



# Trade Credit Insurance

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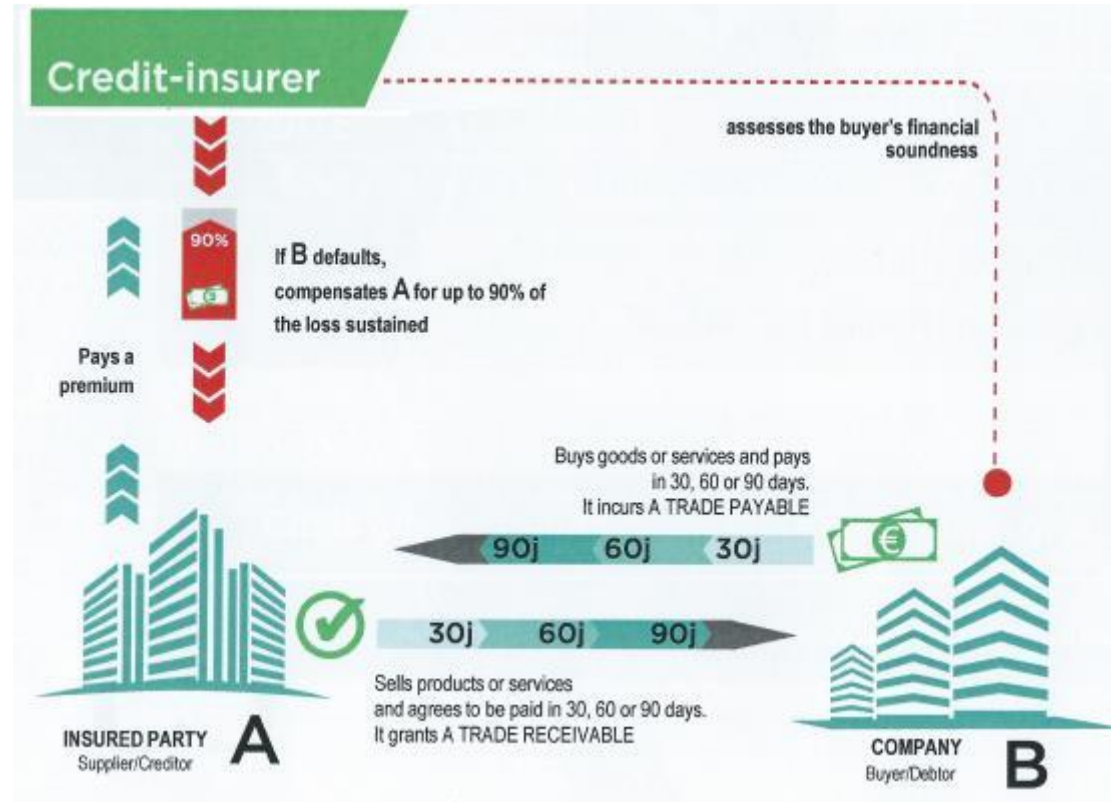
Impact of Public Policies on Credit Insurance Development

