



PRODUCT DESCRIPTION	Facility
Interbank buyer credit line agreement insurance	VHK

#### Who is this insurance facility for?

MEHIB provides insurance coverage related to a credit line agreement, following export performance, to a domestic credit institution financing a foreign credit institution that directly provides loans to the foreign buyers of businesses registered in Hungary, against both commercial and political risks.

This insurance is backed by an absolute suretyship from the state budget, and therefore

- it can only be taken out in respect of the export of products classified as being of at least 50% (or 25% in the case of construction, assembly, technological assembly, design and any directly related services) Hungarian origin, as certified with a certificate of origin, or
- in respect of 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 cover does the insurance provide?

This insurance covers commercial and political risks.

#### What is the subject of the insurance?

Receivables of a domestic credit institution financing a foreign credit institution that directly provides loans to a foreign buyer in relation to an export-purpose foreign trade contract, that are due from the foreign credit institution, as debtor, and originate from a loan disbursed under an interbank buyer credit line agreement.

This facility provides protection related to receivables originating from an interbank buyer credit line agreement financing the purchase of Hungarian goods and/or services, which insures the payment risks of the post-delivery lending period.

The basic conditions for crediting and insurance are laid down in the bank's buyer credit line agreement and the insurer's framework insurance policy. These two documents serve as the basis for the loans provided from the credit line and the related coverage certificates (a certificate, issued by MEHIB in relation to the loan, on inclusion in the cover by the insurer of the insured party's receivable existing on the basis of the loan, which certificate also specifies the amount of the insurance premium). After the documents have been signed, the decision regarding acceptance is made simply by checking compliance with the conditions of eligibility for insurance.

#### What events are insured?

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

- insolvency (e.g. bankruptcy, liquidation, out-of-court settlement with creditors) of the foreign borrower (the foreign credit institution directly financing the foreign buyers); non-payment by the foreign borrower or its surety/guarantor,

- consequences of 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.

#### **When does the risk assumption start and end?**

In the case of Facility VHK, MEHIB's risk assumption commences on the date of issue of the coverage certificates, provided that the prerequisites for entry into force and the conditions for the first disbursement set in the credit facility contract and the framework insurance policy have been met.

MEHIB's risk assumption lasts until the due dates of the receivables as per the credit, or until the occurrence of an insured event.

#### **How much is the deductible?**

The deductibles ratio to be borne by the insured party is 5%, deviations from which are recorded in the policy.

If a lower deductible is applied compared to the above, MEHIB is obliged to conduct the relevant preliminary procedures stipulated in EU legislation.

#### **What costs does the insurance entail?**

##### *Insurance premium:*

The insurance premium depends on the risk rating of the country where the registered office of the foreign borrower or surety is located, the rating of the debtor and the surety, the extent of the deductible, the content of risk-taking and the terms of repayment.

The maximum length of the repayment period applicable to each country depends on the classification determined and published periodically by the World Bank, based on the per-capita GNI. Classification categories applied by the World Bank:

- Category I: high-income OECD Countries,
- Category II: any other country not included in Category I.

The repayment periods that can be applied depending on the classification are included in the latest effective List of Terms and Conditions.

The calculation base for the insurance premium is the amount of the buyer credit facility.

##### *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.
- MEHIB settles its obligation to pay indemnification on the basis of a claim submitted by the insured party, that is supported by evidence and accepted by MEHIB, within 30 (thirty) days from the expiry of the claims waiting period, whereas in the case of insolvency, within thirty days from the receipt of the final document required for the assessment of the claim.
- The basis for the indemnification is the sum of the receivable(s) outstanding at the due date(s) as per the credit, and the contractual (transaction) interest calculated in respect of any claims waiting period.
- The claims waiting period is 90 days from the occurrence of the loss.

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### INTERBANK BUYER CREDIT LINE (FACILITY VHK)

