

ICBA Advantage
The newsletter for trade credit insurance solutions
Issue 1 – 2008

ICBA Interview with Christopher Short, Senior Vice President, Coface North America (page 1)

Interest in credit insurance always rises in riskier times. That interest is now stronger than ever before. During the current critical period, Coface agents are spending larger amounts of time serving and consulting with new and existing customers.

ICBA ensures global businesses can collect revenues from their trade receivables (page 2)

The current economic environment has put trade receivables at greater risk. When one quarter of business collapses are due to non-payment by a customer, no business can afford to overlook collections on receivables or risk losing cashflow.

ICBA partner, Euler Hermes, prepares early for swings in the global economic cycle (page 2)

Euler Hermes collects financial information, through close association with its policyholders, to identify buyers with increased levels of risk.



Coface Senior VP Christopher Short on insuring in a world of rising trade risk

Credit insurance demand rises, provides more benefits than bank LoCs

In this interview, Christopher Short, Senior Vice president for Coface North America, discusses the current economy and the rising importance of trade credit insurance. Coface's mission is to facilitate global trade by informing and protecting clients against trade risks. Like all ICBA partners and members, Coface's strategy is underpinned by a local presence and high-quality customer service.

Question: Quoting from a Coface news piece, "The payment defaults index rose 36% during January-September 2008, compared with the same period in 2007." How is Coface helping existing and new customers remain healthy in this crisis?

Christopher Short: In risky economies with more uncertainty between trade partners, credit insurers like Coface are on-call to protect their clients. Many businesses – small or multinational – don't have the tools or depth of knowledge to monitor risk in a volatile economy. Our expertise works like an early warning system. During the current critical period, Coface underwriters and agents are spending larger amounts of time serving and consulting with new and existing customers. We are more visible in the marketplace because that's what our customers require. Business is facing new challenges in this economy and many are relying heavily on the experience of established trade credit insurance programs and on strong business-customer relationships. Also, banks are more likely to lend to companies that protects receivables with credit insurance.

We are also seeing an interest in trade receivable financing – when a financial institution purchases receivables outright – as a way for companies to get financing while avoiding non-payment risk. If financing is not required, the best option is credit insurance. With credit insurance, the insurer pays out when the purchaser defaults. Coface also serves as a collection agency – collecting on payments as early as one day past due.

Question: According to Bloomberg.com, letters of

credit (LoC) are roaring back into fashion as sellers seek guaranteed payments from buyers they no longer trust, yet banks are increasing LoC charges. When 90% of the US\$ 13.6 trillion of goods traded worldwide relies on financing, where does trade credit insurance fit into this mix?

Christopher Short: Interest in credit insurance always rises in riskier times. That interest is now stronger than ever before. LoCs are not customer friendly because costs are born by the purchaser and money needs to be paid up-front. In some cases, trade credit insurance is a better protection strategy for the supplier. Credit insurance is not restricted to a specific payment term, and it solves a company's need to protect its total receivables in uncertain times. A strategic business manager plans for downturns and insures when times are fine so when times turn risky, protections and relationships are in place.

Interest in trade credit insurance at Coface North America has nearly doubled from what it was at this time last year. Business people are seeing losses worldwide and want to better understand what is happening and how they can protect their business fast. All ICBA-affiliated insurers are critical informa-

In the news...

"We bought trade credit insurance when we first started exporting. When you have an account outside your country, you don't always know what's going on with their credit and some of these orders are huge. We're happy to pay the premium."

– Trade credit insurance policies provide a valuable safety net, by Denise Deveau, Canwest News Service, Vancouver Sun, 22 October 2008.

