

## Government Trade Credit Insurance top-up scheme – product details

### Scheme overview

The Trade Credit Insurance (TCI) top-up scheme enables businesses with a trade credit insurance whole-turnover policy, that have seen a reduction in the value of their cover to a specific buyer, to purchase additional insurance. The insurance you buy under the scheme will sit on top of your existing credit insurance policy and follow the conditions of that underlying policy.

### Business eligibility

The scheme is open to all businesses trading in the UK, of any size and operating in any sector, which hold a whole turnover trade credit insurance policy.

### Applying for the scheme

You can apply for the scheme when there is a reduction in the level of cover provided under your current whole turnover policy, with respect to a particular buyer, provided that:

- the cover is in respect of trades taking place within the UK
- the trades covered by the insurance have payment terms of no more than 120 days, and any pre-shipment coverage included in your underlying policy terms is of no more than 120 days
- the level of cover being compared to was in place for at least 30 days
- the reduction in the level of cover happened either on, or after, 1 October 2008
- the reduction in the level of cover was instigated by your credit insurance provider – and not at your own request

The scheme is administered by the private sector on behalf of government. Please contact your credit insurance provider for further details and, if you are eligible, to apply for the scheme.

### Cover limits

You can only buy policies under the government scheme for six months. The value of cover you receive under the scheme is determined by the level of cover provided by your underlying credit insurance policy. You can buy insurance to the value of the lower of the following amounts:

- the amount which restores the level of cover to the amount you had previously
- the amount equal to the level of cover now offered under your credit insurance policy
- £1 million

The minimum amount of cover you can buy under the scheme is £20,000.

### Level of cover provided

The level of cover provided by your top-up policy is linked to the amount of cover provided by your underlying credit insurance policy. If the level of cover provided by your underlying policy changes at all during the six months then the level of cover provided by the top-up policy will also change at the same time. The new level of cover will be the lower of the amount which either:

- restores the level of cover to the amount you had before you entered the top-up scheme, or
- is equal to the level of cover now offered under your credit insurance policy

If this means that the level of cover provided by the top-up scheme decreases then, in limited circumstances, you may be eligible for a refund.

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If this means that the level of cover you can receive under the top-up scheme increases then you will only receive the additional cover if you pay the relevant additional premium. Otherwise your level of cover will remain at the previous level.

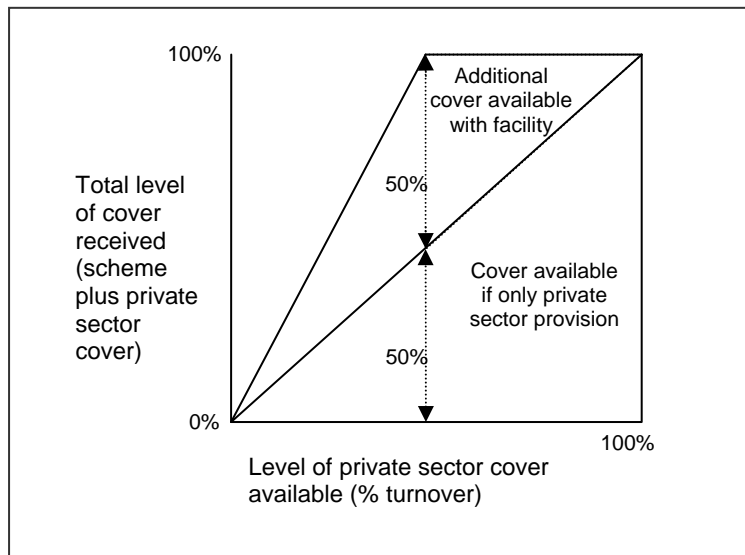
If the level of cover provided by your underlying policy is reduced to zero (ie is completely withdrawn) then the amount of cover provided under the top-up scheme will also be reduced to zero (ie is completely withdrawn) with effect from the same date.

