

**ICBA Advantage**  
*The newsletter for trade credit insurance solutions*  
Issue 7 – Autumn 2010

**ICBA Interview with Euler Hermes' Karine Berger and Coface's Yves Zlotowski (page 1)**

In this "post-crisis" period, two leading economists discuss the global economic outlook, levels of credit limit exposure across the industry and risk scenarios for the remainder of 2010 and into 2011.

**ICBA global sales conference 2010 in Amsterdam (page 2)**

Said ICBA Operating Chairman Emmanuel Portier, who is also Partner at Jean Busnot SA (ICBA France), "This session was intended to build rapport and collaboration deeper into the ICBA alliance. Ultimately, it is people that allow us to build innovative credit insurance solutions for our global clients."

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## Economic outlook and risk scenarios from Coface and Euler Hermes for 2010/11

**Question:** In 2010 we attempt to leave the economic crisis behind us. Do you believe we are beginning a slow, long-term economic recovery in 2011, or are we looking at a double-dip scenario? What would be the impact on your ability to maintain your risk appetite?

**Yves Zlotowski, Coface Group Chief Economist:**

We do not believe in a "double dip" scenario. In the U.S., The Fed is ready to support growth as long as needed. Activity should nevertheless slowdown in 2011, with more cautious fiscal policies in Europe. According to our main scenario, 2011 should see a world growth of 3.5% with 1.9% for advanced economies and 6.1% for emerging markets. This scenario is favourable to stronger risk appetite. We have nevertheless to watch carefully the various bubbles that may in return lead to new episodes of crisis in the longer term. Rapid increases in stock, real estate or the credit markets in booming countries like China or Brazil bear watching.

**Karine Berger, Euler Hermes Group Head – Market Management, Strategic and Economic Studies:**

We think that world economic recovery will continue but will remain particularly fragile and slow. Even so, since the start of 2010 Euler Hermes has increased the volume of its credit insurance exposure by almost 10%, and we are ready and have the solid capacities to continue accompanying our customers in their requirements. Our reactions during the crisis were very rapid and rigorous. Therefore, even while the economic recovery is not yet fully convincing, we are able to adopt an identical risk underwriting policy to that followed prior to the crisis. And we are able to offer significant volumes of cover where growth is now strongest, particularly in Asia.

**Question:** Does the economic outlook you've

described have a greater or lesser impact on the level and structure of bankruptcies to come? Are there hotspots in the world to watch?



Karine Berger

**Karine Berger:** After an increase of 30% for two years running, our Global Insolvency Index (GII) will barely decrease this year and next. The crisis has considerably rocked the industrial fabric and, particularly, the SME fabric in OECD countries. The countries of the Mediterranean basin – Greece, Portugal, Spain and, to a lesser degree, Italy – have not even really emerged from the crisis, and the number of insolvencies will continue to rise. Lastly, country risk remains particularly high in Central and Eastern Europe.



Yves Zlotowski

**Yves Zlotowski:** According to our main scenario, although uneven and subdued in many economies, the recovery will be sustained. The slowdown expected in 2011 is to be extremely limited (0.2 points of percentage of GDP) and cannot be compared to a "crisis type" growth shock. Coface has observed that a crisis occurs when the world economy loses at least two points of percentage of GDP. Therefore we expect the global trend of falling bankruptcies to continue through the rest of 2010 and 2011.

**Question:** In this "post-crisis" period, what is the final long term impact for credit insurers, in particular on their risk pricing model, which is imposed now?

## 2010/11 economic outlook with Euler Hermes and Coface

(continued from page 1)

**Yves Zlotowski:** This historic credit crisis led us to deeply review our credit insurance model. We are building a new model, more transparent and flexible, that is able to take more (difficult) risks for more premiums, which was one of the issues insurers faced during the crisis. We already gave free access for our 30,000 insured companies to the scores of all of their customers, as well as to the weighted risks corresponding to their covered contracts, to be able to correct any imbalances. We think that introducing the specific Risk Weighted Exposure of each client in our everyday discussions of servicing and pricing will bring flexibility and fairness in granting more limits in fine.

**Karine Berger:** We have learned a number of lessons from this exceptional crisis. In particular, we feel that we can considerably improve the services we offer to our customers: in the months to come, we will propose a much more complete set of services, with a rethink on the communications front. As for the cost of cover, we knew before the crisis that average credit insurance premiums were too low. The crisis demonstrated the truth of this. We also think that the implementation of a tool for taking in to account both the risk of default and its cost (in terms of both cover and capital) will be useful in the future, in order to ensure an improved calibration between the risk incurred by a company in its customer relationships and its price of cover.

**Question:** Why is the economic scenario different from a credit insurance point of view? For example, underwriters in Spain during 2010 started to increase their level of credit limit exposure there, and are becoming again aggressive on a commercial aspect. How do you explain this?

**Karine Berger:** Our analysis is never a macroeconomic or even sectoral analysis: it is an analysis of businesses on a case-by-case basis. In Spain, very early on, we took account of the deterioration occurring in the economy and its impact on the finances of the customers of our policyholders. We are also able, today, to support our policyholders in their client relationship with businesses, which fortunately remain very numerous and which have shown good resilience through the economic crisis – even in Spain and Greece.

**Yves Zlotowski:** Before and after the crisis, Coface's global exposure has been stable. We decided to limit our risks with a selective approach based on our corporate score. We reduced our appetite only for highly risky corporate but increased our willingness to cover transactions with standard risk companies. Coface regards the global credit crisis as over. But it is important to remember that the credit crisis is not over in every country, some economies may still experience recession in 2010. For them, we still recommend a cautious approach. This may be the case in Ireland, Greece, Spain, and Iceland and in few emerging markets like Venezuela, Romania or Latvia.

## ICBA around the globe

### Amsterdam site of ICBA Global Sales Conference 2010

October 2010, in Amsterdam, marked the ICBA Global Sales Conference. The two-day conference allowed employees within the ICBA broker family to network, participate in nuts-and-bolts prospecting and lead sharing seminars, and learn more about ICBA's ability to combine local service with global coordination to provide trade, credit and political risk insurance solutions for multinational companies.



"ICBA gatherings have traditionally been limited to the leadership level of ICBA broker firms," says ICBA Operating Chairman Emmanuel Portier, who is also Partner at Jean Busnot SA (ICBA France). "This session was intended to build rapport and collaboration deeper into the ICBA alliance. Ultimately, it is people that allow us to build innovative credit insurance solutions for our global clients, and I was pleased to see a high level of interest and participation by the people at this sales conference."

The ICBA Global Sales Conference also featured presentations by senior executives of Chartis – a world leading property-casualty and general insurance organization with a 90-year history that serves more than 40 million clients in over 160 countries and jurisdictions. Chartis executives in attendance included Alban de Malherbe, Vice President/Manager, Europe; Pieter Nyssen, Assistant Vice President/Manager, Belgium & Luxembourg; and Salil Bhalia, Vice President/Regional Head of Risk Management/Major Accounts Practice.

ICBA Global Sales Conference participants also learned that Chartis offers the support of 3,300 international claims representatives in 90-plus countries as well as access to Intellirisk – Chartis' loss information reporting system that provides clients with both electronic access and hard copy reports of claim details and status.

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The most recent post at the blog is by Kirk Cheesman - *If your business relies heavily on government spending: What goes up can crash down.* Kirk Cheesman is Managing Director of ICBA Australia and New Zealand, National Credit Insurance (Brokers) Pty Ltd. Read the blog online.