Dear Reader,

The dark skies of the crisis are now slowly disappearing and economies are more or less bouncing back to normal conditions. But it seems too early to identify this recovery as structural due to economic and non-economic factors potentially threatening this upward trend.

In Europe it is still not clear if and how Greece and the other EU members will come to a joint agreement in order to prevent a Grexit. But also the sanctions on Russia by the Western world and the deteriorating relationship between the West and Russia, next to the continuing unrest in parts of the MENA region, have potentially unpredictable and even unprecedented side-effects to the world economy. Despite these uncertain developments, ICISA members report industry results are developing in a positive way and the outlook is still overall optimistic.

This ICISA Insider has again a wide variety of articles illustrating this ambiguous situation. I would like to invite you to read the interview with our Vice-President Jos Kroon in which he shares his thoughts on how ICISA can improve its growing role in discussions concerning our industry. Furthermore the Column, this time written by Paul Daas of Nationale Borg, offers an interesting insight into the life of an international surety professional. The growing importance of Asia for the industry is reflected in the interview that the Chair of the Asia Subcommittee, Richard Wulff of QBE, gave following their meeting in Hong Kong and is furthermore underlined by the views shared by the Asia expert economist and guest speaker at that meeting of the Asia Subcommittee, Mr. Rajiv Biswas of IHS. And last but not least I recommend reading the updates from the Committee Chairs about their meetings in Athens last month.

I wish you pleasant reading and we always welcome feedback or suggestions regarding The ICISA Insider.

Robert Nijhout, Executive Director
The Chairs kindly agreed to share their thoughts regarding the ICISA Spring Meetings of their respective Committee last month in Athens. The last time the Committee Chairs shared their thoughts about their respective Committees and the topics of interest for them and their Committee, was September last year during the ICISA Autumn Meetings in The Hague. The global issues that surfaced since then have increased in the meantime. It is therefore interesting to hear from them in what way it has influenced the agenda setting of their Committee, the discussions within the Committees and the industry outlook from the Committee's point of view.

Committee Chairs – René Mul (CIC), Paul Daas (SC) and Nuria Gorog (SRC)

Update by the Committee Chairs

Credit Insurance Committee – René Mul

René starts the interview by stating what the role of the Credit Insurance Committee’s is within ICISA. “To study, monitor and report on issues related to policy underwriting, insurance technique, products and in general developments that are relevant for our industry.” The agenda of the Spring Meetings reflected again the wide variety of topics covered by the Committee. “In this Spring meeting we had a Tour de table discussion where members gave an update about the credit insurance market situation in their country and their expectations for the future.

There were also issues not raised by the Committee itself. “At the request of ICISA’s Management Committee our Committee was asked to review fraud. Members were asked to share their practices to prevent, detect and mitigate the impact of possible fraudulent trade transactions in their portfolio.” This is a topic with quite a few angles and promises interesting discussions. “Buyer fraud may for example occur when a buyer - on which the credit insurer has issued a credit limit - obtains goods on credit from our customer with no intention of paying the outstanding amount. Customer fraud may for example involve establishing fraudulent schemes or submitting fraudulent claims. There were many valuable suggestions made by the committee members as to early warning signals for potential fraudulent schemes.”

Another topic René mentions that gave food for thought is sanctions. “The very interesting presentations and discussions during the last Autumn meeting on international sanctions and their effects on trade credit insurance were thought-provoking enough to table the topic again for the Spring meeting. We discussed the results of the survey on sanctions that was held last year and members were given the opportunity to share actual experience with sanction regulations and customer due diligence procedures.”

René highlights another topic of continued interest within the Committee. “We continued to follow the developments concerning legislation regarding the claw-back by the insolvency practitioner of what are regarded pre-insolvency preferential payments by the buyer to the creditor. The more extensive the facilities for the insolvency practitioner to demand refund of earlier payments made by the now insolvent buyer, the less secure any creditor can be that a payment is definitive. Of course, this has a direct relation to credit insurance cover, because an invoice considered paid can years later become unpaid because the payment was claimed back and hence lead to a loss for the insured. We will continue to monitor if this legislation is widening and discuss what options there are to protect ourselves and our customers in this situation.”

Lastly, there were furthermore two more technical topics on the agenda of the Committee. “We plan to produce a paper on credit insurance for leasing business and we looked at the operational application in our policies of a so-called Aggregate First Loss, i.e the annual amount of accumulated qualifying losses that are not payable by the insurer, but are borne by the customer.”

This year’s Spring meeting of the Credit Insurance Committee proved to be a great chance to gain and share knowledge between international colleagues. “Thanks to the active participation and contributions of the committee members.”
Chair Surety Committee – Paul Daas

Paul Daas is chairing the Surety Committee for two years, one of the fast growing Committees of ICISA, with new initiative discussions and a growing number of recurring topics of great interest.

