

Number of business insolvencies peak in 2016

Despite increased claims core markets remain soft due to an ongoing growth in volumes of insured business

Amsterdam / London, 21 March 2017 - Members of the International Union of Credit and Investment Insurers (Berne Union) and the International Credit Insurance and Surety Association (ICISA) have signalled high levels of claims for 2016 in the latest joint industry member survey. Data trends suggest a peak, with claims for 2015 and 2016 higher than any time since the global financial crisis. This comes in part as a consequence of increased insolvencies in a number of regions worldwide, notably Africa, Latin America, Asia and MENA.

Short-term trade credit insurance

Trade credit insurers anticipate that these highs will continue through 2017, especially in Latin America and to a lesser extent in MENA, where further losses are expected over the course of this year. On the other hand, trade credit insurers have also reported increasing volumes of new business in 2016.

Indeed, overall risk appetite amongst trade credit insurers remains high, and with this growth trend expected to continue in 2017, the core markets for trade credit insurance – Europe especially – remain stable and very soft with respect to pricing, despite the increasing claims.

Since the start of the global financial crisis in 2008, credit insurers have paid claims of around EUR 56 billion, compensating banks, traders and exporters for losses suffered due to defaults by buyers or other obligors, providing a stabilising function and ample support for international trade.

Medium & Long Term Export Credits

Demand for, and claims under medium and long-term export credit insurance of capital goods and infrastructure works are indicative of the economic health of emerging markets. Here, with 61% of respondents reporting an increase in insured business over 2016, Berne Union members have indicated strong growth in Africa, in particular – feeding the infrastructure boom and investments in power and extractive industries.

However, the crash in commodity prices has put pressure on the economies of many countries dependent on these exports and in line with the high business volumes, members have reported a significant rise in claims and insolvencies.

These trends are expected to continue, with increases in both claims and new business in Africa, MENA and Latin America for 2017.

This mixed outlook extends also to other markets – Berne Union President, Topi Vesteri, comments; “Our members’ new business in developed industrial countries, such as the United States is striking.” But the drivers here are different, and he adds that; “Demand in these markets is rather characterised by large transaction sizes, long tenors and the constrictions on commercial lenders’ ability to commit their balance sheets for long term lending without ECA support.”

Surety bonds

For 2016, surety bond claims stabilised at 2015 levels. Increase in demand for surety bonds was reported in Europe, Asia and North America. For 2017 this trend is expected to continue.

Most markets continued to be soft, although a modest hardening is seen in Africa and MENA. The outlook for 2017 is a continued soft market with exceptions in Africa and MENA.

Jos Kroon, President of ICISA, comments: “The increased market demand for surety bonds is encouraging, although soft market conditions can cause a mismatch between risk levels and premium earned.”

Note to the editor

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About ICISA

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 trade credit insurance association, the current members account for 95% of the world's private trade credit insurance business. Today, with almost USD 3 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.

ICISA members: Acredia Versicherung AG - Afianzadora Latinoamericana - Arch Re - Argo Surety - PT. Askrindo (Persero) - Aspen Re - Atradius - AXA Winterthur - AXIS Re Ltd - Catlin Re Switzerland Ltd - CESCE - China National Investment & Guaranty Co., Ltd - China Pacific Insurance Co. Ltd. - Chubb - CLAL Credit Insurance Ltd - Coface - COSEC - Credendo -Credit Guarantee - ECICS Limited - Endurance - Euler Hermes - Fianzas Atlas - The Guarantee Company of North America - Groupama Assurance-crédit & Caution - Hannover Re - ICIC - Liberty -

Lombard Insurance Company - Mitsui Sumitomo - MS Amlin - Munich Re - Nationale Borg - Novae Group plc - PartnerRe Ltd - PICC Property and Casualty Company Limited - Ping An P&C - Qatar Re - QBE - R+V Re - SACE BT - SCOR Global P&C SE - Seoul Guarantee Insurance Company (SGI) - SID-First Credit - Sompo Japan - Swiss Re - Tokio Marine & Nichido Fire Insurance - Tokio Marine HCC - Travelers - Tryg Garanti - Zurich Deutschland - Zurich USA

For more information on ICISA, please visit www.icisa.org

About the Berne Union

The Berne Union is the international association of export credit and investment insurers. The 84 members include government-backed export credit agencies, private credit and political risk insurers and multilateral agencies from 73 countries – representing all aspects of the industry worldwide.

Members collectively provide payment risk protection equivalent to approximately 11% of annual world trade, compensating banks and exporters for losses suffered due to defaults by buyers or other obligors and providing flexible risk capacity to support international trade transactions.

BERNE UNION members: ABGF - AIG - Altum - AOFI - ASEI - ASHRA - ATI - Atradius - BAEZ - Bancomext - BECI - Bpifrance Assurance Export - CESCE - Chubb - Coface - COSEC - Credendo Group - Dhaman - ECGA Oman - ECGC - ECGE - ECIC SA - ECICS - ECIE - ECIO - EDC - EFIC - EGAP - EGFI - Euler Hermes - EIAA - EKF - EKN - EXIAR - EXIM Hungary - EXIM Jamaica - EXIM Romania - Eximbanka SR - Eximgarant - FCIA - Finnvera - GIEK - HBOR - Hiscox - HKEC - ICIEC - IGA - JLGC - KazexportGarant - KREDEX - KSURE - KUKE - LCI - Liberty - LPEI - MBDP - MEXIM - MIGA - NAIFE - NEXI - NZECO - ODL - OeKB - OPIC - PICC - PwC - SACE - SEP - SERV - SID Banka - Sinosure - SLECIC - SONAC - Sovereign - Tasdeer - TEBC - Thai Eximbank - Turkeximbank - UK Export Finance - Ukreximbank - US Eximbank - Uzbekinvest - XL Insurance - Zurich

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