Dear Sir / Madam,

The Association of British Insurers (registration number on the European Commission’s Register of Interest Representatives 730137075-36) welcomes the opportunity to comment on draft Communication on short term export credit insurance.

We welcome the European Commission’s Communication and share its aim to prevent state aid from distorting competition among private and public or publically supported export-credit insurers and to create a level-playing field among exporters. We are glad to see that the Communication extends the current ban on state aid to export credit providers writing marketable risks beyond 31st December 2012, with a proposed expire date of 31st December 2018.

We have, however, two areas of concern.

The first one refers to the opinion outlined in paragraph 38 that there might be a market gap which would make risks non-marketable. We believe that short-term export cover by commercial insurers has recovered to pre-crisis levels and that there is no shortage of capacity in the market. In fact, in the UK, for example, we believe that the real problem is overcapacity and lack of demand from clients. While we agree with the principled outlined by the Commission that state intervention should only be allowed for risks which the market would otherwise not cover, we strongly believe that short-term export cover should be the preserve of the commercial market, which has the capacity to meet current and future demand.

The second area of concern refers to the criteria outlined in paragraph 39. Under this paragraph, if a state wants to cover the risks specified in point 18 (b) or (c), it must show that it has contacted two private insurers, and that they have failed to show they write cover in these areas within 30 days. We believe this criterion needs to be changed. The criterion needs to refer to market share and not number of providers. Due to the relatively varied nature of the UK market, it might be possible to find two private insurers who do not write cover in these segments, but this would not necessarily be representative of the market as a whole. The obligation should be to contact insurers representing a minimum share of 50% of the relevant market. Therefore, paragraph 39 needs to be changed so that the criterion set refers to the obligation to contact insurers representing a minimum share of 50% of the relevant market.

Thank you once again for the opportunity to comment on the draft Communication. If you would like to discuss this in more detail, please do contact me.

Kind regards,

Raluca Boroianu-Omura

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Policy Adviser, European Affairs
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