



INSURANCE, FINANCING, MANAGEMENT OF
TRADE RECEIVABLES - POLITICAL RISKS



Credit Insurance Market Survey 2023

2022

Key Facts 2022/2023

In 2022, the “post covid” economic upturn has enabled corporates to post increasing sales and solid results. Credit insurers have also benefited from this rebound, with a strong increase in premiums (+15% on average) and an historically low level of claims.



From a risk appetite point of view, Credit insurers have supported their policyholders by taking more risk and their overall exposure has also grown by +15% versus 2021.

Insurers belonging to ICISA paid €2.5 billion in claims in 2022, a level which is 60% higher than in 2021, but the overall claim level remains half of its pre-pandemic level.

Since Q3 2022 (and as predicted) insolvencies started to rise in almost all regions of the world. The end of state support schemes, a tightening of financial conditions and persistent inflation are leaving businesses in a more vulnerable financial position.

AU Group broker's view

» Insurers reported significant profits in 2022. This was due to an increase in premiums caused by a combination of inflation and higher economic activity as well as very low claims. In return, Insurers improved their risk appetite and despite concerns about the future world economy, we did not face major issues in finding insurance capacity.

» The last few months have seen a growing number of new policies to support factoring programmes and financing solutions.

» War in Ukraine has led Credit Insurers to adjust their risk appetite in the region, and political risk continues to be a major concern for corporates expanding their business abroad. The timeframe for recovery and stabilisation of the economy, linked in particular to the impact of inflation, will be closely scrutinised in the months ahead.

» Delivering Credit through APIs opens a wide range of possibilities to offer credit terms on B2B clients whatever the marketing channel. Therefore, over the past months, we have advised many corporates and ecommerce players, in rolling out their “Omni-channel” credit protection programme (such as BNPL, Digital insurance policies).

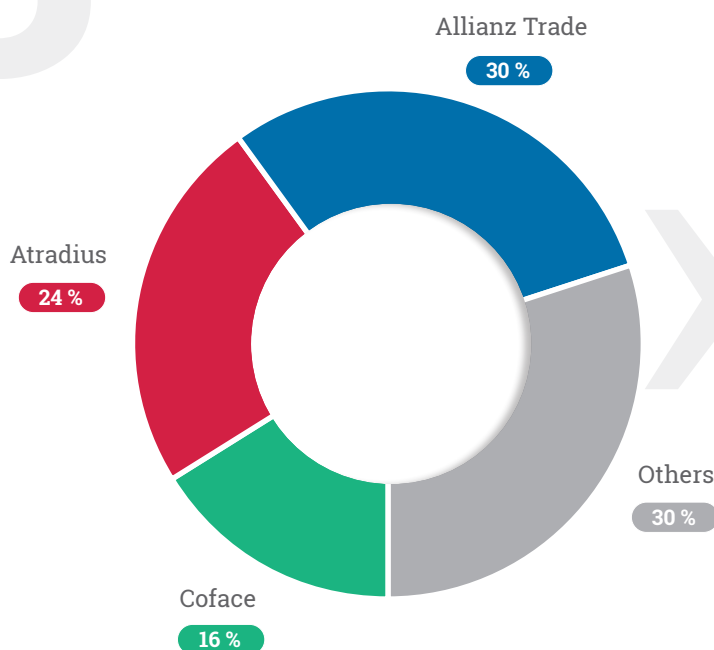
» ESG is now shaping the Trade Credit Insurance landscape, not only influencing insurers' strategy to drive their growth, but also being recognised as a performance driver of a Credit Insurance programme.



As a specialist broker, AU Group continues to be at the forefront of the trade credit insurance market innovation. Our roadmap is simple: secure and finance trade, innovate for our clients, help to deliver faster decisions, minimise costs and automate processes.

Market Share

The market remains dominated by 3 “global” insurers representing more than 70% of the total global market. We estimate the total market premium to be approx. €9.4 billion (€8.2 bn in 2021). Allianz Trade is the largest credit insurer with 30% market share followed by Atradius with 24% and Coface with 16% as of December 31st, 2022.



This calculation is an estimate by AU Group, excluding China Export & Credit Insurance Corporation (“Sinasure”), the public Chinese insurance company which had a turnover of approximately €1.5 billion (net premium earned).

Two kinds of insurers can be distinguished: “Global” and “Niche”.

«GLOBAL» INSURERS, CHARACTERISED BY:

- a strong international presence
- detailed information on very large numbers of buyers in their databases
- global capabilities in providing credit management services

Leading insurers in this category: Allianz Trade, Atradius and Coface.

