

## **Euler Hermes Germany introduces sector policy to protect haulers against payment default and minimum wage claims**

**HAMBURG – 4 JUNE 2015** – Euler Hermes, the worldwide leader in trade credit insurance, is set to offer haulers customized protection in Germany. With an insurance policy specially tailored to the requirements of the transport industry, Euler Hermes can cover logistic companies against payment default. The credit insurer also offers special fidelity guarantee insurance (VSV) against fraud, embezzlement and hacker damage, which also includes cover for willful breach of the German Minimum Wage Act (MiLoG). The third pillar is the option of guarantee cover for sub-contractors, for example guarantees against minimum wage claims.

### **Haulers' requirements: Cover for one-off customers, pre-carriage and onward carriage cover**

"Haulers are battling strong price and competition pressure – many small and micro companies are scarcely achieving a 1% margin in some cases and are fighting for survival as a result," said Jonas Müller, Head of Product Development at Euler Hermes Germany. "Added to this, costs are rising on the back of the minimum wage, which we believe will lead to a rise in the number of insolvencies in the year ahead. Consequently, risk transfer is becoming an increasingly important factor for haulers. We have now developed a sector policy which factors in the special requirements of the transport industry. Optimal flexibility and speed are as important as the option of cover for many one-off customers and the inclusion of transport-specific risks such as pre-carriage and onward carriage for example, plus all cross-border shipment taxes."

### **Immediate protection: flat-rate cover with no prior credit enquiry**

The new Euler Hermes transport policy includes flat-rate cover, so-called "blind cover", for small orders up to €10,000. Such orders are also subject to reduced reporting obligations: chargebacks only have to be reported if no payment has been received after 10 days. This cuts the administrative workload and impacts positively on customer relations.

A further advantage of flat-rate cover is that it enables them to make decisions independently and accept orders in the knowledge that these services are covered against payment default – without any additional information costs or outlay. For larger orders up to €25,000, the transport policy takes effect after a quick self-check by the logistics company: it only has to prove that the customer has paid its invoices in the past 12 months or be able to produce positive evidence from a credit reference agency. Even pre-carriage cover is included with all taxes and fees incurred, as well as 30 days' onward carriage cover. Orders in excess of €25,000 are also insured: in these cases the hauler must submit a credit enquiry and Euler Hermes checks the customer's credit rating.

### **All risks online at a glance: 24/7 access to data on 40 million companies**

Tailored sector insurance also includes the online tool SmartView. This gives access to Euler Hermes' global database, which tracks the credit ratings of over 40 million companies worldwide, three million of them in Germany alone. Haulers can thus obtain a detailed overview and up to date credit rating information on their total customer portfolio, making it easier for them to weigh up the risks when making business decisions.

### **Incalculable liability risks when sub-contractors breach the German Minimum Wage Act**

Euler Hermes offers a further insurance product for the transport industry in the shape of fraud insurance, which protects companies against fraud, embezzlement, breach of secrecy and hacker damage by their own employees or external third parties, and also in the event of breaches of the German Minimum Wage Act.

"Germany's new Minimum Wage Act incurs incalculable liability risks in particular for haulers who work with sub-contractors," said Müller. "The Act guarantees employees working in Germany a minimum hourly wage of €8.50. If sub-contractors do not pay the statutory minimum wage however, the employer is liable and in case of doubt has to make up the difference. As well as protecting them against payment default by their customers, we are therefore helping transport companies minimize their liability risks. However, sub-



contractors can also cover minimum wage claims themselves by means of guarantees, which give them a competitive edge with the employer."

**Insurance premium: dependent on credit rating, sector and country risks, deductible**

The insurance premium amount is calculated on an individual basis and depends on numerous factors, notably the customer's credit rating, sector and country risk. However, the amount of the required sum insured, the deductible and the inclusion of political risks also impact on the price of insurance cover. If a credit rating is good, the premium may be 0.1% of annual turnover for example, as opposed to 0.4% if the risks are higher.

**Sample calculation: €5 million additional turnover needed to offset €100,000 loss**

Even small losses can make a big hole in companies' finances. For example, a hauler provides a transport service costing €100,000 and the customer defaults on payment. If the profit margin is 2%, the logistic company would need to make €5 million of additional turnover to offset the loss incurred. For many haulers this is impossible within a year and in the worst case scenario it can threaten their very existence.

For 2015 Euler Hermes expects to see a slight recovery in the German transport sector, mainly due to the positive impact of low oil prices. In 2016 however, the leading credit insurer anticipates a further slight rise in insolvencies to 1,740 cases (2015: 1,690). The transport sector sees a disproportionately high number of insolvencies in relation to its 5% contribution to GDP. Euler Hermes predicts that the sector will account for 7.2% of all insolvencies in Germany this year and 7.5% in 2016.

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The 1,500 employees of Euler Hermes Germany are based at its headquarters in Hamburg and in other offices. More information: [www.eulerhermes.de](http://www.eulerhermes.de)

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