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Insurance cover for German exports at risk

The economic crisis in Greece and other Southern European states affects the German export industry. Suppliers have difficulties to get trade credit insurance cover for payment defaults resulting from insolvencies of Greek, Spanish or Portuguese customers.

This development concerns, amongst others, numerous German companies from the machine and plant engineering industry as well as for the electronic industry. More often, they have to bear the costs resulting from their customers' payment defaults themselves.

The trade credit insurance protects suppliers (policy holders) against payment defaults in case of the customer's insolvency. The credit insurer and the insured company regulate in a master agreement the legal framework of the trade credit insurance. The policy holder applies for insurance cover for all accounts receivable resulting from an individual customer relationship by means of so-called limit applications. The insurer examines in detail the customer's solvency and the insurability of the customer relationship.

„If the insurer refuses to grant insurance cover for the customer relationship, this might be an indicator for the business partner's lack of solvency”, explains Christian Becker, Specialist Solicitor for Insurance Law at Wilhelm Rechtsanwälte. Companies from Greece, Spain or Portugal are currently examined very carefully by the credit insurers. Some credit insurers do currently not accept any business with relation to Greece.

The insurer may also limit or terminate insurance cover granted for a customer relationship for the future. If the customer's solvency worsens, the insurer often decreases the cover sum for future accounts receivable or refuses the cover totally at short notice. The consequence: The insured company's retention increases or payment defaults are not covered anymore. “This implies a financial risk especially for policy holders who have long-term contractual relationships with their business partners”, says Christian Becker.

German export firms should keep an eye on their business relationships. If the customer does not pay within the agreed maximum credit period, the policy holder has to inform the insurer immediately. Otherwise the policy holder risks losing insurance cover and the collectability of accounts receivable. “It is therefore strongly advised not to agree on extended payment terms with the customer without talking to the insurer”, says Christian Becker.

About Wilhelm Rechtsanwälte:

“Wilhelm Partnerschaft von Rechtsanwälten“ was founded on 1 April 2006 by Dr. Mark Wilhelm and Lars Winkler in Düsseldorf. The partnership mainly specializes in economic counselling-at-law resolving legal matters in the areas of liability, insurance as well as corporate law. With twelve lawyers Wilhelm advises international and national corporates, public corporations and mid-sized companies as well as their board and supervisory board members. On the basis of trade-specific and insurance-economical know-how, Wilhelm develops tailor-made legal concepts and procedural strategies for the client’s needs. The law firm Wilhelm was awarded Germany’s “Law Firm of the Year for Insurance Law” at the JUVE Awards 2011. Internationally, the law firm cooperates with Clausen Miller Europe. With around 200 experienced lawyers and offices in Düsseldorf, Chicago, New York, London, Paris, Rome, Brussels and Shanghai as well as further Clausen-Miller locations in the USA, the cooperation offers the expertise to solve cross-border liability and cover disputes.

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