

The International Credit Brokers Alliance: The Growing Need for Hands-on Broker Support

As we emerge from this global pandemic with business anything but usual, brokers must work more closely with their clients than ever before. Because when it comes to Trade Credit Insurance the game has changed with a new set of rules.

Overall, the number and aggregate value of credit limits underwritten are lower than before the COVID-19 crisis.

The criteria for credit limit approvals has changed due to the impact of reduced sales, resulting in greater emphasis on liquidity and the ability to service increased levels of debt.

And with the onset of higher premiums in part due to the expected increase in claims, plus reduced overall aggregated cover following a number of limit reviews and subsequent cancellations (the total value of all limits underwritten on any particular company) our job is to ensure clients are at the head of the queue when capacity is available.

Because market turbulence aside, one thing is for certain, Trade Credit Insurance is not going anywhere. It remains a robust business tool for many companies worldwide looking to trade in their own backyard and further afield.

Trade Credit Insurance is a force for good. In the UK alone the insured limits are £356 billion. With the need for stability, governments in countries such as

Germany, Spain and Belgium have supported the market with reinsurance support in the event of unprecedented insured losses. We are delighted the UK government has agreed to support the private Trade Credit Insurance market. This will enable underwriters to support UK companies to trade and raise working capital as the economy recovers.

So how should brokers support their clients in this brave new world?

They must be proactive.

This is in the DNA of every ICBA Broker

Pre-pandemic, an underwriter would look at a company balance sheet and its P&L, but these no longer tick the box. ICBA brokers have been working closely with underwriters to define the new risk parameters and the information required when assigning a limit that enables a company to trade knowing that a percentage of their sales ledger is covered by Trade Credit Insurance. Underwriters are now assessing the ability of a business to service their debt. "Businesses will have to provide management information such as cashflow statements", says Andy Moylan, ICBA board member. "We will see a rise in management information being used by underwriters as common practise. It's our job to support clients going through this process for the first time."

Moylan explains that the role of the broker is to 'educate, facilitate and provide a dose of reality,' saying, "the losses and claims attached to the coronavirus pandemic are the highest on record. Businesses should accept that underwriters must balance the books. This means reengineering the policy and businesses assuming more risk."

"The days are long gone when a broker could act as a clerk and nothing more," says Moylan. "Brokers have to work more closely with clients so that when capacity is available, they have a share of it. Trade Credit Insurance will continue to be used for raising working capital and securing funding from banks. It is used extensively in the invoice finance market and as such facilitates liquidity."

The ICBA has for many years championed the need for compliance; at its most basic, ensuring a company is aware of and fulfils all policy conditions from cradle to grave. Online systems are used by ICBA brokers for this purpose. These systems will now deliver additional payback helping to manage policies where the risk has been syndicated. "An underwriter may only insure a percentage of the risk. It is our job to bring other underwriters to the table and syndicate the risk. Having an online system to manage the syndicated policy is crucial for ensuring ongoing policy compliance and ease of management. And providing this service to our clients adds more value to the relationship," says Moylan.

In close contact

Throughout the pandemic The ICBA Executive Board has been in daily contact with risk underwriters and is holding weekly virtual meetings with the board members and group risk directors of the main insurers to stay ahead of developments. Emmanuel Portier, founder of The ICBA says: "We monitor all sources that influence Trade Credit Insurance. And ICBA broker partners are in close contact with their local underwriters. This amounts to 45 countries where we have a direct presence. This level of engagement means we can influence decisions taken at a local and a global level. We are accumulating knowledge on limits reduced, claims declined, contract changes imposed by insurers and other valuable market intelligence. By leveraging our strong relationships, our experience and our first-class reputation we can support businesses in the months and years ahead."

"The world may have changed but The ICBA remains a strong and unwavering support to businesses the world over. The 630 specialists from the ICBA comprise the largest Trade Credit team in the world. Acting as one team, they are your disposal offering help and advice. If you have any questions please contact us," concludes Portier.

For any questions please don't hesitate to contact us

The 630 ICBA Specialists, one of the two largest Trade Credit Teams in the world, are at your disposal to help and support you.

Anytime, anywhere on the planet, we are here, for you...

www.icba.com