

## PRODUCT: REINSURANCE

**Reinsurance helps Danish companies to maintain continuous exports with short-term credit in cases where private credit insurance companies decline to provide cover for the entire risk. The scheme is designed to assist exporters affected by the financial crisis.**

### WHAT IS REINSURANCE?

The financial crisis has meant that many buyers abroad are less creditworthy than they were in the past. This has caused private credit insurance companies to withdraw from export insurance in a number of countries and markets where they assess the risk of loss as being too high. EKF's reinsurance scheme is designed to help out Danish export companies affected by this situation.

The reinsurance agreement means that the credit insurance companies can reinsure risks with EKF, which reduces their risk. This then allows them to offer insurance cover to buyers they have previously had to turn down. EKF only covers sound buyers who would otherwise have been turned down. High-risk buyers are not covered by EKF.

The scheme applies to exports with credit periods of up to 180 days, and on condition that your company is a customer with a private credit insurance company, and that you meet EKF's requirements regarding environment and Danish economic interest.

EKF offers reinsurance for exports to more than 150 countries, including the majority of EU Member States. The scheme is run for a year at a time; at present until year-end 2011.

### BENEFITS FOR YOUR COMPANY

With reinsurance from EKF, your company will be able to retain export orders which would otherwise be halted because your credit insurance company declines to accept the risk of insuring the orders.

Registering for the reinsurance scheme is a simple process, and your company can register before the need for reinsurance arises. This speeds up the application processing time, and avoids needless delays.



## STEPS IN THE PROCEDURE

### YOUR COMPANY REGISTERS FOR THE REINSURANCE SCHEME

Your company is a customer with a credit insurance company and wants to maintain credit insurance for export orders to countries and markets affected by the financial crisis. You ask your credit insurance company to join the reinsurance scheme and sign "Applicant's declaration regarding environment, Danish economic interest and non-bribery". The declaration is available on the websites of the Danish credit insurance companies. This ensures rapid processing if the credit insurance company declines to grant one of your applications.

If your company is not a customer with a credit insurance company and requires credit insurance, your company must first set up a customer account to be eligible for EKF's reinsurance scheme.

### YOUR CREDIT INSURANCE COMPANY DECLINES TO INSURE A BUYER

Your company makes contact with a new buyer and you want to protect your company against loss by means of credit insurance with your credit insurance company. The credit insurance company declines to assume the increased risk as a result of the financial crisis.

### REINSURANCE AS A SECOND CHANCE FOR RATING BUYER INSURABILITY

The credit insurance company can then assess whether your buyer is insurable if EKF assumes a significant share of the risk via its reinsurance scheme. The insurance premium and the deductible are higher than normal. In addition, the credit insurance company also has to cover a deductible in the event of a loss.

### THE CREDIT INSURANCE COMPANY AGREES TO REINSURANCE

If the credit insurance company accepts the terms, your export order will qualify for reinsurance with EKF so you can go ahead with the export transaction.

## TERMS AND CONDITIONS

### WHO IS ELIGIBLE FOR REINSURANCE?

The reinsurance scheme is open to Danish export companies who offer up to 180 days' credit to their buyers abroad.

If your company is not a customer with a credit insurance company, you will have to arrange for this before the company can register you for the scheme for reinsurance of export transactions. Your company can register for the reinsurance scheme in advance before any need for reinsurance arises.

### WHAT IS THE MAXIMUM REINSURANCE AMOUNT?

The upper limit for a buyer is DKK 50 million, but there is no limit on the total number of reinsurance policies or on an exporter's total reinsurance amount.

### WHAT TYPE OF REINSURANCE IS AVAILABLE?

There are two types of reinsurance. **Quota Share cover**, where EKF covers the majority of the risk on the buyer and **Top Up cover**, where EKF can double the limit granted by the credit insurance company.



#### WHO DECIDES WHAT TYPES OF TRANSACTION ARE INSURABLE?

The private credit insurance companies decide at their discretion which transactions they will insure and which they will turn down. EKF is not involved in the decision, and the terms applicable to EKF reinsurance are fixed.

#### WHAT CRITERIA ARE APPLIED IN ASSESSING THE INSURABILITY OF A TRANSACTION?

The reinsurance agreement is designed to ensure that credit insurance companies are willing to accept risks on sound export transactions but equally that they turn down high-risk export transactions. Because of this, the agreement concerning reinsurance sets out a number of criteria for EKF cover. For example, no default on payments by the buyer must have been registered within the last six months, and there must be no impending risk of loss. The credit insurance company may however at its discretion take into account a good track record from previous trade with the buyer.

#### WHAT IS THE REPAYMENT TERM OF THE REINSURANCE?

Reinsurance is available solely for export transactions with credit periods of up to 180 days.

#### CONDITIONS

Your company is required to meet a number of conditions in order to qualify for EKF assistance. You are therefore required to sign a declaration regarding the environment, Danish economic interest, non-bribery and transparency. The declaration is available on the websites of the credit insurance companies.

#### WHAT DOES EKF COVER?

EKF covers any loss less the company's and the credit insurance company's deductible.

#### WHAT DOES IT COST?

##### QUOTA SHARE COVER

EKF covers the soundest of the risks which the credit insurance companies are unable to cover themselves. The premium is determined by country category and amounts to 0.9 per cent of turnover for the lowest-risk countries, 1.2 per cent for the medium-risk countries and 1.4 per cent for the highest-risk countries. The deductible is 15 per cent. The premium and the deductible reflect the extraordinary risk.

##### TOP UP COVER

EKF offers additional cover in cases where the private credit insurance companies are unable to cover the full amount. The premium is 0.5 per cent of turnover in all three country categories, but not less than the premium payable under the standard policy. The deductible is the same as that under the standard policy with the credit insurance company.

#### HOW DO I APPLY?

The private credit insurance companies administer the agreements on reinsurance. They will therefore be able to help you with advice and assistance, assessing applications and other matters. Further information is available from the following credit insurance companies:



**Atradius**

tel. +45 33 26 50 00, [http://www.atradius.dk/statslig\\_genforsikring](http://www.atradius.dk/statslig_genforsikring)

**Euler Hermes**

tel. +45 88 33 33 88, <http://www.eulerhermes.dk/da/kreditforsikring/ekf-ordningen.html>

**Coface**

tel. +45 96 60 11 00, <http://www.coface.dk/page1699.aspx>