Dear Reader,

The ICISA Autumn Meetings 2019, which were held in Amsterdam in September, proved to be a timely event to discuss the many challenges our members face on a daily basis in assessing the risk environment their customers trade under.

Some of these concerns are not new but continue to dominate: an escalating trade war between the US and China, a never-ending Brexit story, Solvency II and Basel III, to name the obvious ones. Meanwhile, a study from the IMF and Stanford University concludes that trade uncertainty is currently at its highest point on record. This has led to an increase in demand for insurance cover, and to an increase in factors risk underwriters have to take into account. In many ways the economy finds itself in unchartered waters, making it more relevant than ever for traders to get an informed outlook of where their industry is heading. This is what trade credit insurers and surety bond underwriters do. Their forward looking ability is perhaps more relevant now than ever before.

Apart from their ability to assess risks, ICISA members see an increasing role for supervisors and legislators. Solvency II and new Basel rules are hugely important, but in their current form do not guarantee a level playing field for all. A review of Solvency II in 2020 is therefore welcomed, and ICISA members are engaging intensively with supervisors and regulators to share their concerns and proposals for a solution. Regarding Basel rules there is concern that the risk mitigating role offered by credit insurance is not recognized in the way it used to. ICISA works closely with banks and other involved sectors towards better understanding of the important role played by credit insurance in trade finance and for a level playing field for public and private insurers.

With concerns on the economic outlook and a rise in political risks, also in countries where this has not been the case over the past decades, ICISA members continue to steer their customers through choppy and sometimes unchartered waters. ICISA offers a forum where best practices can be shared so that all are better equipped to serve the market.

Thank you to the many contributors to this edition of The ICISA Insider, for sharing their thoughts and expertise on these and other concerns.

I wish you happy reading.

Robert Nijhout, Executive Director
Surety Committee – Brendan Keating

I don’t know if I can predict today what will be the most prominent discussion point for the surety committee in the next coming months. However, I believe we were awarded with a unique opportunity with some guests that participated in the first portion of our meeting. I believe they had a great role to find out answers to our questions.

This year in this surety committee meeting, we hosted a panel of brokers from around the globe. The idea for the panel was to get perspectives from these individuals on the different trends, challenges and opportunities in each of their regions and countries. We had a representative for Central Europe, Brazil, UK, Canada and the United States.

As always, we had an active discussion and encouraged each of the surety committee ICISA members to maintain an open dialogue, they were engaged with the panel and discussions dialogue flowed. This was a great way to start the meeting in the hopes of creating an atmosphere of opportunity identifying and opportunity solving for the remainder of our meeting.
This past AM we talked about the latest economic and political events that caused concern to me. Trade war between the USA and China (tit for tat) that has already started to show the consequences. Five weeks shut down of UK Parliament and the possibility of hard Brexit. Dispute between South Korea and Japan. Hong Kong riots. The rise of radical right wing parties in many countries. Germany in technical recession. All economic magazines that I usually read are daily full of articles that are far of making me comfortable seeing the brightness of the near or medium term future. We also shared with me the feeling that we are kind of on the brink of new downturn. This AM we tried to answer if we are prepared for the new downturn cycle, if we are prepared for a potential recession.

On the top of the common we covered during the CoU meetings: Countries, Trade Sectors, Specific Buyers/Risks/Cases and Technical topics, which are in brief explained below, delegates were also sharing their view on the up to date political and economic situation and the possible impact on their business.

Main topics
Countries - China, South Africa and Turkey are is going to be discussed in more details.

Trade Sectors - Different sectors are going to be covered among which the Automotive supply and Soft commodities sectors more in depth.

Technical Topics
- Credit insurance in Turkey – Presentation will be given by Mr. Özge Tosun and Seerkan Elmas From Turkeximbank.
- Understanding interconnectedness of business exposure – Global trade is extremely interconnected as companies have built-up extended supply chains spanning the world and progressively moved from good to service supply. Understanding this connectivity and the exposure that flows is key for decision makers to quantify exposure. Discussion and follow up from the topic that was presented in AGM by Suki Basi from Russel Group.
- Change of IFRS16 – Delegates of CoU meeting would have the possibility to share their views and on the impact of IFRS16 on financial reporting.

