

# **BUSINESS INFORMATION INDUSTRY ASSOCIATION – BIIA (Asia Pacific – Middle East)**

## **Trends in Credit Insurance and Implications on Information**

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# Benefit of trade credit

- **In the mist of the uncertainties in international trade, trade credit is paramount:**
  - **To secure new customers**
  - **To retain existing clients**
  - **To be competitive in buyer's market**
  - **Tedious documentation on ILC**
  - **Trade Credit facilitates the passage of goods or services from the seller to the buyer and is crucial part of trade financing**

# Trends affecting trade credit and collections

- **Communication channels and information technology speed up the business negotiation processes**
- **Speed and complexity in transactions surge**
- **Customized products/services e.g. work-in-progress (pre-credit) risks**
- **Bulk volume of purchase reduces the average transaction costs**
- **Short delivery time, e.g. Just-in-time delivery**
- **Direct dealings between sellers and buyers, without intermediary channels**



# Requirements for Credit Insurance

- **Globalization of trade generates higher export volume and value, frequency and greater competition, thereby generating greater demand for cover.**
- **Traders with automated business operational business systems require quick decision making processes and administration through Internet**
- **Credit Insurers provide around the clock on-line systems, to facilitate the policy administration and risk management services, ie, application and approval of credit limits.**
- **Speed of responses is imminent and automated underwriting process serves the purpose**
- **Demand for credit insurance in supporting trade finance intensifies**



# Challenges of current credit crunch from Asian perceptive

- **Aftermath of US sub-prime mortgage crisis and further housing corrections**
- **Likely implications of US-led setback on growth in EU & Japan**
- **High oil prices & inflationary pressures**
- **Sustained demand of China & appreciation of RMB versus marco-economic measures**
- **Likely growth of emerging markets in Asian Pacific Region**
- **Uncertainties generally generate higher demand for credit insurance yet credit risks surge simultaneously**



# Implications on Information

- **Content of status information: qualitative & quantitative**
- **Transparency of information versus privacy**
- **Availability of financial insight on the buyer**
- **Speed of service and accuracy of report**
- **Positive and negative finding and view on the buyer**
- **Automation and the necessary format of dispatch of information**
- **Instant transaction into prescribed language**
- **Cost efficiency versus purchase volume**