Guarantee against loss on production and loss on claim

Guarantee holder: **Exporter**

The guarantee against loss on production and loss on claim covers the risk of a foreign buyer failing to pay amounts due under the contract. It also covers accumulated costs you are unable to invoice as a result of the buyer having cancelled the contract. The amount you can insure under the guarantee against loss on production is based on your invoice amount minus profit margin and advance payment. This guarantee protects against events that occur from the date on which you have a binding contract.

With an EKN guarantee, you receive compensation if your customer cancels the contract or 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 guarantee against loss on production and loss on claim for different types of cross-border transactions: export of goods and export of services. 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 guarantee against loss on production and loss on claim 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 cancels the contract or fails to repay credits you have granted. 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 the amount you have applied for regarding production risk and 95 per cent of your claim. In other words, 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 you will incur a 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. If the buyer cancels the contract, EKN compensates you for your production costs.

WHAT ARE THE FEES?

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

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You can get an idea of the premium for a loss on claim guarantee on EKN's website at www.ekn.se using "Calculate premium".

The premium is normally paid in advance when EKN issues the guarantee. If the credit period is longer than 12 months, you can 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. You receive compensation for costs incurred during the period of production as soon as the amount has been established.

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 for loss on claim in this currency. For other contract currencies, EKN issues the guarantee, invoices the premium and pays compensation in Swedish kronor. Guarantees for loss on production are always issued 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.

In export transactions with a credit period of 24 months or more, the buyer must 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.

In this guarantee, part of the advance should usually be paid at the signing of the contract.

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 request and notifications via EKN online or by sending in forms.

The online function and relevant forms can be found at www.ekn.se.

Apply

Send your application well in advance before signing the contract.

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

When the contract has become unconditional, you have 30 days in which to send a request to EKN that you wish the guarantee to be issued. Notify via EKN Online or by using form 2.01e.

If you choose to pay the premium in arrears, you must state this in your notification.

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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