Acknowledgement
I would sincerely like to express many thanks to James Deloz from Credendo for being prepared to step in as a vice chair and to help with the preparation of minutes and co-chairing the meeting.

I would also like to thank to Hans Lousberg and Alberto Caycho from ICISA for gathering the data for CoU Agenda and ICISA Insider and for giving me a gentle incentive which helps me to prepare everything in due course.

I would also like to express thanks to Christoph Nienhaus for all the help with the preparation of the agenda and the minutes and with Co-Chairing the CoU meeting for the past three CoU Meetings.
Credit Insurance Committee – Judita Svetin

Slowdown and signs of recession in many markets are a new reality and in connection with this fact, it was very interesting to hear at firsthand what is the situation on the relevant members market. Always interesting tour of the table addressed issues of development of loss result, insolvency ratios, especially bad performing sectors and other relevant credit crunch indicators which we all monitor.

In Amsterdam, CIC hosted three interesting guest speakers – Mr. Henning Ludolphs, Managing Director, Retrocessions & Capital Markets, at HANNOVER RE provided a general outline of the Insurance-Linked Securities (‘ILS’) Market: history and development of the market, parties involved, and pros and cons of the concepts. Second guest speakers came from Turkey, Mr. Özge Tosun and Serkan Elmas from Türkeximbank gave presentation on credit insurance and the macro-economic situation in Turkey. As usual members of the CIC had many questions for our guest speakers and a productive debate. Mrs. Feten Mollinier is the dedicated liaison between PERILS and ICISA for the PML/LGD Project and updated members of CIC on progress of this project. PERILS is an independent non-profit organization providing data to the insurance sector and has partnered with ICISA for the LGD project. Some of the members decided to share their loss data with PERILS and the first feedback from PERILS was very much appreciated.

A topic of benchmarking was addressed – we discussed about the market direction regarding standard and sanction clauses.

CIC discussed also very practical topics – this time we shared experience, practices and different approaches in case that two insurers share the same loss – although having the same aim – prevention/minimization/total recovery, approaches are different, but it is crucial that insurers know about each other and synchronize their actions. Thanks to all members of the CIC, the discussions were lively and fruitful.
A practical and accessable industry-wide reference on Trade Credit Insurance, written by a team of industry experts.

This compact volume is a practical guide for anyone interested in Trade Credit Insurance. The International Credit Insurance & Surety Association (ICISA) presents an approachable but detailed guide written collaboratively by carefully selected industry experts. The guide describes the ‘lifeline’ of the credit insurance product, from the initial application stage to the expiration phase of the policy, including practical use aspects for credit managers. The volume offers compact information on the history of trade, the need for protection against trade credit risks, and solutions offered by credit insurance providers. The focus is on short term credit, including whole turnover policies and single risk policies.

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• Includes a list of relevant resources for further reading

About the Author(s) / Editor(s)
The International Credit Insurance & Surety Association (ICISA) brings together the world’s leading companies providing trade credit insurance and surety bonds. ICISA promotes technical excellence, industry innovation and product integrity, as well as addressing business challenges generated by new legislation.

Where to order my copy
“… the current products are in principle the same for decades, but active portfolio management and steering of the portfolio became sophisticated since the global financial crisis.”

Uwe emphasizes about the evolution of the industry and the main developments gained gradually. The development of the primary credit and surety industry have been partially international, the real internationalization started with the beginning of the European Union in 1992 and the freedom of services within the EU. Another step in the globalization of credit insurance was the development of solutions for large international corporates to serve their needs around the globe. There were major questions that required answers during the global financial crisis there would be enough reinsurance capacity. The industry – insurance and reinsurance – has very well mastered the crisis and demonstrated an unexpected turn around in performance within a short time period. ”, Uwe remarks.

In his opinion the current products are in principle the same for decades, but active portfolio management and steering of the portfolio became sophisticated since the global financial crisis. Solvency II, despite being a heavy burden, benefitted the industry to become more analytical and also changed the need for reinsurance. The industry was always at the forefront of automation and connectivity to customers compared other P&C lines.

