



Cover for bad debt losses

Information on INTEGRAL credit insurance



We give you security

As the market leader in credit insurance, we protect your trade accounts against bad debt losses worldwide

Information
is the key to success

Thanks to a **global network** of credit specialists and insurance experts, Euler Hermes is able to continually expand its leading-edge know-how.

We are active in more than 50 countries spanning all five continents: With the information we acquire on these markets and the companies operating in them, we can calculate and safeguard against the risks. Day after day we make more than 20 000 credit decisions on behalf of our clients.

Under the aegis of the Allianz Group, one of the world's leading insurance providers, Euler Hermes specialises in all fields of credit management. With annual revenue in excess of EUR 2 billion, the Euler Hermes Group is the global market leader in credit insurance.

The hallmark of our approach is to leverage innovativeness to create individual solutions backed by solid tradition and continuity. We combine our global business model with local know-how, in Switzerland as well as in our international companies. That way, everyone benefits: small and medium-sized enterprises just as much as multinational groups. We'd be glad to advise you!

To run a successful business nowadays, you need above all to be well informed

The losses caused by bad debts can often be a matter of life or death for the company affected: because revenue drops and liquidity can quickly be endangered. The fact that even sound enterprises can rapidly find themselves in cash flow difficulties is also due to the intricate network of close business relations between companies, which can produce a domino effect. Knock-on insolvencies caused by bad debt losses therefore pose a particular threat to businesses.

The export business entails a host of additional challenges. This is because export transactions always involve the risks of unfamiliar legal systems and the peculiarities of business practices in other countries. This increases the risk for suppliers, too. If a business partner becomes insolvent, a large question mark hangs over the receivables due from him. Many insolvency proceedings are not even opened due to insufficient assets.

Extra sales needed to offset a bad debt loss			
Bad debt loss due to customer insolvency, in CHF	Extra sales needed in CHF for a net margin in %		
	2 %	4 %	6 %
20 000	1 000 000	500 000	333 000
50 000	2 500 000	1 250 000	833 000
100 000	5 000 000	2 500 000	1 667 000
500 000	25 000 000	12 500 000	8 330 000
1 000 000	50 000 000	25 000 000	16 667 000



We are your partner for secure transactions – in Switzerland and worldwide

Losing liquidity means losing a vital competitive advantage

Payment delays or, even worse, complete loss of payments can seriously affect your cash flow. Interest value evaporates, longer payment periods must be negotiated for your own company, and bank credit facilities need to be extended. Bad debts can only be offset by generating much higher sales.

Information is a key success factor in business

Thoroughly-researched, up-to-date information about your business partner's creditworthiness is hard to come by. Even if you can get hold of it, it's often difficult to analyse what it means. Even after a long-term business relationship with a detailed record of payment behaviour, it is still virtually impossible for a company working alone to assess a buyer's financial situation with complete accuracy. Yet, this is the very information that could make all the difference between profit and loss.

Bad debts can only be offset by generating much higher sales



We help you
to draw up your
contracts

Euler Hermes – your partner for credit management

A watertight contract is worth its weight in gold

Many suppliers only realise how good or bad a contract is when it comes to a dispute, for example when debtors exploit imprecise terms and conditions of delivery and payment to delay payment or even not pay up at all. This type of unpleasant situation can be prevented by drawing up clearly defined contract conditions.

Many problems can be avoided by clearly defining contract terms

1. Specify a clear payment deadline.

Indicate the payment deadline clearly, preferably by giving a precise calendar date. This way, your client will automatically be in arrears when the defined date expires. As the supplier, you are then entitled to charge interest on arrears.

2. Lay down clear terms for offsetting

To avoid your client offsetting your claims against him through random counterclaims, stipulate clearly in the contract that he may only offset “uncontested or legally valid counterclaims”. This is an effective safeguard against a common debtor’s ploy.

3. Agree on reservation of title

Before you export goods abroad, agree the form of reservation of title wherever possible and financially practical. This way you can, if necessary, legally oblige your customer to settle for unpaid goods or the proceeds from reselling, installing or processing. Check your customer’s general terms and conditions of business carefully for any clauses which might affect your reservation of title.

Always keep track of how your customers are doing financially

Before entering into a business relationship, your customer's creditworthiness should always be checked to avoid having to settle only for damage limitation after delivery. The results of such checks can be surprising. Often, for example, big-name companies are not as sound as you would expect, or the investigation yields no results due to the lack of information. Such credit checks can be carried out easily and quickly at Euler Hermes through a credit limit request. Finally, it is advisable to speak openly to the customer: How does he rate his current business performance? Who are his competitors? After all, he expects you to grant him a supplier's credit. So he should understand your need for certain information.

