

# RISK MANAGEMENT SOLUTIONS FOR THE ENERGY INDUSTRY

## FREQUENTLY ASKED QUESTIONS

Euler Hermes Energy is the industry specific unit of Euler Hermes, the world's leading provider of trade credit insurance. Euler Hermes covers over \$1 trillion in trade transactions every year. With more than 100 years of experience, we have earned the trust of companies around the world.

### WHY IS EH OFFERING A PROGRAM SPECIFIC TO THE ENERGY INDUSTRY?

The Energy sector is particularly well positioned to benefit from the unique opportunities that require navigating associated risks. Our suite of products is specifically designed to mitigate the risk and maximize opportunities.

### WHAT EXPERTISE DOES EULER HERMES ENERGY OFFER TO ENERGY COMPANIES?

Euler Hermes built the EH energy team to specifically serve the industry. The team includes over 100 years of broad-based industry experience coupled with advanced credit risk mitigation expertise. This team underpins our ability to serve you from the simplest transactions to the most complex.

### HOW ARE THE EH ENERGY TOOLS UTILIZED?

- **Trade Credit Insurance** Euler Hermes' core offering protects companies' receivables from unforeseen buyer defaults both in the U.S. and abroad. With a credit insurance policy in place, companies from all segments of the energy industry can create value.
- **Spread Loss Risk (SLR)** Spread Loss Risk helps bridge the gap between the contract and the market value in the event of default. SLR effectively augments risk mitigation strategies, providing a simple solution to a common concern.

### DOES EHE OFFER ON-DEMAND PAYMENT BONDS?

Yes. Euler Hermes Energy offers on-demand payment (ODP) bonds, offering several key advantages:

- 100% risk cover
- Maximizes working capital by reducing the capital constrained by collateral posting requirements
- Bond is unsecured and 'callable' at any time during the coverage period
- Bond pays out in short time frame
- Priced competitively with other collateral assurance instruments
- Premium paid by Principal
- Expanded collateral optionality

## WHAT ARE THE BENEFITS OF CREDIT CLEARING VIA EHE?

Our programs are designed to help increase open liquidity throughout the supply chain.



**Enhance liquidity.** The ability to extend and receive credit is the lifeblood of the energy industry. When your receivables are insured, you can confidently expand your credit horizons across your counter party base. In the event of a default, you're covered.



**Support your credit approval team.** When you work with EH Energy, our team becomes an extension of your team. We work in conjunction with your credit and commercial teams. Together, we develop options to expand your credit horizons without compromising your risk position.



**Mitigate concentration risk.** We help turn concentration risk into opportunity by clearing counter party credit to an AA balance sheet.



**Create greater value.** The market is demanding open credit in lieu of, or in conjunction with, letters of credit or other collateral options. Typically, our tools are a cost effective alternative. Credit insurance can create a greater value when used in conjunction with open credit, letters of credit, and other traditional resources.

## WHICH COUNTERPARTIES CAN WE COVER?

Each policy will be customized to fit your needs.

- Counterparties that have been turned away from open credit
- Counterparties capped internal credit limits
- Commercial opportunities limited by credit capacity
- Non-investment grade counterparties
- Privately held companies
- Foreign domiciled companies
- High concentration counterparties
- Counterparties with limited hard assets
- Counterparties currently posting?

## WHAT IS THE LEVEL OF INDEMNITY?

The level varies depending on your selected policy, your credit management experience, and counterparty portfolio.

## ARE ANY SERVICES AVAILABLE ONLINE?

Yes. With EOLIS, Euler Hermes' online policy management system, you can make credit requests, file a claim, and monitor your claims in real time. Euler Hermes also offers SmartView, our secure online risk monitoring tool that gives you direct access to exclusive market knowledge for your portfolios through a wide range of risk reports. Through its data-driven resources and reports, SmartView allows you to accurately review client risk and capture growth opportunities.

## WHAT ASSURANCE DO I HAVE THAT EULER HERMES WILL PAY?

Euler Hermes pays more than **85,000 claims** – nearly **\$2 billion every year** – for our customers' covered losses in countries around the world. Indemnifying losses is the heart of our business and we are the U.S. and global market leader **for a good reason**. We monitor risk in all countries and in a variety of business sectors across the globe and our market presence spans six continents and 52 countries. When we become aware of risk with a business you sell to or a country you ship to, we tell you proactively. If an unexpected loss occurs that is covered under the terms of your policy and you provide the information required, your claim will be paid.

## WHAT IS THE COST?

Cost is typically less than a sleeve and usually dissolved into the trade price. Credit insurance can be a cost effective alternative for both you and your counterparties. Consideration is given to trade history, historical bad debt, and the credit quality of your counterparties. Additional consideration is given to the trading history, historical bad debt loss of your company, and credit quality of customer base. When political risk coverage is included, the premium may be higher.

## WHY SHOULD I ADD EHE TO MY TOOLBOX?

- Risk mitigation
- Enhanced liquidity
- Higher margin
- Trade efficiency
- Better execution
- Counterparty expansion
- Value creation

For more information, please visit [www.eulerhermes.us/energy](http://www.eulerhermes.us/energy).