The global financial crisis was an inflection point for reinsurance dynamics. Prior, the market was dominated by two leading reinsurers and later it diversified. More companies claimed to have the capabilities to lead treaties and more new reinsurers started to write the business attracting diversification and technical ratios compared to other lines (technical ratio only is not a good indicator for a sustainable return). Capacity has increased in many lines of business outside of credit. Change of service speed is also remarkable. Uwe remembers that to place facultative business 30 years ago he used to wait 3 weeks to get an answer for a capacity of DM 0.5m. Today it would be impossible to survive with such a slow speed. Nowadays
portfolios are globally diversified and the peak risks of sectors have evolved, he concludes.

Regarding the current situation of the industry he comments that the primary market has shown relatively low growth over the past years, and the penetration continued to be low. The latter one is a long-term topic which has been discussed since he joined the industry more than 30 years ago. Loss Ratios have been under control despite low GDP growth after the financial crisis and subsequent crises such as the European Debt Crisis in 2012. The strong performance led to intensive competition. The reinsurance industry is currently facing low premium growth and small margin, but low volatility of loss ratios for a specific part of the portfolios. As part of the supply and demand in-balance, technical and combined ratios for primaries are much better than on the reinsurance side.

Industry evaluation

* The credit insurance industry is supporting trade, which is the indispensable enabler of growth in an open economy and a driver of globalization. However, it is undervalued for what it contributes to the local and world economy. The penetration continues to be low, and we need to find ways how to increase the wallet and for the benefit of the (re)insurance market. I perceive currently, as it is a niche business and even as it very much contributes to economic prospects, it gets much less attraction by the public, by the government and related entities such a supervisory etc.

*Compared to 30 years ago, the reinsurance industry is much more sophisticated across all aspects but certainly in analytics. However, the line is not easy to model. Additionally, it is much more diversified, but it suffers currently from low margins, low growth and overcapacity. There is the risk that the reinsurance of this line becomes a commodity as the profit is not enough to maintain a relevant service (i.e. “know-how”) to the clients and to support clients over a cycle. Credit Insurance very much depends on the economic environment. Hence, it is important to serve clients over a cycle as the diversification over time is equally important as the spread within a portfolio. The general trend to become more relevant and client-centric, might not favor credit insurance and surety business, which are considered to be a niche”, he concludes.

Developments and upcoming changes

Uwe is confident that the future of credit insurance will look bright and he expects the industry becomes more relevant. Compared to other P&C lines, where the service is mainly evident via claim payments, the value of credit insurers can be realized every day via financial analysis and related services to clients. As such, the industry was always paying attention to automate the interaction with clients. The industry has historically done well selling in services to large corporates, but less efficient in matching the needs of SME. He assumes with all the development in digitalization, AI, Big Data, among others, the industry will be able to find a solution by easy access and simple to manage, which contributes the grow of penetration and industry relevance. This will also improves connectivity to clients, easy trading, innovative distribution, making the underwriting more robust and the whole organization more efficient and agile, which finally will be for the benefit of policy-holders and reduce the administrative costs of insurers, often much higher compared to other lines.
“Surety is related to the bright outlook in SME’s. There remains a big opportunity to penetrate the SME’s too, but at least the following elements are crucial: (1) automation of underwriting plus constant monitoring to avoid anti-selection, (2) scale in distribution etc. digitalization will make this happening.”

Uwe emphasized the crucial role of ICISA in Credit and Surety due the small size compared to the whole insurance industry and other financial industries. Lobbying, formulating a common view, sharing experience, technical experience and training, etc. are essential parts of any trade association. Lobbying is not straightforward in the current environment because of the size of the business. The barbell structure of industry creates complexity to align the different interest and priorities. However, there is a remarkable development over the last years, ICISA gets more international, non-European companies are joining and more collaboration between other trade and surety related association is happening such as Berne Union and PASA.

Uwe finalizes this interview asking for new ideas to the business and attracting new talent to the association and committees, he also reconfirming his motivation and passion for the business and a clear goal to give the industry back what it has given to him. Nowadays he wants to spend more time with my family and for himself, do more sports keeping his eagerness to enhance his knowledge in new areas such as AI and Fintech and how this can contribute to our industry.
Beyond the fluctuations in the Italian economy, the analysis

Alessandro was Head of Analysis and Economic Research SACE SRV, a SACE group company where he worked on analysis on the developed countries, particularly Italy, and on industrial sectors. He previously worked as an economist at Confindustria Study Centre and collaborated in the drafting of several studies, notes and reports on economic issues of different nature.

