

FOR IMMEDIATE RELEASE

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Increased demand for Trade Credit Insurance

- Cost of capital and tightened risk environment will continue to challenge the industry
- Increased information sharing and transparency will be provided to customers

Credit insurers lived up to their obligations during the financial crisis by insuring trade credit risks (+/- 20 million credit limits) and paying out claims at a ratio of around 84% in 2009 (pre-crisis +/- 40%). That was stated at today's press call on "Trade Credit Insurance's role in a fragile recovery from the financial-economic crisis" with ICISA's President Clemens von Weichs and its Executive Director Robert Nijhout.

Both also emphasised that trade credit insurers demonstrated their ability to respond to the difficult economic situation. The cost of capital and a tightened risk environment in the crisis still challenges the industry, leading to higher premium rates and stricter conditions – a development that the experts expect to continue. Therefore, higher transparency about credit limit decisions and enhanced services in risk management consultancy for clients will be a strong focus in the future.

Increase in demand for Trade Credit Insurance

The financial-economic crisis has led to a significant increase in demand for Trade Credit Insurance cover. Banks and other trade financiers had to take measures during this crisis which resulted in increased pressure on supplier's credit terms and led to high risk scenarios. Available capacity was not affected by the crisis, although pre-crisis terms are no longer available;

Von Weichs highlighted how trade credit insurers continued to support their customers during the crisis. "The industry's involvement is illustrated by some 20 million running credit limits. Insured exposures are at EUR 1.8 trillion. These dropped by some 10% in 2009, in line with lower trade volumes. Claims shot up in 2008 and 2009, which resulted in a claims ratio before costs for the sector of around 84% for 2009, compared to pre-crisis loss ratio levels of around 40% - 60%", Von Weichs confirmed.

Nijhout added: "With a high but stabilised claims ratio Trade Credit Insurance confirmed the industry's ability to manage risk and their role in a difficult financial environment. The quality of credit limit management is appreciated by customers. They show today an even increased interest with regard to this consultancy and the management of credit risk through a credit insurance company."

Trade Credit Insurers increase information sharing

High policy renewal rates of around 80 to 90% confirm customer satisfaction with their insurance partners. Trade Credit Insurers will in the future emphasise even more the added

value of their risk management role for clients and will make the respective processes more transparent.

“The market is now in a stable but still challenging situation.” said Von Weichs. Nijhout added: “Increased involvement by governments in short-term Trade Credit Insurance did raise the visibility of the sector. The government support schemes serve efficiently the needs of the customers, but they had limited demand. It is expected that these support schemes can be terminated by the end of this year.” emphasised Nijhout.

Outlook

Continued availability of Trade Credit Insurance cover gives confidence and security during a fragile economic recovery.

The economic recovery can be considered as faster than expected. Worldwide GDP (following major economic forecasts) could rise in the range of 3-4%, mainly driven by emerging markets.

“Trade Credit Insurance exists since the beginning of the last century. Credit insurers went through economical downturns or financial crises together with their customers. The industry will continue to give this support to their customers.” said Nijhout.

Trade credit insurers will meet as well capital requirements which could be re-defined by Solvency II. Another uncertainty for trade credit insurance customers with regard to the economic environment could be a possible rise of interest rates. This could increase cost of financing for producing and trading companies.

NOTE TO THE EDITOR:

The International Credit Insurance & Surety Association (ICISA) brings together the world's leading companies that provide trade credit insurance and/or surety bonds. Founded in 1928 as the first credit insurance association, ICISA has currently 45 members in total. The trade credit insurance members account for over 95% of the world's trade credit insurance business. Today, with over USD 2 trillion in trade receivables insured and billions of dollars worth of construction, services and infrastructure guaranteed, ICISA members play a central role in facilitating trade and economic development on all five continents and practically every country in the world.

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