It is according to Paul clear the international situation escalating over the last months has had its impact on the agenda setting of the Committee. “There are two important topics on the agenda which are related to international developments during the last few months. The first one is related to the sanctions for the Russian and Ukraine situation. A new sanction clause has been inserted in most reinsurance treaties which may change the relationship between cedent and reinsurer, in case of trade transactions. Supervisors are tightening controls as well. The second topic relates to the influence of the change in commodity prices on surety business underwriting.” We had a tour de table on both topics. But although the international situation had an impact on the agenda, it has not yet influenced the economic outlook the Committee foresaw in September last year. “The economic outlook as expressed in the last meeting was carefully optimistic, which was reconfirmed in Athens. This was also driven by the favourable claims situation. At this moment, despite the uncertainties surrounding Greece and Russia, the situation seems to have improved further, which is also reflected in stock exchange index levels. The measures announced by the ECB will keep the interest rates at a very low level, which will reduce the financing costs of our clients and as such reduces the threat of insolvency. Investments in machines, construction and infrastructure will increase the demand for our products”, Paul states.

Regarding advocacy he does not identify direct actions requested by his Committee, but he underlines the ongoing efforts regarding the Solvency II process. “There have been a few cases over the last few years, which have been partly tackled, but I think that that the most important additional value of ICISA lies in the early warning role, so timely informing the members of any potential thread and maybe coordinating a position to be taken.”

In addition to the standing meeting items, including a very interesting presentation on the Australian Surety market, which triggered a lively discussion, we talked intensively about one particular subject. The market is confronted with an increasing demand to issue bonds or guarantees covering contracts which contain a downgrade clause. This would imply that a downgrade of the Surety Company itself could be the claim trigger. This new phenomenon will no doubt be a recurring topic during the next meetings.

In addition some new items came up to be put on the agenda for the next meeting:
- The sales process in surety business
- Legal changes in Argentina
- The outcome of the study on ESG in international contracts

All in all, Paul is already looking forward to lead the always open and lively discussions within his Committee during the Autumn meeting, which will be his last as Chairman.
Chair Single Risk Committee – Nuria Gorog

“Variety of topics in a volatile context”

The Chair of the Single Risk Committee, Ms. Nuria Gorog, looks back on the Open Forum Meeting in February in London and the ICISA Spring Meetings in Athens last month. Both Committee meeting agendas reflected the current Single Risk market. She summarizes the agendas therefore as being “a variety of topics in a volatile context.”

On 23 February of this year the Open Forum took place in London for the fourth time. Again the number of participants as well as the list of topics on the agenda had grown compared to last year. “During our Open Forum in London our discussions about international sanctions took an important place. We had an interesting presentation from Andy Wragg, Senior Manager from Lloyd’s International Regulatory Affairs. The members had the opportunity to share their views about the process put in place in order to comply with the regulations and the issues related to the sanction clauses in the wordings. ICISA’s Secretariat presented a survey related to the effects of sanctions on insured trade with Russia showing that the demand decreased 50% for most of the ICISA members.”

Less than one month after the Open Forum the Committee met again at ICISA Spring Meetings in Athens. The agenda tackled a couple of important issues, but was also dominated by the significant change to the English Insurance Law (Insurance Act 2015). “Single Risk Policies are very often governed by the English Law even if the Insured and the Insurer are not located in UK and when this permitted by the local regulations. The members of the Single Risk Committee, supported by Chris Hill from Clyde &Co, evaluated the impact of this change in the policy wordings and the consequences for Insurers, including during the underwriting process, and the Insureds. Currently, Insurers are considering these changes and their potential consequences in the policy wordings. The Act comes into force in August 2016.”

The Committee also shared in Athens views regarding the economic outlook 2015 and if this outlook changed since their last meeting in September 2014. “Since the last meeting in Sept. 2014, the economic outlook of our industry did not change substantially. Huge capacities are available in the market in a “still” soft pricing environment. However, the members of the committee stressed the concern about the oil-dependent countries and the current capacity constraints in these specific countries; this situation is changing the risk appetite. Claims notifications are raising in the market in particular related to the Ukrainian and Russian context some of them linked to Political Violence, but also impacting credit exposures.”

Like most other Committees, this Committee also discussed the topics Fraud and Sanctions during the Spring Meetings and the members concentrated on the potential consequences for the single risk business. Ms. Gorog explains: “The ICISA Management Committee asked our Committee about the best practice in fraud screening and the effects of Sanctions. When underwriting Single Risk business the due diligence on the documentation is huge. The main documents related to the covered transaction are analyzed and fraud is an important element of this due diligence. Anyone recognized that we can face very sophisticated structures involving fraud which are difficult to assess. In order to make aware and educate underwriters about the importance of this matter, the members of the Committee confirmed that they provide trainings and put in place process in order to help underwriters to detect fraudulent situations. This is a key topic which is on the radar of the members. The same applies for the Sanctions issue.