Stay up to date

It is also essential to monitor existing customer relations, since a company's financial situation can change very quickly. Regular credit checks will allow you to find out why some bills remain unpaid: Is one of your good customers experiencing temporary cash flow problems? If so, you can extend the payment deadline or propose payment by instalments. Or is a debtor in financial difficulties and only playing for time? However, when the insolvency agents are already at your customer's door, you need to act fast.

Bad debt losses: From the first warning sign to the last step

There are specific warning signs that point to a customer's imminent insolvency.

These include:

- Change in payment methods
- Failure to take advantage of the defined discount
- Switching of bank account

Changes in a customer's organisational structure – for instance changes in the management or shareholder base, or restructuring measures – also deserve closer scrutiny. And it's a bad sign when good employees start to leave the company in droves.

The advantages of debt collection specialists

If the customer fails to pay as agreed, you must send out reminders quickly and consistently to initiate legal proceedings. If the customer still does not pay the invoice, we can advise you on how to proceed. But it doesn't have to get to this stage: when your own efforts have failed to result in payment, professional debt collectors can ensure settlement before you resort to legal action. Experts believe the chances of settling claims no older than three to four months are up to 80 percent. Nevertheless, many companies still call in a debt collection specialist only in random cases or when it's already too late. Yet external assistance is usually much more cost-effective than maintaining an internal reminders department.

Euler Hermes customers have it especially easy

Whether you want to pursue debt collection yourself or have us do it for you: we cater to your needs. If required, we will manage the reminders and debt collection process for you, to ensure rapid payment.

Signs where caution is advised

External debt collection specialists are usually more cost-effective than an internal reminders department

Euler Hermes protects your business – so that it always pays

Let Euler Hermes protect your receivables

- 1. **Prevention**
Credit checks and monitoring of your customers
- 2. **Insurance**
Compensation if your customer fails to pay up
- 3. **Damage limitation**
Reduce the number of unpaid bills through integrated debt collection services

Individual advice tailored to your needs

Our credit insurance provides you with cover virtually throughout the world. The insurance covers all outstanding receivables from customers in Switzerland and abroad. These can be for the delivery of goods or the provision of services. We check your customers' creditworthiness and set a limit for each customer. Your insurance provides cover up to this limit. Manufacturing risks and claims risks related to the sale of plant and equipment, as well as transfer and political risks can also be co-insured.

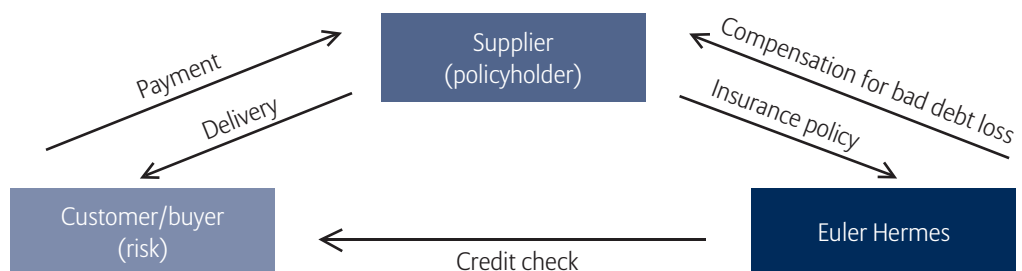
Our consulting service

We start by sitting down with you to analyse your company's risk structure and credit management system.

The following questions are important:

- In which sector do your customers operate?
- To which countries do you deliver?
- Which bad debt losses did you incur in recent years?
- Which payment terms have been agreed with customers?
- How well do you really know your customers?
- How high is your own risk capability?

How credit insurance works:



Our core competence for your security



We know how your customers are doing financially

We check out sales leads to see just how solvent your customers are and monitor them continuously during the entire business relationship. If we hear of any deterioration in a buyer's financial situation, we give you early warning.

Euler Hermes bases its credit decisions on an information pool containing data on 40 million companies worldwide. Accurate evaluation of balance sheets, financial reports, sector studies and payment experience of all suppliers insured with us allows us to give you a well-founded assessment of your customer at any time – virtually worldwide. Because we conduct research and analyses on the spot, we know the various markets like the back of our hands.

Knowing just how solvent your customers are saves you from suffering unexpected losses and makes risks calculable.

With us you get your money faster

It can take a very long time before your debtor's insolvency proceedings are opened. And even then it's still uncertain whether you will ever see your money. By working with Euler Hermes, you can also reap the

benefits of an insured event called Protracted Default. We pay even before insolvency proceedings are opened, upon expiry of a defined deadline. If insolvency proceedings are opened in the meantime, it goes without saying that we will indemnify you earlier.

An example from everyday business:

You have been trading successfully with one of your customers for years. Euler Hermes also has no adverse information on this buyer. So you deliver goods and invoice them with a payment term of 30 days.

