

## Cause of Loss Module

### Pre-shipment risk cover

#### 1 Risk covered

This module covers losses sustained through an incident of pre-shipment risk, i.e. your inability to continue to fulfil your contractual obligations, especially for you to manufacture goods as specified in a **sales contract** with your buyer, insofar as this inability results directly and solely from any of the following events:

- a) **insolvency** of the buyer
- b) Repudiation of the **sales contract** by the buyer, provided that a judgement has been obtained in your favour – this judgement being final and enforceable in the buyer's country – confirming that the buyer will have liability for damages sustained by you due to this repudiation. However, this condition will not be required if there are substantial difficulties in obtaining a judgement, which has been duly acknowledged by us and which is not ascribed to us,

And if the buyer is located abroad,

- c) Occurrence in the buyer's country of a military or civil war, a revolution, riot or insurrection,
- d) Any legislative or governmental measures in the buyer's country,
- e) Any decision of the government of your country such as prohibition or restriction of the export of the goods in process or requisition of those goods,
- f) Occurrence in the buyer's country of a natural disaster such as a cyclone, flood, earthquake, volcanic eruption, tidal wave.

This module covers costs incurred in the performance of the **sales contract**, from the date of commencement of cover to the date when these costs were no longer incurred, plus any applicable costs resulting unavoidably, directly and solely from the occurrence of the risk (storage cost, legal fees, and reimbursement of instalments).

#### 2 Conditions of cover

- 2.1** You must obtain a credit limit from us for a buyer before the **sales contract** becomes effective.

In your request for an initial or revised credit limit, you must specify that pre-shipment cover is requested.

Unless otherwise specified by us, the credit limit we provide applies to any **sales contracts** that become effective on the date we receive your request. This credit limit sets the maximum outstanding balance covered, calculated as the amount of the

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**sales contract** covered for the pre-shipment risk plus the maximum outstanding balance covered for the credit risk.

The credit limit also sets any specific conditions as may be applicable to the pre-shipment risk. If the credit limit we provide is subject to you obtaining a personal guarantee such as a bank guarantee, the pre-shipment cover will be limited to causes b, c, d, e and f as per article 1 of this module.

### 2.2 This module does not cover:

- **Sales contracts** having a delivery period longer than the *maximum delivery period* provided for in the Schedule, from the date of execution of the **sales contract** to the contractual date specified for the completion of deliveries;
- **Sales contracts** entered into by and between you and a buyer for whom a notification of **overdue account** has or should have been given.

## 3 Commencement of cover

Provided that all the conditions applicable to the cover we provide are met, cover will start on the date of execution of the **sales contract**, i.e. when you and your buyer have approved all the provisions of the said contract in writing.

If commencement of the **sales contract** is subject to the fulfilment of a pre-condition, cover will only start on the date when such condition is met. In particular, the **sales contracts** that require an instalment to be made with the order will only be deemed to become effective under this contract on the date you collect this down-payment in your country.

## 4 Occurrence of loss

The pre-shipment loss will be ascertained:

- when the buyer is **insolvent**; as soon as the proceedings described in the General Provisions have been instigated,
- in any other causes mentioned in article 1 of this module; when the performance of the **sales contract** has been delayed for 5 months.

## 5 Risk management

- 5.1 You must notify us in writing as soon as you become aware of any event that could cause the due performance of the sales contract to be delayed.

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- 5.2** You must take all necessary measures to prevent or minimise the loss, and in particular, you must withhold procurement, work in progress or shipments. If one of the events mentioned in article 1 occurs before you have fulfilled your contractual obligations, you must not continue to perform the sales contract nor use the goods that are still in your possession without our prior written agreement.
- 5.3** If we decide, despite of the occurrence of one of the events mentioned in article 1 of this module, that the work can be resumed, we undertake to pay you for any additional damages that our decision gives rise to.

If it subsequently appears that your contractual obligations cannot all be fulfilled, or if we consider that such fulfilment is undesirable, the loss will be ascertained on the date of completion of the work.

## 6 Suspension or termination of cover

If a cause of loss as per article 1 of this module has not occurred and we decide to suspend or terminate cover for the buyer, we will indemnify you, in respect of the **sales contracts** that would consequently cease to be performed, for any losses that would result from our decision, as stipulated in article 7.2 below.

## 7 Claim payment

### 7.1 Conditions of Payment

A claim payment can only be made if you have sent us:

- the **sales contract** and a notification of overdue account showing the amount of the loss for which payment is claimed, together with all written evidence of your rights, as soon as the loss is ascertained ;
- a loss account established in the *currency of this contract* ; income and expenditure paid for in any currency other than the *currency of this contract* must be converted at the *exchange rate* in force on the day of payment.

### 7.2 Loss Calculation

The loss is made up of the balance of a loss account including:

- on the debit side:

Expenses mentioned in article 1 above, after deduction of costs associated with goods (equipment and, if applicable, services) already shipped or performed and for which your buyer has approved the price and the dates of payment.

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In the event of article 1.b) above, the costs taken into account cannot exceed the sum owed by the buyer following the legal decision referred to in this article.

The amount ascribed to the loss account cannot exceed 80% of the value of the **sales contract**, after deduction of the **shipments** already made (or the services already performed).

- on the credit side:

Income (pre-payments made by your buyer, proceeds from the reselling, or re-use value of goods ready for shipment or under production, and of the procured materials, proceeds from the selling-up of **security** and the collection of any indemnities, etc.).

### 7.3 Payment Level

The claim payment is equal to the balance of the loss account, up to the value of the Credit Limit on a buyer - or to the balance available on this Credit Limit in cases where article 7.4 below is applicable- multiplied by the insured percentage specified in the Schedule. This claim is paid subject to the occurrence of a cause of loss, within 45 days after our receipt of the documents as per article 7.1.

**7.4** In case of occurrence of a loss under a **non-payment** risk, the Credit Limit agreed will first be assigned to the loss sustained as for this risk. The possible difference will be assigned to the loss sustained as for the pre-shipment risk.

## 8 Specialist investigation

We reserve the right to appoint a third-party specialist, to verify the nature and amount of the loss you claim. You will provide this specialist with all the information needed for him to perform his task and will give him full access to your books and records.

If the report of the specialist confirms the figures you have specified in your loss account, or are within 10% of this, we shall bear the specialist's fees. If the reduction rate is in excess of 10%, you will pay for these fees.

## 9 Cost of cover

The premium payable for the pre-shipment risk is calculated by applying the rate specified in this contract – which applies to both the non-payment risk and the pre-shipment risk – to the declared turnover.