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Coface Latin America



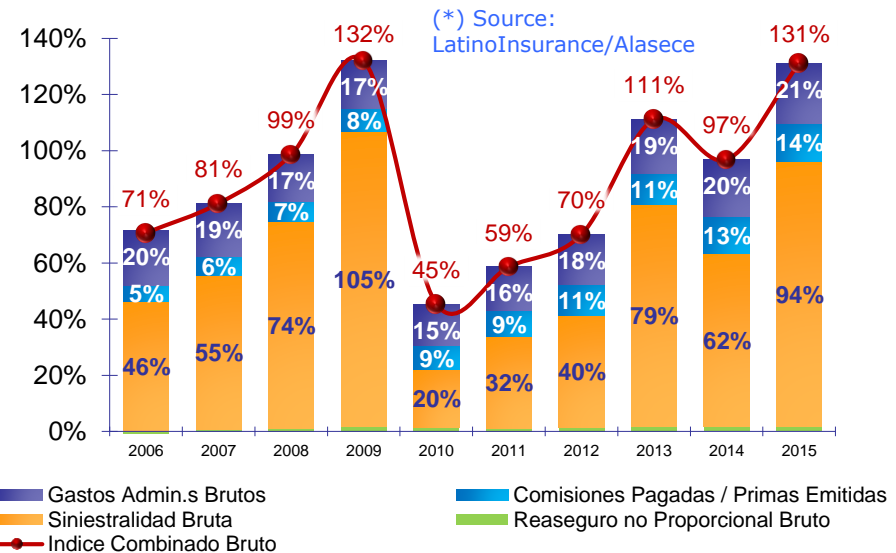
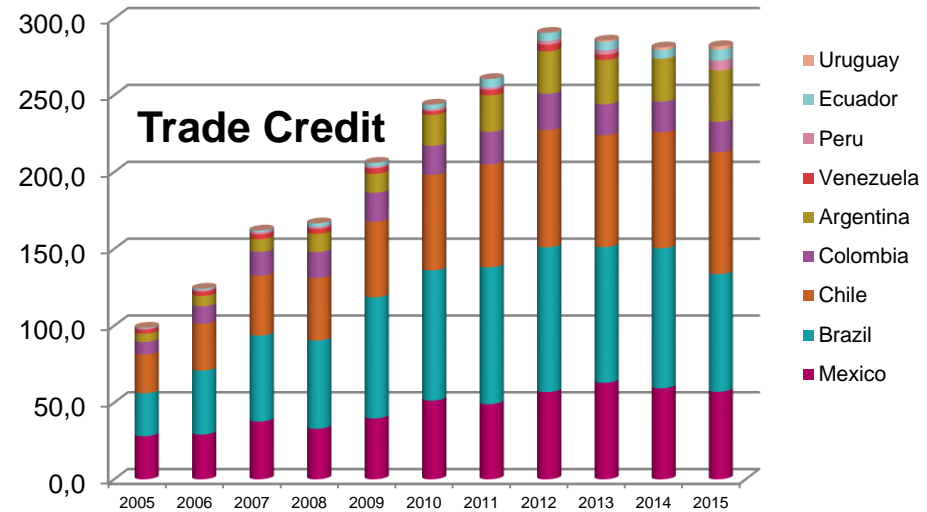
# Trade Credit Insurance?

- Credit Insurance
  - Protects a company
    - Against non-payment of Commercial Invoices on credit terms with other companies
- Portfolio of Credit risks
  - Whole turnover policies
  - Specific policies
    - Exports and domestic Trade Credit
    - Excess of Loss policies
    - Single Risk/Single Buyer policies
    - Can/non-can Credit limits
- Trade Finance
  - Policy can be used to obtain Trade-Finance from commercial banks
  - Credit Enhancement (“AA Rated”)
    - Policy issued to a bank
    - Policy endorsed to a bank
      - As “First Loss Payee”