Graduated in Economics from the Luiss Guido Carli University in Rome (2001), where he worked as Assistant for the Political Economy course - Faculty of Political Sciences (2004), has also collaborated with several Italian universities (Tor Vergata, Politecnico Milan, SDA Bocconi) teaching Elements of risk assessment country, International Economics, Risk insurance policies of export credit, Economic and structural aspects of the Italian economy.

Political outlook in August 2019

Italy has an “artistic flair” also in political life and we have seen a key change in the composition of the majority coalition. In a few words, after the dramatic collapse of the first Conte government, at the head of a coalition between the Five Star Movement (Movimento 5 Stelle, M5S) and League parties (Lega), the President of the Italian Republic Sergio Mattarella decided to give Prime Minister Giuseppe Conte a second mandate. M5S and the Democratic Party (Partito Democratico, PD) will support the new government.

Strengths and weaknesses of the Italian economy

One of the most important strengths is the Italian exports of goods. They have been increasing quite significantly over the last years: Made in Italy is strongly demanded in the world! In 2018 the Italian exports of goods grew by 3.1% (total value of €463 billion), after a record-high +7.6% in 2017. Since 2010 external demand has been the only positive-contributing component of GDP.

The main weakness at this juncture is probably the sluggish domestic demand that is severely limiting Italian growth. Internal demand has been a drag over the last 8 years. In particular, investments subtracted 2 p.p. of growth with respect to 2010. On a more structural note, Italian competitiveness suffers, among others, a low infrastructure expenditure (both in quantitative and qualitative terms), a slow civil justice system, a high tax wedge (e.g. Italy’s tax wedge 2nd-worse in OECD for single-income households), high debt to GDP ratio (now it is over 132% of GDP).

The threats

Italy is heavily involved in global trade and, as I said, external demand for our goods has had a fundamental positive effect on Italian growth. Moreover, the main Italian trade partner, Germany, is strongly dependent on external demand too and it is being dramatically affected by the current stagnation in global import. Therefore, any risk for international trade has a potential negative impact on Italian GDP, via multiple channels.

Trump administration’s protectionist policy spreads uncertainty. First of all, United States is the third most important market for Made in Italy goods (destination of €42.4 billion worth exports) and the threat pending on European automotive exports to US involves also Italian products. Second, tariffs are damaging investors’ confidence around the world and Italy is one of the most important instrumental goods exporter. In our 2019 Export Report we made three alternative scenarios for Italian exports of goods; one of them is about the “Trade War”: a 25% duty on all Chinese products and on car imports from the world (excluding Mexico and Canada), would reduce Italian exports in 2020 both total (-0.6 p.p. vs the baseline) and to US (-1.4 p.p.).

Italy just exited a technical recession, is the Italian economy on a path of sustainable growth?

According to Bank of Italy’s July forecasts, Italian GDP will expand 0.1% in 2019 and 0.8% in 2020. Economic activity
will be primarily driven by exports and household consumption. From January through March 2019, Italian real output rose by 0.1% on the back of a rebounding industrial sector and rising construction activity, the latter also boosted by mild weather conditions. Unfortunately, the existing margin of spare production capacity is unlikely to be reabsorbed over the short-term. Clearly we can say neither Italy is a “fast-growing country”, nor that it is on a path of sustainable growth.

In order to move to a path of sustainable growth Italy should tackle the mentioned structural issues, primarily public debt; Italy still should take serious actions to set up credible plans to stop and reverse the increasing debt ratio.

**A new crisis? The way forward...**

I think this is really a negligible risk. The new government will be more Europhile than the previous one. Therefore Italy has the opportunity to honor its past fiscal pledges to the European Commission, starting with an “on track” 2020 fiscal policy. The second Conte administration will have to make some difficult fiscal choices in order to reassure the European Commission and sovereign debt markets. Moreover, in the past Italy has been marked as a “dangerous” country several other times and in the end it has always come up doing what was necessary for the stability of the Eurozone. Furthermore, we are at the moment noticing a lower spread thanks to the positive market reaction to the new government: the spread between Italian 10y bond and German bund is at its lowest level since May 2018, with more potential room for further improvement.