#### For example:

- If cover provided by your underlying policy is reduced from £100,000 to £80,000 then you can buy top-up cover of £20,000 to restore cover to the original level of £100,000.
- If cover subsequently reduces to £50,000, you can buy additional top-up cover of £30,000, bringing the value of your top-up policy to £50,000, restoring your total level of cover to the original level of £100,000.
- If cover subsequently reduces below £50,000, for example to £20,000, then the level of cover provided by your top-up policy will fall to match the amount provided by your underlying policy, in this case £20,000. Your total level of cover will be £40,000.

The scheme does not apply in situations where underlying cover is completely removed, unless it is partially reinstated and the other eligibility criteria apply.

The level of cover available through the top-up scheme is illustrated by the diagram below:



#### Buying more than one policy

Each policy bought under the government scheme applies to your relationship with a particular buyer. You can buy additional policies to cover your relationship with other buyers - provided the eligibility criteria are met in each case.

#### Scheme availability

The scheme is open to new applicants until 31 December 2009. After this date no new policies under the scheme can be entered in to. Each policy bought under the scheme will run for six months. A business may chose to start a prospective policy at any time during the life

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of the scheme. Up to 28 days' retrospective cover can be purchased in circumstances where a business requires continuity of cover from a partial reduction made by insurers in the previous 28 days.

### **Buying a policy - how long do you have to decide?**

The deadline for receipt of applications is 31 December 2009.

### **Eligibility - choosing to join the scheme**

The scheme is only available to those credit limits which are reduced at the credit insurer providers' instigation. If you believe you are eligible for the scheme please talk to your broker or credit insurance provider.

### **Eligibility - if your cover was reduced before the announcement?**

You can apply in respect of reductions in cover that happened on or after 1 October 2008, provided that you had cover in place at the original, higher level for at least 30 days prior to its reduction.

### **Eligibility – if your cover has been completely withdrawn.**

In order to protect the interest of the taxpayer, the scheme is only available where some level of cover is provided by the private sector. The level of cover available under the government scheme is never more than the amount provided by your underlying credit insurance policy. If your cover has been partially reinstated, you may be eligible if you pass the other eligibility criteria.

### **Pre-shipment cover**

The policy purchased under the government scheme will mirror the terms of your underlying credit insurance policy. If pre-shipment cover is included in your underlying policy then it will be covered under the scheme, provided that pre-shipment cover is for no more than 120 days.

### **Exclusions – cover for exports**

The scheme only applies to trades taking place within the UK.

### **Scheme costs**

The cost of your six month top-up policy will be calculated at a rate of two per cent of the level of cover provided under the scheme at the time when you joined the scheme.

There will be an additional administrative charge from your credit insurance provider which they will detail separately.

If there is opportunity for your level of cover to increase under the scheme then you have the option of paying extra to receive the additional cover. If your level of cover provided under your top-up policy reduces, in limited circumstances you may be eligible for a refund.

The premium paid on your top-up policy does not affect any premium you have paid or may owe to your credit insurance provider with respect to your underlying credit insurance policy.

### **Paying for the scheme**

The scheme is administered through your credit insurance provider. You should pay your credit insurance provider as per their instructions. They will pass the premium you have paid to the government on your behalf.

Note:

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- Your relationship with your broker is not covered by the scheme's terms and conditions.
- Insurance Premium Tax (IPT) is due as normal.

### **Changes to cover under the scheme – impacts on your premium**

If the cover available under the scheme increases, from the level you first purchased, you will need to pay an additional premium in order to receive the additional cover. This will be calculated according to the amount of extra cover and the amount of time remaining on your top-up policy. (The rate of two per cent for six months will be applied pro-rata to the remaining cover period and the amount of additional cover purchased.) If you do not pay the additional premium your level of cover under the scheme will remain at its existing level.

If your level of cover under the scheme is reduced during the first three months then you will be eligible for some refund. The amount of refund will be 0.33334 multiplied by the difference between the higher level of cover and the lower level of cover provided under the top-up policy during this period. There is no refund available on any administrative fees paid. Refunds are calculated and payable either at the end of your six month top-up policy, or when the level of cover under the top-up policy is reduced to zero.