The due date of the invoice arrives, but your money doesn't. You send a reminder. But even after your third reminder, for example 45 days after the due date, there is no trace of a payment. At this point you notify Euler Hermes of this overdue account. Protracted Default comes into effect at the latest on expiry of the defined «default deadline». You will then get your money – fast and with the minimum of hassle.

Euler Hermes has access to data on more than 40 million companies worldwide

We make it simple for you

Approval in seconds: Limit request via online service

Usually you need our approval for a credit limit as soon as possible.

This is where the online service of Euler Hermes comes into its own: your requests for insurance coverage for your business can be responded to in a matter of seconds. What's more, your data are optimally protected thanks to state-of-the-art security technology.

Fast and simple – just as an online service should be

Our online system is extremely user-friendly: self-explanatory menu guidance allows you to use it straight away, without any time-consuming training. Just enter the customer data and the amount of insurance coverage required. In many cases the results will be displayed automatically within seconds.

Serving you online around the world

The online service of Euler Hermes is also a global player: you can log onto our system via the Internet from anywhere in the world. With direct access to more than 40 million international company addresses, our on-line service offers you simple, ultra-fast credit decisions even while on the move.

Your advantages at a glance

Our online service helps you to accelerate and simplify your business processes.

It enables round-the-clock:

- fast credit decisions
- worldwide availability
- access to 40 million company addresses at home and abroad
- user-friendly operation

Simpler, faster business processes

An example of premium calculation	
Total turnover	CHF 23.0 mio.
– Turnover against L/C	CHF 0.5 mio.
– Prepayments	CHF 0.5 mio.
– Turnover with public-law corporations	CHF 5.0 mio.
– Turnover with group companies	CHF 3.0 mio.
= Insurable turnover	CHF 14.0 mio.
e.g. 0.20 % premium calculated on this	CHF 28 000



Credit insurance from Euler Hermes makes things simple – for premium calculation, too

Euler Hermes SmartLink

Added to this, our SmartLink offers a direct interface to your own company software. With Web services you can automatically integrate credit insurance in your credit management system, making collaboration faster and easier.

Premium calculation made easy

We want to make things as simple for you as we can. That's why we dispense with complicated premium calculations. To keep your premium payments as transparent as possible, we simply link the premium rate to your turnover with the insured customers.

Transparent, simple premium calculation

The rate you pay depends on the type of coverage you select and on your individual customer base.

Credit insurance from Euler Hermes offers you more

Benefit from a wealth of know-how and a global network

In addition to its **traditional objective of safeguarding liquidity insurance**, credit insurance from Euler Hermes provides other interesting options:

Financing options

With credit insurance from Euler Hermes you gain not only optimal protection for your receivables, but also strengthen your position with lenders. Credit-insured receivables act as security for the funding banks. This way you can obtain cheaper funding and benefit from extended credit terms.

Factoring solutions

Euler Hermes works with major Swiss banks to offer comprehensive factoring solutions. The banks' classical factoring products are supplemented with credit insurance from Euler Hermes to offer combined protracted default/credit insurance. Euler Hermes acts as the insurer for bad debt risks. As the borrower, you benefit from more favourable conditions and increase both your liquidity and flexibility!

Special solutions World Agency

As the global market leader in credit insurance, we naturally also specialise in solutions customised to your individual needs. This can be anything from asset-backed securities (ABS) transactions for financing purposes to designing complex credit insurance solutions for multinationals. We'd be glad to advise you!

The five key advantages at a glance.

Comprehensive global protection of receivables – worldwide, thanks to:

- First-class credit checks and monitoring of your customers
- Personal service and individual coverage concepts
- Integrated debt collection services on request
- Interesting financing options in conjunction with our partner banks
- Simple and fast without unnecessary paperwork.

Strong services around the world

The Euler Hermes Group offers its clients a competent partner with a network of business units and associated companies in key locations virtually all over the world. These offer our Swiss and international clients an extensive range of credit management services adapted to their needs.

International service with the standards you trust

In addition to the credit management services presented in this brochure, Euler Hermes also offers a range of other products and services for your company's security.

Local presence –
virtually worldwide

Complex solution concepts
for multinationals



Euler Hermes – the global leader in credit insurance

Cover for **long-term domestic and international receivables (INVEST)** in the form of an individual transaction-based insurance for manufacturers and traders in capital goods. Coverage is tailored to your specific needs, often in conjunction with our financing partner banks. As a rule, credit facilities are insured for a period of up to 5 years.

Under our **surety insurance (BOND)** we take on sureties, guarantees and bonds based on contractual or legal obligations towards customers in Switzerland and abroad. This relieves the burden on the credit limits you have with your own bank and increases your liquidity.

Fidelity insurance (TRUST) offers effective protection against fraud. It safeguards your company against financial loss due to the fraudulent activities of employees, temporary staff, external staff or members of governing bodies. Coverage includes theft, embezzlement, fraud, misappropriation and computer fraud (hacking).

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