

## How credit insurance supports trade and the real economy

### WHAT IS CREDIT INSURANCE?

Credit insurance protects exporters and banks against non-payment/default by obligors which may be caused by commercial or political risk.

**Banks use credit insurance both for credit risk mitigation and credit management**, such as loss compensation, safeguarding continuity, stabilising cash flows and credit monitoring.

Insurance is provided on the basis of a **partnership between insurers and insured (exporters or banks)**, with full disclosure by the bank of the risk to be insured, supplemented by the insurer's independent underwriting process.

The Berne Union Members collectively provide payment risk capital worth USD 2.5 trillion [EUR 2.1 trillion] each year, insuring approximately 13% of the value of total global cross-border trade.

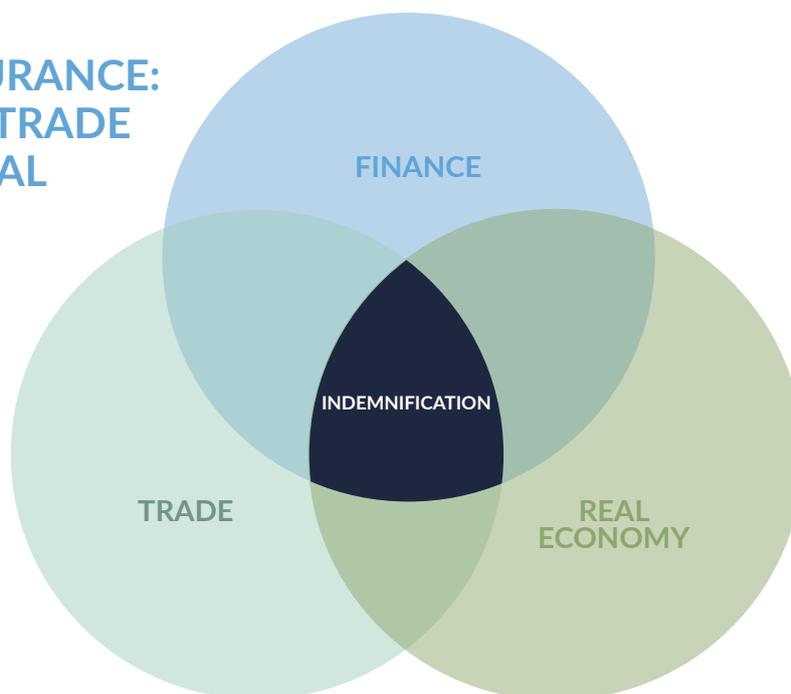
### WHY IS CREDIT INSURANCE IMPORTANT?

Export is an engine of economic growth and ~90% of world trade relies on some form of credit from a bank or other financial institution.

#### Credit insurance:

- **IS A CATALYST** for finance of the real economy, enabling trade and supporting growth
- **UNLOCKS** bank financing for short term cashflow as well as long-term investment
- **PROTECTS** SMEs, and other exporters from the risks of non-payment
- **SUPPORTS** market entry and investment in both emerging and developed markets (5%), capital goods (4%), pharma (4%), agriculture (4%) and construction (3%)
- **EUROPE** is by far the largest destination market for short-term insured exports, representing 50% of total exports

## CREDIT INSURANCE: IMPACT ON TRADE AND THE REAL ECONOMY



Enables and maintains (cross-border) trade and investment by providing insurance or guarantees that make projects that are challenging to finance bankable

Keeps trade, finance and insurance available in some of the most difficult market circumstances, including the 2020 Coronavirus pandemic.

Ensures predictable banking operations at a 99.9% indemnification rate

Lightens the burden on governments' official export support, for governments credit insurance is more capital efficient than direct lending for export

Increases capacity for export financing and insurance by cooperation between public and private market

Creates and maintains jobs

Supports better involvement and education of SMEs in international trade

High environmental and social benchmarking standards ensure adverse impact mitigation

Supports infrastructure projects. Infrastructure contributes to the wider economy

## BERNE UNION MEMBERS HAVE FINANCED STRATEGIC PROJECTS ALL OVER THE WORLD SUCH AS:

Installation of 105 MW of solar energy capacity across 6 countries in Southeast Asia, involving 85 companies, requiring USD 53 million capital.

- The Lima Metro line 2 – a USD 5 bn fully bundled vertically integrated public-private partnership (PPP) project
- The world's largest power plant to be fuelled exclusively by biomass, located in the UK.

- The world's largest public solar lighting project, providing reliable off-grid lighting and energy services in Senegal
- A 500+ MW oil shale mine-mouth power project in Jordan, with a total investment value of USD 2.1 billion

The credit insurance industry is constantly evolving and adapting to meet the challenges – societal, environmental and economic – that lie ahead and support the real economy as best we can.

More information can be found in our brochure: [credit insurance and its role in supporting global trade](#)

## HOW DOES CREDIT INSURANCE WORK?

### Short-term trade credit insurance

- focused on merchandise trade and commodities
- tenor <12 months
- comprehensive cover against non-payment and/or buyer default
- the most supported business sectors: product manufacturing (13%), electronics (11%), non-energy commodities (5%), transportation (5%), capital goods (4%), pharma (4%), agriculture (4%) and construction (3%)
- Europe is by far the largest destination market for short-term insured exports, representing 50% of total exports



### Medium and long-term credit insurance

- focused on capital goods exports
- tenor >12 months ~20 years
- cover against commercial and political risks
- the most supported business sectors: transportation (16%), infrastructure (11%), energy (11%), natural resources (10%), manufacturing (6%) and renewables (6%)



### Political risk insurance

Protects against losses to cross-border investments such as equity and debt because of political events such as expropriation, political violence, currency inconvertibility, embargo, forced abandonment or breach of contract. Political risk insurance is focused on protecting equity and debt investments, tenor up to 20 years, and cover against political and sovereign risks.

### Indemnification is the bridge between finance, trade and the real economy

The robustness of the product is clear from the product's unique characteristics:

- Standardised, robust, and stable
- Transparent
- Timely
- Rigorous
- Reliable

## ABOUT BERNE UNION

The Berne Union (International Union of Credit and Investment Insurers) is a not-for-profit association which has represented the global credit and political risk insurance industry since 1934.

Our industry sits at the interface of global finance and trade. We protect exporters – the financiers of trade – and allow for the smooth and unhindered functioning of cross-border trade and investment to the benefit of the wider economy.

Our membership of 86 organisations includes the largest and most active national Export Credit

Agencies and the largest credit and political risk insurance providers. Collectively these account for the vast majority of credit and political risk insurance activity globally. Together the market comprises over 100 providers, offering protection for companies, investors and financial institutions against losses as a result of commercial credit risks and political risks.

More about the Berne Union, its mission and the members:

[www.berneunion.org](http://www.berneunion.org)