HMRC - IPT04740 - Export Credit Insurance Contracts

Credit insurers will often offer cover which insures the exporter against not being paid or against losses resulting from non-performance. For example, a customer may require the exporter to enter into a performance bond or guarantee. If the exporter does not fulfil the necessary conditions, they may have to pay compensation to the customer, under the bond, and so may take out insurance to cover the financial loss incurred.

If a contract of insurance offers both these types of cover the contract can be treated as wholly exempt (provided all of the other conditions in paragraph 13 are met). Paragraph 13(5) of Schedule 7A states:

Where a contract relates to-

(a) credit of the description in sub-paragraph (1) above; and

(b) Loss resulting from the insured or any third party being required to pay the amount of any bond or guarantee against non-performance by the insured of the contract which involves him making the supply,

the contract shall be treated for the purposes of sub-paragraph (1) above as if it did not relate to loss of the description in paragraph (b) above.

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