

Cover for Bad Debt Losses

for Large Companies



EULER HERMES
Kreditversicherung

The right solution for your company

Choosing the most suitable credit insurance policy for you depends on how much turnover you make and the structure of your business. The Cover for Bad Debt Losses policy presented here may be the best option for you from an annual turnover of 2.5 million Euros upwards.

How is the premium calculated?

The basis for calculating the premium is first of all the turnover of your company in the previous year (excluding sales to the government or other regional or municipal buyers as well as your own branches and subsidiaries).

This turnover is multiplied by a premium rate which takes account of your individual risk situation. The premium calculated in this way is only a fraction of a percentage of the turnover.

An example of premium calculation

Total turnover (in the last completed financial year)	23 m EUR
minus transactions with payment by irrevocable L/C	0.25 m EUR
minus cash transactions	0.75 m EUR
minus turnover with federal, regional and municipal authorities	5 m EUR
minus turnover with branch offices and associated companies	3 m EUR
= insurable turnover	14 m EUR
e.g. 0.23% premium calculated on that	32,200 EUR

Plus insurance tax.

The premium rate depends on your customer base and risk situation.

This is how Cover for Bad Debt Losses can help you – even when your customer is not insolvent.

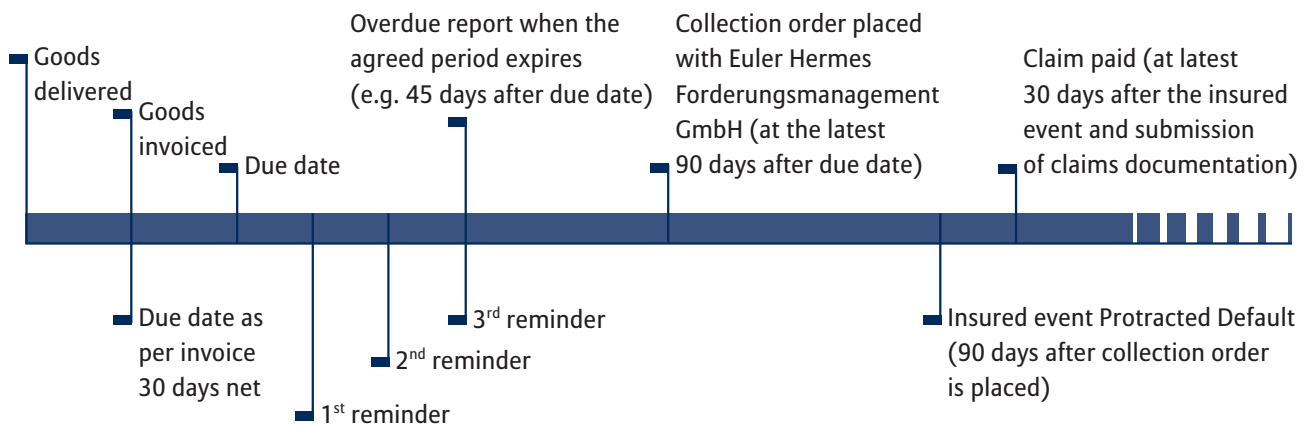
Just one example: a mechanical engineering company has had a successful business relationship for years with a small family-owned manufacturer of car components. Euler Hermes has no negative data on this customer – until now: the invoice for the last major delivery, machinery worth 300,000 Euros, is on the usual payment terms of 30 days – but the money fails to arrive. The supplier sends reminders to his customer, but he doesn't pay, even after the third reminder.

Now he sends an overdue report to Euler Hermes. The director of the mechanical engineering firm doesn't take advantage of the option to place a collection order at this early stage, and so speed up the insured event.

He doesn't want to strain relations with a customer he has known for a long time and so decides to wait a little longer first. But when there has still been no payment 8 weeks after the invoice fell due – in order to secure his cashflow as soon as possible – he places a collection order. Now he can be sure that his problem will be quickly taken care of. Because if we do not succeed in collecting the debt within 90 days, the insured event known as "protracted default" will automatically cut in.

And that is what happens: the car component maker doesn't pay, but he doesn't file for insolvency either. It is not necessary, since our client benefits from the early claims payment under protracted default: 30 days after the insured event is declared and all the claims documentation submitted, he will receive his money without undue bureaucratic hassle – his cashflow is secured.

How payment of claims under Protracted Default works



With BoniCheck as well you learn more about your customers

Our BoniCheck credit grading service gives you the details you need to know in order to judge how likely your customer is to go broke. For every rateable customer you name to us you get a grading – from AA for “very high creditworthiness” to I for “insolvent”. With this, you can make an exact assessment of the economic risk you run by delivering to him. Each grading expresses the likelihood that this customer will go broke over the next 12 months – statistically watertight and based on reliable experience.

The prerequisite: a credit insurance policy from us.

In order to benefit from this detailed evaluation, your company first needs to have a credit insurance policy with Euler Hermes Kreditversicherungs-AG. Then you can get a contract for the BoniCheck service with Euler Hermes Forderungsmanagement GmbH for only a small extra fee.

BoniCheck will send you the information you have agreed upon with us automatically each time you apply for a credit limit on a customer via the Online Service. The result appears immediately in your customer list. All the data sent is available for you to use elsewhere in your business, e.g. you can download it direct into all normal programs.

The BoniCheck rating scale*

excellent company and/or sector valuation

▶ Low probability of insolvency

1	very high creditworthiness
2	high creditworthiness
3	high creditworthiness
4	relatively good rating
5	medium rating
6	relatively high risk
7	high risk
8	very high risk
9	not credit-worthy
10	Insolvent

poor company and/or sector valuation

▶ High probability of insolvency

NR	not ratable
UEB	open/under analysis

* Each rating Step a represents a forecast likelihood of insolvency for the next 12 months from 0,1 percent in the case of an “1” rating to 18 percent in the case of a “9” rating.

We ensure that you are always in the picture

As a Euler Hermes client you get regular information from us – over and above your policy.

- our **insolvency and economic growth forecasts** give you an inside view of what is happening in the economy.
- our series **WIRTSCHAFT KONKRET** supplies you with the facts on topics of current interest relevant to securing your cashflow.

Because that is our goal: you should be enabled to get on with what you do best – running your business, while we help keep all your options open by providing reliable protection for the earnings you have planned into your cashflow.



All the advantages at a glance

- Protection for your receivables almost anywhere in the world against commercial risks.
- Safeguarding of your company's liquidity through the integrated collection service.
- Ongoing monitoring of your customers' creditworthiness.
- Fast credit decisions via our Online Service.
- Early payment of claims through protracted default – i.e., even when your customer has not filed for insolvency.
- Fast payment of claims at the latest 30 days after an insured event has occurred and you have submitted all the claims documentation.
- You can enhance your bank credit lines by assigning the benefit of the policy as security.
- Real-time data transmission via SmartLink.