



Credit Insurance: The safe road to exports and growth

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Main economic developments

■ Trade policy uncertainty is one of the top risks to US businesses and consumers in 2019 that may bring the next downturn on more quickly than expected.

Main import sources (2017, % of total)

China:	21.9 %
Mexico:	13.2 %
Canada:	12.7 %
Japan:	5.8 %
Germany:	5.0 %

Main export markets (2017, % of total)

Canada:	18.3 %
Mexico:	15.7 %
China:	8.4 %
Japan:	4.4 %
United Kingdom:	3.6 %

Main economic developments

Key indicators	2015	2016	2017	2018*	2019**
Real GDP growth (y-on-y, % change)	2.9	1.6	2.2	2.9	2.5
Inflation (y-on-y, % change)	0.1	1.3	2.2	2.4	1.8
Real private consumption (y-on-y, % change)	3.7	2.7	2.5	2.7	2.8
Real government consumption (y-on-y, % change)	1.7	1.5	-0.1	1.3	1.8
Industrial production (y-on-y, % change)	-1.0	-2.0	1.6	3.9	2.9
Real fixed investment (y-on-y, % change)	3.3	1.7	4.0	4.9	2.8
Unemployment rate (%)	5.3	4.9	4.4	3.9	3.5
Real exports of goods and services (y-on-y, % change)	0.6	-0.1	3.0	4.1	2.0
Fiscal balance (% of GDP)	-4.8	-5.3	-4.1	-6.4	-6.4
Current account (% of GDP)	-2.2	-2.3	-2.3	-2.4	-2.7

* estimate **forecast Source: Oxford Economics

Main economic developments

US industries performance forecast

January 2018



Excellent:
The credit risk situation in the sector is strong / business performance in the sector is strong compared to its long-term trend.



Good:
The credit risk situation in the sector is benign / business performance in the sector is above its long-term trend.



Fair:
The credit risk credit situation in the sector is average / business performance in the sector is stable.



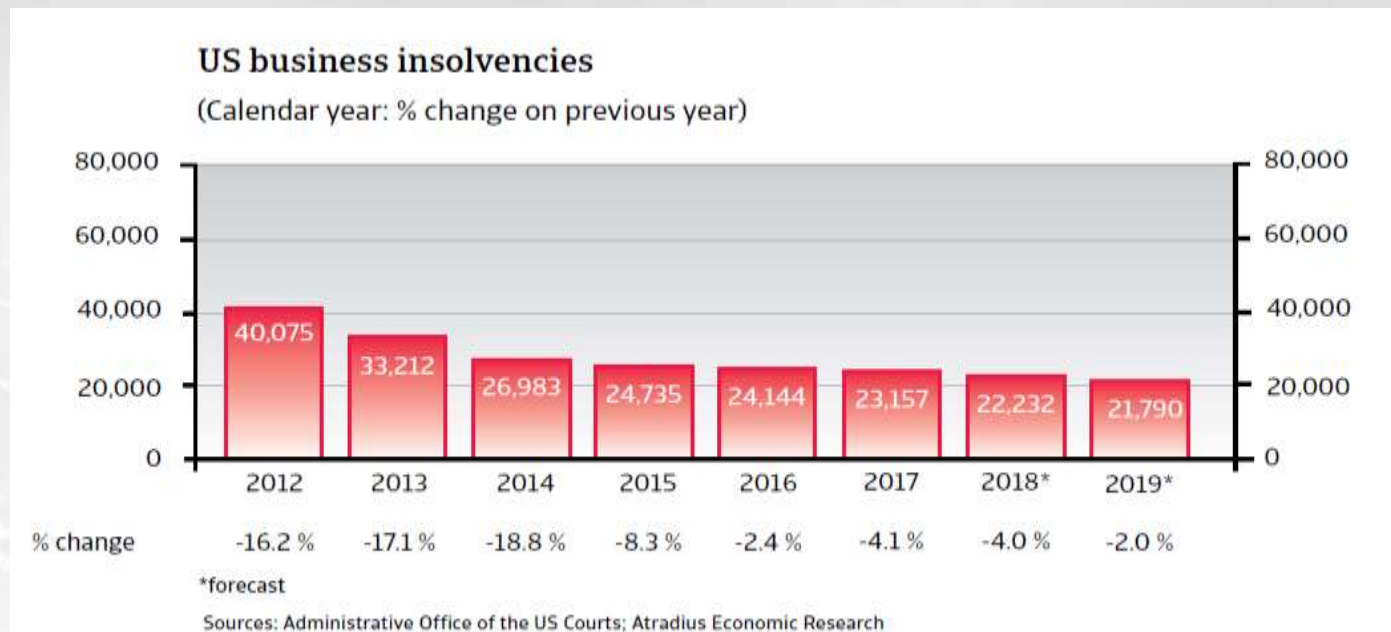
Poor:
The credit risk situation in the sector is relatively high / business performance in the sector is below long-term trend.



