



INSURANCE, FINANCING, MANAGEMENT OF
TRADE RECEIVABLES - POLITICAL RISKS

Credit Insurance Market Survey 2022



Feedback & main drivers for 2022-2023

2021 Feedback

In 2021, the global economic indicators improved drastically as the Covid crisis eased and despite some bottlenecks in supply chains, corporates have returned to growth while continuing to benefit from the state supported Covid 19 measures.

Credit insurers have also benefited from this upturn, with a strong increase in premiums (+7% on average) and a historically low level of claims.

Main Drivers for 2022

2023

Since Q1 2022, the war in Ukraine has unfortunately held back this recovery. By disconnecting Russia from the SWIFT banking system, imposing export bans, preventing access to commodities (wheat, metal, fertiliser), there is now spiralling inflation (also linked to the Covid situation), and interest rates are rising to the highest level seen in decades.

The end of Covid 19 state support schemes coinciding with the deterioration of the economic situation will lead to increasing insolvencies in many regions of the world. Insurers' loss ratios are likely to be impacted by the second half of 2022.

Although many countries are seeking to support their strategic industries, China remains the world's factory. Its zero Covid policy will accentuate the scarcity of manufactured goods and electronic components further fuelling inflation. Therefore the spectre of a recession in 2023 cannot be ruled out.

Trade Credit Insurance will remain a cornerstone for corporates, continuing to be at the forefront of an increasingly volatile and interconnected global economy.

Digital trends

The digitalisation of B2B exchanges (accelerated by the pandemic) has created new payment security schemes. Credit insurers, banks start-ups and fintechs now offer the possibility for an e-merchant to grant instantly deferred or split payments to its B2B buyers. In addition, there has been the rapid growth of B2B BNPL (Buy Now Pay Later), which making it possible to grant credit to a customer while paying the merchant as soon as the order is placed.

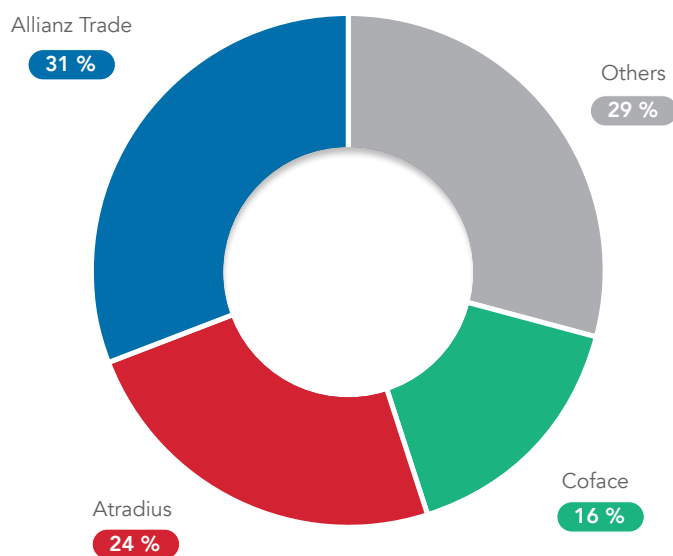
At AU Group, we believe that Credit Insurance, political risk cover, bonding, factoring and digital tools will continue to be crucial to grow businesses safely in a world where uncertainties are omnipresent. We are convinced that investment in technology remains a key driver for future growth for corporates, brokers and insurers.

In this changing environment, the AU Group roadmap is clear: secure and finance trade, innovate for our clients, help to deliver faster decisions, optimise costs and automate processes.

2022

Credit Insurance Market Share

The market remains dominated by 3 "global" insurers representing more than 70% of the total market. The combined market premium is estimated slightly below €8 billion (higher than in 2020). Allianz Trade (ex Euler Hermes) is the largest credit insurer with 31% market share followed by Atradius with 24% and Coface with 16% as of December 31st, 2021.



> This calculation is an estimate by AU Group, excluding China Export & Credit Insurance Corporation ("Sinosure"), the public Chinese insurance company which had turnover of approximately €1.5 billion in 2020.

