SUMMARY OF TERMS AND CONDITIONS FOR SELECTIVE RISK INSURANCE (ST.2.0 – 2023-MK)

The following is a summary of the terms and conditions of the selective risk insurance of **Aktsiaselts KredEx Krediidikindlustus** (hereinafter **KREDEX**). Comprehensive information about the terms and conditions of selective risk insurance is provided in the documents of the insurance contract: general terms and conditions ST.2.0-2023, policy, decisions on the credit limit.

What type of insurance is the selective risk insurance?

The selective risk insurance is the **credit insurance**. It is intended for an entrepreneur who, in the interests of their economic activity, wants to protect themselves against losses caused by the insolvency of the buyer or long-term payment difficulties. When selling goods or services on credit terms, i.e. under conditions where the buyer undertakes to pay only after the delivery of goods or the provision of services, the seller risks the possibility that payment will not be received from the buyer. With the selective risk insurance, it is possible to hedge such a risk. In the case of the selective risk insurance, not all or most of the sale on credit terms is covered, but sales to multiple buyers who may be located in different countries of destination are. The selective risk insurance can be used as an additional guarantee for financing sales invoices using factoring or other financial services.

What risks are insured with the selective risk insurance?

- **Losses resulting from non-payment** by the buyers for goods delivered or services rendered to them during the insurance period are insured up to the level of cover agreed in the insurance contract.
- The payment risk of each buyer is insured within the credit limit assigned to the buyer by **KREDEX**. The assessment of the solvency of the buyer by **KREDEX** provides the policyholder with additional benefits in daily risk management and credit management.

What cannot be insured with the selective risk insurance?

- The payment risk of a buyer related to or under the control of the policyholder cannot be insured.
- Claims against private individuals, fines for delay, contractual penalties, service charges of credit institutions, foreign exchange losses, customs fees, and other charges are not covered.

What are the main responsibilities of the policyholder?

- A credit limit must be applied for from **KREDEX** for each buyer whose payment risk the policyholder wishes to insure.
- When granting a payment term to the buyer, the restrictions on the length of the **payment term** set out in the insurance contract must be taken into account.
- Data on the insured sales turnover (declaration of insured turnover) must be regularly submitted to **KREDEX**.
- It is necessary to be careful in economic activities, to prevent damage from occurring, if possible, and to avoid an increase in damage.
- **KREDEX** must be notified of the buyer's default in a timely manner. When requesting the performance of outstanding obligations from the buyer, the instructions given by **KREDEX** must be taken into account.

What are the costs associated with the selective risk insurance?

- The policyholder must pay the **insurance premium** and pay the **credit limit fee** (i.e. a fee for assessing the creditworthiness of the buyer).
- In order to find the insurance premium, **KREDEX** calculates the amount of the expected insurance premium based on the expected amount of insured turnover. The estimated insurance premium must be paid in one go or in instalments.
- On the basis of the actual insurable turnover, **KREDEX** calculates the final amount of the insurance premium. The final premium may be higher or lower than the expected insurance premium, but may not be less than the minimum insurance premium under the insurance contract.
- Once the amount of the final insurance premium is known, the policyholder will pay the amount due to the policyholder or **KREDEX** will refund the overpaid part of the insurance premium.
- The credit limit fee must be paid during each insurance period for each buyer to whom the policyholder has applied for the assignment of a credit limit and, in addition, if during the insurance period an increase of the credit limit assigned to the buyer is requested more than once.

When does the insurance coverage start and end?

- The insurance coverage applies to payments or credits payable on credit terms for goods or services delivered to the buyer during the insurance period. The buyer must have a valid credit limit. The beginning and end of the insurance period are indicated in the policy.

- Insurance coverage for credit takes effect from the moment the buyer becomes obligated to pay for the goods or services. The insurance coverage expires at the end of the insurance period or if **KREDEX** makes a decision terminating the credit limit assigned to the buyer.

What is an insured event for the selective risk insurance?
- **Insolvency** of the buyer.
- Long-term payment default by the buyer (*protracted default – the payment delay lasts more than 6 months*).
- Non-fulfilment of the buyer's payment obligation due to the realisation of a political risk.

When does KREDEX pay the insurance benefit?
- The insurance benefit can be applied for in the event of an **insured event**.
- **KREDEX** carries out claims handling within **30 days** of receiving the application for insurance benefit and the documents proving the occurrence of the damage and makes a decision.
- **KREDEX** will pay out the insurance benefit **within 15 days** of making the decision.
- The total amount of all insurance benefits paid out is limited to the sum insured stipulated in the insurance contract.
- In addition to the damage caused by the buyer's outstanding credits, **KREDEX** also reimburses the collection costs incurred in claiming the debt from the buyer if such a cost has been agreed in advance with **KREDEX**.

In which case does KREDEX not pay benefit?
- If the damage has not arisen due to the buyer's insolvency or long-term payment default of the buyer or the realisation of a political risk (e.g. if the reason for not paying the invoice is the policyholder's own mistake in selling the agreed goods or services, or if the claim against the buyer cannot be enforced due to insufficient documentation of the sales transaction).
- If a dispute has arisen over the buyer's payment obligation (in this case, the determination of the insurance benefit is postponed until the dispute is resolved and depends on the outcome of the dispute).
- If the damage is less than the amount of non-qualifying loss amount specified in the insurance contract.
- If **KREDEX** cannot acquire a subrogation claim against the buyer.
- **KREDEX** does not reimburse the collection costs that have not been previously coordinated.
- **KREDEX** may be released from the obligation to pay benefit if the policyholder has not paid the insurance premium or if the policyholder has not paid the credit limit fee and **KREDEX** has therefore cancelled the credit limit assigned to the buyer.

Distinctions deriving from international agreements
- According to WTO Ministerial Decision from 19 December 2015 (WT/MIN(15)/45 — WT/L/980, available: https://www.wto.org/english/thewto_e/minist_e/mc10_e/nairobipackage_e.htm) in case of exportation of selected agricultural products to a destination country outside of the European Union, the maximum repayment term shall not exceed 18 month.
- Selected agricultural products are the products listed in Annex No 1 of the WTO Agreement on Agriculture (available: https://www.riigiteataja.ee/akt/79285).

Want to know more about the selective risk insurance?
- Contact the **KREDEX** client relationship managers for a consultation, whose contact details can be found on the **KREDEX** website at www.krediidikindlustus.ee.
- Read the general terms and conditions of the selective risk insurance, which are also available on the **KREDEX** website.