«NICHE» INSURERS, CHARACTERISED BY EXPERTISE IN:

- particular products: Excess of loss, shared excess cover, top-up, single risk, e-commerce (e.g.: AIG, Amynta, Axa XL, Chubb, Credendo, Garant, Liberty Mutual, Lloyd’s, Markel, Nexus, QBE, Tokio Marine, etc.)
- certain geographical areas (e.g.: ATI, Cesce, Credendo, FCIA, ICIC, QBE, Sace etc.)
- different types of risk: political risk, non-transfer (e.g.: Beazley, Liberty Mutual, Lloyd’s...)

KEY FACTS IN 2022:

» The overall market has posted an historic growth of 15%.

» Insurers had to manage their exposure in Russia and the future of their Russian business (some of them have ceased or sold their local subsidiaries).

» Amynta (a new trade credit insurer in the US) has launched its operation and partnered with Scor to back its credit insurance solutions.

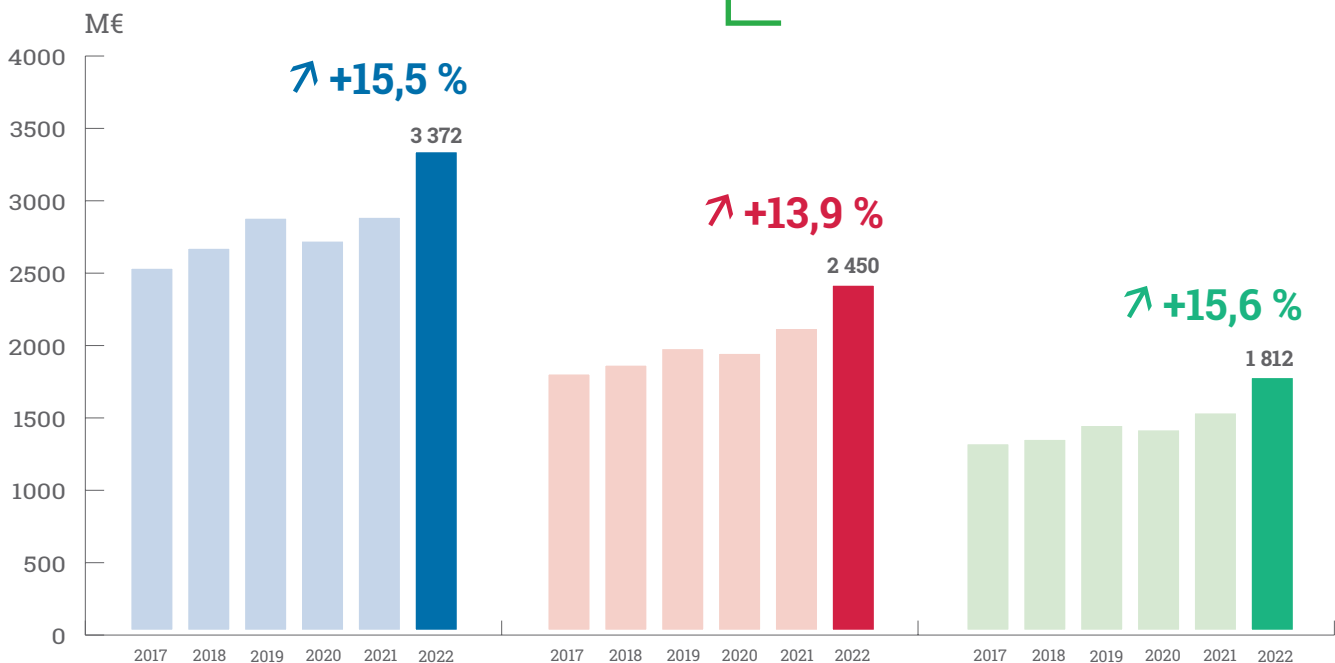
» Brown & Brown has announced that it will acquire Kentro Capital Limited – the parent company of Nexus.

Turnover of the main insurers (M€) and key facts

With an average growth of +15%, the trade credit market posted the strongest growth in its history. Mainly linked to clients' higher sales activity, **trade credit insurance premiums reached €9.4 billion according to our estimation**. On top of the post covid economic rebound and the reopening of the Chinese economy, the high inflation level has also boosted policyholders' activity.

Despite this positive effect on their revenues, insurers had to manage volatility and to manoeuvre in geopolitical turbulence (including war in Ukraine), rising energy costs and interest rates, high inflation and economic instability.