Two kinds of players can be distinguished: "Global" and "Niche" insurers.

«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:

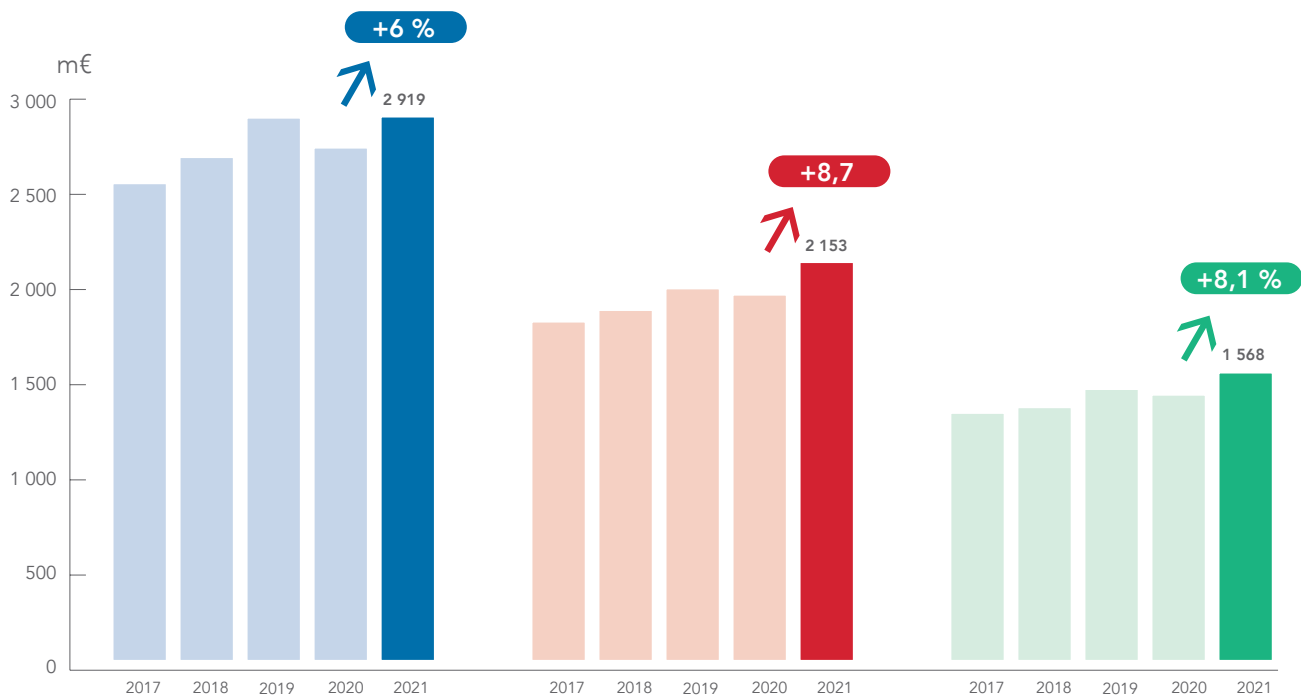
- > particular products: Excess of loss, shared excess cover, top-up, single risk, e-commerce (e.g.: AIG, Axa XL, Chubb, Garant, Liberty Mutual, Lloyd's, Markel, Nexus, QBE, Tokio Marine, etc.)
- > certain geographical areas (e.g.: ATI, Cesce, Credendo, FCIA, ICIC, QBE, Sace etc.)
- > different types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

Key facts in 2021: Zurich exited the TCI market (a small portion of activity continues in Northern Europe), QBE ceased its operation in the US as non-core activity country, while some new insurers entered such as Cartan Trade in France.

