



**LEASE AND  
RETURN  
OF PLANT/  
EQUIPMENT  
INSURANCE  
COVER**



**YOUR EXPORT **RISK** PARTNER**

# LEASE AND RETURN OF PLANT/ EQUIPMENT INSURANCE COVER



This insurance cover focuses on capital equipment, not necessarily owned outright by the export contractor, which becomes subject to various lease agreements and for which the export contractor acts as either the lessor or lessee. These items are required for the performance and execution of projects and their usage can be terminated during the execution or upon completion of the project. In most cases, contractors face challenges in terms of reinforcing their contracts or succeeding to repatriate their plant/equipment. The applicant has the option to choose among the following insurance products: financial lease, operating lease and return of plant/equipment.



## FINANCIAL LEASE (FULL PAY-OUT)

### DESCRIPTION

A contract that allows the lessor to retain ownership of the equipment while transferring substantially all the risks and rewards of ownership to the lessee. It can be considered as a full pay-out lease.

### INSURED CAUSE OF LOSS

#### Political causes of loss include:

Damage/ loss as a result of:

- War and civil disturbances;
- Confiscation, expropriation and nationalisation (including forced abandonment or deprivation)
- Change in law
- Breach of contract;
- Transfer restriction and inconvertibility;
- Political events that may occur whilst the equipment is in transit;
- Terrorism and sabotage.

#### Commercial causes of loss

- Insolvency; or
- Protracted default.

### PERCENTAGE COVER

The insured contractor may, subject to prior down-payment obtain up to 100% of the value of the equipment covered/outstanding lease instalments as given in the repayment schedule.

### ELIGIBILITY FOR COVER

1. Compliance with SA content requirement
2. The underlying equipment is a movable asset

**NB:** Lease of Software: the insurance cover will be provided in accordance with sectoral developments.

Lease of buildings: based on security, enforceability of lease contract, legal system, taxation and land ownership in the host country.

## OPERATING LEASE

## RETURN OF EQUIPMENT

Essentially a short term or a temporary rental contract entered into between the lessor and the lessee for the use of equipment. The lessor is responsible for maintenance and insurance and a substantial part of ownership risks.

This cover is designed for the contractors' plant and machinery that is to be returned to South Africa after being used on construction sites.

### Political causes of loss include:

Political events listed under financial lease.

Two separate insurance covers shall be provided, one for the rental amounts and another for leased equipment, based on its book value.

### Commercial causes of loss:

Non-payment of rental amounts by the lessee due to:

- Insolvency; or
- Protracted default.

The leased equipment is not covered for commercial events of loss.

### Political causes of loss include:

Political events listed under financial lease

**NB:** Damage or loss due to mishandling or transportation will not be considered as the insured Cause of Loss.

**There is no cover for commercial causes of loss.**

The insurance cover distinguishes the rentals from the rented equipment in 2 separate policies as follows:

1. The insured lessor may, subject to prior down-payment on the rental amounts (up to 15%), obtain up to 100% of the value of the outstanding rental instalments.
2. The underlying equipment shall be covered up to 90% for political risk events only.

The lessor may obtain a cover up to 90% of the declared book value of the equipment. The insured lessor or leasing company will have to declare the insurable value i.e., book value of the asset/equipment at the beginning of the lease period and each policy anniversary.

As in Financial Lease

**NB:** The insurance cover can be extended to the lease of buildings on the basis of the satisfaction drawn from, amongst other conditions, the security, the enforceability of lease contract, the legal system, taxation and land ownership in the host country.

As in Financial Lease

**NB:** In addition, the determination of SA content will include the value of the other services rendered by the lessor including operating, repairs, maintenance, and other technical assistance.





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