

JANUARY 2020

PRODUCT INFORMATION

Revolving supplier credit cover

EXPORT CREDIT GUARANTEES OF THE
FEDERAL REPUBLIC OF GERMANY

► **Hermes Cover**

TABLE OF CONTENTS

REVOLVING SUPPLIER CREDIT COVER	3
WHAT RISKS ARE COVERED?	3
WHO CAN APPLY FOR REVOLVING SUPPLIER CREDIT COVER?	3
DO ALL TRADE RECEIVABLES FROM FOREIGN BUYERS HAVE TO BE INCLUDED?	3
WHAT HORIZON OF RISK IS COVERED?	3
HOW MUCH DOES REVOLVING SUPPLIER CREDIT COVER COST?	4
CAN A REVOLVING SUPPLIER CREDIT GUARANTEE BE USED FOR REFINANCING PURPOSES?	4
WHEN AND HOW IS A CLAIM PAID?	4
HOW CAN YOU APPLY FOR COVER?	4
MAIN FEATURES OF THE REVOLVING SUPPLIER CREDIT COVER AT A GLANCE	5

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 cover offers protection against payment default, particularly if

- the buyer fails to make payment within six months after the due date (protracted default)
- the foreign buyer 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

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 twelve 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 cover, 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 not be domiciled in EU and OECD core countries (i.e. EU Member States, Australia, Iceland, Japan, Canada, New Zealand, Norway, Switzerland, the USA and the United Kingdom).

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 revolving supplier credit cover for the export business conducted by their German branch offices, which must, however, be listed in the German Company 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 cover.

WHAT HORIZON OF RISK IS COVERED?

The revolving supplier credit cover 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. A 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 cover 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 cover 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, 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 Aktiengesellschaft**. The company's numerous branch offices in Germany as well as its head office in Hamburg 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.

If a positive decision is taken on the exporter's application for a revolving supplier credit cover, 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 Company Register
Object of cover:	trade receivables from cross-border supplies/services
Eligible countries:	any non-EU and non-OECD core country (i.e. EU Member States, Australia, Iceland, Japan, Canada, New Zealand, Norway, Switzerland, the USA and the United Kingdom)
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, 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

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:



EULER HERMES

Cover from the Federal Republic of Germany for foreign business

Export Credit Guarantees and Untied Loan Guarantees as well as effective foreign trade promotion instruments of the Federal Government have been established 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. The 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.

Euler Hermes Aktiengesellschaft

Postal address:
P.O. Box 500399
22703 Hamburg, Germany

Office address:
Gasstrasse 29
22761 Hamburg, Germany

Phone: +49 40 8834-9000
Fax: +49 40 8834-9175

info@exportkreditgarantien.de
info@ufk-garantien.de
www.exportkreditgarantien.de/en

Branch offices: Berlin, Dortmund, Frankfurt,
Stuttgart, Hamburg, Munich,
Nuremberg, Rhineland