

Summary of terms and conditions of buyer credit insurance

The following is a summary of the terms and conditions of the buyer credit insurance of **AS KredEx Krediidikindlustus** (hereinafter **KREDEX**). Comprehensive information about the terms and conditions of buyer credit insurance is provided in the documents of the insurance contract: general terms and conditions, policy.

What kind of insurance is buyer credit insurance?

Buyer credit insurance is **credit insurance**. It is intended for a financier who finances a transaction of an Estonian exporter for the sale of capital goods or durable goods (e.g., machinery, equipment, factory fittings, etc.) or for the provision of services (e.g., large-scale IT development, etc.) to a foreign buyer. Buyer credit insurance enables the financier to protect itself against losses caused by the insolvency or default of a foreign debtor (buyer).

In the case of buyer credit, the financier pays the exporter for the goods or services, whereas the buyer makes payments to the financier under a credit contract. A credit contract is understood as being a loan or another contract, also a letter of credit, which commits the buyer to make payments to the financier within a payment term of at least two (2) years. Buyer credit insurance is a state export guarantee within the meaning of the State Export Guarantee Act.

What risks are covered by buyer credit insurance?

- Damage caused by the debtor's failure to pay principal and interest payments under the credit contract is insured to the extent of the insurance coverage
- The level of insurance cover is agreed in the insurance contract. The maximum insurance cover is 95%
- The interest on arrears payable under the credit contract is also insured for a maximum of 120 days

What are the requirements for an export contract and a credit contract?

- The terms and conditions of an export and credit contract must comply with the OECD Arrangement on Officially Supported Export Credits:
- The credit repayment term is at least two (2) years as of the delivery of the goods to the buyer or the full provision of the service
- The maximum credit repayment term is 15 years, but it may not exceed the useful life of the goods sold
- The amount of credit issued to the debtor (buyer) amounts to a maximum of 85% of the value of the export contract (at least 15% of the value of the export contract must be paid by the buyer to the exporter as a prepayment). The insurance premium may be included in the value of the export contract
- The payment schedule of a credit contract, under which the debtor makes the payments, must provide for the payment of the principal amount in equal instalments, at least one principal and interest payment a year with the payment of the first instalment at the latest within 12 months after delivery of the goods to the buyer
- Local costs are preferably up to 15% and up to a maximum of 40% of the value of the export transaction. Local costs are costs necessary for the performance of the export contract incurred by the exporter in the country where the buyer is located

What cannot be insured with buyer credit insurance?

- Damage caused by the buyer related to or under the control of the exporter or financier cannot be insured
- Losses from credit contracts that finance the sale of military goods or goods with a useful life shorter than the repayment term of the credit cannot be insured
- Contractual penalties, fees charged by credit institutions, costs of exchange rate differences, customs duties, etc., are not insured

What are the main responsibilities of the policyholder?

- Changes in the material terms and conditions of the export and credit contract (delivery and/or payment terms) must be approved in advance with **KREDEX**

- **KREDEX** must be informed of the delivery of goods or provision of services
- **KREDEX** must be notified of the debtor's default in a timely manner
- If necessary, steps must be taken to recover the debt from the debtor

What are the costs associated with buyer credit insurance?

- The insurance premium must be paid in order to obtain **insurance coverage**
- If it is necessary to provide guarantees, there may be other costs in addition to the insurance premium. There may also be costs related to the need to translate, certify or *apostille* documents or to order legal opinions. The need for such costs depends on the circumstances of the transaction

When does the insurance coverage start and end?

- Insurance coverage starts on the day of entry into the insurance contract, but not before entry into the credit contract and fulfilment of the preconditions for the disbursement of credit
- Insurance coverage ends when the buyer has fulfilled the payment obligation arising from the credit contract

What is an insured event for buyer credit insurance?

- **Insolvency** of the buyer
- Protracted default for **90 days**
- Non-performance of the payment obligation due to an event identified as a political risk and upon expiry of a **90-day** period after the occurrence of such event

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, makes a decision on the compensation for damage and pays the insurance benefit within **30 days** as of the receipt of the application and documents certifying the occurrence of the damage
- The amount of the insurance benefit is limited to the sum insured set out in the insurance contract
- In addition to the damage caused by the failure to pay the credit, **KREDEX** also reimburses the collection costs incurred in claiming the debt from the buyer if such a cost was agreed in advance with **KREDEX**

In which case does KREDEX not pay the benefit?

- If the damage is not caused by the materialisation of the insured risk (for example, if the claim against the buyer cannot be enforced because the credit contract is not valid)
- 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 **KREDEX** cannot acquire a claim for recourse against the buyer

Want to know more about buyer credit insurance?

- For consultation, contact the **KREDEX** client relationship managers, whose contact details can be found on the **KREDEX** website at www.krediidikindlustus.ee
- Read the general terms and conditions of buyer credit insurance, which are also available on the **KREDEX** website