International Credit Insurance & Surety Association

ICISA NEWSLETTER

October 2012 Volume 7 ◆ Issue 3

Dear Reader!

Since the ICISA committees met in Ljubljana last March the economic situation in most parts of the Western world continuous to be worrying with a continued uncertain outlook. A solution to the Euro-crisis seems still far away while it becomes clearer that the solution lies with European and more importantly national politicians. While financial markets react positively for now, the pressure on politicians to find a solution has only increased.

Our industry still faces a stronger supervisory policy under Solvency II. Uncertainty about the date of its eventual implementation is a cause for concern. At the same time new proposals on how to define marketable risk in the EU may hamper or distort competition.

At the ICISA Autumn Meetings 2012 last September in The Hague, members of ICISA again had the opportunity to share thoughts and experience on the industry and on current economic developments.

Although this differs per market, the trade credit insurance members reported a hardening of the market compared to last year with increased competition for fewer deals. In general the trade credit insurance members saw an increase in premium income and an increase in claims compared to last year, especially in Europe. The claims frequency has increased, and while the industry is preparing for a further rise in claim payments, the average claim size still remains roughly the same. Members expect the industry to grow in particular in Asia and in Latin America.

Surety members report that the market has hardened, although this varies per country. Mixed results are reported with regard to premium income although overall a slight increase is noted. The number of insolvencies has increased in most countries under review and claims are increasing with a higher frequency.

The Reinsurance market is still considered as being soft and ample capacity for the Trade Credit Insurance and Surety sectors remains available.

A further update on markets is included in the article 'Q&A's Committee Chairs'. In their comments the respective Chairs also share their outlook, taking into account what new supervisory measures mean for our industry as well as the effects of the crisis on our products and most importantly on our clients.

I wish you pleasant reading!

Rob Nijhout
Executive Director

Calendar

◆ **Single Risk Committee Open Forum**
London, 26 February 2013

◆ **ICISA Spring Meetings 2013**
Paris, 13 - 15 March 2013

◆ **ICISA 71st Annual General Meeting**
Milan, 5 - 7 June 2013

◆ **ICISA Autumn Meetings 2013**
Amsterdam, 18 - 20 September 2013

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ICISA INTERVIEW

October 2012 Volume 7 ◆ Issue 3

“Parallel partnerships can be complementary”

After a long career in the trade credit insurance industry Martin van der Hoek will retire as Director Insurance Technique at Coface Nederland at the end of October 2012. We asked him to take us on a tour of his career and remind us of his long standing relationship with ICISA which already lasts 35 years.

“Starting on the 1st of April? You’re kidding!”

It was not the obvious choice to start his career in the trade credit insurance industry. “As a working student I made some money by working as a freelance production assistant for informative programs for the Dutch Radio and Television. No big deal and certainly not a regular and sufficient source of income. A friend of mine told me that the Nederlandsche Credietverzekering Maatschappij (NCM, now Atradius) was looking for an account manager. We were drinking one or more beers in an Amsterdam pub one street away from the NCM offices and I told him that I knew nothing about insurance, and even less about trade credit insurance. But I thanked him for the tip and I called NCM. To get employed a psychological test was obligatory and, good heavens, I passed and was employed as from the 1st of April 1975. It was a Sunday and in the Netherlands a fools’ day.”

Mr. Martin van der Hoek

After some years of learning the basics of the product Van der Hoek became involved in product development and the reinsurance of political risks for the account of the Dutch State. This is around the time that the General Manager of NCM, Mr. Gerard Cohen Tervaert, sent a letter to the International Credit Insurance Association (ICIA, now ICISA) stating that Van der Hoek was selected to represent the company in the Technical Sub Committee. (TSC, now the Credit Insurance Committee). “As proud as I could be I told my girlfriend that the first meeting for me to attend would be in Copenhagen. I’d love to join you! she said and I asked Mr. Harry Groen of NCM if it would be possible to take my girlfriend to the meeting. He said why not, change your business class ticket into two economy tickets and enjoy wonderful Copenhagen. I came home and surprised my girlfriend not only with a trip to Denmark, but also proposed that this could be a nice place for a honeymoon. My involvement in ICIA started in parallel to a very important private partnership.”

Cross border

In the mid-eighties Van der Hoek became member of the management team of NCM’s sales department and insurance technique was his main task. “NCM wanted to cross the North Sea around 1989 and they asked me to manage NCM International and sell translated NCM policies in the UK. In 1991 NCM was successful in buying Insurance Services Group, the short term credit section of the Export Credit Guarantee Department, ECGD, with a head office in Cardiff. Working with my new British colleagues was great fun.”

In the meantime Van der Hoek participated also in many meetings of ICIA. “At ICIA I met Mr. Volker Beninde of Allgemeine Kreditversicherung (AK). In 1997 he asked me to look for someone who could set up a branch office for AK in the Netherlands. After some weeks I called him and told him that there were not too many candidates to be introduced. Never mind he said and thanked me for what I did until then . A head hunter was asked to find the right person and two days later the head hunter called me and asked me whether I would be interested to do the job. I told him that I had a wonderful position in NCM and being almost 50 a possible change should be attractive enough.”

