Xolv

FINANCIAL SUPPORT

glossary

Glossary

In alphabetical order

Advance premium
An estimated premium that must be paid in advance before it is known what the final premium will be. After the insured revenue is declared, the insurer can determine the final premium, and settlement will take place.

Agent
A local contact who is often based in the same country as the debtor. The agent takes care of sales to existing and new debtors at your risk and expense. The insurer considers the agent your representative; hence you must ensure that the agent complies with the terms and conditions of the policy.

Attribution
Provides clarity on how payments received will be handled. The policy will allocate payments received to the oldest outstanding claim or, if payments are received after the claim date, in "proportion to each person's share of the loss." Note: conditions may vary from insurer to insurer.

Automatic coverage stop
Deliveries that take place, or in the case of services and labour, invoices issued after the automatic coverage stop is in effect, are not covered. There is an automatic stop of coverage when the overdue period is reached, upon collection, insolvency, and upon withdrawal of the credit limit or termination of coverage in the debtor's country.

Bankruptcy
Condition determined by the court that a debtor has ceased to pay his debts. The total assets and all income and profits of the debtor will be confiscated for the benefit of the creditors. This is followed by a liquidation of the assets and the distribution of the profits among the creditors. A bankruptcy must be filed in accordance with the law by the debtor or one or more creditors. This is only possible if the debtor can no longer pay or refuses to pay an undisputed debt, despite several reminders, and there are also other claims from other debtors (aid claims).

Blind coverage; see Self-assessment based on unassessed debtors.

Cheque
A written unconditional order to a bank to pay the specified amount directly to the payee. The risk with cheques is that the bank can reverse the payment if the debtor has insufficient balance. As long as this is possible, a check does not provide you with any security.

Claims ratio
Indicates the ratio of claims paid to the premium received. Determined as follows: claims approved by insurer minus booked recovery in the measurement period divided by the premium due over the measurement period. (excluding insurance premium tax).

Co-insured
An affiliated company that is included in your policy and which uses the policy in addition to you as the primary insured. All policy terms and conditions apply to the co-insured under your responsibility.

Collection costs
Costs incurred in a collection to recover a debt owed from a debtor. These costs are recovered from the debtor to the extent possible. Under the credit insurance, the collection costs are also reimbursed if and insofar as your claim against the debtor is insured.

Collection deadline
The period that starts on the day after the overdue period has expired. The insured must assign all claims (both overdue and non-overdue) within this period for collection.

Commercial risk
The risk of a deterioration of the financial situation or the debtor's creditworthiness leads to the non-payment by the insolvency of this debtor. This is not the result of an event or circumstance described under political risk.

Confirmed irrevocable letter of credit.
An irrevocable letter of credit that a second bank has taken over from the accrediting bank, i.e., is guaranteed by that second bank. Payment can be requested from this confirming bank.

Conflict; see Dispute.

Consignment deliveries
You have delivered goods to the debtor. However, the debtor does not have to pay them to you until the debtor sells the goods. So, in effect, it is stock held for you elsewhere. You remain the owner of the goods until the debtor has sold them. If you deliver on consignment, the terms of the policy must be stated separately.

Contract risk / Manufacturing risk
You run a contract risk if the limit is withdrawn during the manufacturing phase of a product, and you are left with a half product that you cannot sell for the costs incurred. The period between the time the contract is signed and the commencement of the credit risk may not exceed the most prolonged execution period as stated in the specific policy conditions. If only Credit Risk is included in the policy, there is no cover for these manufacturing costs. By including Contract Risk, you are assured that the insurance also covers the specific costs incurred and expenditures made.

Covered cause of damage
When such a cause leads to a loss, the insurer will determine and indemnify compensation. The covered causes of loss are insolvency, protracted default, and, if co-insured, political risk.

Covered percentage
Indicates the portion of the claim that the insurer will reimburse if a loss occurs to you as a result of a covered cause of loss. In principle, you always retain an amount of excess (own risk). The percentage of coverage is usually 90% and is stated in your policy.

Credit Limit
The amount that indicates the maximum acceptable risk per debtor for the insurer. You specify the amount required in advance when you apply. The amount must cover the expected total outstanding balance on the debtor (for credit risk), possibly supplemented by the costs of work in progress (for contract risk).

Credit risk
Credit risk coverage starts from the moment the goods are shipped. Shipment is deemed to have taken place when you transfer control of the goods: you no longer have access to them. When providing services or work, the credit risk cover takes effect as soon as the invoice for the services has been sent.

Date of damage
The date the insured loss is determined or the date the loss is deemed to have occurred due to the occurrence of a covered event.

Debt Collection
Outstanding debt is collected from a debtor by a collection agency, bailiff, or lawyer on your behalf. Collection costs are often charged for this.

Debtor
From the business activities listed in the policy, a company to which the insured has a claim.

Dispute (or Conflict)
Debtor indicates that he disagrees with the claim (and/ or with the goods delivered/services rendered) and therefore does not pay (in full). It is not up to the insurer to judge whether the dispute is justified or not; you will have to take care of that yourself. This can be done through an arbitrator or the courts. As long as the dispute is not resolved, the insurer will suspend coverage. Of course, the collection can be transferred to the insurer in the meantime.