All insurers have excellent customer retention rates and, as mentioned, **new business has been strong in 2022**, especially to back Trade Finance programmes (such as factoring, securitisation).



Allianz Trade

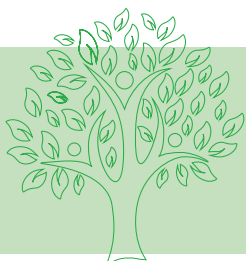
Atradius

Coface

Allianz Trade premium income reached an all-time high level of €3.4bn, driven by a strong new business generation combined with policyholders' higher economic activity. A new CEO has been recently appointed: Aylin Somersan Coqui. Allianz Trade has developed many partnerships with Fintechs and banks across the globe to expand its BNPL Solutions (Buy Now Pay Later).

Atradius, the Spanish/Dutch insurer recorded the highest income in its history (€ 2 450M as of 31.12.22). All the regions saw a strong increase. The "Global" Business Unit (dedicated to multinationals) made a significant contribution to the group's growth.

Coface saw the best growth of the industry at +15.6%; this impressive performance comes mainly from insurance activities (including bonding & single risk). All regions performed strongly especially Latin America +38.5% and Asia Pacific + 22.8%. Coface continues to develop its information services division and introduced recently URBA 360, its new online risk management tool.

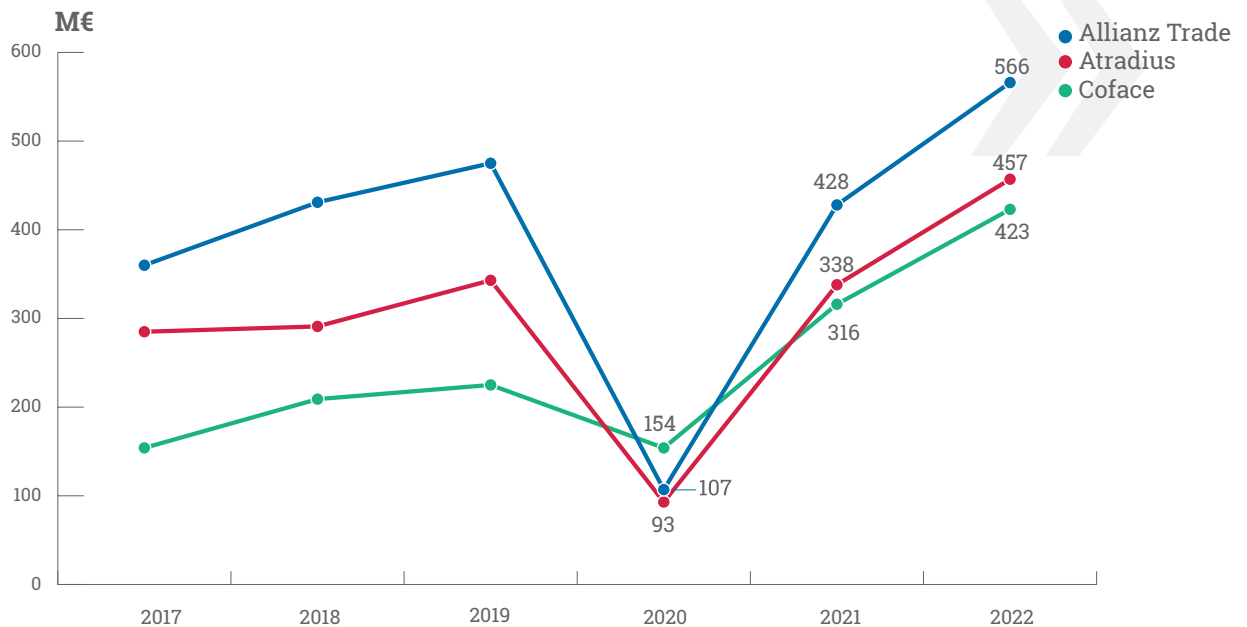


As for all Corporates, credit insurers are more and more challenged on their ESG strategy. A Credit insurer's ambition is to be recognised as a responsible insurer, to develop sustainable products, embed sustainability in its investment portfolio and integrate environmental impact into its commercial policy. This trend is a new massive shift on the market.

Profitability of the main insurers (M€)

In 2020, the impact of the pandemic on the activity of the three world leaders was clearly visible (drop in turnover of the policyholders and the sharing of risks and premiums with governments in certain countries). **In 2021 and in 2022, the return in profitability has been spectacular** + 17% for Allianz Trade, +19% for Atradius, +23% for Coface.