Starting from scratch

“Negotiations with AK took 4 months and finally we came to terms. Starting from scratch, but with great assistance of my new German colleagues I looked for an office, I tried to find a secretary, I wrote a business plan and on 1 August 1998 Die Allgemeine Kredit Nederland was operational.”

Van der Hoek states that “these were the years of internationalization - not only within NCM, but also for example Sfac became Euler and Euler became Euler Hermes.”

In 1996 Coface became shareholder of AK and their participation in the German company became 100% in 2002. Gerling was one of the parties interested to buy NCM and when they did in 2001 the European Commission decided that they should divest their former credit insurance operations in the Netherlands and Denmark. In 2002 AK was successful in buying these branches and in the Netherlands Coface Nederland was created with offices in Amsterdam and Breda. Also the Dutch trade credit insurance branch of Germany’s Gothaer was added to Coface Nederland.

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"Parallel partnerships can be complementary"

(Continuation of interview Mr. Van der Hoek)

"One of my ambitions has always been to proceed in product development and to learn more about our main product. My position in the new entity became Director Insurance Technique and I got the chance to assimilate three different types of policy wording into what is called now the Globalliance Contract of Coface."

Van der Hoek also continued his active participation in ICIA and this was not unnoticed by his fellow committee members. "In the meantime my friends in the Technical Sub Committee of ICIA elected me to become their chair from 1998 until 2001."

Changes

Looking back to the changes and developments of the product, Van der Hoek notices that "when we see the development of the trade credit insurance product since the mid-seventies of the last century, one can say that IT has been of paramount importance to make the product attractive enough for all parties involved. Online communication did not exist when I started at NCM, but the NCM Data Network with telephone lines and television sets, was a promising start of what is now common practice for almost all credit insurers.

"But not only the communication changed; also the content of the product became more sophisticated. Cross border trade credit insurance became a hot issue when internationalization made large scale operations possible. Reinsurance of political risks by private reinsurers contributed to these developments. Deductibles were offered in order to fine tune the insured's participation in the risk and to accommodate the premium he had to pay."

In more than 30 years Van der Hoek saw the change in the cyclic nature of the business. "In the beginning of the eighties a crisis led to a claims ratio of more than 140% for private account only. Ten years later a new downturn proved to be not so heavy. Another 10 years later the internet bubble hit us and what happened to Lehman Brothers in 2008 had consequences which no one could expect. During all these difficult periods trade credit insurers were asked to give the right answers to the market. And that was not always easy. No customer wants you to insure a concrete house that is submerged 10 metres under water against fire. I remember the questions of British brokers when I made my first efforts to sell NCM policies in London - How nice of you to bring us an alternative, but do you really want to penetrate a market which is in such a bad shape? My answer was "At least here is something to insure!"

"And now, the end is near…"

In 2011 the members of the Credit Insurance Committee (CIC) of ICISA elected Van der Hoek as their chairman. In this position he will complete his active and positive contribution to the success of ICISA.

Van der Hoek clearly appreciates the many years in the trade credit insurance business and underlines that "during the last 37 years I was very lucky to experience the chances as described above. ICISA has always offered me the possibility to widen my scope and to learn more from experienced colleagues. Selling policies in the UK was a great adventure but the opportunity to contribute to what is now Coface Nederland gives me good memories and quite some satisfaction."

"During my partnership with ICISA some notable changes occurred in the association. Not only changing the President and the executive director, not only moving the office from London to Amsterdam, but also creating the academy for Training and Education in Credit Insurance and Surety, STECIS, some years ago. It was for me more than a pleasure to contribute to this spin off of ICISA by joining colleagues as a tutor in trade credit insurance.

ICISA is some 20 years older than I am. When I will have the same vitality as ICISA when I am 85, I should be very proud. At least this is something to work on!"

Van der Hoek looks forward to remaining active in the trade credit insurance world. "I am very grateful that some initial contacts and contracts have been made. I like to continue my partnership with ICISA by remaining close to STECIS, not forgetting to continue that parallel private partnership, which has been complimentary during all the years."

To conclude the interview Van der Hoek would like to address his many friends and colleagues in the trade credit insurance industry. "I wish ICISA and its members a future which will be demanding and successful. I thank my colleagues in trade credit insurance for a great time together. Trade credit insurance is indispensable for facilitating trade as it was a great support in my life."

ICISA INTERVIEW

October 2012 Q & A's COMMITTEE CHAIRS Volume 7 ◆ Issue 3

These are personal contributions by the Chairs of the ICISA Committees and do not necessarily reflect the views of the respective Committees

Accounting & Regulatory Committee

Chair of the Accounting & Regulatory Committee and Senior Manager Group Finance at Atradius, Mr. Eric Holstvoogd.

Could you elaborate what the issues are your Committee focussed on over the last 6 months?

Mr. Eric Holstvoogd

The ARC mainly focused on the upcoming new draft insurance accounting standard (IFRS 4 phase 2) that we expect that the IASB (International Accounting Standard Board) will issue during Q4 2012. Although in the current IFRS and the current draft it is stipulated that credit insurance, the IASB calls these financial guarantee contracts, are in scope, we are worried that this is debated again and we continue to discuss what our response will be. A financial guarantee contract is defined in IFRS as 'a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs, because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument'. Such contracts meet the definition of insurance contracts. Since some people feel these are similar to financial guarantees issued by non-insurance entities (banks) they should be accounted similar. However it is important that although the name might be similar the content of the product is different and therefore the accounting should be.

