



Trade credit solutions for multinational companies

ICBA Advantage
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Interview with Corine Troncy, Global Sales & Business Development Director, Coface Holding (page 1)

Troncy discusses the credit crisis, Coface's strategies and improvements to its risk profile, the Transparency Charter and how ICBA global clients will benefit from measures taken at Coface. Coface is an innovative leader for the trade credit insurance industry.

ICBA clients can benefit from Takaful political risk and trade credit insurance (page 2)

Global business and trade finance professionals are increasingly discussing Takaful insurance and Islamic Finance and Shariah-Compliant business models. For many, these concepts are confusing. ICBA USA explains the key concepts.

Recent excerpts from the ICBA blog (page 2)

ICBA brokers and bloggers help clients succeed in a risky economic climate and make sense of the changing industry – with news from ICBA Australia, Belgium, China and New Zealand.

Corine Troncy says transparency and trust between Coface and clients are priorities

Coface Holding, based in Paris, France, with 130,000 clients worldwide and a direct presence in 67 countries, recently introduced its "New Deal" giving clients more flexibility in the management of portfolios and increasing dialogue among risk underwriters and clients. Improved transparency allows Coface to show clients how the company monitors accounts, identifies portfolio quality, and helps Coface be extra aggressive in underwriting clients' limits.

Question: Since the credit crisis began in 2007, Coface has maintained excellent guarantees, totaling €364 billion mid-way through 2009. Coface also reports improvements to its risk profile. How do these measures benefit customers?

Corine Troncy: From now on, Coface's first priority is to enhance Transparency and Dialogue with clients and to better take into account the quality of customers' portfolios according to a weighting based on our statistical studies. To this end, for all existing portfolios, Coface is introducing new concepts known collectively as the "New Deal".

Within this approach, we produce and monitor a score (with the same scale and meaning worldwide) for each company we underwrite. These scores are split into three categories:

- Category 1: Low Risk -> Score 6 to 10 (this category accounts for 86% of our exposure)
- Category 2: Medium High Risk -> Score 4 & 5 (this category accounts for 13% of our exposure)
- Category 3: High Risk -> Score 0 to 3 (this category accounts for 1% of our exposure)

Then for each policy, we calculate a RWE, Risk Weighted Exposure, the sum of a clients' credit limits weighted by category. Category 1 holds a ratio of 1:1. Category 2 has a ratio of 3:1. Category 3's ratio is 9:1. From our experience a buyer in

category 2 is three times more risky than a buyer in category 1 and should be therefore three times more expensive to insure.

The benefit for our clients is quite obvious: more flexibility in the management of their



Corine Troncy

portfolios – "they pay for what they get" – as well as an open dialogue between risk underwriters and clients. This transparency also allows us to show clients how we work, how we monitor and rectify whichever inconsistencies they might identify, something that was not possible in the past. It is also easier to identify the clients with a better portfolio quality and be extra aggressive in underwriting their limits.

Question: Please describe how Coface's Transparency Charter is being reinforced with client companies (the suppliers)?

Corine Troncy: Through our qualitative surveys and after a year of turmoil, we now know our clients want more transparency and an improved partnership/relationship, and please note Coface was the first credit-insurer to give access to ratings to the concerned parties in November 2008, with a possibility to correct or complete internal information. This Transparency operation is a clear success. After six months of existence, the Transparency Charter included 2300 registered companies. The figures

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from one year later, in November 2009: 6130 contacts (email or telephone), 3760 registered in the Charter, and 602 requests for revision of the score@rating by those registered in the Charter (including 453 upward reviews registered by October 2009).

Question: How is the development of Coface Financial Rating benefiting the political risk and trade credit insurance market?

Corine Troncy: When rated by Coface, a company has the opportunity to show its business partners how its financial performance and stability have been assessed by an independent third party. This improves confidence in all parties. Consequently, this move also benefits the credit insurance market in general. One of the objectives for this project is to increase trust and transparency between Coface, as a rating agency, and its rated companies. Another is to increase in-depth communication between Coface and buyers. This makes it possible for buyers to develop more business with suppliers.