If your level of cover under the scheme is reduced more than three months in to the six month top-up policy period, you will not be eligible for any refund.

The premium paid on your top-up policy does not affect the premium due to your credit insurance provider with respect to your underlying credit insurance policy. In particular, being eligible for a refund on your top-up policy does not entitle you to any refund on your underlying credit insurance policy which has been purchased as a separate policy and on which its specific terms and conditions will continue to apply.

### **During the scheme**

#### **If the level of cover is reduced / increased by your insurance provider**

During the life of the scheme, the level of cover provided under the scheme will adjust according to your underlying credit insurance policy. The new level of cover will be the lower of the amount which either restores the level of cover to the amount you had before you entered the top-up scheme, or is equal to the level of cover now offered under your credit insurance policy.

If this means that the level of cover provided by the top-up scheme decreases then in limited circumstances you may be eligible for a refund.

If this means that the level of cover you can receive under the top-up scheme increases then in order to receive the additional cover you will need to pay the relevant additional premium. If you do not pay the additional premium your level of cover will remain at the previous level.

If the level of cover provided by your underlying policy is reduced to zero (ie is completely withdrawn) then the amount of cover provided under the top-up scheme will also be reduced to zero (ie is completely withdrawn) with effect from the same date.

#### **If your insurance provider completely withdraws cover**

If the credit insurance provider completely withdraws cover, then the policy under the scheme will expire. Transactions already covered will continue to be insured, but no new transactions will be covered.

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### **If your underlying policy expires during the scheme**

The top-up scheme is directly linked to your underlying policy. If your underlying policy expires then the top-up policy will also expire.

### **Renewing your underlying policy during the scheme**

If the terms of the underlying policy remain substantively the same upon renewal, then your top-up policy will automatically become linked to your renewed underlying policy and carry on as before. The length of cover available under the government scheme is six months from the effective date the original reduction in cover occurs. Renewal of your underlying policy does not alter or extend the length of your top-up policy.

### **Changing insurance provider during the scheme**

This is permitted under the scheme - the principles will remain the same for switching insurance providers as for renewals. Your new insurance provider will take on administration of your top-up policy for the remainder of its term. If, however, your new insurance provider has not signed up to offer the government scheme then your top-up policy will expire.

If you are changing insurance provider you will be required to declare on the application form with your new provider that you are currently receiving support under the top-up scheme, and for what amount, and that you are therefore eligible for continued support. This will be verified in the event of a claim and an incorrect declaration would result in the claim being disallowed.

### **Dispute with your credit insurance provider during the scheme**

Provided your underlying credit insurance policy is valid then your policy under the top-up scheme is also valid. If you do anything to invalidate your underlying policy by breaching its terms and conditions then the top-up scheme will also become invalidated.

### **Making a claim under your top-up policy**

Contact your credit insurance provider who will manage your claim on behalf of government.

### **Queries and complaints**

If you have a complaint or query, about the scheme or your treatment under the scheme, please contact your credit insurance provider in the first instance.

### **The role of the government**

Government provides the insurance for the trades you undertake which fall under the coverage of the top-up policy. This insurance sits above the contract you already have with your credit insurance provider and does not impact on that contract in any way. The scheme is administered on behalf of government by your credit insurance provider. Therefore you will not interact directly with the government if you participate in the scheme. All applications, payments, claims and queries should be directed to your credit insurance provider and not to government.

The legal relationship will be between you and your credit insurance provider. Your credit insurance provider will have a separate legal relationship with government in respect to the top-up scheme.

All credit insurers participating in the government scheme adhere to a statement of principles which outlines the behaviour of credit insurance providers you can expect with respect to your insurance policy. The statement of principles is published by the Association of British Insurers and can be found on their website [www.abi.org.uk](http://www.abi.org.uk).