# Trade Credit Insurance In Latin America

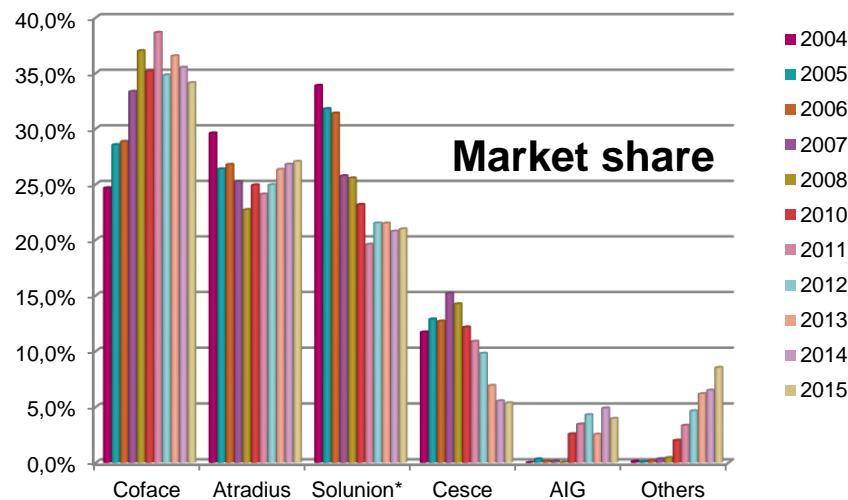
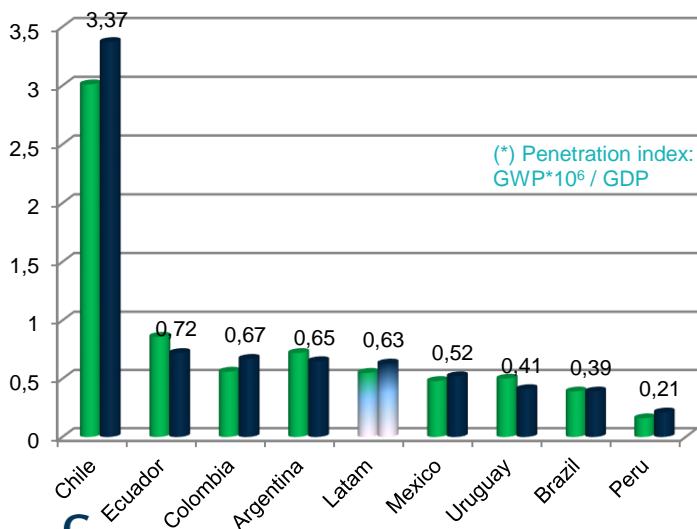
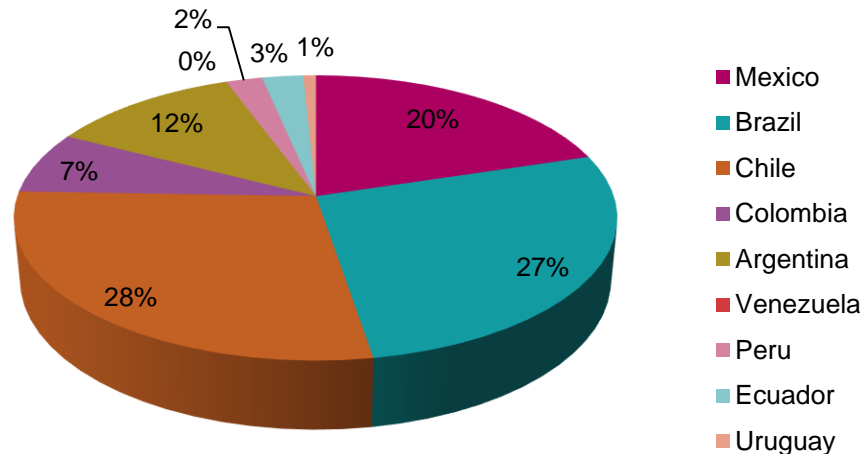
- Growth of Credit Insurance
  - 17% growth pa. from 2004-2012
    - From USD 79 mln to USD 290 mln
  - -3% from 2012-2016
    - Notwithstanding high risk perception
    - But caused by devaluation against USD...
- Profitability of the sector (10 years)
  - 5 years profitable
  - 5 years significant Losses
    - Sector **NET LOSSES** of ±USD 100 mln in 2015 alone
    - Average Combined 114%
    - About 30%-35% cost ratio
    - Distribution costs ...
- However in 2015 in all countries
  - Sharp deterioration of economic situation
  - High level of payment incidents since September 2014 across all countries
  - Specific sectors
    - Agro & Agrochemical
      - Mainly linked to weather patters, across the region
    - Construction & suppliers to construction
      - BUT mainly construction linked to government projects
      - INCLUDING: Steel, Metal construction, Electrical supplies, Cement, flooring, Air-conditioning
    - Some Consumer sectors
      - Car distribution (Chile)
      - Electronics goods distribution)



# Trade Credit Insurance in Latam

## ➤ Market Evolution

- ⇒ Chile overtook Brazil as 1<sup>st</sup> Market
  - ▶ 75% market in 3 countries
- ⇒ Penetration rate ↗
  - ▶ Risk awareness of corporates
  - ▶ But differences between markets
- ⇒ 94% GWP by 5 global companies



# Trade Credit Insurance Development

- Creation of Seguros de Caución in Mexico
  - ⇒ Real Opportunity or Hidden trap?
    - ▶ Regulations allow start of trade Credit alongside with an existing surety activity
  - ⇒ In Mexico? And what about other countries?
  
- Critical factors for Trade Credit Insurance
  - ⇒ People: The right dedicated team
  - ⇒ Footprint
    - ▶ Pricing model
    - ▶ Systems to follow up on aggregate risks
  - ⇒ Critical mass for profitable Trade Credit Insurance activity
    - ▶ USD 250 mln at global level
    - ▶ USD 10 mln at local level
  - ⇒ Transparency of Financial Information
    - ▶ Key development difference
  
- Estimated up-front investment...?
  - ⇒ «Imagine having USD 50 mln available, would you start a “Trade Credit Insurance” activity?»