HRVATSKA BANKA ZA OBNOVU I RAZVITAK

Programme for the Insurance of Short-Term Export Receivables KI-01/22

Programme for the Insurance of Short-Term Export Receivables KI-01/22 (hereinafter: the Programme) is implemented by the Croatian Bank for Reconstruction and Development (HBOR) within the framework of its export credit insurance business for and on behalf of the Republic of Croatia with the aim of promoting exports of Croatian goods and services in cases when Croatian exporters agree with foreign buyers to defer payment for the export of goods and/or consumer goods and services.

1. Goal of the Programme	Protection against non-payment, preservation of liquidity and increase of competitiveness of Croatian exporters.
2. Insured/Exporter	Any Croatian business entity that exports directly or indirectly (through branches or affiliated companies in the Republic of Croatia or abroad, which is in its majority ownership), which has concluded an Export Contract with the Foreign Buyer directly or indirectly.
3. Insurer	Croatian Bank for Reconstruction and Development (HBOR), for and on behalf of the Republic of Croatia
4. Subject Matter of Insurance	Exporter's short-term monetary receivables from the Foreign Buyer contracted with deferred payment maturing in up to 2 years (including manufacturing period and repayment period), arising from performed and invoiced deliveries of goods and/or services under the Export Contract concluded with the Foreign Buyer. The subject matter of insurance may be a claim arising from one or more deliveries of goods and/or services under the Export Contract.
5. Insured Risks	It is possible to insure non-marketable[1], i.e. temporarily non-marketable[2] commercial and political risks: **Commercial Risks are:** - Extended non-payment on the part of the Foreign Buyer - non-payment, i.e. non-performance of obligations by the Foreign Buyer and/or its guarantor and/or co-debtor until the expiry of the Waiting Period (KR-1); - Inability to pay on the part of the Foreign Buyer or its guarantor and/or co-debtor upon the expiry of the Usual Payment Period due to the Insolvency of the Foreign Buyer or its guarantor and/or co-debtor as the Private Debtor (KR-2). **Political Risks are:** - War or events similar to war, rebellion, or revolution (PR-1); - Extended non-payment on the part of the Foreign Buyer - non-payment, i.e. non-performance of obligations by the Foreign Buyer and/or its guarantor and/or co-debtor until the expiry of the Waiting Period as the Public Debtor (PR-2);

[1] Non-marketable risks that can be insured by this Programme for the Insurance of Short-Term Export Receivables are commercial and political risks of public and private debtors based outside the European Union or the OECD whose duration (including manufacturing period and repayment period) is less than 2 years.

[2] In case where marketable (market) risks cannot be insured on the private market, for example due to lack of capacity with private insurers, such risks are then considered temporarily unmarketable and can be insured with a state insurer if the following conditions are met:

- Risks of micro, small and medium-sized enterprises, whose annual volume of export turnover does not exceed the amount defined in accordance with the applicable regulations of the European Union;
- Risks arising from an individual export transaction or export to one foreign buyer with a risk period of 181 days to two years;
- All other risks assessed by the European Commission as temporarily unmarketable

and the duration of which (including the manufacturing period and the repayment period) is less than 2 years.

