

**Trade insurers 'cautiously optimistic' as new business rebounds**

Trade credit insurers are eyeing 2022 with "cautious optimism" after data for the first half of this year showed strong growth in short-term business, buoyed by a recovery in merchandise trade, although there are lingering weaknesses in other product areas.

The Berne Union, the international association for export credit insurers, released data on October 12 showing that aggregate credit limits for short-term trade credit insurance reached almost US\$1.8tn in the first six months of 2021, shooting past pre-pandemic levels for the first time as trade volumes in many developed economies and Asia rebound.

The figure represents 7% growth compared to the first half of 2020 and is 3% higher than the same period in 2019. Short-term commitments comprise the vast bulk of new business over the period, according to the data.

New commitments related to domestic export support have fallen slightly on 2020 levels but remain stronger than in 2019, which indicates those higher levels may be a "longer term trend", according to the statement.

But the association cautions that new commitments for policies with longer tenors "remain depressed". Untied cross-border credit commitments in the first half of this year have shrunk by almost half, or US\$6.8bn, compared to the same period in 2019 and new political risk insurance commitments are down 34%, a decline of US\$8.7bn.

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conditions, the mood of underwriters is predominantly cautious optimism, with the current stability counterbalanced by considerable remaining uncertainty when looking beyond a 12-month time horizon," the Berne Union says in the statement, released at the outset of its annual general meeting, held in Budapest.



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The body also recorded an "incredibly benign" level of claims despite warnings that the rollback of government support programmes in highly vaccinated countries could unleash a wave of defaults. Recoveries, where an insurer is able to mitigate at least part of a claim, also performed strongly for short-term and domestic commitments.

Its members paid out just over US\$1bn in claims for short-term insurance policies in the first six months of

2021, a 38% drop compared to the previous half year period and "overall resulting in the lowest short-term claims/commitments ratio for any period in Berne Union records".

The body's optimism about the performance of the global trade credit insurance market contrasts with a more cautious update it issued in April, when

expects global insolvencies to increase by just 1% in 2021, after a 14% decline in 2020 due to government cushioning.

But it forecasts that company failures will jump by a third in 2022 as fiscal support is wound down, leading to "a 'return to normal' in the insolvency level, together with insolvencies of a certain share of businesses that were 'saved' from bankruptcy in 2020".

Insolvencies in Europe are already ticking upwards – led by Spain, the Czech Republic and Romania – but are dropping in North America and the Asia Pacific. Atradius predicts that the UK, Australia, Finland and Singapore are among the advanced economies likely to see the the highest growth in insolvencies in 2022, compared to 2019 levels.

In June, Atradius also pointed to elevated insolvency risks in Asia, where it said half of all B2B invoices were overdue during the second quarter of this year.

The Berne Union's annual general meeting, which was hosted by the Hungarian Export Credit Agency, was the first in-person meeting of its members in two years.

The association's president Michal Ron says the question of how private insurers and export credit agencies respond to growing momentum for commitments to net-zero greenhouse gas emissions by 2050 or earlier was also on the meeting's agenda. Members were also set to discuss the business and investment environment in Sub-Saharan Africa, where worries persist over high sovereign debt and political instability.

it said that its members "are expecting the consequences of Covid – in the form of emerging non-performing loans and bankruptcies – to start materialising in the coming months".

Although a predicted jump in insolvencies as government taps are turned off has not come to pass, insurers continue to warn that the risk outlook remains uncertain.

Atradius, a global trade credit insurer, said in an October 7 research note that it

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