Bleak:
The credit risk situation in the sector is poor / business performance in the sector is weak compared to its long-term trend.

Agriculture	Automotive/ Transport	Chemicals/ Pharma	Construction	Construction Materials
Consumer Durables	Electronics/ICT	Financial Services	Food	Machines/ Engineering
Metals	Paper	Services	Steel	Textiles

The insolvency environment



Insolvencies expected to decrease further, but downside risks have increased

In 2018 many US businesses benefited from robust economic growth, tax reforms and buoyed business confidence, leading to an 4% decrease in corporate insolvencies.

However, despite a still solid GDP growth outlook risks for the corporate sector are increasing in 2019. The strengthening USD and potential trade barriers strain US exporters. Domestically, changing shopping patterns, especially the shift away from mall shopping, has already caused major bankruptcies in the retail sector – a pattern which should persist in the coming years. Additionally, higher interest rates are increasingly making financing more expensive. Therefore, US business insolvencies are forecast to decrease only 2% or to level off in 2019.

Mechanism of credit insurance



- We insure invoiced receivables for goods delivered or services rendered
- Credit terms of max 6 months
- Public buyers or associated buyers are excluded
- Credit Insurance is provided via credit limits

Credit monitoring / credit control



A magnifying glass is positioned over a table of financial data. The table lists various items with their prices, changes, and percentages. The data is as follows:

Item	Price	Change	Percentage	Value
	17:35	↓ 6,40	(2,74%)	5.012.587
	17:35	↓	(2,88%)	804.901
	17:35	↓ 4,30	(-)	16.755.156
	17:59	↓ 67,00	(3,36%)	6.586.290
	17:35	↓ 3,60	(3,46%)	70.964
	17:59	↓ 3,86	(3,72%)	11
	17:35	↓ 23,50	(3,91%)	37.125
	17:35	↓ 11,40	(3,91%)	3.899.894
	17:29	↓ 14,60	(4,18%)	33.978.208

- In order to reach a credit limit decision for a buyer we use information of:
- Financial data
- Empirical data
- **unbiased credit control!**

Prophylaxis / protection



- Atradius maintains a buyer base of approx. 200 mil buyers worldwide
- We enrich our buyer database periodically.
- Qualified Underwriters monitor the development of the buyer portfolio
- For every new adhere information we notify the supplier (policyholder) either no to sell further or to reduce sales
- **We sell prophylaxis not indemnification!**

Payment max. at the end of 6 months



- In case of a non payment from a buyer the customer informs us
- We pay the unpaid receivables either
- When the buyer goes bust **or**
- Max 6 months after the due date of the unpaid invoice (whichever comes first)
- In any case after the NNP, Atradius Collections takes over the Inkasso procedure on the behalf of the supplier
- Inkasso costs and resources are born by Atradius (no out of court or legal actions are required by the supplier)
- In the Event of Loss we pay even the 90% of the value of the outstanding receivables