DSO
Days Sales Outstanding; the average number of days a receivable is outstanding. This can be calculated as follows: (average outstanding balance *365 days)/ turnover.

Due date, expiration date
The date by which an invoice must be paid.

Excluded debtor
A debtor whom the insurer confirms to be outside the insurance. Therefore, revenue generated with an excluded debtor does not need to be reported on the revenue statement (as the insurer is not at risk on this).

Execution period
The execution period is the period as stated on the policy cover sheet prior to the time when the execution of the contract has stopped based on the instructions or with the insurer's approval or because the debtor is insolvent.

Expiration risk
Coverage for risks that began before a credit limit was withdrawn, or a policy was terminated and continues until payment is made, or a covered cause of loss occurs.

Franchise (claim threshold)
A claim or loss less than this claim threshold will not be compensated. An insured claim or loss higher than this claim threshold is fully considered in determining the indemnification.

ILC, Irrevocable Letter of Credit; see Irrevocable Accreditation

Insolvency
The inability of the debtor to meet its monetary obligations. The following situations fall under this heading:
- the bankruptcy or suspension of payments of a debtor;
- the applicability of a debt rescheduling scheme to a debtor under the Natural Persons Debt Rescheduling Act;
- an arrangement with creditors offered by the debtor and approved by the insurer;
- similar forms as mentioned above in the case of a debtor abroad.

Insurance period
The policy term is divided into one or more insurance periods (often 12 months). After each insurance period, the insurer adjusts the insurance according to the agreed conditions.

Insured claims
Are amounts contractually due to you:
- by debtors located in the countries listed in the country overview and
- that arises from the usual business activities listed in the policy schedule and
- that are related to goods shipped, services rendered, or work performed during the term and
- for which you have a valid credit limit for the debtor and
- for which the payment period agreed with the debtor does not exceed the maximum credit period specified in the policy schedule beginning on the invoice date and
- which meet the conditions of coverage for the debtor's country specified in the country overview.

Insured loss
Your loss to the extent it consists of unpaid insured claims.

Invoicing term
The period between delivering or sending the goods (providing services or performing work) and sending the invoice for this.

Irrevocable accreditation
Once the letter of credit is opened, it cannot be revoked (withdrawn) by the bank or the debtor.

L/C; see Letter of Credit.

Letter of Credit
A letter of credit is a written commitment from a bank (the accrediting bank) that is contracted with you at the request of the debtor. The letter of credit states that the payment will be made at a time stipulated in the letter of credit, provided that all the conditions in the letter of credit have been met (e.g., the necessary documents have been submitted on time). Please note that you apply for a credit limit on the debtor and not on the bank opening the letter of credit.

Limit Confirmation
A confirmation of an issued credit limit by the insurer (by email). This states the issue date, the debtor concerned, and the amount of the credit limit.

Longest implementation period
Contract risk coverage specifies the maximum period allowed between signing the contract and the moment the credit risk coverage takes effect.

Maximum credit period (payment condition)
The longest period of credit (payment condition) allowed under the policy to a debtor.

Maximum compensation
This is the maximum amount the insurer will pay out per policy year under the policy. This is stated on the policy (often an amount or a multiplier related to the annual premium).

Measurement period
The period, usually equal to the policy year used to determine the results under the policy (premium and claims figures).

Minimum premium
The agreed amount you must pay the insurer as a minimum per insurance year regardless of the amount of turnover declared.

Moratorium
General deferral of debts, temporary suspension. It is part of political risk.

Each and every first loss
The unsecured portion of a claim. This excess amount must be borne by you and may not be transferred to third parties, such as a bank. This is because your involvement in the risk is and remains of great importance.

Each and every first loss per debtor
Indicates the amount you have to bear yourself for each indemnity. In other words, this amount is ultimately deducted from the compensation.

Each and every first loss per insurance year
The total amount of approved claims during a specified period (per insurance year) that you must bear before any payment is made to you. This amount is stated in the policy (if applicable).

Overdue period
The period that begins on the day after the payment condition of the oldest invoice of a claim against a debtor has expired and runs until the claim becomes past due. This period is stated in the policy (usually 60 days). New deliveries are no longer covered.

Pledge holder
A pledge holder comes on the policy after the insurer receives a pledge deed signed by the pledge holder and you. You then mortgage your policy when credit is extended by a lender who thereby gains more security for the financing. After the pledge holder's inclusion, any indemnification paid by the insurer go to the pledge holder, unless they permit you to continue paying directly to you. The pledge means that they remain the rightful claimants and can demand compensation payments from you.

Policy holder (or insured)
The (legal) person who has concluded the insurance contract with the insurer.

Policy period
The contract period of the insurance contract.

Policy currency
The currency specified on the policy document. The insurer will charge the premium and all other costs to the insured in that particular currency.

Policy cover page
The proof of the insurance contract prepared by the insurer and provided to you.