What will be the main issue for discussion in your Committee the coming period?

The committee has two recurring agenda items, being first of all the new accounting standard for insurance contracts which is expected in Q4 2012. The adaptation of this new accounting standard will dramatically change the accounting and the related disclosures on insurance contracts for all insurance carriers that apply IFRS as their accounting standard, but very likely also local regulators might adopt a (light) version for local regulatory filing. The ARC will have to review the exposure draft and issue any comments if needed.

Although the majority of the Solvency II topics are handled by the Solvency II Expert Group within ICISA, the ARC will need to focus more and more on this topic. Not only from a reporting role, but also since the measurement principles will influence local standard setters accounting policies and the close relationship it is expected to have with IFRS 4 phase 2. A great concern is that the updated European Solvency II directive (Omnibus 2) is still not approved by the European Parliament and that this is now delayed to 20 November 2012. This delay and new delays are incurred on approval and finalisation of the related delegated acts and implementation measures, knowing that the Solvency II deadline is 1 January 2014. Hence the implementation time becomes shorter and shorter, it will create additional challenges for the insurance industry.

In what way does the financial crisis influence the discussions within the Committee?

The economic developments do affect the calendar of the ARC. Although it is not discussed in detail within the ARC, the development of the sovereign debt crisis in combination with the overall deterioration of the European economy has an impact on accounting. The discussions focus on when to impair government bonds, what do we do when a coupon payment is missed, the more difficult provisioning process and how EIOPA (European Insurance and Occupational Pensions Authority) and local regulators do respond to this.

Are there, and if so which, anti-crisis measures were generally applied in the 2011 & 2012 accounts?

Although the current understanding might be the accounting is not driven by the economic climate it is however. Based on the economic crisis 2008/2009 the G20 agreed measures that the accounting treatment should better reflect the underlying nature of the transaction and explaining this transaction. This agreement transpires in changes in the accounting standards and local law. The users of the annual accounts will observe that in recent annual accounts there has been a considerable increase in the explanation of the accounts, the disclosure of the governance and risk management policies and how the company manages these risks. This will only continue in the current economic climate and will increase further when the insurance industry has to report Solvency II figures, including the required disclosures, like the ORSA, to the public and the regulators.

Which organisations or regulators are important to your Committee and do you expect that these contacts will be intensified the coming year?

Important organisations to the ARC are the IASB which is the standard setter for International Financial Reporting Standards and EIOPA that provides regulation on Solvency II. That will be the basis for the future regulatory reporting. Depending on the scope of the new insurance standard it might be needed that the ARC should have very close contact with the IASB and their staff members. *(> p.5)*

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(Continuation of interview Mr. Holstvoogd)

What new topics or issues do you see emerge for the future discussions in your committee?
The focus of the ARC is really on Solvency II and the new expected insurance accounting standard.

These are both multi-year projects and within the ARC we will continue to discuss these topics.

ED: At the end of the meeting of the Accounting & Regulatory Committee Eric Holstvoogd was re-elected as Chair by the members present.

Committee of Underwriters

Vice-Chair of the Committee of Underwriters and Director Credit Insurance at MAPFRE, Mr. Felipe Buhigas.


Mr. Felipe Buhigas

Could you indicate what you identify in general as the main underwriting concerns in the European markets?
Probably the main underwriting issue within the European markets has to do with the worsening of the economic situation in the Euro zone. Advance data highlight that, while the economy reported zero growth in gross domestic product (GDP) in the first quarter, its contraction could be substantial in the second quarter. Moreover, advance economic indicators suggest that the second half of the year is unlikely to provide any pleasant surprises. In this scenario insolvencies are increasing, especially in those countries more affected by the crisis.

Are there specific sectors that are from an underwriting point of view of concern? And why?
We agreed on reviewing the situation of three crucial sectors across Europe: Construction, Steel and Automotive. These three industries are quite globalized and they usually represent a significant part of the risk portfolio in each credit insurer. Our idea is to debate about the impact that the current economic situation in Europe could have on them.

On the agenda of the last meeting special attention was given to information providers? Could you indicate why?
It was something that came up very naturally during our discussions on the situation in different countries. In some of these countries (especially in emerging countries) members where really interested in exchanging experiences concerning the sources of public information, the quality, the availability, the delivery time… We decided that it could be very interesting to shares such kind of experience in different countries or regions.

Are there topics or issues that you expect will emerge for future discussions in your committee?
Debates within the committee remain very open and we usually try to adapt in order to discuss about highly topical subjects. Having said that I'm sure the evolution of economic developments in the Euro zone will remain an important issue for the coming months, paying special attention to the situation in Southern Europe.

ED: The members thanked the departing Chair and Vice-Chair and elected Markus Deubert of Zurich Insurance plc and Nick Walklett of HCC International as their Chair and Vice-Chair respectively.

Credit Insurance Committee

"Growing demand for our products requires a state of the art answer"

Chair of the Credit Insurance Committee and Director Insurance Technique at Coface Nederland, Mr. Martin van der Hoek.

