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## **Berne Union members expect business volumes to return to pre-crisis levels in 2010**

Berne Union members gathered in Cape Town for their Annual General Meeting 2010 from 8 – 12 November. The host was Export Credit Insurance Corporation of South Africa Ltd.

Berne Union members, public and private insurers of trade and investment, see a continuing strong demand for their risk mitigation products. “The immediate crisis has passed” said Kimberly Wiehl, Secretary General, “members are anticipating their support for global trade and investment to reach pre-crisis levels or beyond this year”. Another positive development has been a decrease in claims and defaults on cross-border transactions. Of greater concern to members are the regulatory changes proposed in Basel III. “The current Basel formulation could reduce trade finance capacity, which would be counter to the policies of most governments to maintain global trade flows and inconsistent with the solid performance of trade finance over the crisis” said Angus Armour, President of the Berne Union.

Those insurers who cover trade transactions with short payment terms (typically 30 to 90 days) are back to growing new business. Credit limits extended by these Berne Union members at the end of the second quarter of 2010 stand at \$743 billion, comparable to levels in 2007. The volume of claims paid in the first half of the year are still higher than pre-crisis, but are lower compared to the same period of 2009. The amounts paid out to insured exporters amounted to \$628 million so far in 2010, compared to \$2.4 billion for the full year 2009.

In the field of medium to long term insurance, covering transactions on terms up to ten years or more, volumes insured by export credit agencies stand at an all time high of \$528 billion at the end of the second quarter of 2010. This confirms continuing strong demand for cover in this line of business as well, combined with ample risk appetite by export credit agencies for sound capital goods and projects transactions. Claims in the first half of 2010 were lower than in the same period of the previous year, but it is too early to predict the outcome for the full year.

For insurers of foreign direct investments, the flow of new business they covered reached \$196 billion, the highest amount ever recorded for a six month period; however, developments in some markets are causing concern for the claims outlook.

At the Cape Town meeting members engaged with expert speakers from insurers, exporters, investors and bankers on the outlook for Africa. Berne Union members’ business experience in Africa has been good, with defaults lower than average. Yet transaction volumes remain constrained due the lack of credit information and the resulting difficulties in assessing risk.

“There is a wealth of untapped opportunities in this large and diverse continent” said Ms. Wiehl, “and this is true for the whole spectrum of trade. There is an exceptionally high demand for goods and services to build up infrastructure and our members are actively working with African governments to develop this potential.” Members identified that the majority of investments are driven by natural resources. And while political risk is a reality, it varies significantly across the continent. Today, African governments and the business community are looking for stable partners globally.

Turning to the future, insurers think that the global environment is still risky. The improvement in global business environment is fuelled by the economic recovery in Asia. However, members found it difficult to predict the ultimate impact of the tightening of fiscal and monetary policy in some countries and the opposite actions in other countries.

“The immediate crisis seems to be over, but Berne Union members are cautious given continued economic uncertainty” said Mr Armour. “Increasing business volumes and the sound financial position of Berne Union members are evidence of their capacity to manage risk, so their clients can expand global trade and investment.”

## **President re-elected and new Vice-President and committee chairs**

Angus Armour, MD and CEO of EFIC (Australia), was re-elected as the President of the Berne Union.

Daniel Riordan, President Specialty Products at ZURICH, was elected as Vice President following the term of Johan Schrijver of ATRADIUS N.V. (Netherlands).

Beatriz Reguero, CESCE (Spain) is the new Chair of the Short Term Committee, with PJ Kim, KSURE (Korea) as Vice Chair.

Topi Vesteri, FINNVERA (Finland) and Emile Matthee, ECIC SA (South Africa) were re-elected as Chair and Vice Chair of the Medium/Long Term Committee.

Joanne Palmer, EDC (Canada) is the new Chair of the Investment Insurance Committee, with Ferdinand Schipfer OeKB (Austria) as Vice Chair.

### **Note to editors:**

#### **About the Berne Union**

The Berne Union (International Union of Credit & Investment Insurers) is the leading international association for the export credit and investment insurance industry. It works for cooperation and stability in cross-border trade by supporting the international acceptance of sound principles in export credits and foreign investments and by providing a forum for professional exchange among its members.

#### **Members**

The 49 members of the Berne Union covered over US\$1.4 trillion worth of business in 2009, which is about 10% of the world's total export trade. Members are both private companies, offering worldwide risk management solutions, and state backed export credit agencies, focusing upon the support of national exports and outward investments.

#### **Interaction**

Members benefit from the highest quality information exchange through several yearly meetings, seminars and workshops, and interactively online. Exchanges focus on technical aspects of international trade, as well as developing and promoting best practices.

#### **Links**

The Berne Union has well established links with other organisations that play important roles in world trade including the WTO, World Bank, IMF, OECD and regional development banks.

The Secretary-General of the Berne Union is Ms Kimberly Wiehl, and the Secretariat is based in London.

See [www.berneunion.org.uk](http://www.berneunion.org.uk) for more information.

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