Political risk
One of the covered causes of loss in the policy (if included in the insurance). Political risk includes the following circumstances: moratorium, transfer risk, waiver of payment, war (except between the 5 superpowers), natural disaster, the impossibility of contract performance, revocation of an export license, or government default. Political risk should be read in conjunction with the sanctions legislation module.

Postponement of payment
The originally agreed expiration date of a receivable is postponed to a new date. The debtor may therefore pay later than initially agreed. However, the initially agreed expiration date remains the date used to apply the policy terms and conditions.

Premium Rate
The insurer calculates the percentage of the insured turnover to determine the final premium, excluding insurance tax and policy costs.

Premium refund/surcharge (*)
Depending on the claims ratio, you will receive a refund of the premium for an insurance year, or you will be required to pay an additional premium. Re (*): if so, included by a separate clause stated in the policy.

Proceeds (provenue)
Any amounts or payments related to a loss received by you or the insurer after the date of loss.

Protracted default
The situation where a receivable has remained wholly or partially unpaid for more than 6 months from the original due date of the oldest invoice.

Retention of title
A contract provision that stipulates the insured retains ownership of goods delivered to a debtor until the debtor has paid for them in full.

Revenue Statement
A statement of the invoiced turnover on which the premium specified in the policy is charged. If an advance premium has been paid, the difference will be settled. From this turnover, the following components, if any, may be deducted: zero-limits, private individuals, VAT (unless co-insured), intercompany turnover, and turnover on government agencies.

Self-assessment based on credit information
You can set a credit limit yourself based on a credit information report. This report must not contain any unfavourable information and must unreservedly justify the required credit limit amount by means of an amount or a rating. You must not have suffered any loss on the relevant debtor during the 12 months before You must not have suffered any loss through non-payment on the relevant debtor in the 12 months before the cover takes effect. A credit limit established based on credit information reports is valid for a 12 months period from the date of the report and cannot exceed the amount of the self-assessment limit stated on the policy schedule. If a credit limit (including a zero limit) is issued at any time, the credit limit established by the self-assessment will expire. However, 12 months after the date of the zero limit, you may rebuild coverage under the self-assessment. Note: terms and conditions may vary from insurer to insurer.

Self-assessment based on payment experience
You can set your own credit limit based on your own payment experience. The credit limit is then equal to the total of the payments you have received within the mentioned period, during the 12 months prior to the date of coverage entry. You must not have suffered a loss from non-payment on the relevant debtor in those 12 months. A credit limit established based on payment experience can only be used for transactions with the same or shorter payment terms as the transactions on which the payment experience is based and cannot exceed the amount of the self-assessment limit as stated in the policy schedule. Note: terms and conditions may vary from insurer to insurer.

Self-assessment based on unassessed debtors (also called Blind coverage)
For debtors in countries for which this is indicated in the Country Overview, you can set a credit limit yourself up to the amount of the credit limit threshold for unassessed debtors specified in the Policy Overview. The condition is that you have established the correct entity of the debtor and know nothing negative about the debtor. The covered percentage will be reduced to the covered percentage for unassessed debtors as stated in the policy statement (often 50%). If at any time a credit limit (including a zero limit) is issued by the insurer, the credit limit established by the self-assessment expires. However, 12 months after the date of the zero limit, you can rebuild coverage under the self-assessment. Note: terms and conditions may vary from insurer to insurer.

Suspension of payment
Suspension of payment is a postponement of payment granted by the court and is intended to give a relief period to a company that has temporarily run into liquidity problems. Nowadays, “Deferral of execution” is given more quickly than in the past because the law has changed: even if there is only the prospect of “satisfying the creditors”, suspension of payments is granted by the court. However, in most cases, suspension of payments leads to bankruptcy.

Terms of Payment
This is the term which the insured agrees with the debtor within which the debtor must pay the invoice. The payment condition on the policy schedule is also understood to mean the same payment condition with the addition of "end of month."

Third country risk
Political risks are incurred in a country other than the debtor's country. Usually, this is a country through which shipments are made or where the goods are to be delivered, services provided, or work performed. This is not included as a standard in the policy.

Transfer Risk
Political events, economic difficulties, foreign exchange shortages, legal or administrative measures in the debtor's country that prevent or delay the transfer (the transfer of amounts in international payment transactions) of the payments transferred by the debtor. This is understood as a political risk.

Underinsured
Underinsured is the case that, at the time the insured transfers a claim or reports a loss of collection, the credit limit is exceeded.

VAT
Value added tax. Sales tax (VAT) must be paid on a company's turnover in the Netherlands. VAT charged to the company may be deducted. In other words, tax is paid on the value-added: the difference between the purchase price (plus expenses) and the selling price. VAT is excluded by default in the policy but can be included if you choose a low coverage rate.

Waiting period
Specifies the period after which you can claim under protracted default. The period starts from the due date of the oldest outstanding invoice, and this is stated in the policy and is 6 months by default.

Disclaimer

This list of definitions is based on descriptions provided by various insurers. For the exact description, please refer to the descriptions in the policy conditions of the insurer concerned. No rights can be derived from this list of terms. With its clauses and general policy conditions, your policy is binding at all times.

At your

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