	- Decision of a third country, moratorium, prevention or delay of transfer of funds, regulations of the country of the Foreign Buyer, decision of the Republic of Croatia preventing payment upon maturity of the Usual Payment Period or force majeure, where the Foreign Buyer is the Private Debtor or the Public Debtor (PR-3).
6. Insured Sum	Monetary amount on which the insurance has been concluded for an individual Foreign Buyer and which represents the insured amount of the Exporter's receivables from an individual Foreign Buyer and is stated in the Insurance Policy.
7. Coverage Level	The Insurer's level of coverage for Insured Risks is up to 90%.
8. Retention	Share of the Insured in the Loss expressed as a percentage amounting to at least 10% and stated in the Insurance Policy.
9. Premium Rate	Expressed as a percentage and stated in the Insurance Policy, and it reflects the price of insurance for the assumed risks. To calculate the Premium Rate, the current HBOR Methodology for the Calculation of Premium Rates for Short-Term Export Receivables and the corresponding calculator are used.
10. Insurance Premium	Amount of money that the Insured is obliged to pay to the Insurer under the concluded Insurance Contract. The Insurer determines the amount and the manner of calculation and payment of the Insurance Premium, and the Insured is obliged to pay the Insurance Premium on the basis of the invoice issued by the Insurer by the deadline stated in the invoice. If the Insurance Premium is not paid upon maturity, the Insurer may charge statutory default interest for the period from its maturity until the date of payment. Calculation and payment of the Insurance Premium can be: - In case of insurance of export receivables arising from continuous deliveries and invoices under the Export Contract, it is invoiced monthly, and generally it is calculated by applying the Premium Rate to the amount of reported, exported and invoiced value of goods and/or services or - In case of insurance of export receivables arising from an individual export transaction, it is invoiced upon execution of the Insurance Contract, and is calculated by applying the Premium Rate to the Insured Sum.
11. Usual Payment Period	Payment period under the Export Contract that is equal to, or longer than, the agreed payment period under the Export Contract and that is acceptable for the Exporter and the Insurer and stated in the Insurance Policy.
12. Foreign Buyer	Foreign Buyer is any entity performing an economic activity, regardless of its legal form, which has registered its headquarters outside the Republic of Croatia and with which the Exporter has concluded an Export Contract.
13. Export Contract	Export Contract is a purchase contract concluded in writing (including order and acceptance of order; framework export contract; pre-contract etc.) between the Exporter and the Foreign Buyer, which undoubtedly results in the Exporter's obligation to deliver goods and/or perform services to the Foreign Buyer, and in the Foreign Buyer's obligation to pay the agreed amount to the Exporter.
14. Insurance Contract	Insurance Contract concluded between the Insurer and the Insured, consisting of the current General Terms and Conditions on Insurance of Short-Term Export Receivables, Insurance Policy with enclosures, Application for Insurance with enclosures and other written requests and/or notifications of the Insured with comments on them by the Insurer in writing, for the inclusion of which in the Insurance Contract it is not necessary to conclude an addendum to the Insurance Contract.

15. Manner of Insurance Implementation	The Exporter submits the following documents to the Insurer for the purposes of insurance contracting: - Questionnaire on Exporter's Operations, - Application for Insurance with enclosures (form available at www.hbor.hr or the Insurer can submit it to the Exporter), - Creditworthiness report of the Foreign Buyer issued not more than 3 months before the date of submitting the Application for Insurance. Creditworthiness report of the Foreign Buyer is obtained by the Exporter or the Insurer for and on behalf of the Exporter, - Certificate from the Tax Administration on the balance of the Exporter's debt based on public contributions issued not more than 30 days before the submission of the Application for insurance. After the approval of the insurance, the Insurer submits the Insurance Policy with the corresponding General Terms and Conditions to the Exporter. The Insurance Contract is deemed concluded when signed by the Exporter and the Insurer. Types of Insurance policies: - Export Receivables Insurance Policy for Individual Foreign Buyer or - Export Receivables Insurance Policy for Several Foreign Buyers. Upon expiry of the Insurance Policy for Individual Foreign Buyer, the Exporter may request the issuance of a new Insurance Policy, for which it shall be obliged to submit a new application for insurance and related documentation to the Insurer. Export Receivables Insurance Policy for Several Foreign Buyers is contracted for an indefinite period of time, provided that the contracted insurance conditions are revised at least once every 12 months. Under this Insurance Policy, the Exporter may at any time request the contracting of insurance for new Foreign Buyers (e.g., the Foreign Buyer with whom it has just concluded cooperation or the Foreign Buyer whom it did not previously insure, and with whom it agreed to defer payment in future cooperation).
16. Insured Event	Harmful event caused by the Insured Risk, and the Insured can submit the Claim upon the occurrence of the Insured Event. An Insured Event occurs when the Exporter does not collect a receivable from the Foreign Buyer upon the expiry of the Usual Payment Period in the amount owed to it under the Export Contract, provided that non-payment is the exclusive consequence of the occurrence of the agreed Insured Risk in one of the following cases: For Commercial Risks, depending on whichever occurs first: - Upon expiry of the Waiting Period, during which the Foreign Buyer has not made the payment of obligations under the Export Contract; - On the day when the decision made by a competent body on the initiation of pre-bankruptcy, bankruptcy or liquidation proceedings against the Foreign Buyer becomes final, i.e., any other case which, in accordance with the relevant regulations of the country of the Foreign Buyer, may be considered identical. In that case, the Insured is obliged to submit to the Insurer the evidence on the initiation of pre-bankruptcy, bankruptcy or liquidation proceedings against the Foreign Buyer, whereby the Waiting Period does not apply. For Political Risks: - Upon expiry of the Waiting Period upon the occurrence of the contracted Insured Risk on the part of the Insured.
17. Waiting Period	Time period lasting for 3 months from the maturity date of the Exporter's receivables from the Foreign Buyer in accordance with the Usual Payment Period that have not been collected by the Exporter from the Foreign Buyer

