PRESS RELEASE

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ICISA OUTLOOK 2013

- ***increased demand for trade credit insurance and surety expected to continue***
- ***new growth markets are recognised and offer new opportunities***
- ***15% of global trade is credit insured***
- ***high retention rates confirm customer satisfaction in the product***
- ***competition is increasing***
- ***concern about deteriorating risk environment***
- ***concern about the uncertainty regarding Solvency II implementation***
- ***ICISA celebrates 85 years of supporting trade***

Demand for trade credit insurance and surety bonds is on the rise, as a result of increasing trade flows, mostly from high-growth markets, in an overall ongoing deteriorating risk environment. Capacity is expected to remain ample, while conditions for trade credit insurance may harden in some markets. Major resources and skilled underwriting are needed to meet the demand for surety bonds in the on-going poor conditions of the construction and transportation areas. Concern is raised about availability of adequate trade finance. For the EU clarity about Solvency II implementation is welcomed.

Developments in 2012 and current state of the markets

During 2012 members of ICISA experienced a deteriorating risk environment, resulting in increased claims activity. Jim Davidson, President of ICISA, states that “in spite of a negative outlook for 2012, largely related to lack of adequate bank financing, and a deteriorating risk environment, the risk appetite of the trade credit insurance members remained more or less stable. Premium rates remain under a downward pressure in a market environment with increased competition”. Robert Nijhout, Executive Director of ICISA, adds that “market conditions in general remained relatively soft during 2012 although this is not the case for all countries (e.g. Spain and Portugal). Construction and transport sectors continued to be weak. Reinsurance capacity has increased, also thanks to new players entering the market. The reinsurance market for trade credit continued to be soft. There is concern about the ongoing tight credit conditions in Europe and the risk of overheating in Brazil. In general ICISA members continue to be concerned about the reserved attitude of banks, but are pleased with the increased level of interest for trade credit insurance and surety during the past year”. Davidson underlines that “trade credit insurance is an important trade enhancer, insuring 15% of global trade. The reported high retention rate confirms customer satisfaction in the product”.

Trade credit insurance outlook 2013
The trade credit insurance members expect a mixed picture; some markets are expected to harden while others will soften during 2013. Growth is expected from Asia and Latin America, the same regions as in 2012.

Andreas Tesch, Vice-President of ICISA, explains that “especially in continental Europe, the UK, Australia and New Zealand markets are expected to harden. As a result overall average premium rates are expected to show an upward trend with stricter policy conditions. The USA and Asia market conditions are expected to soften over 2013.
The political instability in MENA and the volatility in Southern Europe and parts of Africa and South America cause concerns for 2013”.
The economic slowdown in Europe and the ongoing financing constraints of banks are other external factors negatively influencing the 2013 outlook for trade credit insurance. Tesch states that “the Euro zone needs to find solutions for some ongoing negative developments which hamper the trustworthiness of the entire Euro area. A more positive outlook can be reached when the sovereign debt issue combined with the political indecision regarding e.g. the Solvency II regime are solved. The possible fall-out of e.g. the UK and the further deterioration of the economic situation in Spain and Portugal are affecting the Euro area as a whole and prevent a structural economic recovery”.

Nijhout reports that ICISA members “continue to expect growth for the sector in Latin America, especially in Brazil, and the Far East with key growth markets China, India, Vietnam and Myanmar. Africa, especially Angola and Mozambique, show strong demand. Also the USA, the Gulf region and countries such as Russia and the Ukraine are expected to show notable demand in 2013.”

Surety market outlook 2013
Surety members report on-going difficult conditions in the construction and transport sectors. This results in a further deterioration of the risk quality. And although the market overall will remain soft, this is expected to harden in some countries. “Members express their great concern about the ongoing effects of the economic downturn. This downturn in combination with a lack of public spending, mainly as a result of the sovereign debt crisis in the EU and the USA, leads to higher claims activities in the construction and transport sectors. Unfortunately no improvement is expected in these regions during 2013”, Nijhout states. He is however more positive regarding the outlook for areas such as Latin America, African countries such as Mozambique, Ghana and Angola and the fast-growing economies in the Far East. “Concerns remain about the Euro zone area and the USA” according to Nijhout. “Demand will continue to rise in countries that were already successful in 2012. These also include countries bordering the EU, and countries in the Euro area, such as Germany”.

ICISA: supporting trade since 1928
During 2013 ICISA will celebrate that it was founded 85 years ago. As the association marks this milestone, it is adding regional focus to its current committee structure, which is based more on risk categories and products.

Last year saw the introduction of a new Asia platform, dedicated to the needs of ICISA members operating in the Asian region. For 2013 the association will further address the particular needs of ICISA members in North America. “Demand in North America for our products continues to rise. We hope to build on our positive experience in Asia by giving special focus and support to ICISA members operating in this region.” says Jim Davidson.

NOTE TO THE EDITOR:
The International Credit Insurance & Surety Association (ICISA) brings together the world's leading companies that provide trade credit insurance and/or surety bonds. Founded in 1928 as the first credit insurance association, ICISA has currently 48 members in total. The trade credit insurance members account for over 95% of the world's private trade credit insurance business.

Today, with over USD 2 trillion in trade receivables insured and billions of dollars worth of construction, services and infrastructure guaranteed, ICISA members play a central role in facilitating trade and economic development on all five continents and practically every country in the world.

ICISA members are:
Afianzadora Latinoamericana (Argentina), Allianz SE (Germany), Askrindo (Indonesia), Atradius, AXA Assurcredit (France), AXA-Winterthur (Switzerland), AXIS Re, Catlin Re, CESCE (Spain), China National Investment & Guaranty (China), CLAL (Israel), Coface, COSEC (Portugal), Credit Guarantee (South Africa), Ducroire|Delcredere (Belgium), ECICS (Singapore), Euler Hermes, Fianzas Atlas (Mexico), Fianzas Monterrey (Mexico), Garant (Austria), Groupama (France), The Guarantee Company of North America (Canada), Hannover Re, HCC International (UK), ICIC (Israel), Lombard Insurance Company (South Africa), Mapfre (Spain), Mitsui Sumitomo (Japan), Munich Re, Nationale Borg (Netherlands), Novae Group PLC (UK), Partner Re, PICC (China), Prisma (Austria), QBE Insurance (Australia), R+V Re (Germany), SACE BT (Italy), SCOR Switzerland, SGI (Korea), SID - First Credit (Slovenia), Sompo Japan (Japan), Swiss Re, Tokio Marine & Nichido Fire (Japan), Tryg Garanti (Denmark), Zurich Surety, Credit & Political Risk (USA), Zurich Surety UK (UK), Zurich Insurance PLC (Germany).

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