

Xolv

FINANCIAL SUPPORT

# *glossary*



# Glossary

## In alphabetic order

### 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.

### Overdue period(s)

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

### 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.

### Automatic coverage stop

Deliveries that take place, or in the case of services and labor, 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.

### 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."

Conflict; see dispute

**Blind coverage;** see Self-assessment based on unassessed accounts receivable.

### 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.

### 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.

### 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.

### 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.

**Debtor(s)**

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

**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.

**Dispute;** see Conflict

**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.

**Own risk**

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.

**Own risk per debtor**

Indicates the amount you have to bear yourself for each indemnity. In other words, this amount is ultimately deducted from the compensation.

**Own risk 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).

**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.

**Invoicing term**

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

**Bankruptcy**

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.

Or one or more creditors. This is only possible if the debtor can no longer pay or refuses to pay an uncollectable debt, despite several reminders, and there are also other claims from other debtors (support claims).

**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.

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.

**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.

**Covered cause of damage**

When such a cause leads to a loss, the insurer will determine and payout compensation.

The covered causes of loss are insolvency, probable insolvency, and, if co-insured, political risk.

**Dispute (or Contest)**

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.

**ILC, Irrevocable Letter of Credit,**

see Irrevocable Accreditation

**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.

**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.

**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.

**Credit Limit(s)**

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.

**L/C, Letter of Credit;** see Accreditation

**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 relative to the annual premium)

**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.

**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.

**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.

**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.

**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.

**Irrevocable accreditation**

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

**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 damages 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 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, natural disaster, the impossibility of contract performance, revocation of an export license, or government default.

**Premium Rate(s)**

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.

**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.

**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).

**Suspension of payment**

Suspension of payment is a postponement of payment granted by the court and is intended to give a breathing 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.

**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 that conditions may vary from insurer to insurer.

**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.

**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).

**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.

**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.

**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.

**Probable insolvency**

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.

**Due date, expiration date**

The date by which an invoice must be paid.

**Insured loss**

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

**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.

**Policy holder (or insured)**

The (legal) person who has concluded the insurance contract with the insurer.

**Insurance period(s)**

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

**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.

**Waiting period**

Specifies the period after which you can claim under probable insolvency. 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.

**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 unfavorable 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 company to company.

**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 arrears 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 company to company.

#### **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.

**Please note;** Terms and conditions may vary from company to company.



# 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*

*service*



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