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Programme for the Insurance of Short-Term

Export Receivables

KI/01-16

**PROGRAMME FOR THE INSURANCE OF SHORT-TERM EXPORT RECEIVABLES KI/01-16**

1. **Goal of the Programme**

* To preserve jobs in the Republic of Croatia, maintain companies’ liquidity and improve the competitiveness of the national economy,
* To provide better access to foreign markets for exporters with the aim to find new foreign buyers,
* To share political and commercial risks which emerge in an export transaction with a company selling its goods and services to foreign buyers.

1. **Beneficiaries of insurance**

Exporters of consumer goods and services that arrange a deferral of payment of 365 days, exceptionally up to 2 years, with Foreign buyers.

1. **Subject matter of insurance**

Cash receivables based on performed and invoiced deliveries of goods and/or services towards the Foreign buyer.

1. **Insurance of receivables collection on the basis of performed deliveries**

A receivable based on an individual and/or continued delivery of goods and/or services towards foreign buyers

1. **Insured risks**

By the Insurance programme it is possible to insure non-marketable or temporarily non-marketable commercial and political risks as follows:

*Commercial risks*

* 1. Prolonged non-payment or delay in payment by the Foreign buyer upon maturity of the usual payment term;
  2. Insolvency of the Foreign buyer or other objective facts that indicate to the impossibility of fulfilment of the payment obligation, initiation of the pre-bankruptcy, bankruptcy or liquidation procedure against the Foreign buyer.

*Political risks*

* 1. War or similar events;
  2. Rebellion or revolution
  3. Government measures limiting or preventing the transfer or free disposal of payments due to the exporter, for the period longer than 3 months.

1. **Level of coverage**

In each insured risk, HBOR can participate with the maximum share of 90%, depending on the risk assessment. The exporter’s share in the Insured risk (Retention) amounts to at least 10%.

1. **Insurance contract**

The Insurance contract consists of the General Terms and Conditions of Insurance of Short-Term Export Receivables OU-KI/01-16 and the Insurance policy of export receivables.

1. **Sum insured**

The cash amount for which the insurance under an individual Foreign buyer has been concluded and which is mentioned in the Insurance policy of export receivables. The approved Sum insured represents the insured amount of receivables towards an individual Foreign buyer.

1. **Insurance premium**

For risks taken, HBOR shall charge to exporters the Insurance premium. The Insurance premium is generally charged and paid monthly, by applying the Premium rate to the amount of registered, exported and invoiced value of goods and services.

In case of Insurance contracts by which the collection of export receivables based on an individual export transaction, i.e. an individual export deal, is insured, HBOR shall calculate and charge the Insurance premium in advance in a single amount.

1. **Application management fee**

The Application management fee shall be calculated and paid for a processed Insurance application pursuant to the valid Decision on the Calculation of Fees for Services Performed by HBOR.

1. **Insurance arrangement**

For the conclusion of the Insurance contract, the Exporter has to submit to HBOR the following:

* Questionnaire on the Exporter’s business operations;
* Insurance application;
* Balance Sheet and Profit and Loss Account of the Exporter for the last accounting period;
* Creditworthiness report of the Foreign buyer *(can be provided by HBOR for and on behalf of the Exporter)*.

After processing of the Insurance application and risk assessment, HBOR submits to the Exporter the Insurance contract to be signed, consisting of the Insurance policy of export receivables and the General Terms and Conditions of Insurance of Short-Term Export Receivables OU-KI/01-16.

1. **Obligations of the Insured person after the conclusion of the Insurance contract**

* To register with HBOR performed and invoiced deliveries towards Foreign buyers;
* To pay the Insurance premium;
* To inform HBOR on all changes in the Export contract with the insured Foreign buyer.

1. **Obligations of the Insured person in case of occurrence of an Insured risk**

* To send a written invitation for payment to the Foreign buyer;
* To suspend all further deliveries towards the Foreign buyer;
* To inform HBOR on deferred payment within 30 days from the maturity date;
* In co-operation with HBOR, to take all necessary measures for the purpose of receivables collection;
* In case of unsuccessful collection, upon the expiry of 3 months from the registration of deferred payment to HBOR, to submit a claim to HBOR.
* In case of initiation of a pre-bankruptcy, bankruptcy or liquidation procedure against the Foreign buyer, the claim can be submitted immediately with the submission of evidence on the initiation of the pre-bankruptcy, bankruptcy or liquidation procedure and of evidence on the registration of the Insured person’s receivables into the pre-bankruptcy procedure, i.e. entering the Insured person’s receivables into the bankruptcy or liquidation assets.

1. **Insured event**

Insured event is a damaging event caused by an Insured risk on the basis of which the Insured person can submit a claim and which occurs depending on the type of the Insured risk.

An insured event for commercial risks occurs:

* By the expiry of the Waiting period during which the Foreign buyer has not made the debt payment, provided that all obligations of the Insured person under the Export contract have been fulfilled.
* By providing evidence to the Insurer on the initiation of a pre-bankruptcy, bankruptcy or liquidation procedure against the Foreign buyer, evidence on the registration of the Insured person’s receivables in the pre-bankruptcy procedure, and evidence on entering the Insured person into the bankruptcy or liquidation assets.
* By concluding a settlement out of court between the Insured person and the Foreign buyer.
* By providing evidence to the Insurer on the uselessness or unprofitability of taking any kind of measures against the Foreign buyer due to the low prospects of receivables collection, since it is not possible to expect that the initiation of a bankruptcy procedure or other compulsory collection procedures will result in a collection of receivables.
* By providing evidence that the Insured person has suffered losses as a result of difference in price on the occurrence of Substitute turning to account implemented for the purpose of reducing the Damage.

An insured event for political risks occurs:

* By the expiry of the Waiting period and by providing evidence by the Insured person on the occurrence of an insured political risk.

1. **Waiting period**

The time period which generally lasts for 3 months from the submission of a written information on the delay of payment to HBOR, during which the Insured person, in agreement with HBOR, takes the agreed activities for the purpose of reducing the Damage and the collection of receivables from the Foreign buyer.

1. **Submission of claim**

A Claim can be submitted to HBOR by the Insured person in writing together with the documentation that provides evidence on the due fulfilment of obligations under the Export contract towards the Foreign buyer, or the evidence on the existence of receivables, respectively. The claim can be submitted to HBOR not later than one year from the occurrence of the Insured event.

1. **Indemnity**

Indemnity represents the cash amount that is disbursed to the Insured person by HBOR for the purpose of compensation of Damage caused by the occurrence of the Insured event, to the maximum amount of the Sum insured reduced by the Retention.

Before the payment of Indemnity, the Insured person shall be obliged to conclude with HBOR a contract regulating their mutual relations and arrange the taking of further activities relating to the procedure of recourse collection of receivables.

1. **Additional costs**

Costs arisen due to the actions taken for the purpose of reducing or evading the occurrence of the Damage that relate to hiring of an agency for the collection of receivables and legal expenses that HBOR was acquainted and agreed with in case of the reimbursement of such costs to the Insured person. Additional costs do not relate to the costs of determining the justifiability of the claim.



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