2022

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

The trade credit market posted a strong growth in volume in 2021 (between 7% and 8%). After the pandemic year in 2020 when insurers saw their business shrink, the unexpected introduction of state aid following Covid 19 helped avoid the wave of failures that everyone expected. In 2021 the arsenal of measures put in place by governments and central banks helped to revive the economy and this impacted positively on the turnover of credit insurers, who benefited from the recovery of their policyholders' activities. **The "big three" have delivered solid performances with historically high results.**



Allianz Trade

Euler Hermes recently changed its name to Allianz Trade, showing the commitment of its shareholder Allianz to fully integrate this subsidiary as a core business. Posting a +6% increase in sales in 2021, Allianz Trade's turnover has reached an all-time high.

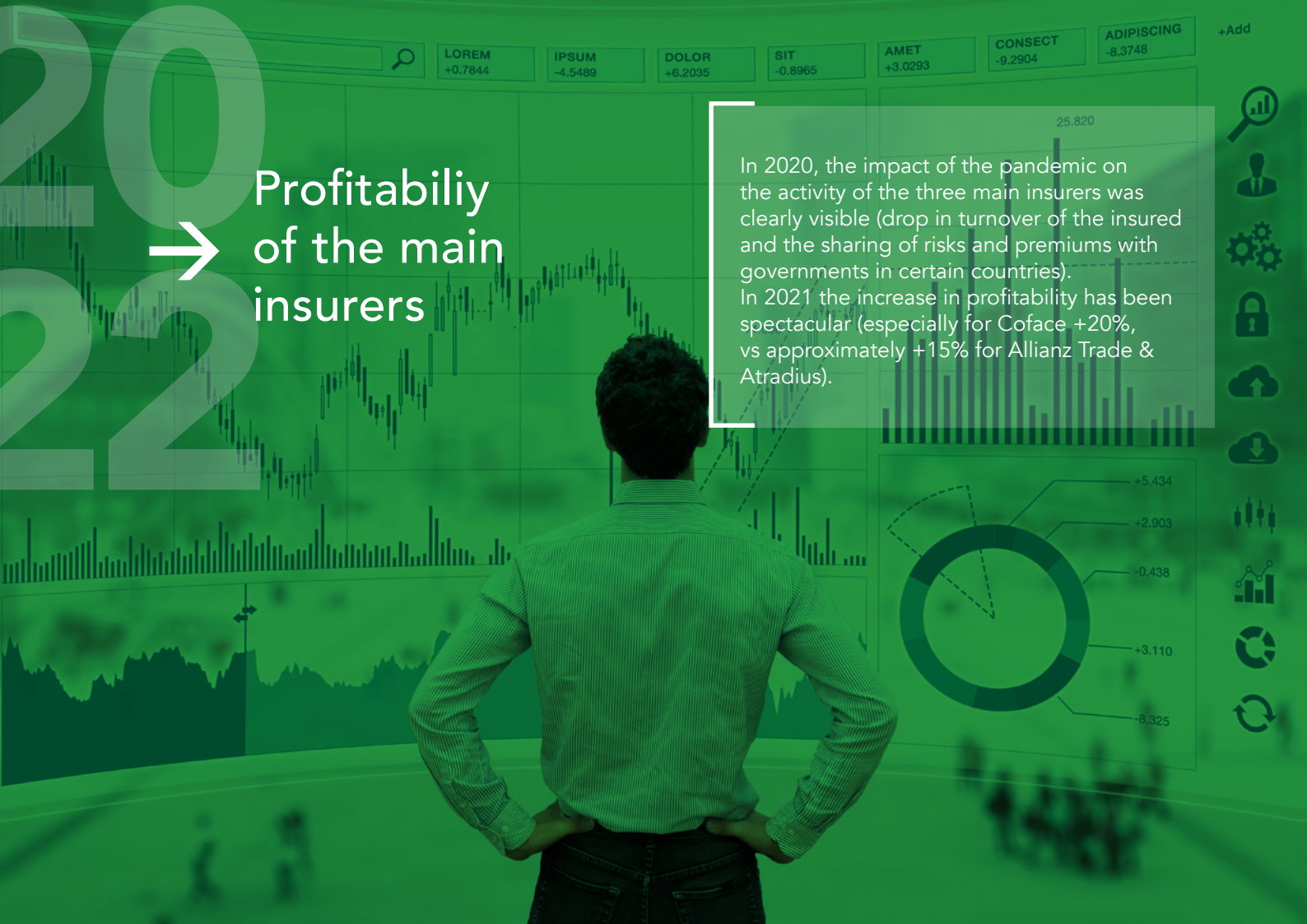
Atradius

Atradius delivered the best growth in the industry +8.7% versus 2020, exceeding pre-pandemic results. The Spanish/Dutch insurer recorded the highest turnover in its history (€ 2 153M in 2021) during a tumultuous year.