Ms. Gorog concluded the interview by stating that according to her “the most challenging discussions are the ongoing discussions about the ICISA’s definition of financial guarantee and the need for data collection in order to position this industry better. Members are in agreement on the basics on these matters. Our discussions will for sure continue in our next meeting in particular on the data collection. The data available today is still not comprehensive, we will push our efforts on this topic in order to make this industry more visible and put it on the deserved place after decades supporting trade and investments.”
Interview with the Vice-President of ICISA

“Join forces to promote joint interests”

Jos Kroon, CEO at Nationale Borg, was elected Vice-President of ICISA at the Annual Meeting in June last year and kindly shares his views regarding his role within the Association and his views regarding the value of ICISA for the industries it represents.

“I was first of all honoured to be asked to serve the association in such an important position”, Jos reacts when asked why he accepted his nomination as Vice-President. “Nationale Borg has a long history as a member of ICISA and we feel that membership comes with both benefits and obligations. Associations can only function if the membership is willing to contribute and this seems an obvious way to do so.” He immediately underlines that “we need to join forces to promote joint interests. And last but not least, I feel it is important that smaller members and surety members in particular, are vocal within ICISA to make sure it is not only about the major groups and about trade credit insurance.”

‘Associations can only function if the membership is willing to contribute and this seems an obvious way to do so’

But not only does he have a clear opinion about the role members should play within ICISA, he clearly also wants to pursue external priorities of ICISA as defined by the current President Andreas Tesch. “The regulatory environment is an important aspect of the world in which we conduct our business. We have to make sure that regulators are aware of the value of our services in facilitating business transactions. Our products are the grease that keeps the engine of the economy running smoothly. That should not be smothered by overactive regulators. I think that we should be very active to bring our issues to the attention of politicians and regulators. Because we can achieve more when we act as one industry as much as we can, I feel that a closer cooperation with other industry organizations is very important. It is hard to explain to the outside world why we have several organizations representing our industry. The distinctions that we as insiders see between the various organizations may not always be as clear to outsiders.” In addition he notes: “I also fully endorse Andreas’ other priority as president to support initiatives that will lead to increased market penetration in SME’s by facilitating financing.”

He résumés that if members join forces the Association can achieve a lot. “Over the past years, the organization has for example been quite successful to get more publicity for the viewpoints of its members and to speak out publicly about the benefits of our products. Also the internationalisation, a priority of former presidents, has well advanced.”

But Jos notes there are still challenges ICISA faces as an Association which needs to be tackled and which can only be successfully achieved if members proactively support the efforts of the Association. “For many years now, there have been discussions about an industry lobby to convey our views on appropriate solvency standards under Solvency II and about the gathering of data needed to come up with industrywide parameters to be used for loss estimates. Our efforts have not been very successful and that is partly due to the fact that not all members are convinced that as an
Association we can serve our interests better than we can on an individual basis. It has had an impact on the capital requirements that will apply under Solvency II. When I discussed this with regulators recently, they mentioned that our industry had not acted quite as effectively as some in other lines of business. That should not have happened. ICISA is working to act more proactively, but it can only do so with the support of the membership.

In order to remain relevant and be prepared for the future, he emphasizes the Association needs to continue the current efforts positioning the Association on behalf of the membership within the international arena. “The focus should be on lobbying for the interest of the membership and to seek publicity for issues that concern us all. In order to do that in the most effective way, we should seek closer cooperation with kindred organizations.”

Jos Kroon

Jos Kroon has been CEO of Nationale Borg since 1999, with an interruption of two years, when he was bonding director at Atradius.

Jos holds a master’s degree in econometrics from Erasmus University in Rotterdam and a master’s degree in marketing from Tilburg University.

He started his career in non-life insurance in 1983 and worked in ING companies in the Netherlands, Belgium, the United States and Indonesia before he moved to Nationale Borg.

Nationale Borg

Nationale Borg was founded in Amsterdam in 1893 and has always been the leading surety company in the Netherlands. Since 2000, the company is also active in Belgium, where it leads the surety market as well. Nationale Borg is also active as a reinsurer of credit insurance and surety through its Curacao subsidiary, Nationale Borg Reinsurance.

The company, which was listed on the Amsterdam stock exchange until it was acquired by ING in 1991, is currently owned by Egeria and HAL Investments, two Dutch investors with interests in a broad range of businesses.

www.nationaleborg.nl
The Chair, Richard Wulff looks back on this meeting with great satisfaction. “Hong Kong was chosen as location for this meeting as it is geographically convenient for most members. This was clearly visible in having 12 companies participate at the meeting.” The meeting itself also met our expectations Richard notes. “Having the members, who are active in Asia together in Hong Kong contributed to the goals of the association. It promotes sustained technical excellence, industry innovation and product integrity. The discussion was as lively as it can only be when members meet face to face. Non-competitive issues of importance to the industry and our customers were discussed in an open atmosphere.”

The meetings are clearly of increasing value to the participants. Since the start of the Asia Sub-committee, the number of participants, but notably the number of Asian representatives has increased. “This is illustrated by the high level of involvement of for example PICC. I herewith would use the opportunity for special welcome on behalf of the Committee members to the newly elected vice-chair, Mdm Zhongzhu Chen of PICC”, Richard explains.

