

PRODUCT INFORMATION



REVOLVING SUPPLIER CREDIT COVER **MARCH 2012**

EXPORT CREDIT GUARANTEES OF THE
FEDERAL REPUBLIC OF GERMANY

► **Hermes Cover**

► REVOLVING SUPPLIER CREDIT COVER

By taking out revolving supplier credit cover, a German exporter supplying goods and/or services to a foreign buyer on a continuous basis safeguards trade receivables with credit terms of up to 24 months.

WHAT RISKS ARE COVERED?

A Revolving Supplier Credit Guarantee offers protection against payment default, particularly if

- ▶ the buyer fails to make payment within 6 months after the due date (protracted default)
- ▶ the foreign buyer becomes insolvent
- ▶ adverse measures are taken by foreign governments of 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

Revolving supplier credit cover is a guarantee on a revolving basis (see Product Information **SUPPLIER CREDIT COVER**). This type of guarantee protects a German exporter against the loss of foreign trade receivables with a **MAXIMUM REPAYMENT TERM OF UP TO 12 MONTHS** (in exceptional cases up to 24 months) due from the supply of goods or services abroad. Receivables due from the sale of goods of foreign origin may, as a rule, also be included. Constructional works contracts or any engineering transactions involving the establishment of a plant or installation of equipment/machinery are not eligible for a Revolving Supplier Credit Guarantee, even if near cash payment terms have been agreed. Transactions where the German enterprise only acts as financing entity are also not eligible for cover.

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.

WHO CAN APPLY FOR REVOLVING SUPPLIER CREDIT COVER?

Revolving supplier credit cover is available to **EVERY GERMAN EXPORTER**. Foreign business enterprises may also take out a revolving supplier credit cover for the export business conducted by their German branch offices, which must, however, be listed in the German Companies' Register.

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

As a rule, all amounts receivable from the same foreign buyer must be included in the revolving supplier credit cover (**COMPULSORY INCLUSION**) if the payment terms correspond to those stipulated in the policy, with the exception of receivables secured by a letter of credit. However, on request of the exporter, such receivables may – for each contract period – be included in the revolving supplier credit cover. The exporter also has the choice of restricting cover for receivables which are secured by an L/C payable at sight to the political risks only (**OPTIONAL INCLUSION**). This option gives the exporter a certain measure of control over the total volume covered under the Revolving Supplier Credit Guarantee.

WHAT HORIZON OF RISK IS COVERED?

The Revolving Supplier Credit Guarantee has a policy period of one year and is automatically renewed by the same period if notice of termination is not given in time.

Cover for the individual amounts receivable becomes effective on the respective shipment date of the goods. Precondition for cover of these amounts is their being duly notified within the scope of the monthly turnover report. The turnover report is made on a special form in which the entire turnover of the previous month is entered. The Federal Government is liable for the covered trade receivables until they have been fully paid, regardless of whether the Revolving Supplier Credit Guarantee is renewed or not.

HOW MUCH DOES REVOLVING SUPPLIER CREDIT COVER COST?

The costs consist of the processing fees and the cover premium. The processing fees depend on the maximum liability accepted by the Federal Government (limit). A certain percentage of the order value to be covered is charged as premium. The premium level is determined mainly by the buyer's rating, the country risk and the horizon of risk.



In the first contract year, the exporter pays a so-called advance premium based on the limit accepted. This advance premium is later deducted from the premium amounts due for the individual shipments. Insurance tax is not payable. Further details are given in the information leaflet [FEES AND PREMIUM RATES](#).

CAN A REVOLVING SUPPLIER CREDIT GUARANTEE BE USED FOR REFINANCING PURPOSES?

The claims arising under a Revolving Supplier Credit Guarantee may – together with the title to the foreign trade receivables – be assigned to banks and 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 receivable must have become uncollectible due to the occurrence of a covered risk. 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 exporter participates in every loss with an **UNINSURED PORTION**. As a rule, the uninsured portion is 5 % for political risks and 15 % for all other risks; however, for a limited period of time until the end of 2010 and subject to certain conditions, the uninsured portion can be reduced on request 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 DEUTSCHLAND AG](#). The company's numerous branch offices in Germany as well as its head office in Hamburg 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.

If a positive decision is taken on the exporter's application for a Revolving Supplier Credit Guarantee, the Federal Government issues a policy in which the maximum liability accepted (limit), the permissible payment terms and other relevant details of the cover are laid down. The maximum liability accepted by the Federal Government is revolving, i.e. if payment for covered receivables has been made, the amount freed is again available to cover receivables from new shipments.

MAIN FEATURES OF THE REVOLVING SUPPLIER CREDIT 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:	Trade receivables from cross-border supplies/services
Eligible countries:	Any non-EU and non-OECD country, as well as Chile, Israel, South Korea, Mexico and Turkey
Covered risks:	Buyer's failure to make payment within 6 months after the due date (protracted default), other commercial risks (e.g. insolvency), as well as political risks (e.g. warlike events)
Payment terms:	12 months maximum (in exceptional cases up to 24 months) depending on the type of goods
Uninsured portion:	Normally 5 % for political risks and 15 % for commercial risks; however, limited 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.
Processing fees:	Application and, if necessary, renewal and issuing fees, calculated as percentage of the cover limit
Premium:	A certain percentage of the order value

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