Coface

Coface sales have climbed by 8.1%; this impressive performance comes mainly from insurance activities (including bonding & single risk). Among all the regions, Northern Europe is performing strongly. The roll out of their "built to lead" strategic plan continues, and products such as information services have exceeded expectations.

Getting used to cope with instability, credit insurers of all size had to manage volatility and especially the consequences of the war in Ukraine. Monitoring their exposure on Russia, Ukraine (and CIS countries), underwriters carried out disengagement actions by reducing and cancelling cover – mostly in consultation with customers.

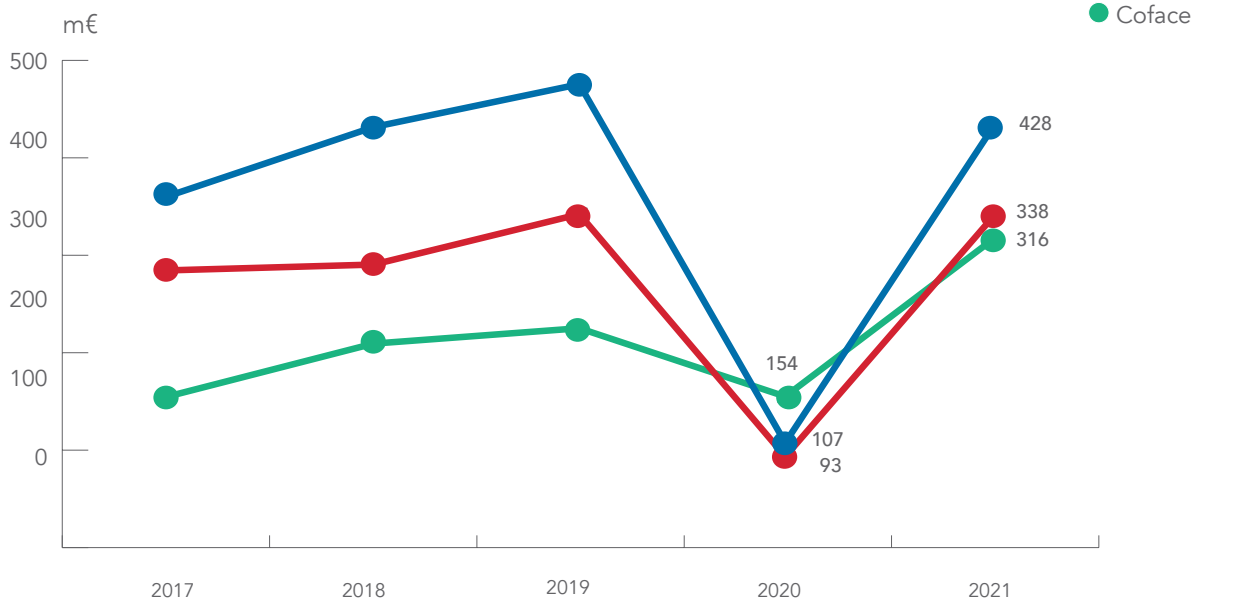


2022

Profitability of the main insurers

In 2020, the impact of the pandemic on the activity of the three main insurers was clearly visible (drop in turnover of the insured and the sharing of risks and premiums with governments in certain countries). In 2021 the increase in profitability has been spectacular (especially for Coface +20%, vs approximately +15% for Allianz Trade & Atradius).