The Euro crisis is high on the agenda of your Committee. Could you indicate what you expected to be the general feeling within your Committee?
The Credit Insurance Committee will take into account that a change in the exchange rate of the Euro in relation to other currencies will have consequences in so far as the Euro is the currency of the insured invoices. Policy conditions with respect to the conversion of payment in local currencies into Euro will be important to determine the creditworthiness of buyers located outside the Euro zone.

What do you expect are the scenarios the members prepare for?
Being risk aware the members may consider different scenarios, without stating explicitly what they expect. A self-fulfilling prophecy of financial disasters is not what we are looking for. On the other hand there are limits to the support of weak economies by countries with a relatively strong position. Some members study the exclusion of causes of loss, such as currency fluctuations and devaluations, which may occur in case of a Euro break up or a Greek exit.

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(Continuation of interview Mr. Van der Hoek)

Is there, taking into account the on-going crisis, according to you a need to review the product?
As long as reinsurance remains available to cover political risks as well as the the consequences of currency fluctuations and devaluations, our product may continue to facilitate trade, even in an on-going crisis. Premium rates may increase and buyer or country underwriting will be more cautious.

Could you elaborate why your committee has premium charging and the consequences of insolvency of the buyer during the grace period high on the agenda and what according to you need to be the discussions within the Committee will focus on regarding these topics?
Members are free to propose topics for discussion and the different systems for charging the correct premium are of importance to all members. Alternatives to be more client friendly or to avoid a mismatch between the risks to be insured and the appropriate amount of premium deserve our attention.

There is an increase in demand for trade credit insurance in emerging markets and particularly the BRIC economies. Could you comments on this increase and possible related consequences for risk appetite and capacity?
Emerging markets and particularly the BRIC economies may develop as suppliers as well as buyers. In both cases trade credit insurance should enable them to protect themselves as creditors and should be prepared to accept them as debtors. Up to date and reliable information on their quality as suppliers as well as buyers may stimulate members' risk appetite. Capacity should not be a problem.

Trade credit insurance is a well-known product in the European region and growing interest is seen in Asia and the Americas. Could you indicate what according to you the discussions needs to focus on and what could be according to you the factors that contribute in both respective markets?
The Credit Insurance Committee is fully prepared to explain how trade credit insurance can benefit and facilitate trade in Asia and the Americas. Members realize that the conditions of cover should be flexible enough to be introduced in markets with their own legal structures and legislation as well as their own prerequisites to make credit insurance successful. A dialogue on these aspects is essential.

Your committee is involved in many projects within ICISA. Could you name a few and update the readers on the processes?
Many members of the Credit Insurance Committee have contributed to a long list of reports on specific topics, to the Cataloque of Credit Insurance Terminology, a bestseller available in 6 languages, and to the ICISA Book on Trade Credit Insurance which is "under construction" now.


Mr. Martin van der Hoek

Furthermore members were prepared to allow their staff to act as tutors during seminars of STECIS. All this is done by colleagues who have a regular full time job and who are convinced that ICISA's membership is beneficial, when they contribute to the projects mentioned here above.

What new topics or issues did you already see emerge for the future discussions in your committee?
The Autumn Meetings have certainly resulted in topics for future discussions on the rapidly changing economic situation in many countries and trade sectors. Members know that our product should be the answer to our clients' wishes. I am sure that it is our firm intention to keep our customers satisfied.

The most important discussions within the Credit Insurance Committee were therefore of course the Euro-crisis and the effects of a possible Greek exit. Certainly a topic of ongoing concern. Furthermore the pros and cons of the systems for charging premium. This subject will be continued in meetings to come. And last but certainly not least the emerging markets and BRIC-economies. It became clear that members are monitoring the first and third subject with great concern and/or interest. Nobody expects however the end of the Euro-crisis at short notice.

ED: At the end of the two-day meeting, Martin van der Hoek stepped down as Chair after serving the Committee for two years as Vice-Chair and one year as its Chair, but not before the Committee members jointly thanked him for his enormous efforts and inspiration as member and as Chair of the Committee. The members than elected René Mul of Atradius as Chair and Pierre Favre of Aspen Re as Vice-Chair for the coming year.

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Single Risk Committee

"Challenging the scarcity of trade and export finance"

Chair of the Single Risk Committee and Chairman of the Management Board of Garant, Mr. Louis Habib-Deloncle.

Mr. Louis Habib-Deloncle

Could you share with the readers your views on the current market conditions - demand, terms and conditions and market capacity?
The Eurozone sovereign crisis and the slowdown in the global economy are impacting the demand mainly in the continental economies. However demand remains active in the commodity sector and in a different way, from the banking industry.
This demand is however different from the traditional one with very short tenors (spot deals) in the commodities and more difficulties to organize financing of medium/ long term financing in export finance despite a still active involvement of ECAs in this field.

The trade finance shortage is penalizing more medium/ small size exporters than the big players, another negative consequence of the concentrations in the financial sector in the past twenty years. Market capacity for single risk is globally available, with a rather tough competitive environment, save for some large debtors signatures where such capacity is almost saturated.

