PRODUCT DESCRIPTION

exim HUNGARY

PASSPORT TO SUCCESS

Export factoring insurance CF Facility

Who is this insurance facility for?

This short-term facility is recommended for financial companies and credit institutions engaged in factoring that are registered in Hungary, and which purchase deferred-payment receivables with a credit period of maximum 23 months. The CF facility provides coverage for risks related to transactions with entities in countries featured in MEHIB's latest effective List of Conditions (www.exim.hu). It could be especially useful for providers of factoring services who cannot find a factoring partner in the buyer's country that wishes to purchase the discounted receivables.

Additional benefits for the insured party:

- MEHIB rates debtors using a risk assessment system based on comprehensive analyses and relieves the factoring company of the task of performing the risk analysis, and with its receivables collection service, it also removes the burden of the lengthy collection procedure from the insured's shoulders,
- the insurance policy is issued to the factoring company in its capacity as the insured party; the advantage of this is that it also removes the factoring company's dependency on the exporter,
- there is no need to stipulate recourse, meaning the supplier is relieved of the obligation to rate customers; also, it will gain access to more favourable factoring terms, which in turn improves the factoring company's competitiveness.

This insurance is backed by an absolute suretyship from the state budget, and therefore it can only be

- concluded for the export of products classified as being of at least 50% Hungarian origin, which have been certified with a certificate of Hungarian origin, or
- concluded for the provision of services where the business entity certifies, with a document issued by a government office, that at least 50% of its employees are entitled to social security benefits and a pension or are in a legal relationship with it that implies social security obligations.

What coverage does the insurance provide?

The insurance offers coverage for losses arising from export receivables that are unpaid due to commercial and political risks.

What is the subject of the insurance?

Short-term, valid, deferred-payment receivables not disputed by the buyer, which have been purchased by a domestic credit institution or financial enterprise acting in the capacity of the insured party.

The reporting of receivables and the premium payment takes place on the basis of a monthly turnover report. In the turnover report the insured reports its turnover in the reporting month, and its newly purchased receivables in that period, to the insurer.

What events are insured?

Indemnification by MEHIB applies to losses incurred as a result of the below insured events:

- insolvency (e.g. bankruptcy, liquidation, out-of-court settlement with creditors) of the buyer or its surety/guarantor; non-payment by the buyer or its surety/guarantor within 60 days following the due date;
- political risks (e.g. embargo, freeze on transfers, war, strike, etc.) and natural disasters that lead to a default on the part of the buyer or its surety/guarantor.

When does the risk assumption start and end?

The CF facility provides coverage for short-term, factored receivables with a credit period of maximum 23 months (in the case of agricultural products, maximum 18 months). The insurance is based on turnover; in other words, it provides cover for all the insured factored receivables.

The insurance contract is concluded for an indefinite period and consists of insurance periods. MEHIB's risk assumption in respect of the buyer commences on the day of purchase of the receivable. The insurance contract shall enter into effect on the day after the day on which the insured party has deposited the minimum premium on MEHIB's account, and is effective retroactively from the commencement of risk assumption.

How much is the deductible?

The insured party may select a deductibles rate of its choice (1-25%).

Its precise extent is set out in the Policy. In the event of a deterioration of risk, however, MEHIB is entitled to determine, in respect of a given debtor, a deductible different from the one determined in the policy. In the event that the insured party refuses to accept the modified deductible, MEHIB is entitled to withdraw the credit limit or issue a notice specifying a reduced credit limit.

What costs does the insurance entail?

Insurance premium:

A premium that is payable monthly and depends on the rating of the buyer or its surety/guarantor, the payment terms, the term and the extent of the deductible, and which is based on the turnover achieved in the given month. The lower limit of the insurance premium is defined in MEHIB's latest effective List of Conditions. The minimum fee is for one insurance year, and is deducted by the insurer from the insurance premium payments. The table of insurance premiums and other terms are contained in MEHIB's latest effective List of Conditions.

Other fees:

MEHIB also charges other fees in addition to the insurance premium, the latest applicable rates of which are included in MEHIB's List of Terms and Conditions.

How can indemnity claims be made?

- The insured becomes entitled to file an indemnity claim upon the occurrence of an insured event, with a deadline of 15 days;
- The insurer prepares the claim settlement within 30 days following receipt of the necessary documentary evidence in the event of insolvency, or, in the event of other insured events, no sooner than after expiry of the claims waiting period.
- The claims waiting period is 90 days counted from the occurrence of the loss sustained as a result of the insured event.

Don't leave anything to chance...

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