» OPERATING RESULT (M€) AND NET PROFIT AFTER TAX.



The historical low level of claims explains these robust results. **Net profit after tax** results have followed the same trend :

- Allianz Trade does not disclose its P&L bottom line, but on the basis of an operating result of €566M, we expect the German insurer to have the largest profit after tax in the industry.

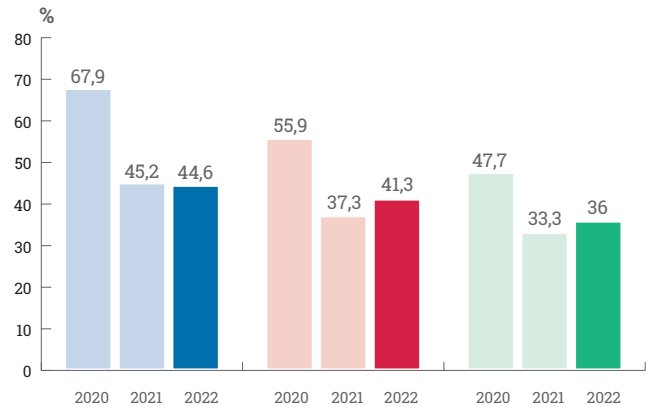
- Atradius has earned €332M (versus €240M in 2021)
- €283M for Coface: (versus €224M in 2021)

LOSS RATIO (CLAIMS/ PREMIUMS) AND NET COMBINED RATIO (%)

Insurers' profitability is determined by their Loss Ratio (claims/premiums) and their Combined Ratio (Loss ratio plus overhead expenses).

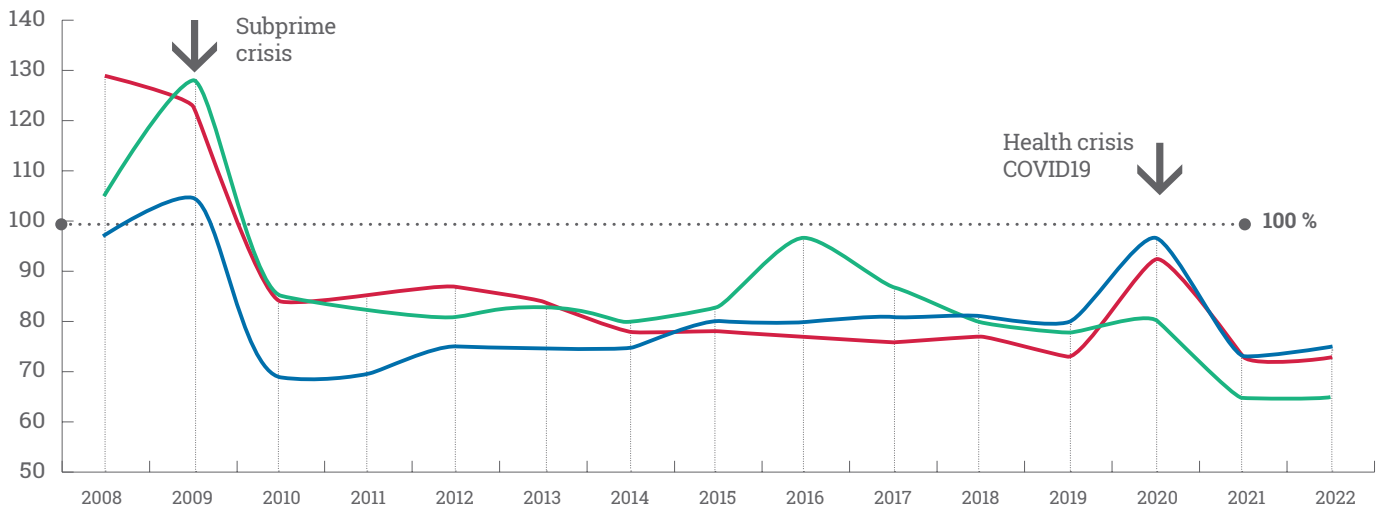
- Allianz Trade
- Atradius
- Coface

Net Loss Ratio (claims/premiums) over the last 3 years



The theoretical break-even point for this ratio is 70% (above which Insurers consider that their operations generate a loss). Atradius (+4pts) and Coface (+2.7pts) note a slight increase in their Loss ratio in 2022.

Net combined ratio over 10 years



» The theoretical break-even point of the combined ratio is 100% (above which Insurers consider that their operations generate a loss).

