

PRODUCT: PRE-SHIPMENT GUARANTEE

A pre-shipment guarantee covers the loss you sustain if you are prevented from completing a specific contract with a foreign buyer, either because the buyer defaults on the contract or because political conditions in the buyer's country prevent delivery of your products. The guarantee provides cover until you have issued an invoice for the order.

WHAT IS A PRE-SHIPMENT GUARANTEE?

A pre-shipment guarantee is a type of insurance cover under which EKF pays compensation if a company is prevented from filling a specific export order as contracted.

The guarantee covers the expenses you incur until you have supplied the products and invoiced the buyer. As such, the guarantee does not cover the buyer's payments or your profit.

Your company's delivery might for example be prevented by unrest in the country, an import ban or other intervention by the authorities in the country that prevent you from delivering the products.

The guarantee provides cover, until delivery is made, for unwarranted cancellation of the contract by the buyer during your production period.

BENEFITS FOR YOUR COMPANY

A pre-shipment guarantee is an advantage when doing business in a country where there is a risk of political unrest such as domestic political violence and interventions by authorities in the form of import bans, or uncertainty surrounding the buyer's ability to honour the contract.

The guarantee would, for example, cover your loss if your buyer suspends payments before delivery has taken place. A pre-shipment guarantee is therefore an advantage if you have manufactured custom products for a foreign buyer which cannot be sold to another buyer.

With this guarantee, you can bid with confidence for export contracts on markets where you would otherwise be wary of doing business.



STEPS IN THE PROCEDURE

YOU WIN AN EXPORT CONTRACT ABROAD

Your company wins a contract for products from a buyer in a country where there may be uncertainty surrounding the political conditions and the buyer's ability to take delivery of the products.

YOU APPLY TO EKF FOR A GUARANTEE TO COVER POTENTIAL LOSS

To protect your company against loss if you are prevented from supplying the order, you contact EKF and apply for a pre-shipment guarantee.

EKF ASSESSES THE RISK

EKF assesses whether the risk is acceptable. The assessment is based on EKF's experiences from the country, the sector and information about the foreign buyer.

EKF GRANTS A PRE-SHIPMENT GUARANTEE

If EKF rates the risk as acceptable, your company will be granted a pre-shipment guarantee. The guarantee covers up to 90 % of your loss if you are prevented from delivering the order to the foreign buyer, or if the buyer goes into liquidation.

TERMS AND CONDITIONS

WHO IS ELIGIBLE FOR A PRE-SHIPMENT GUARANTEE?

Danish export companies.

COVER LIMIT

No limit applies to the amount covered by a pre-shipment guarantee.

WHAT IS THE REPAYMENT TERM OF THE GUARANTEE?

The repayment term will depend on the commercial contract.

CONDITIONS

Your company is required to meet a number of conditions in order to qualify for EKF assistance. The export order must promote economic growth in Denmark and the buyer must be rated as creditworthy based on a thorough assessment designed to hold the Danish government free from losses.

Business dealings involving the order must comply with EKF's requirement for good environmental conduct and corporate social responsibility. Bribery or other corrupt practices must not be used in any export transaction, and your company must be willing to allow EKF to publish certain standard details of the export transaction.

WHAT DOES EKF COVER?

EKF's guarantees cover extraordinary risks which private banks and insurance companies are either unable or unwilling to cover. EKF pays out compensation if your company or your bank makes a loss on an export transaction or investment abroad as a result of commercial or political risks.

A commercial risk means that your company's buyer is unable to pay due to liquidation, insolvency, cancellation of the contract or because the buyer is unwilling to pay. EKF has to rate the foreign buyer as creditworthy before we issue any guarantee.



A political risk means that your company does not receive payment for products due to impediments in the country you are exporting to. Such impediments include war (external armed conflict and domestic political violence), currency shortage, restrictions on use of currency, import or export bans, and interventions by local authorities that make it impossible to receive payment for the products.

As a rule, EKF pays out a maximum of 90 per cent of the loss in compensation to your company. As an exporter, your company therefore has to cover a deductible of at least 10 per cent of the commercial and political risks.

A pre-shipment guarantee covers these specific losses:

- > Expenses to date less earnings from sale of the manufactured products
- > Expenses on dismantling equipment and shipping it back to Denmark

WHAT DOES IT COST?

Advice is available free of charge from EKF, and a conditional offer is also free of charge. The offer is valid for up to six months.

Your company pays a premium for an EKF guarantee. We calculate the premium on the basis of the overall risk of the specific export transaction: sector, guarantee term, the foreign buyer's circumstances and political conditions in the country.

You can get an idea of the premium by using the EKF **premium model** on our website.

All countries are classified in a premium category from 1 to 7. Countries with the lowest risk are in category 1 and are therefore the cheapest to insure. Countries with the highest risk and the highest premium are in category 7.

EKF classifies buyers and banks in premium categories from A to F with A being the lowest risk category and F being the highest. Private buyers are classified in premium categories from C to F, while banks are placed in premium categories from B to D.

For a coverage amount of less than DKK 25 million, EKF's premium generally follows the standard premium model. For amounts of more than DKK 25 million, EKF determines the premium on the export order on a case-by-case basis.

HOW DO I APPLY?

Contact EKF to learn more about how we can assist your company with financing your exports.

Write to ekf@ekf.dk or call +45 35 46 61 00. Our switchboard is open 8:30 am to 4:30 pm Monday to Thursday and Friday 8:30 am to 3:30 pm.

You can also write to or call our customer advisers directly. Find our contact details on our website www.ekf.dk.