Is the recognition of the single risk policies as a risk counterpart sufficiently accepted by international financial regulators? Could you elaborate why not?
Unfortunately international regulators did not address the existence of credit and political risk insurance when they defined the new prudential regulations. There is a wide consensus, up to the ICC or the WTO – which gives evidence of the excellent track record of trade credit -, that these new prudential rules may seriously impair the development of international trade flows and will require amendments. Regulators seem to be totally unaware – or to have no trust – in risk management practices and risk mitigation techniques offered by the credit insurance industry. In addition to it, the creation of a liquidity ratio in Basel III is a true killer for all kind of medium term financing. However our market remain confident that most of the actors in international trade will continue using single risk insurance , as witnessed by the growing demand received since the beginning of the year.

What do you identify as new product trends in the market?
New products? Rather new practices which require the market to adapt as much as reasonably possible. Some of this new trends are really challenging, such as the 99% insured percentage now boosted by some ECAs as they may change the market business model based upon a strong involvement of the policyholder to manage its risks. Some other evolutions, like for instance insurance of fair calling of bond should be addressed with a whit of sense and due consideration for the technical consequences of such evolutions.

Co-insurance best practices is on the agenda of the Committee. Could you elaborate on this topic?
Coinsurance best practices are as well a matter of common sense. When you read the balance sheet of a corporate firm, you may immediately learn its level of loans and debts but there is nothing to tell you the level of insurance protection bought from the market. If now, a said supplier contracts ten different credit insurance policies with several underwriters for several contracts with a same buyer, how will each underwriter be informed of the global size of the risk he is carrying. That is how it happened that some underwriters, having written –let us say – a 10M policy for a said client on a given debtor were finally caught into a 100M claim between the supplier and the debtor, the additional 90M being insured by other policies with different underwriters. The claim management becomes much tougher as you may have ten different viewpoints on the measures which should be taken without having any kind of coinsurance agreement. Such a situation could easily lead to a conflict based upon misrepresentation or lack of due diligence. In order to avoid such occurrence, it seems useful to define appropriate disclosure rules in order to allow each player to have true knowledge of the risk to be carried. Nobody intends to try and impose a market rule or to refrain competition but everybody should be aware that sound practices are necessary to avoid unexpected conflicts. The Single Risk committee is working on such recommendations.

What is the importance of Basle III for the Single Risk market and what position do you hold in the discussions?
Basel III is relatively less important these days than the trade finance crisis. Notwithstanding the regulatory environment, if banks strategies lead their management to consider they have more to win doing investment banking than trade finance, then international trade may suffer a lot.

Basel III has already led banks to reconsider their capital allocations and, despite the efforts of the excellent trade finance teams in many of them several banks have decided at the highest level to allocate less resources to

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(Continuation of interview Mr. Habib-Deloncle)

commercial banking, being now considered as being too risky and not rewarding enough . Bankers are now trying to substitute structured financial products in lieu of their historical financing but there is little chance such new products will be able to broadly answer the needs of the clientele. The credit insurance market is not really recognized as a valuable partner to sit at the table of Basel III negotiators. We may have to wait the results of experience the day Basel III rules will have to be amended.

What new topics or issues do you already see emerge for the future discussions in your committee?
The SRC will keep working on its main topics: market survey, catalogue of terminology, recoveries which we want to achieve, even if the time frame is a bit longer than originally expected. Once again, a main specificity of the SRC is that we need and want to cooperate with non ICISA members if we want to implement concrete positive evolutions for our market. It takes time to reach common views but the past three years experience demonstrates how important it was to set up a forum where our market colleagues could discuss together matters of common interest. The single risk market is still relatively young and the SRC , even more. Let us take the time necessary to work in depth on all topics allowing our market to better organize and evolve in the good direction.
During the Autumn Meetings Trade credit crunch and emergence of domestic political risks were the two main topics discussed, while it has been decided to keep working on completion of the single risk market survey.

ED: The members of the Single Risk Committee re-elected Louis Habib-Deloncle as their Chair and Jan Müller from Hannover Re as Vice-Chair.

Surety Committee

Vice-Chair of the Surety Committee and Director Bonds Sweden and Nordic at Atradius, Mr. Lennart Rönnquist.

Could you elaborate on the developments of the surety business in general over the last 6 months?
Despite the uncertainty, surety business has remained quite stable. Main reason behind is most probably that underwriting has been conservative ever since the financial downturn started back in 2008.

The surety business results differ per country or region. Could you indicate where growth is expected and why?
Growth and good results are quite dependent on the state of each country's economics and the financial status and pricing levels of the banking sector. One region that has had growth is the Nordics following higher exposure growth and price levels.

Do the current Euro crisis and related austerity measures have possible repercussions on surety portfolios? Is this expected to affect claims?
There is still too much uncertainty to predict, but it is of course not positive events that have occurred or possibly will take place in the near future. My stance is generally that we will see higher claims figures.


Mr. Lennart Rönnquist

The committee is discussing the Insurance Premium Tax in Germany. Could you elaborate why this discussion is important for the industry?
The discussions in the committee so far has formed a general principle that income, emanating and produced in countries abroad, shall not be taxed in Germany. I would also add that there is at this stage no final decision on the topic.