» During the subprime financial crisis, all insurers were badly impacted by the increase in company failures and

in the claims paid to their policyholders. The COVID 19 crisis led to a deterioration in the combined ratio of insurers due to the sharing of premiums with governments under State reinsurance agreements.

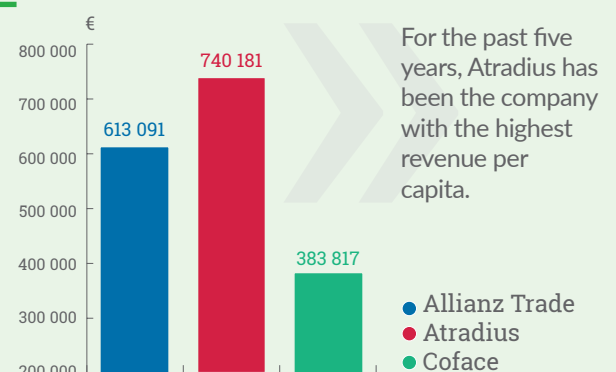
» The end of government business

support schemes, and the trend towards an upturn in insolvencies at the end of 2022 and over the first 6 months of 2023, confirm that a low point was indeed reached in 2021 and that the normalisation of insolvencies is underway.

STAFF

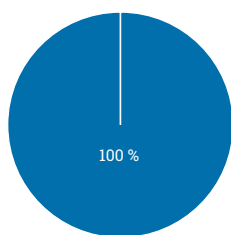
Productivity ratio	Allianz Trade	Atradius	Coface
Headcount	5 500	3 310	4 721
Revenue per Headcount	613 091	740 181	383 817

Allianz Trade employs around 5 500 persons when Coface 4 721 and Atradius only 3 310. The headcount to revenue ratio reflects the company's productivity.



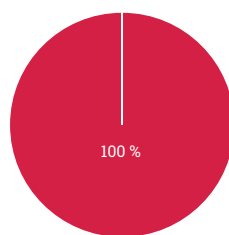
Shareholding

Allianz Trade



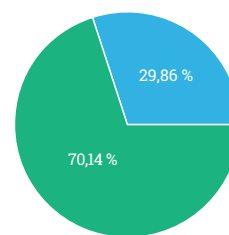
■ Allianz

Atradius



■ Grupo Catalana Occidente

Coface



■ Floating
■ Arch Capital Group

- Allianz Trade
- Atradius
- Coface

Allianz Trade is fully integrated into the German insurance group Allianz

Atradius is based in Amsterdam but belongs to Spanish family holding company : Gruppo Catalane Occidente

70% of Coface's capital is held by floating shareholders and 30% is held by Arch Capital, an American fund based in Bermuda.

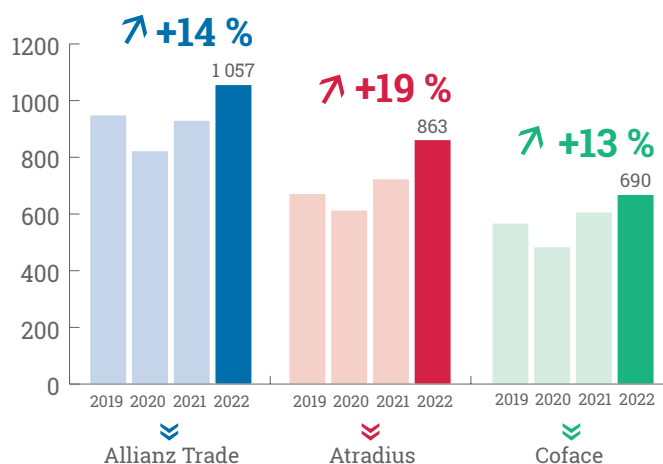
Total potential exposure (in bn€)

The main credit insurers have increased their total potential exposure in 2022 as follows:

As of December 31st, 2022, the total exposures were:

- Allianz at € 1 057bn (€931bn in 2021)
- Atradius at €863bn (€725bn in 2021)
- Coface at €690bn (€608 bn in 2021)

» The average increase in risk-taking for the 3 main insurers is 15%. This increase should be seen in the context of their 2022 premium income, which has risen by the same proportion (+15%), mainly driven by inflation and post covid economic rebound.