“Location certainly plays a role”, Richard adds. “But at least as important is the perceived value of the Asia Sub-committee”, he underlines. “There is a number of issues surrounding our industry and visible in our portfolios of risk. Three of the issues discussed, regulation in Indonesia, regulation in Malaysia and the prevalence of fraud, are a direct examples of that.” But there is according to Richard more to it. “Members in the region realize that other members might have a piece of the ‘best practice-puzzle’. As do I, the members realize that by contributing, they get something back to benefit their respective company and clients. That is what ICISA stands for.”

The Committee had an inviting and challenging agenda. “The meeting started off with a presentation on the international economic prospects and those of some Asian countries by the Chief Economist for Asia of IHS, Mr. Rajiv Biswas. We were extremely happy to have him present his views to us. It would not be a surprise that commodity prices and the current geo-political situation came to the fore.” This presentation gave not only food for thought, but also kick-started discussions on the other agenda topics such as a member’s view on the international and Asian reinsurance market and the desirability and enforceability of parent guarantees in a number of Asian countries.”

Regarding the outlook for the industry in Asia Richard noted generally an optimistic feeling. “The outlook is optimistic. It is clear that Asia is the place where we can grow profitably. The past years, as well as macro-economic prospects prove this point.” But the members also identified potential threats for the industry in the Asian region. “Three issues were discussed, which are not necessarily threats, more ‘work to do’. First of all the importance of building deeper/different distribution to serve a much larger part of the market and the necessity to adapt to local customs, not necessarily copying the western-style wordings and way of working. Also the issue of fraud remains on the table. Developing a different style of policy underwriting as well as building deep recovery networks might be a key to this. Under the guidance of ICISA, members can build a set of ideas on issues like these. Making these ideas operational is the task of each individual member.”

Looking back on the meeting Richard concludes that “with this meeting ICISA has definitely proved its value. If a member is active in the Asian market place, this Sub-committee is the chance to influence the future of our industry’”

The Asia Sub-committee met on Friday 27 February in Hong Kong. Over 20 delegates from twelve member companies as well as a member from the Berne Union had discussions about the Asian region from a trade credit insurance perspective.

Richard Wulff, Chair of the Asia Subcommittee on their meeting in Hong Kong

“Asia is a big country”
Memories for the future

If you have my age (56) and are employed by the same company for a long time in various functions, younger colleagues sometimes assume that I must have had interesting and exciting experiences in the past. In my reply I always deny: it has been boring and dull all the way. Be honest, what is interesting or exciting about taking a dive into the Pacific Ocean in Ixtapa, Mexico at 7 am after a night of tequila and a failure to prevent a young female Ecuadorian colleague from being seduced by a handsome Mexican regulator (and being her chaperone myself…). Or driving into Baden Baden with Metallica full on the speakers. Or taking a helicopter from Nice Airport into Monte Carlo. Or sharing a stolen bottle of whiskey on the backseat of the bus, driving back to St Andrews after our night out. Or singing farmers songs in the bar of a hotel in Davos after some skiing. Or waking up with a headache after having drunk 6 (or 7, or 8?) masses at the Oktoberfest. Or betting on horses in Ireland during one of the “seminars” organized by a UK colleague. Or saving a female colleague from being kidnapped in Caracas by a taxi driver. Or escaping from a fire in a restaurant in Venice. As I said: boring and dull all the way, just another day at the office.

But you must certainly have met interesting people and had good discussions, the young colleagues ask. Reflecting a little on that I have to agree. I certainly met a lot of interesting people; within reinsurance clients, brokers, reinsurers, rating agency analysts, supervisors, direct clients, beneficiaries, bankers, liquidators, lawyers and of course within organizations like Pasa and ICISA. Some have become real friends. A lot of these people have also been around a while and no doubt had the same boring experiences which I had. A lot of them are still very active within our small society and remembering the lessons from the past they prevent our young colleagues to make the same mistakes we made. In such an environment we can share information, cooperate closely and build long term relationships, based on mutual understanding, loyalty and trust. Johnny, by the time you read this, the bottle must have reached you. I pass the pen on to Martyn Ward of HCC International to share his thoughts with the readers of The ICISA Insider.
The keynote speaker at the recent meeting of the Asia Subcommittee in Hong Kong was Rajiv Biswas, Asia-Pacific Chief Economist for IHS Global Insight. His presentation focused on the current Asian market, the outlook and the role trade credit insurance fulfils in supporting growth. He kindly accepted our invitation to also share his views with the readers of The ICISA Insider.

“The overall Asia-Pacific economic growth outlook for 2015 has been given a considerable boost by the recent sharp decline in world oil prices”, Rajiv Biswas explains. “The slump in world oil prices represents an estimated transfer of around USD 1.5 trillion from global oil producing countries to oil importing countries, and Asian oil importing industrial nations are amongst the biggest winners. Growth prospects for East Asian export-driven economies will also be helped by stronger growth in the US economy, with US consumers benefiting significantly from falling US retail gasoline prices.” These positive factors will according to him help to mitigate some signs of growth moderation in China, as well as weak growth in Japan, which slumped back into recession in 2014. “Overall GDP growth in the Asia-Pacific region is therefore forecast to be around 4.8% in 2015, similar to the pace of growth in 2014, strengthening to 5.2% by 2016.”