Concern has been raised about licensing issues for insurance companies in some Eastern European countries and the acceptance of sureties. Could you elaborate briefly on the discussions at hand?
In some countries, the thresholds achieving a license are lower than in other. For example; by setting up a financially weaker Surety in such a country and use the license as a entry ticket in more stricter countries, disables a fair competition. It is actually the first occasion (autumn meeting) we have this topic on the agenda.

What new topics or issues did you already see emerge for the future discussions in your committee?
The use of URDG 758 by Sureties and the question if ICISA shall promote the use in any sense. Another topic is that beneficiaries in some countries accept a Corporate guarantee instead of requiring a bond/guarantee from a third party (Surety or Bank) and if ICISA should act in any way. In general the discussions furthermore focussed on the Euro crisis and the effects of the crisis on the various markets.

ED: The meeting marked the formal end of the chairmanship of Mr. Luc Reuter and Vice-Chair Mr. Lennart Ronnquist, who the Committee members thanked for their great enthusiasm and professionalism. Paul Daas of Nationale Borg and Mr. Roberto Leidi of SACE BT were respectively elected Chair and Vice-Chair.

ICISA NEWS

October 2012 ASIA CORNER Volume 7 ◆ Issue 3

Inaugural Meeting Asia Subcommittee

by Richard Wulff, Chair

"Asia is not going to be civilized after the methods of the West. There is too much Asia and she is too old." (Rudyard Kipling)

At the AGM in Singapore, the first and founding meeting of the Asia Subcommittee took place.

The subcommittee was founded by the ICISA Management Committee with the goal of promoting trade credit insurance and surety on the Asian continent. Looking at macro-economic and trade indicators, it is not hard to see why.

Mr. Richard Wulff

The combined share of Asian developing economies* in the total world non-oil trade increased continuously from less than 4% in 1970 to nearly 25% by 2008. We all know that when there is trade, there is a necessity for trade credit insurance. Where the product is not well known, it is our duty and privilege to promote it and thereby awaken the latent demand for our product.

The first committee meeting aroused quite a lot of interest with participation of (in alphabetical order) Atradius, Axis Re, Coface, ECICS, Hannover Re, Mapfre, Mitsui Sumitomo, Munich Re, PICC, QBE, R&V, SACE, SCOR, SFAA, SGIC, Swiss Re and Tokio Marine & Nichido Fire. All in all, there were 20 attendees from extremely diverse parts of the world. It was an honor for me to be elected as Chair. Fabien Conderanne (Coface) was elected as Vice-Chair.

The agreement amongst members found its way into the Asia Subcommittee-charter (currently still in draft - available to members at the Secretariat), which sets out what we do and how we will tackle the gargantuan task ahead of us:

Purpose
The purpose of the ASC is to further the development of trade credit insurance, surety and political risk insurance in Asia subject to the focus as hereunder, which is to be re-evaluated from time to time.

Focus
The geographical scope of activities of the ASC is focused primarily on Asian countries including India, ASEAN, Greater China, Japan and Korea. Other countries in the region (e.g. Australia or Middle East) are not excluded from the discussion but will not constitute the prime area of focus.

The focus with regard to lines of business of the ASC will be on trade credit insurance and political risk insurance. Surety will not be a prime area of focus.

The committee will meet at least 4 times per year. If possible, the meetings will be conducted face-to-face. Given the geographical spread of the membership, it is envisaged to conduct the meetings per telephone conference at least in half the occasions.

The committee sees the core of its work in spreading the word on our products. This will be done on an un-branded basis in order to achieve optimum industry coverage. The channels for spreading our message are diverse in nature and geographies. A short inventory came up with the following channels:

- Industry publications/Trade magazines
- Presentations to trade groups/chambers of commerce
- General reinsurance publications
- Media: local and regional
- Specialized industry conferences, such as Informa and Exporta
- This newsletter

Our challenge will be to tailor the message to specific markets and groups with very different levels of sophistication. As Kipling said: ìthere too much Asiaî for that. At the same time, we strive to be consistent in our messaging. Our first opportunity to send our message out to the world is via the Malaysia Trade & Export Finance Conference in Kuala Lumpur on November 6.

Because of the vastness of the task, we welcome anyone warmly to join the Asia Subcommittee and will keep you up to speed on developments.

** This covers 12 major Asian developing economies (ADEs), namely, the Peopleís Republic of China (PRC); Hong Kong, China; India; Indonesia; the Republic of Korea; Malaysia; Pakistan; the Philippines; Singapore; Taipei,China; Thailand; and Vietnam. Source: Asian Trade Flows: Trends, Patterns and Projections, Asian Development Bank, January 2011.*

Long Life Business

Yoshitaka Takahashi, Tokio Marine and Nichido


Mr. Yoshitaka Takahashi

I would like to thank my friend Mr. Michael Bond for the honor of passing the pen to me and the opportunity to address so many friends in the industry. Taking this opportunity, I also would like to thank all of you for your concern and help upon the earthquake and tsunami on March 11, 2011.

The disaster caused serious damage to the eastern coastline of Japan facing the Pacific Ocean, which stretches for over 700km. There even were several victims in Tokyo, 600 km away from the center of the quake. If compared to Italy, another earthquake-prone country, damage would have occurred over the coastline from Genoa to Naples. More than 16,000 people died and over 3,000 people are still missing as of July. These numbers are the most disastrous on record.

