Short-Term Export Credit Insurance: Consultation on Draft Communication

POSITION PAPER

Date: 17 September 2012

Ralph Kamphöner
Director International Trade & Wholesale
T: +32 2 737 05 88
kamphoener@eurocommerce.be
1. Introduction

*Draft Communication from the Commission to the Member States on the application of Articles 107 and 108 TFEU to short-term export-credit insurance*

EuroCommerce welcomes the proposal to maintain the concept of marketable risks with an integrated dynamic element. This, in particular the short deadlines, will enable reacting quickly and efficiently to new situations in the credit insurance market that may arise due to crisis even at short notice.

We also welcome the inclusion of aspects related to refinancing and reinsurance facilities, which are closely related with the credit insurance and financing instruments available to European exporters. Moreover, the duration foreseen in the Commission communication – five years – provides planning certainty to all member states.

2. Possible stumbling block: the minimum rate

A possible criterion for exclusion, however, is the introduction of a minimum rate for the utilisation of the respective instruments, as mentioned in the draft Commission communication. The conditions for insurance payments for marketable risks covered by the exceptions appear as clearly prohibitive. In many cases, these rates even exceed the margins that can possibly be achieved by a trader. Moreover, there is no valid reason for the introduction of minimum rates. For instance, the rates of the federal German export credit guarantees, according to the information available to us, are considered to significantly exceed those of the private credit insurers.

Moreover, unless concerning single coverages, the rate always represents the risk mix of the overall contract. In addition, it is important to consider that often ratings – which should normally serve as basis for risk category classification – are unavailable for SMEs.

With regard to the remarks under no. 25 it needs to be clarified whether a minimum rate would already imply administration fees. Furthermore, the draft does not specify the invoicing period for such fees.

For the reasons mentioned we generally oppose the introduction of a minimum rate. However, a solution along the lines indicated under no. 22 appears sensible. Like in the past, the premium rates in the framework of publicly funded arrangements should have to exceed the average rates charged by private credit insurers for comparable risks.

As a forced categorisation as described under no. 23 would be unfeasible, we therefore suggest to authorise implementation at national level that would on the one hand ensure that conditions under no. 22 are met while on the other hand taking account of the respective national systems and specific circumstances of the market, i.e. without acting prohibitively. Only like this, contracts would be furnished with individual, market adequate rates that would exceed a private – though unavailable – insurance offer but without producing prohibitive effects. Such flexible instruments would also allow, more than so far, to limit the detrimental impact on the competitiveness of companies based outside the EU, who are not bound by those rules.

3. Preserving minimum criteria for refinanceability

Concerning the quality of insurance coverage mentioned under no. 20, we would welcome an increase of the percentage for insuring economic and political risk from 90 to 95 percent. Especially with view to the refinanceability of supplier credits, limiting the coverage to 90 creates a substantial obstacle. In particular in times of crisis, all possibilities for relief on the balance sheet should be explored. We do not share concerns that such forms of coverage might be market incompatible. In Germany, for instance, such 5% franchises have been applied for several years without having resulted in problems for private insurers.
We expressly support the clarification concerning the validity period of the communication as specified under no. 8. The distinction between “risk period” instead of “credit period” appears sensible and indicated in particular with view to production times and the related possibilities for single coverages. However, we find difficult to understand why the text dealing with exceptions to the definition of marketable risks under no. 18 c refers to the credit period. It is normally impossible, even in the case of readily available stockage, that the production time, i.e. according to no. 9 the time between the day of order and the day of delivery or expedition of the merchandise, amounts to zero. This is decisive for the possibilities to refinance. Hence, a clear limit of one year risk period appears preferable. Even more practical and preferable as a solution would be the exemption of single claims with a risk period exceeding one year from the scope of application of the communication.

4. **Keep the procedure for determining marketable risks simple**

With regard to the procedural applications amending the list of countries with marketable risks, it would be desirable to lower the thresholds from 20 and 30 to 15 percent. We are convinced that considering the strong competition in the credit insurance industry a threshold decreased accordingly proves a major reduction. Moreover, we find the mandatory written request by five Member States for amendment of the list of countries with marketable risks excessive. Especially in view of the significant differences in structure and size of the export industries in the various Member States, we believe that a written request by two Member States would be sufficient. The exporter’s perspective is not considered directly, but only during the consultation process. In this respect, we suggest that also exporters’ evidence concerning the current coverage situation should be considered before decisions are taken.

EuroCommerce is pleased to specify further details upon request.

---

**EuroCommerce and the commerce sector**

EuroCommerce represents the retail, wholesale and international trade sectors in Europe. Its membership includes commerce federations and companies in 31 European countries.

Commerce plays a unique role in the European economy, acting as the link between manufacturers and the nearly 500 million consumers across Europe over a billion times a day. It is a dynamic and labour-intensive sector, generating 11% of the EU’s GDP. One company out of three in Europe is active in the commerce sector. Over 95% of the 6 million companies in commerce are small and medium-sized enterprises. It also includes some of Europe’s most successful companies. The sector is a major source of employment creation: 31 million Europeans work in commerce, which is one of the few remaining job-creating activities in Europe. It also supports millions of dependent jobs throughout the supply chain from small local suppliers to international businesses.