Some Asian countries stick out

But although the overall outlook for the region is positive, there are according to him some countries that stick out. “The outlook for economic growth in India has improved significantly due to the slump in world oil prices, since India is heavily dependent on oil imports. Falling oil prices have also led to a significant moderation in CPI inflation by early 2015, while wholesale prices showed a slight year-on-year decline in January 2015. This has allowed the Indian central bank, the RBI, to cut policy interest rates in January and March, which will help to boost domestic demand. Meanwhile the electoral victory of the BJP led by Prime Minister Modi in May 2014 has resulted in a strong policy focus on boosting infrastructure development, including power stations, railways, roads and smart cities. As a result, Indian GDP growth is forecast to average around 8% in 2015-16.”

Biswa notes that the ASEAN region is also still performing strongly, with Philippines and Vietnam forecast to grow at above 6% in 2015, while Indonesia and Malaysia are expected to grow at around 5%. “The Thai economy is forecast to show a moderate rebound to around 3% growth in 2015, after political turmoil in the first half of 2014 had pushed Thailand close to recession during 2014. The Thai economy has stabilized following the military coup in May 2014. However as an oil and gas exporting nation, Malaysia is expected to experience some negative impact from lower oil prices on its exports of oil and gas, which will result in GDP growth moderating from 6.0% in 2014 to 4.8% in 2015.”

Sharp slump in oil prices

He considers currently the sharp slump in oil prices to be the most notable development influencing the economic situation in the Asian region. “One of the most important factors impacting on the Asian outlook in 2015 is the sharp slump in oil prices since September 2014. This has reduced oil prices for Asian consumers, boosting private consumption, as well as allowing India, Indonesia and Malaysia to significantly reduce fuel subsidies and improve their structural fiscal deficit positions. Falling oil prices have also lowered inflationary pressures in many Asian countries, allowing a...
The number of Asian central banks, including India, China and Indonesia, to lower policy rates in early 2015. This will provide a monetary stimulus to economic growth, with further rate cuts expected to be implemented during 2015 by some Asian central banks."

‘Since energy costs are an important input cost for many segments of manufacturing as well as services, many Asian industry sectors should benefit from lower fuel costs’

Generally speaking he foresees that a wide range of industries in the Asia-Pacific region will be clear beneficiaries from the slump in oil prices. "Since energy costs are an important input cost for many segments of manufacturing as well as services, many Asian industry sectors should benefit from lower fuel costs. In particular, the Asia-Pacific transport sector will be a significant winner, since fuel is a large input cost for commercial aviation, as well as road haulage and shipping. Lower petrol prices and moderating inflation will also help to boost Asian auto demand, particularly in the Indian and ASEAN auto markets."

Forecast next two to five years
He identifies some important developments which will have great impact on the region over the next two to five years. "A key development is the gradual transition of China from an economy growing at 10% per year over the last three decades to a middle income country with ageing demographics that is growing at a more moderate pace of around 6% to 7% per year until 2020." Another major development taking place over the next two to five years is according to Biswas “the gradual hollowing-out of low cost manufacturing industries from coastal China, with global manufacturing firms looking for new low-cost manufacturing hubs in India as well as in ASEAN nations such as Vietnam, Cambodia and Indonesia. An important underlying trend in emerging Asia will be strengthening domestic demand, as the fast-growing size and incomes of middle class populations result in rapidly growing consumer spending in major APAC nations.”

Hamper positive growth
There are in his view however also some factors identified that might hamper this overall positive economic outlook for the Asian region. "A key potential risk that could hit regional economic growth would be a China hard landing, if Chinese GDP growth should slump below 5% in a calendar year. Such a China hard landing has a low probability of occurring, probably between 20 to 25% sometime during the next 3 years. However should such a hard landing occur in China the regional impact would be severe, and would push already weak commodity prices for oil, coal and iron ore even lower, hitting economic growth rates in commodity-exporting countries such as Indonesia, Australia and Malaysia. A China hard landing would also lower GDP growth significantly in many export-driven Asian economies that have significant bilateral export and investment ties to China, including Taiwan, Singapore, South Korea and Japan."

But growth could also be negatively influenced by decisions taken outside the Asian region. “Another key factor that could impact on Asian growth is when the Fed begins to tighten monetary policy, as a significant increase in US interest rates could create negative transmission effects on the APAC region through the shock waves to regional capital markets, currencies and interest rates,” Biswas warns.
Address domestic economic imbalances

Biswas underlines that regulatory developments in the region itself might also strongly influence the economic outlook. "Regulatory authorities in various APAC jurisdictions have taken regulatory measures to address domestic economic imbalances. One of the key areas of focus by regulatory authorities has been to address inflows of capital into regional real estate markets, as authorities seek to prevent asset bubbles from building up. For example, Hong Kong, Singapore, China and Malaysia have taken various macro-prudential measures to tighten lending conditions for property purchases, as well as other regulatory measures to curb capital flows into domestic property markets."

