




COVID-19
+
**TRADE
CREDIT
INSURANCE**
||
**BUSINESS
SURVIVAL**

A company of **Allianz** 



EULER HERMES

AGENDA

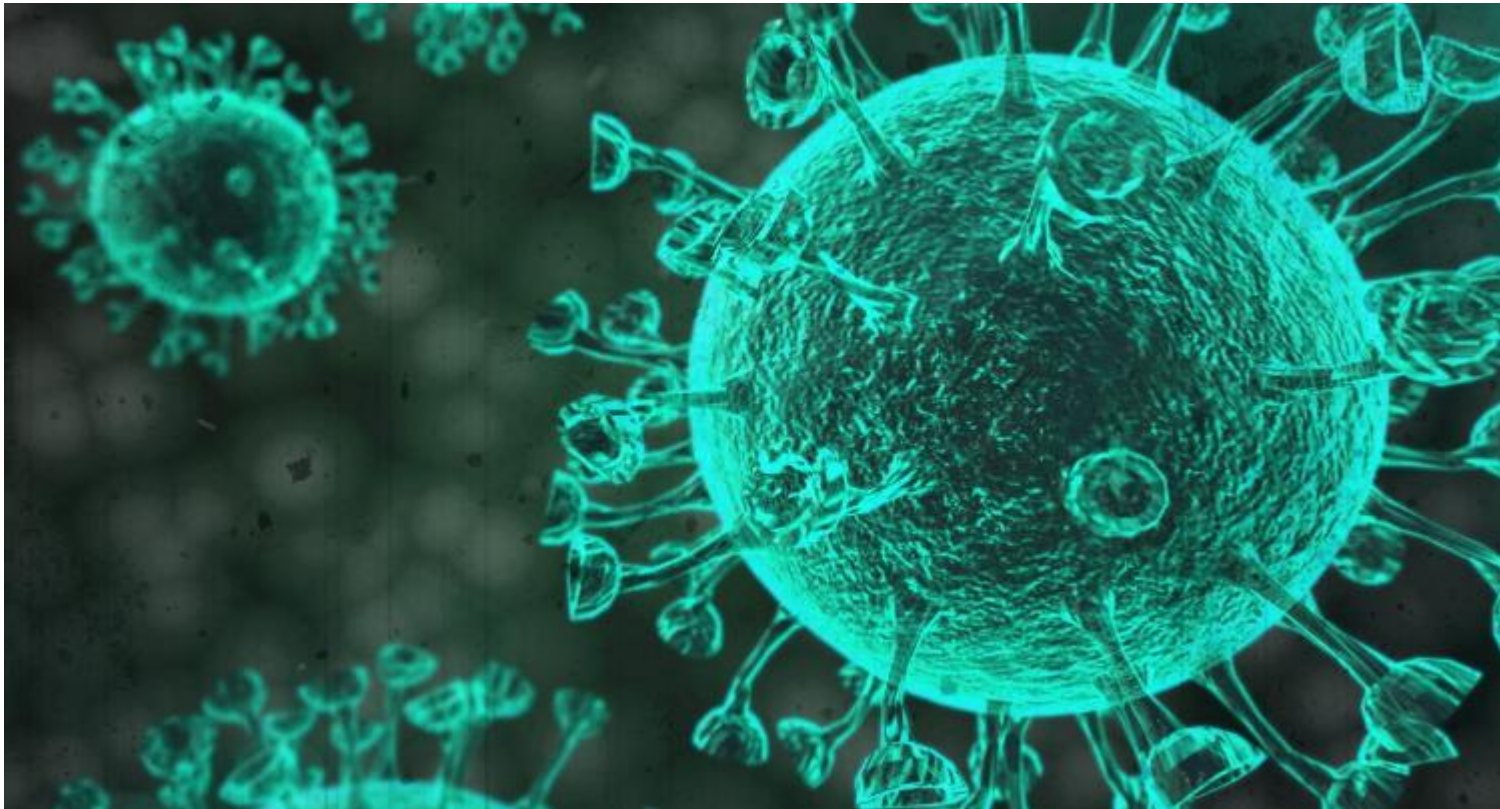


- 01** CURRENT BEST PRACTICES SHARING
- 02** HOW TCI WORKS
- 03** GLOBAL ECON PERSPECTIVE & THE OUTLOOK FOR EXPORTS
- 04** DEBT COLLECTION BY EULER HERMES

GLOBAL INSOLVENCIES 2020



OUR PREDICTIONS FOR 2020 HAVE BEEN BLOWN OUT OF THE WATER BY COVID-19



INSOLVENCIES AND SUPPLY CHAIN DISRUPTION ARE BECOMING THE NEW NORMAL!

01 CURRENT BEST PRACTICES

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THE MANUFACTURER OF TOYS



The client is listed in HK Stock Exchange and specialized in manufacturing of toys and trade with Chinese buyers.

Years with EH: 4 years

Sector: Toys

Annual turnover: HKD100M

Turnover increased 50% with TCI protection!

