

PRODUCT INFORMATION

JULY 2017



Manufacturing risk cover

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.

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 – usually by means of an expert opinion – 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 Aktiengesellschaft](#).

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.exporkreditgarantien.de/en, 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.exporkreditgarantien.de/en)

Export Credit Guarantees and Untied Loan Guarantees: instruments to promote foreign trade and investment provided by the



Federal Ministry
for Economic Affairs
and Climate Action

Commissioned to implement the federal funding instruments Export Credit Guarantees and Untied Loan Guarantees:



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Cover from the Federal Republic of Germany for foreign business

Export Credit Guarantees and Untied Loan Guarantees have been established and effective foreign trade promotion instruments of the Federal Government for decades. Export Credit Guarantees (so-called Hermes Cover) protect German exporters and banks financing exports against political and commercial risks. Untied Loan Guarantees are to support raw material projects abroad regarded as eligible for promotion by the Federal Government. Both promotion instruments play an important role in fostering economic growth as well as in protecting and creating jobs. Federal Government commissioned Euler Hermes Aktiengesellschaft to manage the federal funding instruments Export Credit Guarantees and Untied Loan Guarantees.

Information on other foreign trade promotion instruments of the Federal Government can be found at www.bmwk.de/en under the heading Promotion of Foreign Trade and Investment.

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