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PRODUCT INFORMATION

Constructional works cover

EXPORT CREDIT GUARANTEES OF THE
FEDERAL REPUBLIC OF GERMANY

► **Hermes Cover**

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Constructional works cover

Constructional works cover is the German exporter's choice for covering the typical risks arising in connection with the performance of construction contracts abroad.

WHAT RISKS ARE COVERED?

Constructional works cover offers protection against the following causes of loss:

- non-payment of the **amounts owing under supplies/services contracts** due to insolvency of the foreign buyer or its failure to make payment within six months after the due date (protracted default) or because of warlike events or adverse measures taken by foreign governments
- risk of fair or unfair calling of a **contract bond** due to political reasons or, in the absence of political reasons, risk of unenforceability of the claim to reimbursement of the guaranteed amount
- unacceptability of performing the constructional works contract due to the occurrence of political risks (e.g. war) or commercial risks abroad (e.g. insolvency of the buyer), in view of the costs accruing in connection with the **setting up of the construction site** as well as the **storage of construction site equipment and material**
- confiscation or destruction of **construction equipment** and the related **spare parts** due to political reasons

A. CONSTRUCTIONAL WORKS CONTRACTS ON NEAR CASH TERMS (CW COVER)

For constructional works contracts where the entire amount receivable will be paid continuously on the basis of progress reports, the Federal Government offers constructional works cover on special conditions (CW cover).

WHO CAN APPLY FOR CW COVER?

CW cover is available to **every German exporter** performing a constructional works contract abroad. By taking out CW cover, a building contractor can protect the amounts due for the supply of goods and services abroad (**cover of amounts owing under the constructional works contract**).

The following supplemental cover is included:

- for contract bonds which must be provided by the building contractor, with the exception of the bid bond (**contract bond cover**)
- for installation/construction equipment (**construction equipment cover**)

CAN CW COVER BE COMBINED WITH OTHER TYPES OF COVER?

CW cover can be combined with other types of cover, e.g. contract bond cover in respect of a bid bond. It is also possible to insure further risks using the modular system described under item C.

CAN CW COVER BE USED FOR REFINANCING PURPOSES?

The claims arising under the cover policy may – together with the amounts owing for the constructional works – be assigned to banks and forfaiting houses for refinancing purposes.

HOW MUCH DOES CW COVER COST?

The costs consist of the processing fees and the cover premium. The processing fees depend on the order value.

As premium for cover of the amounts owing under the constructional works contract, a certain percentage of these amounts is charged, but it is lower than would be the case for constructional works contracts on credit terms. The premium regularly includes supplemental cover for contract bonds required from the building contractor and construction equipment cover. Insurance tax is not payable.

WHEN AND HOW IS A CLAIM PAID?

Before a claim can be filed, a covered event of loss must have occurred. In consideration of the special circumstances surrounding each case, claims payment will be made

- under cover of the amounts owing under the constructional works contract, up to the guaranteed amount provided that the claim to payment is legally valid and matured,
- under contract bond cover up to the level of the loss caused by the contract bond being called,
- under construction equipment cover up to the level of the residual value at the time of damage and in consideration of the maximum liability limit accepted for the building contractor.

When all the necessary documents have been submitted to the Federal Government, the claim will be processed within two months. 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**. For cover of the amounts owing under the constructional works contract, of the required contract bonds and the construction equipment, the policyholder has two options: either an uninsured portion of 5% for political risks and of 15% for commercial risks, or a uniform rate of 10% for all risks.

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 expert 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.exportkreditgarantien.de/en, partly only in German.

B. CONSTRUCTIONAL WORKS CONTRACTS ON CREDIT TERMS

If the constructional works are performed on credit terms, the standard premium and the uninsured portion valid for supplier credit cover are applicable for cover of the amounts owing under the constructional works contract (see Product Information **supplier credit cover**). In contrast to CW cover, contract bonds and construction equipment can only be covered on special request. A premium will be charged separately for this supplemental cover; a standard uninsured portion of 5% applies.

C. SUPPLEMENTAL COVER

Regardless of the method chosen for repayment of the amounts owing under the constructional works contract, the building contractor can receive additional protection by separately insuring the following risks (modular system):

- the costs connected with the setting up of the construction site (**site erection cost cover**)
- the costs represented by the construction material and components stored on the construction site (**stockpiling cost cover**)
- storage of spare parts (**spare parts stockpiling cover**)
- in cases where construction equipment is put in storage for future use after a building project has been completed (**construction equipment storage cover**)
- costs incurred for any supplementary services which could not be foreseen when the constructional works contract was concluded but arose while the construction work was performed (maximum exposure limit for **receivables due for supplementary services**)

In the event that cover is not accepted or requested for the amounts owing under the constructional works contract, the construction equipment can be covered by itself (**stand-alone construction equipment cover**). The building contractor can also insure construction equipment which is to be used on several different sites within one country (**global construction equipment cover**).

A premium will be charged separately for these types of cover; a standard uninsured portion of 5% applies.

MAIN FEATURES OF CW COVER AT A GLANCE

| | |
|--------------------------------|---|
| Eligible policyholders: | German building contractors |
| Object of cover: | amounts owing under supplies/services contracts, contract bonds and construction equipment |
| Covered risks: | non-payment of an amount owing within 6 months after its due date (protracted default), other commercial risks (e.g. insolvency) and political risks (e.g. warlike events) risk of fair or unfair calling of a contract bond due to political reasons or, in absence of political reasons, risk of unenforceability of the claim to reimbursement of the guaranteed amount confiscation or destruction of construction equipment and the related spare parts due to political reasons |
| Uninsured portion: | in the case of CW cover incl. cover of contract bonds and construction equipment, the policyholder has two options, either 5% for political risks and 15% for commercial risks, or 10% for all risks; subject to certain conditions being met, the uninsured portion for commercial risks can be reduced upon application to 5% against the payment of a premium surcharge |
| Processing fees: | application and, if necessary, renewal and issuing fees, depending on the order value |
| Premium: | an individually calculated percentage of the total amount owing under the constructional works contract. This premium includes related cover of contract bonds and construction equipment. |

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



Federal Ministry
for Economic Affairs
and Energy

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



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.bundeswirtschaftsministerium.de/en under the heading Promotion of Foreign Trade and Investment.

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