Trade credit insurance industry in the Asian region

The role of trade credit insurance must not be underestimated in the economic development of the region. "With the APAC region expected to continue to experience strong GDP growth, and world trade forecast to show continued moderate expansion in 2015, the prospects for the trade credit insurance industry remain positive in the year ahead." He is certain that "the trade credit insurance industry will continue to play a key role as an important facilitator for APAC trade."

Biswas therefore concludes the interview with a positive prediction for the trade credit insurance industry. "The APAC region is forecast to be the fastest growing region of the global economy over the next two decades. The Asia-Pacific region’s share of world GDP is forecast to rise from 31% in 2015 to 40% by 2025. Strong regional development initiatives are underway, with a major focus on rapid infrastructure development in India and ASEAN. While some volatility in economic growth rates is inevitable over a long term forecast horizon, rapid growth in APAC trade and investment is projected over the next decade, creating a very favorable growth environment for the APAC trade credit insurance industry."

IHS

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Update on Regulatory Affairs

Global
At the end of 2014 the International Association of Insurance Supervisors (IAIS) published a Basic Capital Requirement (BCR) for Insurance companies. For the moment this BCR would apply only to Global Systemically Important Insurers although the IAIS would like to extend a similar BCR to a broader group called the Internationally Active Insurers. The proposed factor based calculation is very simple, perhaps too simple, as it lacks any of the diversification calculations we have seen in Solvency II. When the BCR was published by the IAIS it enjoyed a lukewarm reception from the industry. Because of this type of initiative, the chance increases that underwriters will be faced with more regulators and more than one capital requirement calculation with all the uncertainty surrounding this.

In terms of supervision, most insurance companies will probably face more than one supervisor and will observe that they are more and more treated like banks, while their respective business models are almost opposite from each other. The size of a balance sheet of a bank is an indication to what extent it is interconnected with other banks thus contributing to systemic risk while the size of a balance sheet of an insurance company is an indication of its diversification. Insurance companies are less connected to each other and lack the utility function (supplying money in the financial system) thus do not contribute to systemic risk. Supervisors do well to consider this systemic risk when supervising banks, but supervision of insurance companies should have other considerations.

China
By 2016 the China Risk Oriented Solvency System (C-ROSS) will enter into force regulating what will very likely become the second largest insurance market in the world (according to Oliver Wyman). The C-ROSS is a giant leap forward and brings China up to date in terms of supervision and risk management. It took the Chinese regulator (CIRC) much less time to develop and implement the C-Ross (the project started in 2012) than it took Europe to implement Solvency II (see below). Similar to Solvency II, C-Ross is a three pillar system with a capital requirement calculation covering the three main risk categories Insurance Market and Credit Risk, however C-ROSS does not foresee the possibility of an Internal Model.

Europe
Now that the Delegated Act received the green light early January in the European Parliament. Solvency II will, finally, enter into force by 1st of January 2016. After 13 years of deliberations and alterations, companies have now less than 1 year to become Solvency II compliant.

Solvency II is, perhaps too, complex and far from perfect, to say the least, but its implementation cannot be postponed any longer. Once it has entered into force changes, amendments and recalibrations will take place. We can only hope that these future improvements will not lead to more supervision but to more simplification. The complexity of Solvency II is of such an extent that only a few will have comprehensive overview of the legislation among a sea of experts on parts of the directive. This can be particular challenging for top management as supervisors are demanding more and more from them in terms of knowledge.

Companies are confronted with supervisors who do not have all the answers to their questions and simply lack resources to such an extent that internal models run the risk of not being approved before 1st of January 2016. Companies are even encouraged to use the Standard Formula (SF) instead of an internal model which, in the case of credit and suretyship, would mean having to use a flawed SF which is still the object of discussions between the Solvency II expert Group and some national supervisors.

Rudolf Leenhouts
Head of Regulatory Affairs
Fianzas Atlas appoints Lídice Vázaquez

Since January 1st, 2015 Fianzas Atlas has reinforced their International Division with Lídice Vázaquez as Coordinator of this Division.

She will be based in the Head office in México City. Lídice has an International Affairs degree and a MBA, she worked for Fianzas Atlas from 2002 to 2005 as the CEO’s Coordinator. She left the Company to live in Germany for several years. Back in Mexico, she worked for PMI Comercio Internacional, S.A., a PEMEX subsidiary as Project Coordinator of new branches for foreign offices in Mexico.

René Montes de Oca continues to be in charge of the International Division as Operations Director. For more information, please visit www.fianzasatlas.com.mx

Partner Re appoints Richard Chu as Senior Underwriter, Credit & Surety, Asia Pacific

Richard Chu joined Partner Re in January 2015 and is responsible for underwriting PartnerRe’s credit and surety business in the Asia Pacific region.

