

Summary of terms and conditions of supplier credit insurance

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

What kind of insurance is supplier credit insurance?

Supplier credit insurance is **credit insurance**. It is intended for an exporter who, when selling capital goods or durable goods (e.g., machinery, equipment, factory fittings, etc.) or providing services (e.g., large-scale IT development, etc.), allows a foreign buyer a payment term of at least two (2) years.

Supplier credit insurance allows a trader to protect itself against losses caused by the insolvency or default of a foreign buyer, because in a situation where the buyer undertakes to pay only after the delivery of the goods or the provision of the service (during the credit period), the seller risks the possibility that payment from the buyer will not be received.

Supplier credit insurance can be used as a guarantee to finance an export contract. Supplier credit insurance is a state export guarantee within the meaning of the State Export Guarantee Act.

What risks are covered by supplier credit insurance?

- Loss or damage caused by the buyer's failure to pay for the goods or services purchased is insured up to the amount of the cover
- The level of insurance cover is agreed in the insurance contract. The maximum insurance cover is 95%
- The buyer's payment obligation is insured within a maximum of 85% of the value of export contract (the buyer must make a prepayment within at least 15%). The insurance premium may be included in the value of the export contract
- The interest payable under the export contract is also insured for a maximum of 120 days

What are the requirements for an export contract?

- The terms and conditions of an export contract must comply with the OECD Arrangement on Officially Supported Export Credits:
- The payment term is at least 2 years as of the delivery of the goods to the buyer or the full provision of the service
- The maximum payment term is 15 years, but it may not exceed the useful life of the goods sold
- At least 15% of the value of the export contract must be paid as a prepayment by the buyer
- The payment schedule of an export contract, under which the buyer 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 supplier credit insurance?

- Damage caused by the buyer related to or under the control of the policyholder cannot be insured
- Losses from export contracts under which military goods or goods with a useful life shorter than the credit period are sold cannot be insured
- Fines for delay, 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 terms and conditions of delivery and/or payment 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 buyer's default in a timely manner
- If necessary, steps must be taken to recover the debt from the buyer

What are the costs associated with supplier credit insurance?

- In order to obtain insurance coverage, the policyholder must pay the **insurance premium**
- If it is necessary to finance an export contract or 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 payment of the insurance premium and entry into the export contract
- Insurance coverage ends when the buyer has fulfilled the payment obligation arising from the export contract

What is an insured event for supplier credit insurance?

- **Insolvency** of the buyer
- Protracted default for **90 days**
- Non-performance of the buyer's 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 failure of the buyer to pay is due to the policyholder's own fault in selling the agreed goods or, if the claim against the buyer cannot be enforced because the export 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 supplier 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 supplier credit insurance, which are also available on the **KREDEX** website