Several reforms are needed. Public finance reform should be probably the first one: public debt must be tackled through spending review and fight against tax fraud and evasion. Moreover, the Italian banking sector needs to keep up with the declining trend in NPL ratios (now at 8.4%), especially in light of the worsening economic global outlook. A consolidation of smaller banks in order to unlock credit flows to the private sector and, in particular, to SMEs would help. Furthermore, civil justice system needs a crucial reform to make it faster and smoother, in order to improve the business climate and the attractiveness of our economy.

**Government measures**

The new government will present the updated Economic and Financial Document (NADEF) on September 27th, the Draft Budgetary Plan to EU by mid-October and the new Budget Law proposal to the Italian Parliament by October 20th. By the end of December the Parliament must approve this Law.

PD and M5S agreed on a 29-point government program. According to this program, on the fiscal side, the priority is to avoid the planned VAT rate hikes in 2020 worth an estimated €23 billion in revenues. These are safeguard clauses introduced in 2011, a trigger to safeguard budgetary targets agreed with the European Commission. However, every government since 2011 has either postponed the VAT hike or proposed other fiscal tightening measures.

Moreover, the new European Commission led by Ms von der Leyen will probably be less hawkish on fiscal deficits, less rigid on the accounting of investment expenditures and more focused on growth. A greater flexibility that will be desirable not only for Italy but for Europe in general.

ANCE (Italian building contractors association)’s forecasts for 2019 point to an increase in investments in construction of 2% in real terms. Investments in the extraordinary maintenance segment should grow by 0.7%, while expenditure in new residential construction is expected to increase by
3.5%. On a broader perspective, all the segments will recover in 2019, also the ones backed by public sector. Total investments in construction are much lower than in 2000 and in 2010, except for extraordinary maintenance activity, but the construction sector will continue to slowly consolidate this and next year. Such a mild recovery will have, in my opinion, a slightly positive impact also on the demand for surety bonds.

**Global trade and risks**

We have estimated a slowdown in global trade this year and therefore we have lowered the forecasts for the Italian exports of goods in our flagship report. Unfortunately, CPB data shows a flat dynamic in the first six months, year-on-year and in volume terms. That is even worse than our estimates.

We are still expecting a pick up next year, but it is heavily dependent, among other factors, on the US administration’s trade policy. The US increase in tariffs is probably the main risk to global trade, but not the only one. A Hard Brexit, the Japan-South Korea trade dispute and several Middle-East tensions are also critical issues.

The other two alternative scenarios in our Export Report are the following: (i) “Trade War” plus a slowdown in the Chinese economy and (ii) “Trade war” plus a disorderly Brexit. In both scenarios the negative impact on Italian exports of goods ranges between 0.8 and 1.7p.p in 2020.

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**Catalogue of Credit Insurance Terminology**

The new English edition of the catalogue is available. It can be downloaded from the ICISA website (www.icisa.org). To order a hard copy, please send an email to secretariat@icisa.org.
US-China Trade War Reshapes Asia-Pacific Supply Chains

Summary
The US-China trade war has escalated significantly since August 2019, following the announcement of new US tariff measures against China. The US decision to increase tariffs ended the short-lived and fragile truce that had been agreed in late June between President Trump and President Xi Jinping at the G-20 Summit in Osaka. As China’s manufacturing export sector has been hit by the impact of trade war with the US, the economic shock waves have rippled across the Asia-Pacific region, hurting the export sectors of many Asian economies that provide raw materials and intermediate manufactures to China’s manufacturing sector.

The weakening outlook for Asia-Pacific exports has triggered a wave of monetary policy easing by many Asia-Pacific central banks, with a number of Asian governments also having announced fiscal policy stimulus measures to support economic growth momentum in 2020.