With over 20 years of re/insurance experience, primarily in the underwriting and development of credit insurance and surety business in the Asia Pacific region, Mr. Chu is a recognized specialist with deep market knowledge and strong client relationships.

Prior to joining PartnerRe, Mr. Chu was responsible for developing the credit and surety portfolio with an Asia-based reinsurer. For more information, please visit www.partnerre.com

QBE appoints Tom Johnson as surety underwriter

QBE is delighted to announce that its surety underwriting team is set to build upon the success of the past few years with the appointment of Tom Johnson as Surety Underwriter.

Tom joins QBE from a Risk Underwriting role at Euler Hermes and will boost the existing team’s surety and banking experience with his trade credit insurance, asset based lending and law background. Tom’s role at QBE will be focused on the commercial development of the surety broking market, adding additional skills to this highly successful and fast-growing team.

For more information, please visit www.qbe.com

Calendar

73rd General and Associated Meetings
Toronto, 10 - 12 June 2015

ICISA Autumn Meetings 2015
The Hague, 23 - 25 September 2015
Euler Hermes appoints Michael Diederich as CEO for Germany, Austria, Switzerland (DACH region)

Euler Hermes has appointed Michael Diederich as the new chief executive officer for its operations in Germany, Austria and Switzerland (DACH region). The appointment became effective at the beginning of 2015.

Diederich will be based in Hamburg and report to Wilfried Verstraete, Chairman of the Euler Hermes Board of Management. He succeeds Ralf Meurer who served as CEO for the DACH region for five years and will take a project responsibility in the HR Organisation of Allianz SE. Effective the beginning of January 2015, Meurer will also join the supervisory board of Euler Hermes AG, Germany, a company mainly covering export credit insurance on behalf of the German Government. During his time as CEO DACH the Region consistently delivered high net income returns.

“Michael Diederich will focus on bringing additional dynamism to the commercial activities that support our continuing leadership in this mature and very competitive market,” said Wilfried Verstraete. “He brings broad experience with corporate clients, family businesses and entrepreneurs to the role -- and successful relationships with many of their senior leaders. This is an important combination as we continue our strategic evolution to better serve DACH client requirements, particularly in Germany, a key European and global market and economy. I would also like to take this opportunity to thank Ralf Meurer for his professionalism in implementing the Excellence transformation program that increased efficiency, flexibility and customer proximity across the DACH region.”

Diederich joins Euler Hermes from the Unicredit banking group in Munich, where for the past 10 years he held various investment and commercial banking positions, and most recently served as divisional board member responsible for corporate banking clients in Southern Germany. He began his professional career in 1993 as an auditor with Dornbach & Partner in Koblenz, where he was involved in privatization process for the Treuhandanstalt in Berlin. In 1996 he joined the international markets department at Hypovereinsbank in Munich, becoming an officer and executive board advisor in 1998. In 2000 he joined CEA Group, an international private equity investor in media and entertainment, as executive director. He rejoined the merged Unicredit-Hypovereinsbank in 2003 as a managing director in the investment banking and capital markets division. In 2009 he became responsible for large corporate clients in Germany, which also involved serving as a supervisory board member of the AKA-Ausfuhrkreditgesellschaft mbH in Frankfurt. A native of Germany, Diederich is a graduate in economics and business administration from Hochschule Koblenz, University of applied sciences, holds an MBA from Kellogg Graduate School of Management in Chicago, USA and a PhD in philosophy from the Tomas Bata University of Management and Economics in Zlin, Czech Republic.

For more information, please visit www.eulerhermes.com

Lynn Schubert, President SFAA, receives lifetime achievement award

Lynn Schubert received the American Bar Association Martin J. Andrew Award for lifetime achievement in fidelity and surety at the Fidelity and Surety Law Committee Mid-Winter meeting.

The Martin J. Andrew Award is the Committee’s highest honor for lifetime achievement in Fidelity and Surety Law. As noted by the Committee, “In addition to her extraordinary accomplishments and service to the fidelity and surety industry, it is particularly fitting that Lynn receive this award, as Marty Andrew was particularly proud of his role in nominating Lynn as the first woman to chair the Committee during 1993-94.”

For more information, please visit www.surety.org.
Coface starts credit-insurance in Israel

As part of its on-going expansion into new markets, Coface, already established in Israel through the business information company BDI-Coface, has been granted a license from the local regulatory authority to operate as credit insurer.

The license allows Coface to expand and simplify the distribution of credit insurance solutions to Israeli companies, enabling them to benefit from Coface’s expertise in prevention and credit risk protection for their commercial transactions, in addition to collection and information services, as well as Coface’s international credit-insurance network. Coface is now wellplaced to strengthen its support of Israeli companies as they grow and develop.

Commenting on the Israeli license, Jean-Marc Pillu, Coface CEO, said: “Israeli businesses have been skilled at coping with fluctuations in the economic cycle and have today a healthy financial position. Coface’s payment experience for the country is positive. On this high-potential market, the direct offering in credit insurance will allow us to be closer to our clients and to provide them with tailor-made solutions. Our local market knowledge, extensive international presence, innovative and diversified product range, appropriate distribution channels and prudent risk management will enable us to contribute to the commercial development of local Israeli companies, whatever their size.”