	due to the occurrence of the insured Commercial or Political Risk. The Waiting Period does not apply to the Commercial Risk – insolvency.

18. Claim

A Claim shall be submitted to the Insurer in writing upon the occurrence of the Insured Event. It may be submitted no later than one year from the occurrence of the Insured Event, otherwise the Insured loses the right to submit the Claim and the Insurer will reject it.

The Claim must be accompanied by the documents necessary for the assessment of the Claim proving the existence, indisputability and maturity of the Subject Matter of Insurance, realisation of the Insured Risk, occurrence of the Loss, fulfilment of the Insured's obligations under the Insurance Contract as well as other documents that the Insurer deems necessary to assess the justifiability of the Claim, for example: Export Contract, invoices, single administrative documents, international bills of lading, handover documents, ledger accounts, written correspondence between the Insured and the Foreign Buyer.

The existence and indisputability of the subject matter of insurance in case of Credit Risk is proved by:

- Acknowledging the debt in the appropriate amount by the Foreign Buyer, or
- Final recognition of the Insured's receivable in the pre-bankruptcy, bankruptcy or liquidation proceedings of the Foreign Buyer, or
- Final decision of a court of arbitration which determines the amount and maturity of the receivable that the Insured demands from the Foreign Buyer.

In case the Foreign Buyer fails to meet its payment obligations owing to disputed receivables (the Foreign Buyer disputes a portion of, or the entire receivable), commercial complaints (disputes the quality of the contracted goods or services) or in other cases of disputing the receivables under the Export Contract, the Insured can submit a Claim exclusively provided that court, arbitration or other suitable proceedings are initiated for the purpose of collecting the payment, and the Insured shall inform the Insurer accordingly.

If the Insurer determines that the submitted Claim does not contain the documentation required by the Insurer and/or that additional documentation is required to assess the Claim, the Insurer shall ask the Insured to supplement it within 30 days from the receipt of such incomplete Claim.

The Insurer is obliged to comment on the justifiability of the Claim within 30 days from the day of receipt of the complete Claim.

If the Insured fails to submit the required documents within 30 days of the invitation to supplement the Claim, the Insurer will complete the assessment of the Claim according to the available (incomplete) documentation and will provide response within an additional period of 30 days.

The Claim shall be accepted if:

- An Insured Risk has occurred and
- An Insured Event has occurred and
- A Loss has occurred on the basis of the agreed Subject Matter of Insurance and
- The Insured has submitted the Claim and submitted the appropriate documentation in accordance with the provisions of the currently valid General Terms and Conditions and