→ OPERATING RESULT (m€)



→ NET PROFIT AFTER TAX (m€)

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

- Atradius earned €240M (versus €44M in 2020)

- €224M for Coface : (versus €83M in 2020)
- Allianz Trade does not disclose its P&L bottom line, but on the basis of operating result of €428M, we would expect a high profit after tax.

2022



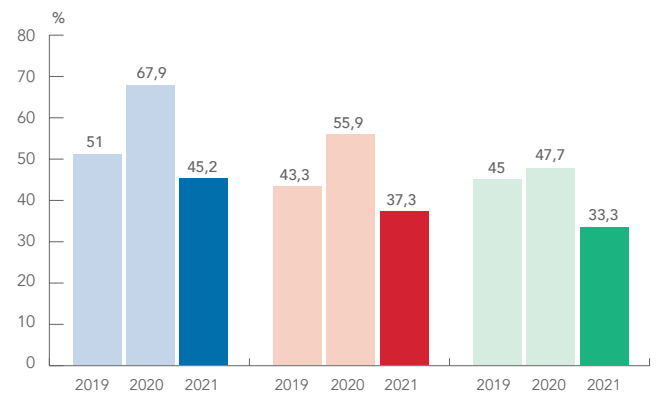
Measure of performance

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

- Allianz Trade
- Atradius
- Coface

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

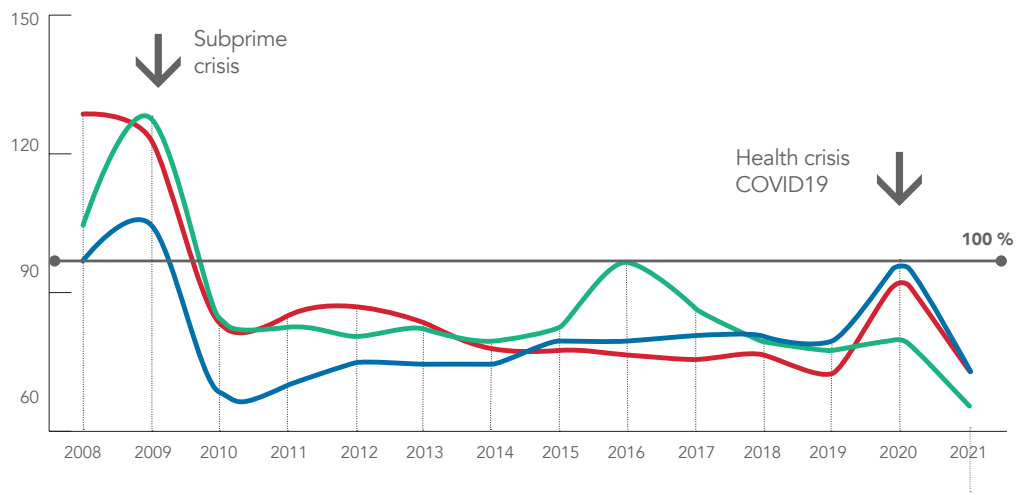
Net Loss Ratio (claims/premiums) over the last 3 years (in %)



> The theoretical break-even point for this ratio is 70% (above which Insurers consider that their operations generate a loss).

Net combined ratio over 10 years

- > The theoretical break-even point of the combined ratio is an estimated 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.

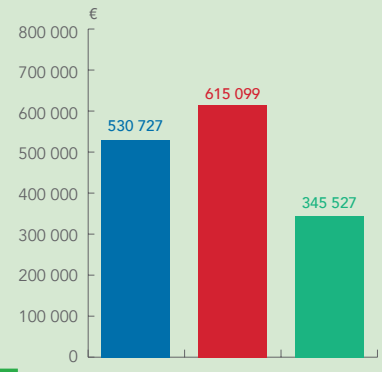
> The normalisation of the economy in 2021, and the continuation of government business support schemes, has led to historical low level of claims for the insurance market.

