASING COVER

Leasing cover insures a lessor against the loss of the amounts owing from a foreign lessee under a cross-border lease.

WHAT RISKS ARE COVERED?

Leasing cover offers protection against payment default if

- ▶ the lessee fails to make payment within either one or six months after due date depending on the type of leasing cover (protracted default)
- ▶ the lessee 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

Repayment terms corresponding to those applicable to a comparable supply contract may be applied. Alternatively, annuity payments, i.e. equal lease rentals with a degressive interest and a progressive principal portion, may be agreed on.

WHO CAN APPLY FOR LEASING COVER?

Leasing cover is available to German manufacturers who conclude lease agreements directly with lessees abroad (manufacturers' lease/direct lease), as well as to German leasing companies who purchase goods from a German exporter for the purpose of concluding a cross-border lease (indirect leasing).

WHAT OPTIONS OF LEASING COVER EXIST?

Two leasing cover options are offered by the Federal Government:

- ▶ on conditions (uninsured percentage, waiting period and claims processing period) comparable to those of supplier credit cover and
- ▶ on conditions applicable to buyer credit cover in the case of certain types of finance leasing.

Leasing cover on conditions applicable to buyer credit cover may be granted only if the lease model fulfils a financing function similar to that of a buyer credit. Precondition is, among other things, that a leasing company operates as link between the manufacturer and the lessee and that the "typical assignment structure for leasing operations" has been agreed on. In addition, the leasing must relate to capital goods, the lessor must have a bank licence or belong to the scope of consolidation of a German bank. On a case-by-case basis, other leasing companies may also be eligible for leasing cover on buyer credit terms.

WHAT ARE THE BASIC CONDITIONS LEASE AGREEMENT?

Leasing cover is available for full payout or for partial payout leases. The lessor must either be the owner of the leased property or must at least be entitled to repossess the property in the event of a default or to withdraw the rights of usage.

In the case of leasing cover on buyer credit terms, the lessor must contract out of his warranty obligations and assign his warranty claims against the supplier to the foreign lessee.

WHAT HORIZON OF RISK IS COVERED?

Cover takes effect in each case with the shipment of the goods and ends with full payment of the amounts owing under the lease contract.

CAN LEASING COVER BE USED FOR REFINANCING PURPOSES?

The claims arising under the cover policy may – together with the amounts owing under the lease contract – be assigned to banks and forfeiting houses for refinancing purposes.

HOW MUCH DOES LEASING COVER COST?

The costs consist of the processing fees and the cover premium. The processing fees depend on the amount of principal covered. A certain percentage of the amount of principal covered (interest excluded, also in the case of annuity payments) is charged as cover premium.



The premium level mainly depends on the buyer's rating, the country risk and horizon of risk. Insurance tax is not payable.

To give you an estimate of the premium applicable in your specific case, an interactive premium calculator is available on the Internet. Further details are given in the information leaflet [PREMIA](#).

WHEN AND HOW IS A CLAIM PAID?

Before a claim can be filed, the legally valid and matured claim to payment of the amounts owing under the leasing contract must have become uncollectible due to the occurrence of a covered loss. However, in the case of leasing cover on buyer credit terms the Federal Government is not entitled to reject the claim to compensation because of the lessee's objections based on warranty. When all the necessary documents have been submitted to the Federal Government, the claim will be processed within two months' time and in the case of leasing cover on buyer credit terms, within one month. Claims payment will be effected within the space of one further month and in the case of leasing cover on buyer credit terms, within 5 bank working days.

The policyholder participates in the loss up to the level of the **UNINSURED PORTION**. As a rule, the uninsured portion is 5% for political risks and 15% for all other risks. In the case of leasing cover on buyer credit terms, an uninsured portion of 5% is applied to all risks.

HOW CAN YOU APPLY FOR COVER?

Contact with the Federal Government is established via [EULER HERMES KREDITVERSICHERUNGS-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 Conditions are also available for study and download at WWW.AGAPORTAL.DE, partly only in German.

MAIN FEATURES OF LEASING COVER AT A GLANCE:

Eligible policyholders:	German lessors (manufacturing or leasing companies)
Object of cover:	Amounts owing under cross-border leases
Covered risks:	Lessee's failure to make payment within 6 months after due date (protracted default), other commercial risks (e.g. insolvency), as well as political risks (e.g. warlike events)
Cover options:	Leasing cover on terms applicable to supplier credit or buyer credit cover
Uninsured portion:	Leasing cover on supplier credit terms: As a rule, 15% for commercial risks 5% for political risks Leasing cover on buyer credit terms: 5% for all risks
Processing fees:	Application and, if necessary, renewal and issuing fees, depending on the covered amount of principal
Premium:	An individually calculated percentage of the covered amount of principal (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 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



**Euler Hermes
Kreditversicherungs-AG**
Federal Export Credit Guarantees

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, Köln, München, Stuttgart