The Escalating US-China Trade War
The export sectors of many Asian nations have faced strong headwinds during the first three quarters of 2019 from the transmission effects of the US-China trade war as well as the continued slowdown in the global electronics sector. At the beginning of August 2019, President Trump announced new tariffs of 10% on an additional USD 300 billion of Chinese products, with the implementation having commenced on some of these goods from 1st September 2019 and the remainder to be subject to tariffs from 15th December 2019. This tariff rate was later increased to 15%.

The new tariffs, combined with existing US tariff measures previously imposed upon Chinese products and retaliatory Chinese tariffs on US products, will continue to act as a drag on bilateral trade as well as impacting negatively on the Asian manufacturing supply chain to China’s manufacturing sector. As part of the latest US tariff measures, the current tariff rate of 25% already implemented on another USD 250 billion of Chinese products will be increased to a 30% tariff from 1st October 2019.

The US has also designated China as a ‘currency manipulator’ in August 2019, adding to the economic confrontation between the two nations. As a result of the escalating trade war, Chinese imports of US goods fell 19% from a year earlier in July. Chinese exports to the US declined 6.5% y/y.

Further stoking regional trade tensions, escalating trade frictions between Japan and South Korea since the end of the G20 Summit have added to the downside risks facing the Asian trade outlook. Singapore and South Korea have been at the forefront of the regional trade slowdown, with their heavily export-driven economies experiencing a deep slump in exports dur-
recent months, which has been a significant drag on GDP growth. South Korean preliminary customs data for August showed a deepening export slump, with total merchandise exports down 13.6 per cent year-on-year.

Many Asia-Pacific central banks, including Bank Indonesia, Reserve Bank of Australia, Bank of Korea, Bank Negara Malaysia, Bank of Thailand, Reserve Bank of India, and Bangko Sentral ng Pilipinas, have lowered policy rates since May 2019, reflecting concerns about weakening exports and industrial production.

Trade Diversion and Reconfiguring Manufacturing Supply Chains

The protracted US-China trade war has reinforced trade diversion effects among Asian economies. Trade data for the first half of 2019 show that US buyers are shifting their purchasing orders away from China to other manufacturing hubs, while manufacturers are restructuring production across global supply chains to reduce their exposure to the US tariffs. Some emerging Asian manufacturing hubs are gaining export orders from the US as a result. Vietnamese exports to the US surged 33% year-on-year in the first six months of 2019. Trade data for the first six months of 2019 show some other Asian economies, including Thailand, are also benefiting from some trade diversion effects, with exports to the US rising significantly.

However, with President Trump recently criticizing Vietnamese trade practices and the US Treasury having included Vietnam in May 2019 on its list of countries being monitored for potential currency manipulation, concerns have been rising among Vietnamese exporters and policymakers that Vietnam may become a target for US trade measures.

Southeast Asian low-cost manufacturing hubs, notably Vietnam, are already benefiting from stronger foreign direct investment (FDI) inflows as multinationals diversify their global supply chains away from China. Vietnam’s Foreign Investment Agency has reported a
Recent trade frictions between Japan and South Korea are also likely to trigger some reconfiguration of supply chains for South Korean multinationals.

A March 2019 survey of Taiwanese firms with production in mainland China or Hong Kong indicated around 42% were considering shifting some production back to Taiwan, with 49% considering increasing production in the ASEAN region. Meanwhile, approved FDI commitments into Malaysia’s manufacturing sector surged 127% in the first quarter of 2019. According to the Malaysian Investment Development Authority, much of the increase is coming from the US and focused on the electronics sector.

India is also benefiting from some additional FDI inflows from international manufacturing firms. For example, Taiwan’s Foxconn Technology Group has opened a factory near Chennai in 2019 in order to assemble new model Apple iPhones, and already has two other facilities in India for assembly of Xiaomi and Nokia smartphones.

Recent trade frictions between Japan and South Korea are also likely to trigger some reconfiguration of supply chains for South Korean multinationals, as they try to reduce their vulnerability to imports of Japanese intermediate materials and components. ASEAN nations may therefore also benefit as South Korean companies adjust their global supply chains.