For more information, please visit www.coface.com

Endorsed Conferences

ICISA endorses numerous conferences related to the trade credit insurance, surety and political risk industries:

- 12th Annual GTR Europe Trade & Export Finance Conference (5 - 6 May 2015, Hamburg)
- Insurance Leaders Forum (11 - 14 May 2015, Dubai)
- 7th Annual East Africa Trade & Commodity Finance Conference (14 - 15 May 2015, Nairobi)
- 5th Annual Africa Banking & Finance Conference (19 - 20 May 2015, Nairobi)
- 3rd Annual North America Trade & Export Finance Conference (18 June 2015, New York)
- Insuring Export Credit & Political Risk Asia (24 - 25 June 2015, Singapore)
- GTR Asia Trade Finance Week 2015 (September 2015, Singapore)
- Trade Credit Insurance Summit (11 - 13 October, Dubai)
- 4th Annual West Coast Trade & Export Finance Conference (October 2015, San Jose, USA)
- 7th Annual West Africa Trade & Export Finance Conference (November 2015, Lagos)
- 5th Annual China Trade & Export Finance Conference (November 2015, China)
- 8th Annual Nordic Region Trade & Export Finance Conference (November 2015, Sweden)

Yearbook

ICISA Yearbook 2014-2015
The Yearbook 2014-2015 can be downloaded from the ICISA website (www.icisa.org). To order a hard copy, please send an email to secretariat@icisa.org
Peter Janson and Jacques Parisien join The Guarantee Company of North America’s Board of Directors

The Guarantee Company of North America (The Guarantee) has appointed Peter Janson and Jacques Parisien to its board of directors.

Peter Janson is a seasoned professional manager with extensive international experience in heavy electrical equipment manufacturing as well as engineering and construction. He held many positions with ABB, including CEO of ASEA Canada, CEO of ABB Canada and CEO of ABB US. Peter also served as CEO of Agra Monenco and then assumed responsibility as CEO of AMEC Americas, and Chairman of AMEC Construction Management Inc.

He has been a member of numerous boards of directors, including Tembec Inc, Terra Industries Inc, E.I. Dupont Canada, ATS Automation Tooling Systems, Nexia Biotechnologies Inc. and currently, Teekay Corporation.

Peter has been Vice-Chairman of the Royal Ontario Museum. In addition, he has held many advisory positions including reporting to the Prime Minister of Canada in his role as a member of the National Advisory Board on Science and Technology, and in the US serving as a member of the Business Round Table. Mr. Janson holds a Bachelor of Applied Science from Queen’s University.

Jacques Parisien is a key figure in the Canadian communications industry, having spent his professional career working at Telemedia before joining Astral, which was then acquired by Bell Media. As Executive Vice President and C.O.O of Astral Media Inc., Jacques was accountable for the company’s operations and growth strategies across Canada. At Bell Media, he was a member of the Executive Committee and led Bell Media’s national French and English specialty and pay television and radio properties, as well as the operations of Astral Out-of-Home.

He currently sits on the boards of directors of IGM Financial Inc., Attraction Media, Square Victoria/Gesca and Stingray Digital. He also acts as an advisor to Cossette.

Jacques has chaired the Montréal Board of Trade, the Montreal Tourism Bureau and the Montréal Museum of Archaeology and History. He currently sits on the boards of the Montréal Museum of Fine Arts, Capsana (a joint foundation of The Montréal Heart Institute and Maisonneuve Rosemont Hospital), as well as the Institut de Tourisme et d’Hôtellerie du Québec. Mr. Parisien is a member of the Québec Bar and graduated in law from McGill University.

For more information, please visit www.theguarantee.com

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## Training Schedule 2016

### April 2016

**Trade Credit Insurance Training Seminar**  
21 - 22 April 2016, The Hague, NL  
This two-day in-depth basic level training seminar in Trade Credit Insurance for professionals from inside and outside the trade credit insurance industry with up to 3 years of work experience.

**Surety Training Seminar**  
21 - 22 April 2016, The Hague, NL  
This two-day in-depth basic level training seminar in Surety for professionals from inside and outside the surety industry with up to 3 years of work experience.

### July 2016

**Trade Credit Insurance (advanced) Training Seminar**  
(Underwriting & Claims Handling)  
7 - 8 July 2016, The Hague, NL  
‘The Essence of Trade Credit Insurance’  
Day 1: Underwriting  
Day 2: Claims Handling  
This two-day advanced training seminar in Trade Credit Insurance for experienced professionals (4 years experience and more) is modular. Participants can choose to attend one or both modules.

**Surety (advanced) Training Seminar**  
7 - 8 July 2016, 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. The seminar is aimed at experienced surety underwriters (recommended 4 years’ experience or more).

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**For more information**

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