



PRESS RELEASE

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ICISA OUTLOOK 2012

ICISA members concerned about deteriorating trade environment Surge in demand in Asia and in Latin America

Members of ICISA express concern about a possible further deterioration of the business environment brought on by sovereign debt, in particular in the European Union, the USA and Japan, and a lack of adequate financing by banks. These external factors have had a negative effect on the business outlook of ICISA members. Growth is seen in Asia and in Latin America.

Trade credit insurance outlook 2012

Current market conditions are generally considered to be soft but these may harden somewhat during 2012. Trade credit insurance members express a negative outlook for trade in 2012, in line with concerns about a lack of adequate financing by banks and on-going country downgrades. Robert Nijhout, the executive director of ICISA explains that ICISA members indicate that “claims in Europe are increasing and the sector is preparing for a further rise in claim payments. Growth is seen in the BRIC countries, in Eastern Europe and more generally in Asia and in Latin America. The industry outlook for Asia and Latin America is positive and members see a surge in demand for trade credit cover in these regions.”

Sovereign debt & political instability

According to Nijhout the members of ICISA are particularly worried about “the development of sovereign debt and an increase in political instability in 2012.” Nijhout adds that the members are equally concerned about “the financing constraints and the solvency of banks involved in financing trade. Furthermore he states that “it remains unclear to what extent governments are willing or able to actively support trade by e.g. stimulating exports, making additional market capacity available or through fiscal measures. Competition between government agencies and the private market on any risk must be avoided in the future.”

“While external factors are cause for concern, **trade credit insurers will continue to provide the best possible cover to support their policyholders’ business**” Nijhout explains. “Trade credit insurers facilitate trade and actively manage risks and measures have been put in place for more effective and transparent communication with policyholders on risk decisions. However, a deteriorating risk environment will lead to price adjustments to better reflect the underwritten risk.”

Surety market outlook 2012

The surety members’ outlook is mixed, although they share the concern about public indebtedness and banker’s finance restrictions.

“Surety members see an increase in contractor insolvencies and a continued weakness in the construction industry. Lack of public sector spending and a continued sovereign debt problem in the EU and the US add to this.”

The surety market is generally seen as soft with ample capacity in some areas and a growing appetite for surety risks, although this varies per country.

Nijhout summarizes that “a more positive outlook is given for Latin America, in particular Brazil, and for China and the Asia Pacific region where continued growth in construction is expected. However the absence of surety legislation and regulation in many rapidly growing economies are an obstacle and put the sector at a disadvantage”.

“Adequate reinsurance capacity for the trade credit and surety sectors is expected to remain in place in the coming year. Higher claims and a deteriorating corporate outlook may cause the reinsurance market to harden somewhat”, Nijhout concludes.

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 47 members in total. The trade credit insurance members account for over 95% of the world's 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), Askrimdo (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), SACE BT (Italy), SCOR Switzerland, SGI (Korea), SID - First Credit (Slovenia), Sampo 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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