Asia-Pacific trade outlook

The export sectors of many Asian nations are expected to continue to face headwinds in the near term because of the combined impact of the ongoing US-China trade war, the global electronics cycle downturn, and moderating growth in the key US and EU export markets. Meanwhile escalating trade frictions between Japan and South Korea have added new downside risks to Asia’s trade outlook.

However, some Asian nations are benefitting from trade diversion effects as multinationals reconfigure their global supply chains to re-
“However, some Asian nations are benefiting from trade diversion effects as multinationals reconfigure their global supply chains to reduce their vulnerability to China and diversify their production...”

Over the medium term, the reshaping of Asian manufacturing supply chains could provide a significant boost to foreign direct investment into the manufacturing sectors of low-cost Asian manufacturing hubs such as Vietnam, Indonesia, India, Bangladesh, Myanmar, Cambodia and the Philippines.

Rajiv Biswas is the Asia-Pacific Chief Economist for IHS Markit.
An exponential pipeline of floating offshore wind (“FOW”) projects is expected within a decade, all of which will require commercial and government-linked financing. Therefore, insurances are needed to mitigate risks from development and testing to construction and operation stages, along with the gamut of concerns, inter alia, technical designs, payments and other third party liabilities, electricity price changes and health, safety and environmental issues. The insurance market must see these risks as new business opportunities, not detractors, because FOW represents a key source of renewable energy to crucially reduce many nations’ reliance on fossil fuels.

**What is FOW?**

In contrast to ‘fixed-bottom’ turbines which are piled into the seabed, FOW comprises wind turbines fitted to platforms which float and are tethered to the seabed by cables. There are four platform types mostly utilized in FOW structures — barge, semi-submersible, spar and tension-leg — to which most established manufacturers’ offshore wind turbines can be fitted. Each platform design offers unique wind-harnessing benefits and all allow wind turbines to be installed farther away from shore, in deeper waters or over uneven underwater surfaces.

Many FOW farms amalgamate the now-established technology of locating fixed-bottom wind turbines off the coast with older conventions utilized in oil rigs, floating production storage and offloading (“FPSO”) platforms and other oil and gas upstream processes.

**Increasing financing attraction to FOW**

Government-backed funds, multilateral institutions and commercial financiers, from private equity investors to banks and non-bank financial institutions, including pension and infrastructure funds, are increasingly interested in FOW. Investors are attracted to the vast
and geographically-diverse pipeline of projects and the expected higher investment returns offered as acknowledgement of the increasingly but not fully understood technology risk in FOW.

The reported success of pilot projects have helped lift the cloud of doubt around the plausibility of developing a pipeline of FOW projects. Examples include Equinor and Masdar’s 30MW Hywind Scotland project, which is said to have survived hurricane and high wave conditions in its first year test period. Principle Power’s 25MW WindFloat farm off Portugal demonstrated a project’s ability to secure financing from the European Investment Bank. Lessons learned in developing Hexicon’s twin-turbine demonstration model, Dounreay Tri, off the north coast of Scotland have shaped a revised platform design.

From demonstration models to commercial-scale farms, FOW projects are being developed off the coasts of Asia, Europe and the United States of America, that is, globally! With 5.5 gigawatts (“GW”) of projects having a ‘medium’ certainty of being developed by 2025, up from the 50MW installed in 2018 (see table) and an industry ambition of 8,000GW, there is a wide breadth of investment needs which in turn will need (re)insurances.

Investments are not just in project financing but also in funding companies across the supply chain (for example, cable manufacturers or tug boats which move the turbines from the construction site to final location) and even supporting the mergers and acquisitions which will arise as companies free up balance sheets or seek new investments.

Positive FOW future despite teething challenges
FOW is a new industry with recently acquired data and experience across many aspects of the supply chain. There is much for investors and re(insurers) to consider: creating the ideal platform and turbine combination; ascertaining the optimal location of manufacturing sites versus installation locations; and understanding the feasibility of the mooring chains to withstand long-term wear and tear.