Ratings

COMPANIES	FINANCIAL STRENGTH RATINGS			
	Standard & Poors	Moody's	Fitch	A.M. Best
AIG	A+ outlook negative	A2 outlook stable	A+ outlook stable	A outlook stable
ALLIANZ TRADE	AA outlook stable	Aa3 positive outlook		A+ outlook stable
ATRADIUS		A2 positive outlook		A outlook stable
AXA	AA- outlook stable	Aa3 outlook stable		A+ outlook stable
CHUBB	AA outlook stable			A++ outlook stable
COFACE		A2 positive outlook	AA- outlook stable	A outlook stable
CREENDO	A outlook stable			
LIBERTY MUTUAL	A outlook stable	A2 outlook stable		A outlook stable
MARKEL	A outlook stable	A2 outlook stable		A outlook stable
QBE	A+ outlook stable		A+ outlook stable	A outlook stable
ZURICH	AA outlook stable	Aa3 positive outlook		A+ outlook stable

Update: June 2023

"BIG 3" Footprint

Directly or via fronting partners, the "Big 3" have a global network to provide local service to their policyholders and in particular to assess local risk. Coface has the broadest network in more than 100 countries.

AFRICA

	Allianz Trade	Atradius	Coface
Algeria			•
Benin			•
Burkina Faso			•
Cameroon			•
Djibouti			•
Gabon			•
Gambia			•
Ghana			•
Guinea			•
Ivory Coast			•
Kenya		•	
Mali			•
Mauritania			•
Mauritius			•
Morocco	•		•
Niger			•
Nigeria			•
Senegal			•
South Africa	•	•	•
Tunisia	•	•	•
Uganda			•

ASIA PACIFIC

	Allianz Trade	Atradius	Coface
Australia	•	•	•
Bangladesh		•	•
China	•	•	•
Hong Kong	•	•	•
India	•	•	•
Indonesia	•	•	•
Japan	•	•	•
Malaysia	•	•	•
New Zealand	•	•	•
Pakistan		•	•
Philippines		•	•
Singapore	•	•	•
South Korea	•	•	•
Taiwan	•	•	•
Thailand	•	•	•
Vietnam		•	•

LATIN AMERICA

	Allianz Trade	Atradius	Coface
Argentina	•	•	•
Brazil	•	•	•
Chile	•	•	•
Colombia	•	•	•
Ecuador		•	•
Guatemala		•	•
Mexico	•	•	•
Panama		•	•
Paraguay		•	•
Peru		•	•
Uruguay		•	•

MIDDLE EAST

	Allianz Trade	Atradius	Coface
Bahrain	•		•
Brunei			•
Egypt			•
Israel	•	•	•
Jordan			•
Kuwait	•		•
Lebanon			•
Oman	•		•
Qatar	•		•
Saudi Arabia	•	•	•
Turkey	•	•	•
UAE	•	•	•

NORTH AMERICA

	Allianz Trade	Atradius	Coface
Canada	•	•	•
USA	•	•	•

NORTHERN EUROPE

	Allianz Trade	Atradius	Coface
Denmark	•	•	•
Estonia	•		•
Finland	•	•	•
Germany	•	•	•
Iceland		•	•
Latvia	•		•
Lichtenstein			•
Lithuania	•		•
Netherlands	•	•	•
Norway	•	•	•
Sweden	•	•	•

WESTERN EUROPE

	Allianz Trade	Atradius	Coface
Belgium	•	•	•
France	•	•	•
Greece	•	•	•
Ireland	•	•	•
Italy	•	•	•
Luxembourg		•	•
Malta		•	•
Portugal	•	•	•
Spain	•	•	•
Switzerland	•	•	•
United Kingdom	•	•	•

CENTRAL EUROPE

	Allianz Trade	Atradius	Coface
Albania		•	•
Austria		•	•
Bosnia		•	•
Bulgaria		•	•
Croatia		•	•
Cyprus		•	•
Czech Republic	•	•	•
Hungary	•	•	•
Kazakhstan		•	•
Macedonia		•	•
Montenegro		•	•
Poland	•	•	•
Romania	•	•	•
Russia	•	•	•
Serbia		•	•
Slovakia	•	•	•
Slovenia		•	•

PRESENCE

	Allianz Trade	Atradius	Coface
TOTAL COUNTRIES	56	54	100

AU GROUP

supports its clients in structuring, negotiating,
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PROTECTING
AGAINST
DEBTOR'S
PAYMENT
DEFAULT

FINANCING
WORKING
CAPITAL

POLITICAL
RISK

MANAGING
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1929



48
countries



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independent



A team of over
260
staff worldwide



Over
4 500
clients



300
BN of insured
commercial
transactions



54
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