	- The Insured has paid the Insurance Premium no later than within a reasonable time after the due date indicated on the invoice for the Insurance Premium and - In the Application for Insurance, the Insured has stated completely and accurately the information required by the Insurer for the assessment of insurance risk and - The Insured has fulfilled other obligations under the Insurance Contract. The Insurer will accept the Claim and pay the Indemnity, partially or in full, if the non-fulfilment of certain obligations by the Insured is assessed as non-material, or if such non-fulfilment, as assessed by the Insurer, had no significant impact on risk assumption, the extent and amount of the occurred Loss, as well as the possibility of recovery.
19. Loss	Loss expressed as a monetary amount incurred by the Insured due to the occurrence of the Insured Event based on which the amount of Indemnity is determined.
20. Indemnity	Monetary amount that the Insurer pays to the Insured as compensation of the Loss incurred by the Insured as a result of the occurrence of the Insured Event. The Indemnity may not be higher than the Insured Sum stated in the Insurance Policy. The amount of the Indemnity shall be calculated as the amount of the Loss, up to the Insured Sum, less the agreed Retention.
21. Maturity of the Indemnity and compensation for Additional Costs	Should the Claim be accepted, provided that the Insured has concluded the Recovery Contract, the Insurer shall pay the Indemnity and Additional Costs: - within 15 days upon the acceptance of the Claim, for receivables that are due under the Export Contract before the acceptance of the Claim or the maturity of which has not been determined, - in accordance with the maturity of receivables under the Export Contract, for receivables due under the Export Contract after the acceptance of the Claim, unless the Insurer decides otherwise.
22. Additional Costs	Costs incurred solely as a result of actions taken to reduce or avoid the occurrence of Loss and for the purpose of collecting the receivables that are the Subject Matter of Insurance, before or after the payment of Indemnity, and to which the Insurer has agreed in writing. Additional Costs shall be restored to the Insured after having been claimed from the Insurer in accordance with the Percentage of Coverage, provided that the actions are taken after the instructions have been received or the consent of the Insurer obtained, and provided that the conditions for the acceptance of the Claim have been met. If the Insured intends to hire a lawyer to take certain actions, the costs of the lawyer shall be reimbursed to the Insured only with a prior written consent of the Insurer.
23. Percentage of Coverage	The Percentage of Coverage is used for the calculation of share with which the Insurer participates in Additional Costs and of the percentage of inflows from the collection pertaining to the Insurer. It is calculated in the manner that the amount of calculated Indemnity is divided by the amount of total Loss, and the amount thus obtained is converted into a percentage stated in two decimal places - {Percentage of Coverage = Indemnity / Loss * 100%}
24. Recovery Contract	Contract between the Insurer and the Insured executed before the payment of Indemnity that regulates, among others, their rights and obligations relating to the collection of the receivables under the Export Contract and the Insurance Contract.
25. Transfer of Rights and Obligations	The Insurer and the Insured may not transfer the rights and obligations under the Insurance Contract without a prior written consent of the other party.

under Insurance Contract	The Insured may transfer the right to receive the Indemnity under the Insurance Contract to another person by contract with a prior written consent of the Insurer. The transfer does not affect the existence of the Insured's obligations due to the Insurer under the Insurance Contract.
26. Exclusion of Right to Abandonment	Without the Insurer's consent, the Insured shall have no right to abandon the rights and property relating to the Export Contract in favour of the Insurer after the occurrence of the Insured Risk, and to request the payment of the Indemnity from the Insurer in return.
27. Main obligations of the Exporter	**Obligations upon the execution of the Insurance Contract** - At the time of delivery of goods and/or services, it must not have receivables due from the Foreign Buyer in accordance with the Usual Payment Period; - To inform the Insurer, by the 10th of the month, about the amount of exported and invoiced deliveries under the Export Contract in the previous month; - To pay the Insurance Premium; - To inform the Insurer about any change in the Insurance Contract. **Obligations in the case of occurrence of the Insured Risk** - To immediately send a written invitation for payment to the Foreign Buyer; - To suspend further deliveries to the Foreign Buyer; - To report to the Insurer any delay in payment within 30 days from the expiry of the Usual Payment Period; - To take necessary actions to collect receivables in agreement with the Insurer; - In case of unsuccessful collection, on the occurrence of an Insured Event, to submit a Claim to the Insurer.
28. Costs of Insurance	Insurance Premium; Fee for preparation of creditworthiness report of the Foreign Buyer; Application processing fee (charged in accordance with the current Ordinance on Fees for Services Provided by HBOR).

In the event that some terms of this Programme differ from the terms defined in the applicable General Terms and Conditions on Insurance of Short-Term Export Receivables, the terms of the General Terms and Conditions shall apply.

The Programme is implemented in accordance with the HBOR Act, the Export Credit Insurance Regulation, Communication from the European Commission to Member States on the application of Articles 107 and 108 of the Treaty on Functioning of the European Union to short-term export-credit insurance and the current European Union Decision allowing HBOR to carry out export credit insurance against temporarily non-marketable risks.

The Programme shall be applied to applications received in HBOR from 15 January 2022.

There is no legal title to obtain insurance, and HBOR will make a separate decision on each application for insurance.