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<td>Hawaii</td>
<td>0</td>
<td>0</td>
<td>400</td>
</tr>
<tr>
<td>Maine</td>
<td>0</td>
<td>12</td>
<td>500</td>
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<tr>
<td>United States (Max)</td>
<td>0</td>
<td>12</td>
<td>1,900</td>
</tr>
<tr>
<td>GLOBAL</td>
<td></td>
<td></td>
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<tr>
<td>Global (Max)</td>
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<td>262</td>
<td>8,355</td>
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</tbody>
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*CarbonTrust, “Floating Wind Joint Industry Project 2018”*
Most jurisdictions have yet to establish off-take or subsidy arrangements specifically designed to guarantee a revenue stream for FOW projects. With the levelized cost of electricity generated by FOW expected to near or equate fixed-bottom projects only in 2030 or 2040, it will be difficult to predict governments’ maintained commitment to the sector should consumers’ reaction to increased utility bills prove politically damaging.

However, as more pilot FOW farms are completed and operate successfully, these will act as benchmarks and provability for investors’ credit committee discussions.

Early investors to FOW can expect financing structures which largely mirror those agreed in fixed-bottom projects, albeit the initial packages are expected to be less aggressive, clearer on risk allocation and offer healthier debt and equity returns. Investors and (re)insurers seeking opportunities spread across the globe have the opportunity to gain first-mover knowledge and returns, with especial benefits awaiting those which are willing to finance pilot projects.

The views and opinions expressed in this article are the author’s unless cited otherwise. None of the expressed views or opinions should be construed as financial advice or an affiliation or endorsement of any party and it is the responsibility of the reader to ascertain the accuracy of any information gleaned from this article prior to relying on such material.

Ms. Wang Yuling appointed General Manager at PICC

PICC announced that the company has finalized their organizational restructuring.

Trade credit insurance and surety are now part of the Liability & Credit Insurance Department.

Ms. Wang Yuling was appointed as General Manager of the Liability & Credit Insurance Department.

She is also the Chief Underwriter (Non-Auto) at PICC.

Julien Mollinier appointed as Head of Credit & Surety at Aspen Re

Julien was appointed Head of Credit and Surety in July 2019. He was previously appointed Head of Property Treaty, Europe, for Aspen Re in March 2017.

Julien joined Aspen Re in February 2009 as a Credit & Surety Underwriter. He sourced and effectively managed a strong portfolio (Latin America, Southern Europe, Global accounts) and was promoted to Senior Underwriter in 2012. Since then he has also played a key role in the conduct of strategic corporate projects and initiatives. Julien started his career working as a Risk Analyst for Groupama Assurance-Crédit and subsequently joined XL Re as Credit & Surety Underwriter. He is fluent in English, French, Italian, Spanish, German and Portuguese.
Technology and digitalisation are disrupting multiple and traditional trade ecosystems progressively and at a fast pace. In the market for active pharmaceutical ingredients (APIs), vitamins and other food & feed additives – estimated at an annual trade volume of USD 300 billion – this is no different.

Current trading processes in the industry are often time consuming, opaque and limited to personal networks. The online trading platform – the first in the market – offered in a strategic partnership by Swiss-based Kemiex and Atradius helps buyers and sellers to identify reliable and compliant counterparties in a quick and easy manner. Kemiex has outlined strict on boarding rules and a quality management system overseen by a qualified person. With its years of risk mitigation expertise Atradius provides Kemiex’s customers with insights into credit risks. The platform has a systematic monitoring structure that renews members’ trade excellence scoring after every finalised transaction. This provides a meticulous account of the entire trade stream by continuously assessing the behaviour and reliability of the transaction counterparts throughout the transaction. Transactions occurring on the platform can be insured with Atradius right away with single invoice credit insurance.

By conducting trade via the platform, parties minimise their lead times through a reduced number of touch points in the raw material sourcing process, are ensured that all stakeholders comply with restrictions and regulations and have the possibility to insure the transactions at the click of a button. As a result, buyers and sellers profit from increased product availability, reduced purchase prices and stable margins, positively influencing their short- and long-term growth.

Dirk Hagener, Director Strategy and Corporate Development at Atradius, comments:
‘The collaboration with Kemiex is a prime example of how Atradius stays at the forefront of digitalisation with innovative solutions and plays a part in the rapidly expanding online trade economy’

Sophisticated network ecosystem integrates digitalisation and credit insurance to secure online trade

Atradius and Kemiex introduce first online trade platform for raw materials in the life sciences industries