There is another reason that this quake was most disastrous. That is the Fukushima Dai-Ichi nuclear power plant accident. It was quite ironic that the power plant itself lost its power source due to the tsunami. The hydrogen explosion added more woes to the scene. Although it was officially announced that the plant is now in the cold shutdown status, radiation is still leaking and more than 160,000 people who lived within a 20km radius from the plant are not certain yet when, or if, they will be released from evacuation and can return to their homes. No one can precisely tell what is going on in the reactor core. It has become an uncontrollable monster.

People who developed the nuclear power plant say the tsunami was unpredictable. On the other hand, historical documents show that a huge earthquake and tsunami -hit the same area in 867 A.D. and more than 1,000 people died. The estimated population of Japan in those days was 5.5 million and if we apply this ratio to the current population, the number of victims would have been circa 30.000. From this number, it can be imagined how huge the quake was.

This is one of the reasons why this accident is considered as a man-made disaster. Regrettably, people who ignored the fact that there actually was a precedent had created the monster, which is now beyond their power and ability to control.

"Do not create monsters" shall also be a lesson to the business world. The oldest company in Japan exists for over 1,400 years, and there are more than 15,000 companies that exist for over a century. What a number! Research has shown that there are some common features in these long-standing companies. These companies are (i) sensitive to an environmental change, (ii) quite strongly united, (iii) respect the opinion of employees, and (iv) quite conservative in funding. They foresaw how the environment would shift and reshaped their entity to a size which could survive under such changes.

I had been admonished that defeat begins when people become confident. Success sometimes makes a person overconfident. Then, he starts to build a bull position on a premise that he will win in the next game. The next success makes him happier and he becomes blind and arrogant. At last, he creates a huge bull position without understanding he has nothing on. Soon, ratchet begins reverse rotation and his monster position gets out of control and bursts. The Lehman Crisis and London Whale have a similar background. Although such stories are found in the newspaper almost every day, those long-standing companies were patient and survived by sticking to living longer, not being bigger.

Living longer might be more valuable than becoming bigger.

Our industry welcomed new talented people this year. I would like to pass this excellent business to them in a re-designed and seasoned shape fitting to the future environment.

Hoping our industry continues forever, I would like to pass this pen to our new colleague, Mr. Kay Scholz of R+V.

The column expresses the personal opinion of the writer and does not necessarily reflect the views of ICISA or any or all of its members.

All ICISA columns are available on www.icisa.org

Markus Eugster Appointed CUO Of Catlin Re Switzerland

Markus A. Eugster has been appointed Chief Underwriting Officer for Catlin Re Switzerland as of August 1, 2012.

Markus Eugster joined Catlin in 2010 as Underwriting Director and Deputy Chief Underwriting Officer at Catlin Re Switzerland. He will continue to be based in Zurich and will work closely with the individual underwriting teams in all of Catlin Re Switzerland's locations to support them in the development of the existing portfolios as well as investigating the potential for new areas of business.


Mr. Markus Eugster

Peter Schmidt, CEO Catlin Re Switzerland said: "I am delighted to announce that Markus Eugster will serve as CUO of Catlin Re Switzerland. Our reinsurance operation is an essential element of Catlin's European business, and we have already built a great reputation. I am confident that with Markus' leadership the team will continue to build on our success to date and seek new opportunities across our target markets."

Prior to joining Catlin in 2010, Markus Eugster was a Principal of MA Eugster Consulting and held various international mandates. Between 1998 and 2009, Mr. Eugster assumed different senior executive positions at Swiss Re. Before joining Swiss Re, Mr. Eugster worked in commercial banking in Latin America, Zurich and New York. He holds a Ph.D. in International Affairs and Political Economy and a M.A. in International Affairs and Governance, both from the University of St.Gallen in Switzerland.

For more information, please visit www.catlin.com

Appointments in Coface Management

Cyrille Charbonnel, Group Organisation Director and a member of the General Management Committee of the Coface Group, is appointed Group Chief Operating Officer, a newly created position. In this role, he will manage the operational functions of the Group together with Jean-Marc Pillu, Chief Executive Officer, and more specifically the Commercial, Underwriting, Information, Claims & Collection functions. He retains his responsibilities as Group Organisation Director.


Mr. Cyrille Charbonnel

Jean-Michel Riou joins Coface as Manager of Coface France and Western Europe Platform and integrates the Executive Committee of the Group.

For more information, please visit www.coface.com


Mr. Jean-Michel Riou

Appointment in CESCE Management Committee

Jaime de Miguel Muñoz has been appointed new Director of the Legal Department.

Mr. De Miguel Muñoz holds a degree in Law from the Complutense University of Madrid, a Postgraduate degree in International Law and a Master Degree from IESE.


Mr. Jaime de Miguel

He worked as an attorney in the Legal Departments of several export firms before joining the Banco Exterior de España (Argentaria) in 1986, where he held several positions as Attorney of Counsel at the International and Credit Departments.

In 1996 he joined CESCE as Deputy Manager of the Legal Department, and has been appointed Director of the Legal Department in 2012.

For more information, please visit www.cesce.com

Euler Hermes' AA- rating reaffirmed by S&P

Standard & Poor's affirms Euler Hermes' AA- rating based on the group's very strong competitive position in the trade credit insurance market, long-term financial flexibility and strong operating performance and capitalization.

