

# Loss on claim guarantee

Credit period more than 12 months

## *Guarantee holder: exporter*

The loss on claim guarantee covers the risk of a foreign buyer failing to pay amounts due under the contract. The guarantee protects against events that occur from the date on which the claim arises, which is normally the delivery date.

With this EKN guarantee, you know that you will receive compensation if your customer does not pay. This makes it easier for you to offer a credit to your customer.

You can also use the guarantee as security if you decide to get a bank or other credit institution to finance the transaction. You then assign the claim and rights under the guarantee to the financier.

### **TRANSACTIONS THAT CAN BE GUARANTEED**

You can apply for a loss of claim guarantee for different types of foreign transactions: export of goods, export of services, and leasing. EKN can guarantee both small and large transactions with this guarantee.

A prerequisite for EKN's participation is that the transaction promotes Swedish interests and is connected to Swedish export. This means the export transaction will normally relate to Swedish products. It could also be a transaction that indirectly leads to Swedish exports.

In order for EKN to be able to guarantee a transaction, there must be a legally binding written agreement between buyer and seller. EKN's guarantee never covers more than what has been agreed between you and your buyer, as described in your guarantee application to EKN.

Due to EU regulations, the loss on claim guarantee cannot be used for transactions with a risk period of less than 24 months with Australia, EU countries, Iceland, Japan, Canada, Norway, New Zealand, Switzerland and USA.

### **RISKS COVERED BY THE GUARANTEE**

The guarantee provides cover when your customer fails to repay credits you have granted. The guarantee protects against events that occur from the date on which the claim arises, which is normally the delivery/invoicing date. You can choose either insurance against political events only or insurance against both political and commercial events.

### **HOW DOES THE GUARANTEE WORK?**

The guarantee normally covers 95 per cent of your claim, which means your excess is five per cent. You can also opt for a higher excess, which will lower the premium for the guarantee.

The excess does not necessarily mean a definite loss in the event of a claim. Any recoveries by EKN are shared pro rata between you and EKN.

EKN will only compensate you for non-payment of a conclusively established and due claim. "Conclusively established" means your customer has not contested the claim.

### **WHAT ARE THE FEES?**

EKN charges a premium which reflects the risk and structure of the specific transaction. The premium is expressed as a percentage of the guaranteed amount.

You can get an idea of the premium for a loss on claim guarantee on EKN's website at [www.ekn.se](http://www.ekn.se) using "Calculate premium".

You normally pay the premium when EKN issues the guarantee. You can also opt to pay part of the premium in arrears, at the same time as interest payments under the guaranteed transaction.

There is no fee for applying for a guarantee and receiving an offer. Our offer is valid for six months. After this period, you can extend the offer for periods of three months in return for a fee. If the offer results in a guarantee, the extension fee will be returned.

### **WHEN DOES EKN PAY COMPENSATION**

EKN pays compensation after a three-month waiting period, which begins on the claim's due date. We do not apply a waiting period if the buyer is declared bankrupt.

### **CURRENCY**

The currency indicated in your contract determines the currency in which EKN issues the guarantee. If your contract currency is Swedish kronor, euros, US dollars, Swiss francs or Japanese yen, EKN will issue the guarantee, invoice the premium and pay compensation in this currency. For other contract currencies, EKN issues the guarantee, invoices the premium and pays compensation in Swedish kronor.

### **PAYMENT TERMS IN THE EXPORT TRANSACTION**

There are international rules, which set out transaction payment terms, in order for official export credit agencies like EKN to be able to provide guarantees for export financing. These include terms and conditions for advance payments and credit periods.

If, for example, you have an export transaction with a credit period of 24 months or more, you must agree that the buyer will make a minimum advance payment of 15 per cent of the contract amount no later than at the starting point of credit. The repayment must normally be in equal instalments with maximum half-yearly intervals, but in some transactions, a more flexible repayment structure may be applied.

For the export of stand-alone machinery or equipment (not plants), equal repayments of principal and interest combined (annuities) are acceptable. This applies to both financial and operational leasing transactions.

### **LOCAL COSTS**

Local costs are the costs for the purchase of products or services in the importing country. In order for EKN to guarantee the credit risk, in a transaction with a credit period of two years or more, the proportion of financed local costs may not exceed 40 per cent of the export contract value in high income OECD countries. For all other countries the local costs may not exceed 50% of the export contract value. The export contract value is the contract value minus local costs.

### **PAYMENT SECURITY**

EKN does not have any general requirements regarding provision of security. However, in certain cases, it is a prerequisite for the issuance of our guarantee for a transaction.

Examples of security include payment guarantees provided by a third party and pledged equipment.

### **CORPORATE RESPONSIBILITY IN THE ISSUING OF GUARANTEES**

EKN promotes corporate responsibility. In its guarantee operation EKN's considerations include the environment, human rights and labour rights, anti-corruption and the promotion of sustainable lending to poor countries.

### **EKN'S GENERAL CONDITIONS**

The guarantee is governed by EKN's General Conditions for Export Credit Guarantees (October 1996) and subsequent Supplements.

### **HOW TO OBTAIN A GUARANTEE**

You can apply and make requests and notifications via EKN Online or by sending in forms.

The online function and relevant forms can be found at [www.ekn.se](http://www.ekn.se).

#### **Apply**

Send your application well in advance before the claim arises, which is usually at delivery.

EKN orders a credit report on the buyer and on any guarantors. You will normally need to provide supplementary information on the buyer such as an annual report.

EKN makes a risk assessment, and if the result is satisfactory we make an offer.

#### **Notify us**

Inform EKN when the purchase contract has become unconditional, i.e. when both parties are bound by the agreement (within 30 days).

Notify EKN when delivery or equivalent performance has occurred and you wish the guarantee to be issued (no later than 30 days after the claim arises). Notify via EKN Online or by using form 2.01e.

If you choose to pay the premium in arrears, you must state this when requesting the guarantee to be issued.

#### **Payment of premium**

EKN will send a premium invoice with the guarantee. The premium must be paid within 30 days of the invoice date.



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