Question: Coface analysis states the low point in the worldwide crisis was reached in mid-2009. Please give details about the ambitious "post crisis" plan for 2010-12 as it relates to ICBA clients.

Corine Troncy: Indeed Coface is preparing for the "post crisis" with a new 2010-12 strategic plan, aiming for a return to high profitability and gearing towards becoming market leader in the Trade Receivables Services and Finance market by 2015. Coface will achieve these objectives thanks to differentiated offers including:

- the most international factoring offer (number one in terms of geographical coverage) in the market,
- a "post crisis" New Deal, incorporating clients' and brokers' feedback that arose during the crisis.

Coface strategies allow its clients to buy more capacity at the right price and focus on better quality clients of their own.

(Corine Troncy, Global Sales & Business Development Director, Coface Holding, is responsible for global sales and marketing for Coface's four business lines. Troncy's career with Coface began in 1991. She helped establish Coface UK and the company's Japanese operations, and from 2001-09, she was Executive Vice President at Coface North America.)

Recent excerpts from the ICBA blog

ICBA Australia and New Zealand introduce monthly e-news: The new *NCI Minute* is designed to give clients a monthly update of information on topics including credit risk management, debt collection and changes in credit laws. *(Read ICBA Australia and New Zealand Marketing & Relationship Manager, Terry Duffy's post at www.icba-online.com)*

ICBA China (Guangzhou) now provides export credit insurance coverage for foreign companies: ICBA China now serves non-Chinese companies based in Mainland China and provides policies in English. A full Q&A on this topic is available from ICBA Belgium. *(Read ICBA Belgium Managing Director, Luc Gillijns' post at www.icba-online)*

ICBA around the globe

Clients benefit from Takaful trade credit and political risk insurance

Excerpted from a monthly e-newsletter produced by ICBA USA

Takaful (ta-KAH-ful) or Shariah-compliant insurers offer coverage that can significantly complement "conventional" or Western-based insurers' footprints in Africa, the Middle East and the Asia Pacific region.

In recent years, professionals in global business and trade finance have been hearing about Islamic Finance and Shariah-Compliant business models. For many, these concepts are confusing and somewhat intimidating.

Takaful comes from an Arabic word meaning "guaranteeing each other." It is based on the concept of mutual help or protection. The primary difference between Takaful and conventional insurance in the West is how risks are treated. In a Takaful structure, risk from individuals or organizations is shared with other individuals or organizations with a similar risk profile. Takaful or Shariah-compliant insurance complies with the requirements of Islamic law, while providing risk mitigation for investments and trade transactions. According to Ernst & Young's 2008 World Takaful Report, the global Takaful market is projected to exceed \$10 billion by 2010.

Many Takaful credit insurers function like government-run Export Credit Agencies, so Western firms with manufacturing facilities in Islamic countries, such as Malaysia, Indonesia or the UAE, can obtain coverage on exported goods manufactured in those countries, so long as eligibility criteria are met. The Islamic Corporation for the Insurance of Investment and Export Credit (ICIEC), a multilateral entity with 37 member countries, offers Shariah-compliant Political Risk and Trade Credit Insurance in cooperation with ICBA. ICIEC also offers Political Risk Insurance on the manufacturing facility or investment.

The value in this type of insurance is not merely equivalent to the amount of a claim payment or the policy's annual premium. The parent of ICIEC, for example, is the Islamic Development Bank, an \$8.5 billion powerhouse with far reaching ties among its 56 member countries in the region. It is this kind of partner that is empowered on an exporter's behalf with a Takaful insurance policy.

ICBA's role in the Shariah-Compliant Insurance Industry

Earlier in 2009, after a year of building relationships in the Middle East, ICBA USA was proud to close its first medium-term insurance policy on an obligor in Pakistan with the AAA-rated (Moody's) ICIEC, based in Jeddah, Saudi Arabia, following extensive dialogues and meetings in the region.

To learn more about Takaful Political Risk and Trade Credit Insurance, and about eligibility requirements, contact Gayle Jacobs at ICBA USA at gjacobs@irc-group.com.

(International Risk Consultants, Inc. (IRC), a globally-integrated trade-finance and credit insurance brokerage, is the operating member of ICBA for Asia, Brazil, India and the USA.)