

Programme for Quota Share Reinsurance of

Short-Term Export Receivables

RE-IP/01-18

**PROGRAMME FOR QUOTA SHARE REINSURANCE OF SHORT-TERM EXPORT RECEIVABLES**

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HBOR as the insurer for and on behalf of the Republic of Croatia under existing export credit insurance programmes offers also the Programme for Quota Share Reinsurance of Short-Term Export Receivables against non-market[[1]](#footnote-1) and temporarily non-market[[2]](#footnote-2) commercial and political risks as a measure of export promotion.

The Programme for Quota Share Reinsurance of Short-Term Export Receivables (hereinafter: the Quota Share Reinsurance Programme) is intended for insurance companies that perform export credit insurance activities in the market of the Republic of Croatia. Quota share reinsurance is a type of proportional reinsurance under which a quota share expressed as percentage of every risk from the insurer’s portfolio is transferred to HBOR for reinsurance. Under the Quota Share Reinsurance Programme, it is possible to conclude variable quota share reinsurance where various reinsurance quota shares are contracted for various levels of reinsured amounts for foreign buyers.

The right to reinsurance does not exist automatically; HBOR makes a separate decision on each application to enter into a reinsurance contract.

1. **Goal of the Quota Share Reinsurance Programme**
* The sharing of risk between HBOR and insurance companies that offer insurance of short-term export receivables in the market of the Republic of Croatia shall enable exporters to contract insurance for all foreign buyers (regardless of the country) in a single place.
* Promoting exports, maintaining existing and creating new jobs in the Republic of Croatia as well as strengthening competitiveness of the national economy.
1. **Beneficiaries of reinsurance**

Insurance companies providing insurance of short-term export receivables to companies headquartered in the Republic of Croatia with up to 180 days deferred payment or receivables maturing in up to 2 years including the manufacturing period and the payment collection period.

1. **Subject matter or reinsurance**

Exporters’ cash receivables insured by insurance companies that arise from performed and invoiced deliveries of goods and/or services to a foreign buyer.

**4. Reinsured risks**

Reinsurance covers non-market and temporarily non-market risks as follows:

*Commercial risks:*

* 1. Non-payment, delayed payment or non-fulfilment of payment obligation on the part of foreign buyer arisen upon the expiry of the maximum payment deadline,
	2. Insolvency as determined by the governing law of the foreign buyer’s country or other objective facts that indicate impossibility of fulfilment of payment obligation, initiation of pre-bankruptcy, bankruptcy or liquidation proceedings against the foreign buyer.

and

*Political risks:*

* 1. War or events similar to war,
	2. Rebellion or revolution,
	3. Government measures limiting or preventing the transfer or free disposal of payments due to the exporter, for the period longer than 3 months. The same effects are reached by the deferral of payment for more than 3 months if bankruptcy of liquidation proceedings cannot be initiated against foreign buyer on the basis of court decision (foreign buyer is a public law entity).
		1. **Scope of reinsurance coverage**

HBOR as reinsurer enters into a contract with an insurance company on the reinsurance of the risk. In accordance with the agreed quota share, HBOR as reinsurer participates in:

* Insurance premium,
* Indemnities and additional costs,
* Recovered amounts.

Reinsurance covers the receivables arisen in the period of validity of reinsurance contract, and they remain covered until their expiry or until the expiry of the maturity period for the insured receivables.

**6. Level of reinsurance coverage**

The maximum level of coverage by HBOR as the reinsurer may be up to 90%, whereas the level of coverage by the insurance company amounts to at least 10%.

**7. Contracting of reinsurance with HBOR**

For the purpose of contracting reinsurance, it is necessary to submit to HBOR an application for the conclusion of reinsurance contract with accompanying attachments defined in the application. HBOR reserves the right to request other documentation necessary for the processing of application for the conclusion of reinsurance contract.

Standardised application form for the conclusion of reinsurance contract is available in HBOR at request.

**8. Reinsurance contract**

The reinsurance contract is concluded between HBOR and the insurance company.

Constituent parts of the reinsurance contract are:

* General Terms and Conditions of Insurance of Short-Term Export Receivables of the insurance company, accepted by HBOR,
* Accepted list of countries, for which the insurance company wishes to contract reinsurance with HBOR for an individual year of reinsurance,
* HBOR’s currently valid Classification of Countries by Risk Categories.

**9. Reinsured sum**

Cash amount to which the reinsurance is approved under a single foreign buyer.

**10. Reinsurance premium**

The insurance company pays to HBOR as the reinsurer a percentage of the insurance premium charged for non-market commercial and political risks reinsured with HBOR, in accordance with the reinsurer’s determined level of coverage.

The insurance company pays to HBOR as the reinsurer a percentage of the insurance premium charged, plus 30% for temporarily non-market commercial and political risks that are reinsured with HBOR, in accordance with the reinsurer’s determined level of coverage.

**11. Indemnity under the reinsurance**

The cash amount paid to the insurance company by HBOR as the reinsurer, related to the occurrence of reinsured risks pursuant to the concluded reinsurance contract, due to which risks the insurance company paid indemnity to the insured upon the claim submitted to the insurer after the expiry of the waiting period of at least 3 months.

**12. Obligation of reporting**

In accordance with the deadlines defined by the reinsurance contract, the reinsurance company is obliged, upon the expiry of each individual quarter, to submit to HBOR as the reinsurer the information on exposure, insured turnover, received delays in payment, received claims, paid indemnities and recoveries.

**13. Other terms and conditions to be regulated by the reinsurance contract**

**13.1. General limit of reinsurance**

General limit of reinsurance represents the cumulative gross amount of all reinsured sums that HBOR as the reinsurer is ready to reinsure based on the concluded reinsurance contract with the insurance company.

**13.2. Limit of reinsurance by countries**

Limit of reinsurance by countries represents the cumulative gross amount of reinsured sums by an individual country that HBOR as the reinsurer is ready to reinsure based on the concluded reinsurance contract with the insurance company.

**13.3. Limit of reinsurance by an individual foreign buyer**

Limit of reinsurance by an individual foreign buyer represents the cumulative gross amount of reinsured sums by an individual foreign buyer that HBOR as the reinsurer is ready to reinsure based on the concluded reinsurance contract with the insurance company.

**13.4. Reinsurance commission**

Cash amount that HBOR as the reinsurer pays to the insurance company for the coverage of a part of insurance acquisition costs based on the concluded reinsurance contract.

**13.5. Reinsurance year**

Reinsurance period of 12 months starting and ending on the days stated in the reinsurance contract.

**13.6. Duration of the reinsurance contract**

The contract will be valid until the date defined in the reinsurance contract in accordance with the reinsurance year, if not automatically extended for another year. The contract will be automatically extended for another year if one contracting party does not inform in writing the other contracting party of the fact that it gives up the extension of the reinsurance contract at least 60 days before the expiry of the reinsurance year.



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1. Non-market risks are commercial and political risks of public and private debtors who have their headquarters outside of the EU or OECD irrespective of maturity or all risks of all debtors irrespective of the headquarters with duration of 2 years and longer including the period of manufacture. [↑](#footnote-ref-1)
2. In the cases where it is not possible to insure market risks in the private market, e.g. due to insufficient capacity of private insurers, such risks are then considered temporarily non-market risks and can be insured with a public insurance company if the following conditions are met:

• risks of micro, small and medium-sized entrepreneurs whose annual export turnover volume does not exceed EUR two million;

• risks arising from an individual export transaction or export transaction towards one foreign buyer with a risk period from 181 days to two years;

• all other risks that are considered temporarily non-market risks by the European Commission. [↑](#footnote-ref-2)