Grow safely abroad



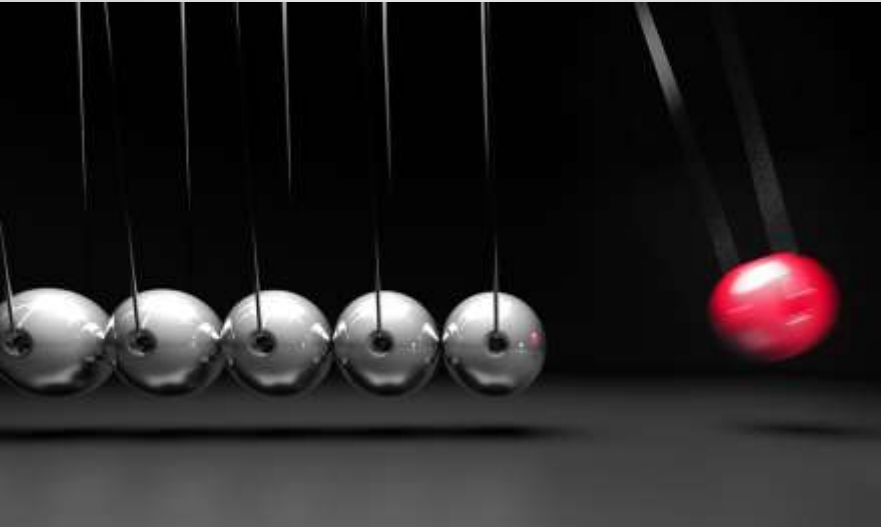
- Credit insurance assists you with entry into new markets or start relationships with new customers
- Credit insurance may allow you to sell on an “open account” terms; a more competitive alternative than requiring customers to give you post-dated cheques, obtain letters of credit or similar collaterals
- Credit insurance can enable you to sell more goods / services, and possibly on longer credit terms, while mitigating the risk of non-payment from your buyers

Assign the policy / be financed



- Credit insurance is provided via credit limits which are A rated collaterals
- The fact that the indemnification is guaranteed (Protracted Default) allows for these limits to be assigned to financial institutions for reasons of financing.
- Factoring Houses and / or Banks and / or Funds accept our limits and provide invoice discounting to the insured ARs
- Easier and cheaper financing / Working Capital is provided
- 25% of our customers proceed to CI in order to benefit from this mechanism

Tips: Bad debts Vs. Profitability



- For every bad debt the additional turnover which is required is the bad debt / profit margin
- E.g. For a business model with a profit margin of 4%, a bad debt of \$50.000 would need an additional turnover of $\$50.000 / 4\% = \$1,25m$
- During exports, the profit margins are usually low
- Credit insurance may protect our book
- Certificates at the end of the fiscal years

Tips: "...25% We will be hit ..."



- Only during the last 5 years, and only our Greek branch has paid claims of 50 mil Euros
- 25% of them were "Run away cases"
- Usually this is a "3 years project"...
- No ERP or experience can prevent it
- CI acts like a safety net

Exposure of Atradius Greece to the USA



Atradius Greece credit limits to USA exporters

- 2013: **150 m€**
- 2014: **175 m€**
- 2015: **200 m€**
- 2016: **210 m€**
- 2017: **230 m€**
- **230 m€** of limits, assuming a **DSO of 45 days**, corresponds to a credit turnover of approximately **1,84 b€!**

Atradius: Facts and Figures



- A specialist credit insurer
- 2nd largest credit insurer in the world
- Over 160 offices in 52 countries
- 3,300 employees
- Annual revenue € 1.8 billion
- Insurer Financial Strength Rating:
A.M. Best 'A' (excellent) outlook stable
Moody's 'A2' outlook stable
- Access to information on over 200 million companies worldwide
- Headquarters: Madrid (Spain)
- More than 90 years of experience in the credit insurance business



Thank you for your attention....!