Credit control strategies to suits the needs:

- Hard to obtain FS of Chinese buyers
- China's DSO is the longest among all countries, 88 days in average. EH covers loss up to 90% of the credit limit
- Global presence in over 50 countries: Risk underwriter able to share valuable insight into the financial status of buyers
- Global collections network: Our debt collection team speak local language and knows well about the collection procedure. Client can focus on its business and save the collection efforts
- The client relies on EH to approve credit limits for their new Chinese buyers and the annual sales surged over 50% in their 5th year with EH

THE LARGEST CHINESE FINE PHOSPHATES MANUFACTURER



The policyholder based in Hubei that listed on Shanghai Stock Exchange since 1999 and ranks 399th among Fortune 500 Companies in China.

- The Policyholder (PH) offered credit terms (OA) to the buyers and would like to obtain the financing facilities from the bank
- EH approved a credit limit on the buyer and form the policy for the PH.
- PH assigned the policy to the bank as **LOSS PAYEE**. The bank supported the PH to gain access to USD3M facilities!

As a result,

The PH got the protection on the AR, and also obtained additional USD2M facilities better than original only USD1M.

Policy details:

Turnover: USD36M

Premium rate: 0.2%

Sector: Chemical

Financing facilities

USD1M → USD3M

USD2M increment!!

02

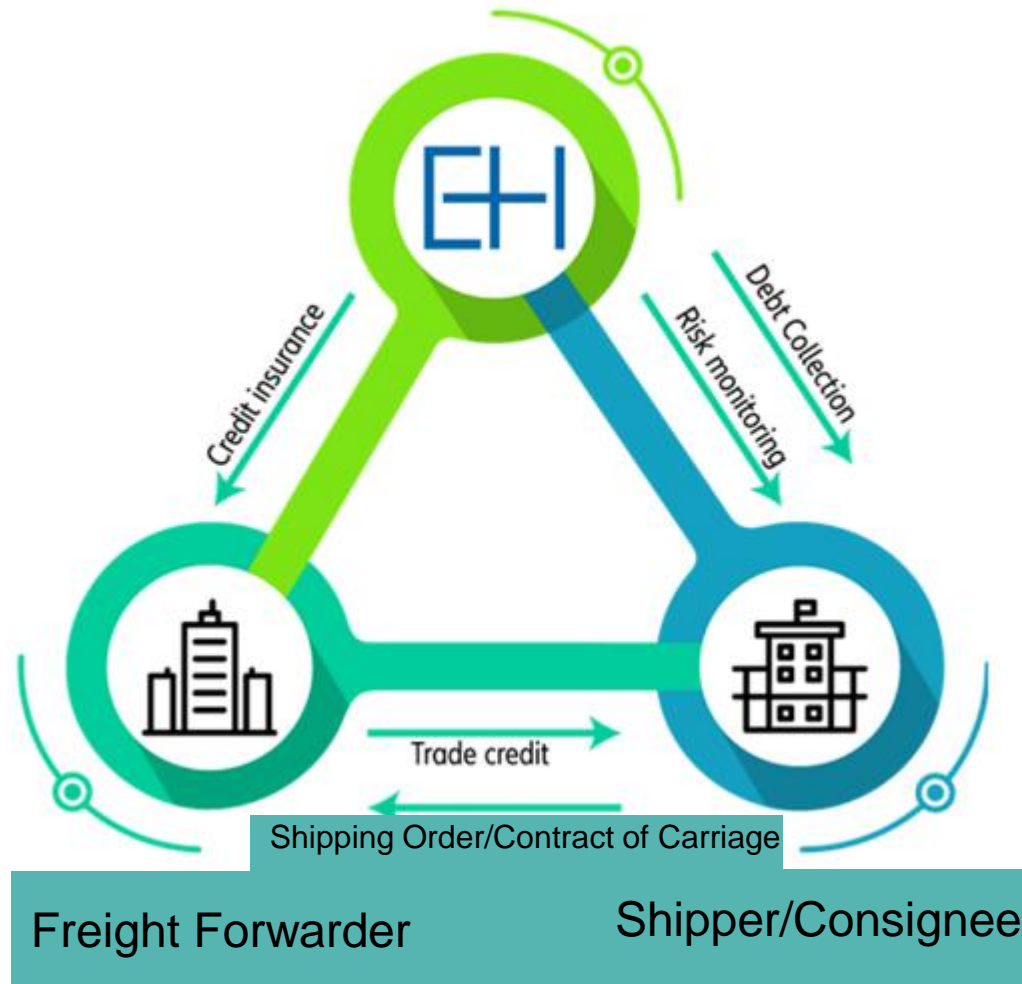
WHAT IS TRADE CREDIT INSURANCE?

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HOW TCI WORKS



COMMERCIAL vs POLITICAL RISK

Commercial Risk



Insolvency: non-payment as a result of insolvency / bankruptcy of the buyer

Protracted default: non-payment after an agreed number of months after due-date of the debt.