PRODUCTIVITY 2021

Productivity ratio	Allianz Trade	Atradius	Coface
Headcount	5 500	3 497	4 538
Turnover per capita 2021 in €	530 727	615 099	345 527

The headcount to revenue ratio reflects the company's productivity.

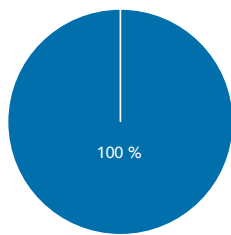
T/O per capita 2021 (in €)



> For the past five years, Atradius has been the company with the highest revenue per capita.

Shareholding

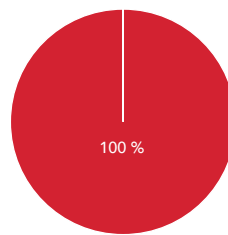
Allianz Trade



■ Allianz

Allianz Trade is fully integrated into the German insurance group Allianz.

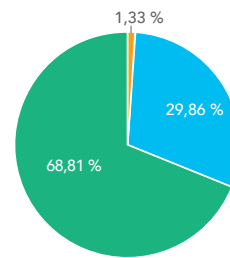
Atradius



■ Grupo Catalana Occidente

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

Coface



■ Floating
■ Arch capital Group
■ Others

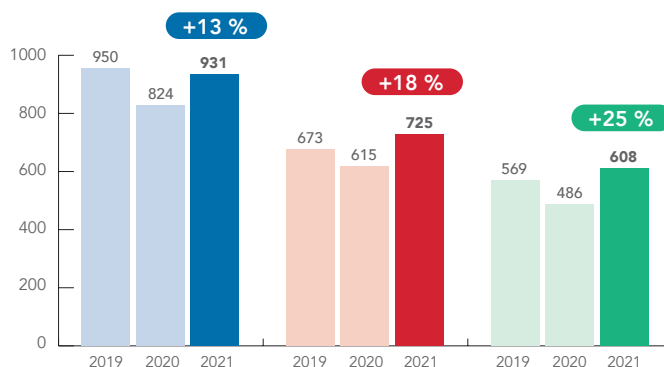
69% of Coface's capital is held by floating shareholders and 30% is held by Arch Capital, an American insurer based in Bermuda.

Total potential exposure (in bn€)

As of December 31st, 2021, the total exposures were:

- Allianz at €931bn (+13% compared to 2020)
- Atradius at €725bn (+18% compared to 2020)
- Coface at €608bn (+25% compared to 2020)

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



Ratings

COMPANIES	FINANCIAL STRENGTH RATINGS			
	Standard & Poors	Moody's	Fitch	A.M. Best
AIG	A+ outlook stable	A2 outlook stable	A outlook stable	A outlook stable
ALLIANZ TRADE	AA outlook stable	Aa3 outlook stable		A+ outlook stable
ATRADIUS		A2 outlook stable		A outlook stable
CHUBB	AA outlook stable			A++ outlook stable
COFACE		A2 outlook stable	AA- outlook negative	A outlook stable
CREDENDO	AA 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	A1 outlook négative	A+ outlook stable	A outlook stable
ZURICH	AA outlook stable	Aa3 outlook stable		A+ outlook stable

Update May 2022

"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	•	•	•
Sri Lanka		•	•
Taiwan	•	•	•
Thailand	•	•	•
Vietnam		•	•

• LATIN AMERICA

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

• 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	101

AU GROUP

AU Group supports its clients in structuring, negotiating, and implementing solutions for:

Protecting against debtor's payment default

By transferring the risk to the credit insurance market

Financing working capital

By pledging trade receivables to finance companies

Political risk

By arranging cover for all medium - and long-term contracts and investments

Managing trade receivables

By optimising credit management tools and techniques

E-commerce

By securing payment terms, financing online transactions

The world's largest adviser exclusively specialised in trade receivables matters



Created in
1929



44
countries



100%
independent



A team of over
260
staff worldwide



Over
4 500
clients



300
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commercial transactions



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