ICBA ensures global businesses collect revenues from their trade receivables

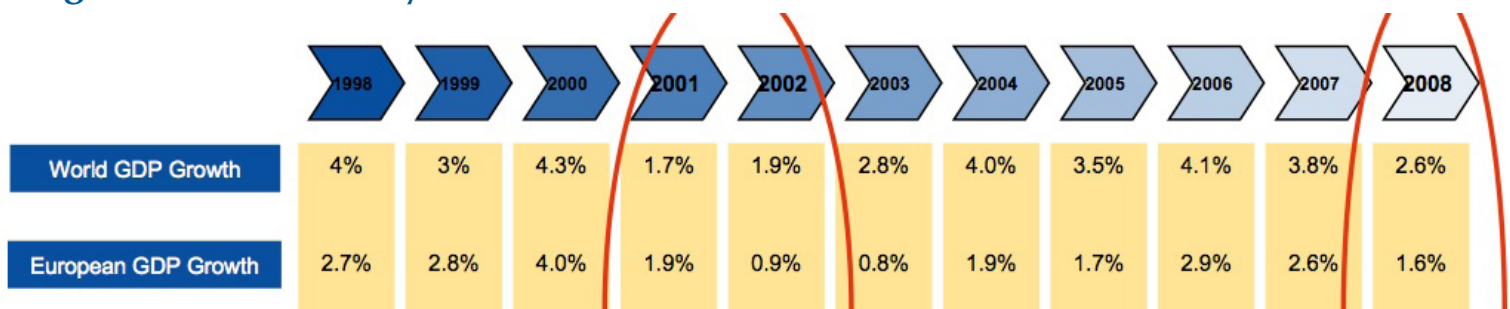
ICBA is the world's largest team of independently-owned, specialist trade credit insurance brokerages

Trade receivables typically represent around one third of a company's business assets. While trade credit insurance is a mainstay for large, multinational companies, it also serves smaller businesses involved with global suppliers and clients.

Established in 1999, ICBA currently has offices in 25 countries and on five continents. Serving over 7000 clients, ICBA brokers are a network of entrepreneurs. With the support of the ICBA team, members combine local service and expertise with worldwide coordination to effectively provide trade, credit and political risk insurance solutions to companies conducting business in the international marketplace.

The current economic environment has put trade receivables at greater risk. When one quarter of business collapses are due to non-payment by a customer, no business can afford to overlook collections on receivables or to risk losing cashflow. ICBA brokers have specialist trade credit expertise and understand the local languages, legal frameworks and political systems of the countries in which international companies – large and small – do business. ICBA brokers, working as their customers' business partners, make on-the-ground decisions and collaborate on a global scale in order to serve customers' best business interests.

Euler Hermes, a leading international underwriter, prepares early for swings in the global economic cycle



ICBA partner carefully targets counter-crisis actions in order to safe-guard customer portfolios and reduce risk

The credit and liquidity crisis is having a heavy impact on Fortune 500 companies and major international banks, and also affects companies in all sectors of the economy. Most companies are currently experiencing lower sales, lower margins and reduced cash flow. Buyers that were identified as higher risk when the economic cycle was high are now the most at risk of failure.

Euler Hermes works together with its customers to identify buyers with increased levels of risk. The underwriter collects financial

Trade credit insurance protects your business investment

Ron Doyle, senior ICBA broker with 40 years of experience, has this to say:

Some credit insurance policyholders question the value of credit insurance, if in periods like 2001-02 and 2008-09, coverage reduces – when it is most necessary. To this I reply, the value of trade credit insurance is to protect a company against unforeseen losses. Well-prepared companies regard trade receivables insurance as they would any other insurance.

Policyholders must determine the amount of risk they can retain and what degree of interference is acceptable in their regular credit operations. An ICBA member broker is knowledgeable, aware of the options available and can specify which policy structure will best meet a company's insurance objectives.

In today's credit environment, a company works as a business partner with a broker to establish an insurance solution. The underwriter and the credit manager share information. It is crucial to realize that dependable coverage is more important than price. You get what you pay for!

After experiencing the 2001/02 downturn, ICBA partner Euler Hermes prepared early for the 2008/09 downturn (chart taken from Euler Hermes Financial Analysts Meeting report, Paris, 28 July 2008, with permission)

information, again through close association with its policyholders, in order to better evaluate the ability of a buyer to weather the current economic crisis. It is in the interest of all parties – insurer, insured and buyer – to cooperate. With a stable credit insurance solution in place, buyers can access unsecured sources of credit, backed by Euler Hermes, and suppliers can obtain working capital within their bank lines of credit. A win-win situation for all involved.