

Specialist insurers meet the credit crunch challenge

Established risk takers prove their worth in turbulent times

Against an international backdrop of bail-outs and bankruptcies, one group of credit risk takers is reporting an increased demand for its services. Members of the Berne Union – the worldwide association for export credit and investment insurers – are experiencing new interest in their expertise as the credit crunch brings this niche industry to the attention of a wider audience.

In normal circumstances, Berne Union members support transactions and projects that wouldn't otherwise happen, providing credit insurance for people who don't know each other well enough to trade on open account, and investment insurance for countries where the political or economic situation could be uncertain. In these, more difficult times, however, they find themselves being called from the margins to the mainstream, as lenders demand greater protection and businesses are seeing credit and investment insurance as a means of maintaining liquidity.

"What you've got to bear in mind," says Berne Union Secretary-General, Kimberly Wiehl, "is that cushioning against economic shocks is our normal line of business – in good times and bad. Where other financing resources have seized up, we're there keeping open the international channels of trade and foreign direct investment. And we're open for cover in emerging markets because, again, that's part of our normal activity."

The Berne Union and its members have been working actively for 75 years – promoting cooperation and stability in international trade, and helping make investment happen. Established clients are now being joined by others who see the advantage offered by credit and investment insurance in the current market environment:

- Exporters insuring receivables
- Investors protecting equity in foreign direct investments
- Corporate treasurers stabilising expected cash flows from overseas sales
- Bank clients freeing up additional capital to generate further loans
- Sponsors finding that the insurers have capacity available for large scale project finance

Berne Union President, Hidehiro Konno, gives a sense of the scale and extent of activity and challenges ahead. "On a union-wide basis, we have been growing our new business volumes steadily over the years, from \$472 billion in 2001 to over \$1.3 trillion during 2007. But it's not just about big numbers. We're talking about exposure that is global. Our members are insuring trade and investment into China, Russia, Saudi Arabia, India and Turkey as well as into the large trading markets of North America and Europe."

With derivative financial instruments now under scrutiny, one of the most striking features of credit and investment insurers is the simplicity of their products. Everything is based on real transactions involving tangible assets and the real movement of goods. The risks involved are, therefore, transparent and can be monitored and managed.

Berne Union Vice President, John Salinger, makes the point. "The risk assessment can be complex. The level of expertise and local knowledge required is significant. But the business, fundamentally, is a simple one. One dollar covered means one dollar of exposure means one dollar potential loss and perhaps one dollar of recovery down the road. No leverage. No derivatives. Just a risk assessed and cover provided."

From the Berne Union perspective, there is more risk now in all markets and far fewer risk takers. But risk is fundamentally what Berne Union members do. And, as the crisis continues to bite, they are determined to continue providing the necessary credit and investment insurance to keep commerce flowing.

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 50 members of the Berne Union covered over US\$1.3 trillion worth of business in 2007, 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 for more information.

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