EULER HERMES
Our knowledge serving your success

In their report for 2012, Standard & Poor's (S&P) underlines Euler Hermes' position in the global trade credit insurance market underpinned by the Group's strong risk underwriting expertise, high customer service quality and extensive international presence. The agency furthermore emphasizes Euler Hermes' strategically important status within the Allianz group, its very strong long-term financial flexibility and solid operating performance over the cycle.

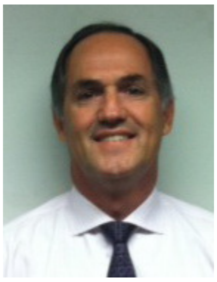
Wilfried Verstraete, chairman of the Euler Hermes Board of Management, said, "In this challenging economic environment, I consider it particularly important that Euler Hermes maintained its excellent AA- rating by Standard & Poor's.", And he adds "The rating reflects the (> p.12)

pertinence of our business strategy enabling us to consistently deliver robust performances. For our clients it is also a guarantee of our financial solidity and best-in-class risk management.
In this respect, Euler Hermes' record customer loyalty rate confirms the value our trade credit insurance represents to our clients for developing their business safely."

For more information, please visit www.eulerhermes.com

Appointments in QBE Credit and Surety Management Team

On 6 August John Sutherland has assumed the role of General Manager, Credit & Surety, Australia & Asia Pacific. At this time as part of a realignment of roles and responsibilities. John Sutherland has taken on the responsibilities for managing all QBE's Asia Pacific business.


Mr. John Sutherland


Mr. Gary McSwain

Gary McSwain has assumed responsibility for the development and refinement of a number of technical business and reporting tools, processes as well as providing support and mentorship to the business and QBE's staff.

Paul Gunning-Stevenson, who has been dealing with the challenges of QBE's Asian business over the past 4 years now focusses on the role of market and product development within the global leadership team in line with QBE's strategy of controlled expansion.


Mr. Paul Gunning-Stevenson

For more information, please visit www.qbe.com

Fitch assigns GARANT an A-Rating with a stable outlook

Garant is pleased with this rating as it reflects according to Garant "the niche position in the credit and political risk insurance market, strong capitalization, adequate profitability as well as the strong support of its majority shareholder, Office National du Ducroire (ONDD). A year after AM BEST's Assignment of an A- (Excellent) rating to the company, this second A- rating by Fitch marks the success of Garant's development strategy over the years to deliver tailor-made insurance solutions for emerging markets risks".

For more information, please visit www.garantinsurance.com

GARANT and ASEI sign cooperation agreement

Garant Versicherungs-AG and PT. Asuransi Ekspor Indonesia (ASEI), the Indonesian Export Credit Agency, have signed a co-operation Agreement to improve coverage of credit and political risks in export transactions in their sphere of action.

According to Garant: "This Agreement aims at boosting the Indonesian trade exchanges worldwide and provide to Garant's clientele further risk expertise and management in regional risks. Garant and ASEI give themselves the opportunity to enter into facultative reinsurance."

The co-operation Agreement was signed by Zaafril Razief Amir, Chief Executive Officer/ President Director of ASEI and Louis Habib--Deloncle, Chairman of the Managing Board of GARANT.

For more information, please visit www.garantinsurance.com

Fianzas Monterrey taken over by ACE Group

New York Life Insurance Company signed a definitive agreement with ACE Group to sell Fianzas Monterrey in Mexico. "With ACE Group, we will be joining an established global insurer that is growing and diversifying its business in Mexico. The surety bond business is a great fit for ACE's multi-line strategy and a growth area for their business", said Arturo Martinez Martinez de Velasco, CEO of Fianzas Monterrey.

The transaction, which is subject to regulatory approvals and other customary closing conditions, is expected to be completed during the first quarter of 2013.

For more information, please visit www.acegroup.com

STECIS
The Trade Credit Insurance & Surety Academy

Calendar Basic Training Seminars

◆ **Trade Credit Insurance**
21 - 22 March 2013, The Hague, NL

◆ **Surety**
21 - 22 March 2013, The Hague, NL

Training seminars are open to participants with up to 3 years of work experience.

Calendar Advanced Training Seminars

◆ **Trade Credit Insurance**
13 - 14 June 2013, The Hague, NL

'The Essence of Trade Credit Insurance'

Day 1: Underwriting (Module 1)
Day 2: Claims Handling (Module 2)

This two-day training seminar for experienced professionals (4+ years experience) is modular. Participants can choose to attend one or both modules (training days).

◆ **Surety**
13 - 14 June 2013, The Hague, NL

'Surety Underwriting and Sales Production in Uncertain Times'

A two-day in depth training in underwriting surety and managing risks during a recession. (4+ years experience)

ICISA members receive a 5% discount on all their STECIS bookings. Companies (ICISA members & non-ICISA members) registering at least three participants to one training seminar, will receive a 10% discount on the total seminar fee.

STECIS, the Credit Insurance & Surety Academy, is endorsed by the International Credit Insurance & Surety Association (ICISA) and promotes knowledge and professionalism in the theory and practice of trade credit insurance and surety underwriting or related topics.

For more information please visit www.stecis.org

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