Political risk



Non-payment:

- Inconvertibility and Transfer Risk
- Government intervention
- Foreign Public Buyer Default
- War / Civil Violence

POLICY STRUCTURES



Whole turnover policy

- Covers seller's total credit sales



Named buyer policy

- Cover for all sales to one or more selected debtors

EULER HERMES GRADES

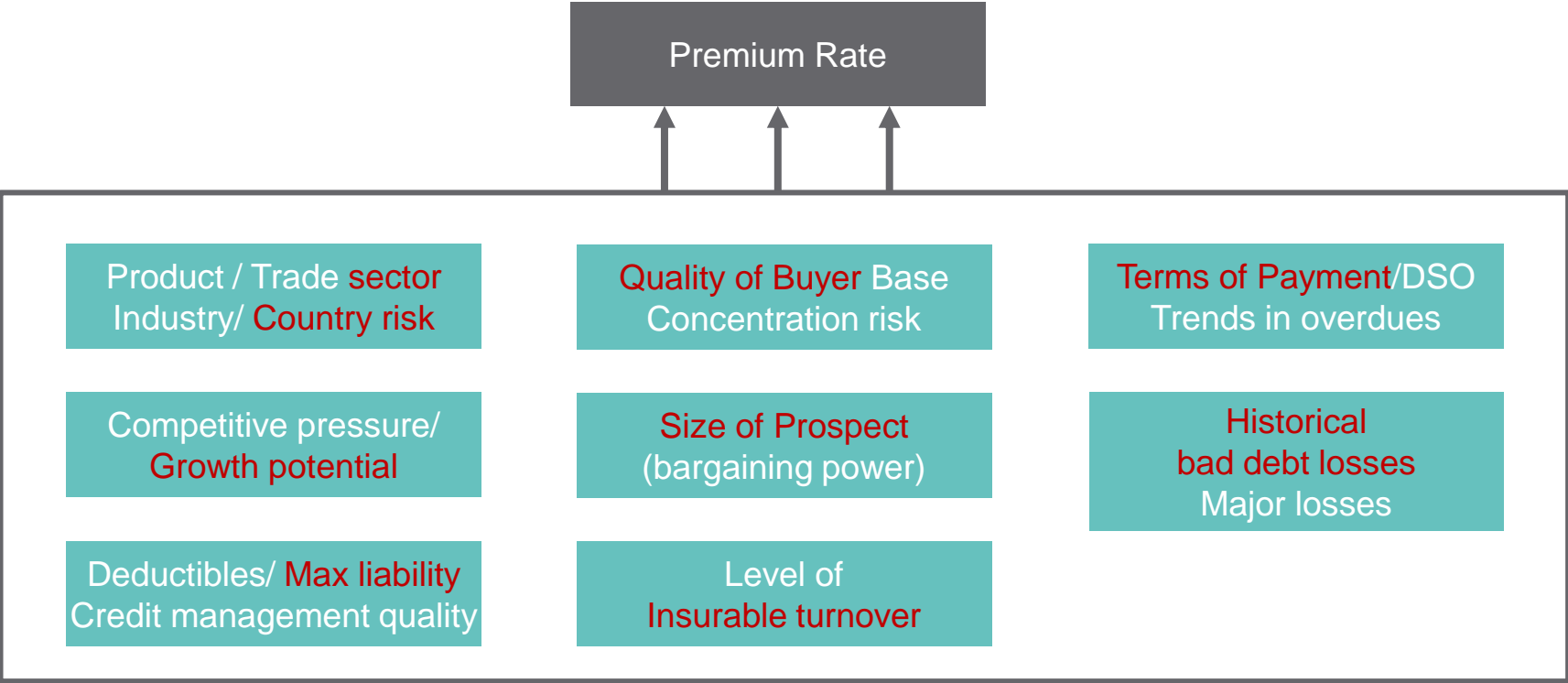
Grade	Meaning	Probability of Loss
1	Exceptional	Virtually no risk of loss
2	Very strong	Minimal risk of loss
3	Strong	Low risk of loss
4	Good	Below average risk of loss
5	Average	Average risk of loss
6	Watch	Above average risk of loss
7	Weak	Increased risk of loss
8	Distressed	High risk of loss
9	Uninsurable	Very high risk of loss
10	Fail	

Euler Hermes forecasts the creditworthiness of your buyer for the next 12 months in the form of a probability of default.

BENEFITS OF CREDIT INSURANCE TO CLIENTS



FACTORS TO BE CONSIDERED UNDER A POLICY



CATHAY PACIFIC



**Which grade is it?
(Grade 1 - Grade 10)**

DO YOU KNOW HIM?



**Which grade?
(Grade 1 - Grade 10)**

VIRGIN AUSTRALIA AIRLINES PTY LTD

FLYBE



**Which grade is it?
(Grade 1 - Grade 10)**

IATA



**Which grade is it?
(Grade 1 - Grade 10)**

THE ROCKPORT COMPANY, LLC



ROCKPORT HONG KONG



**Which grade is it?
(Grade 1 - Grade 10)**

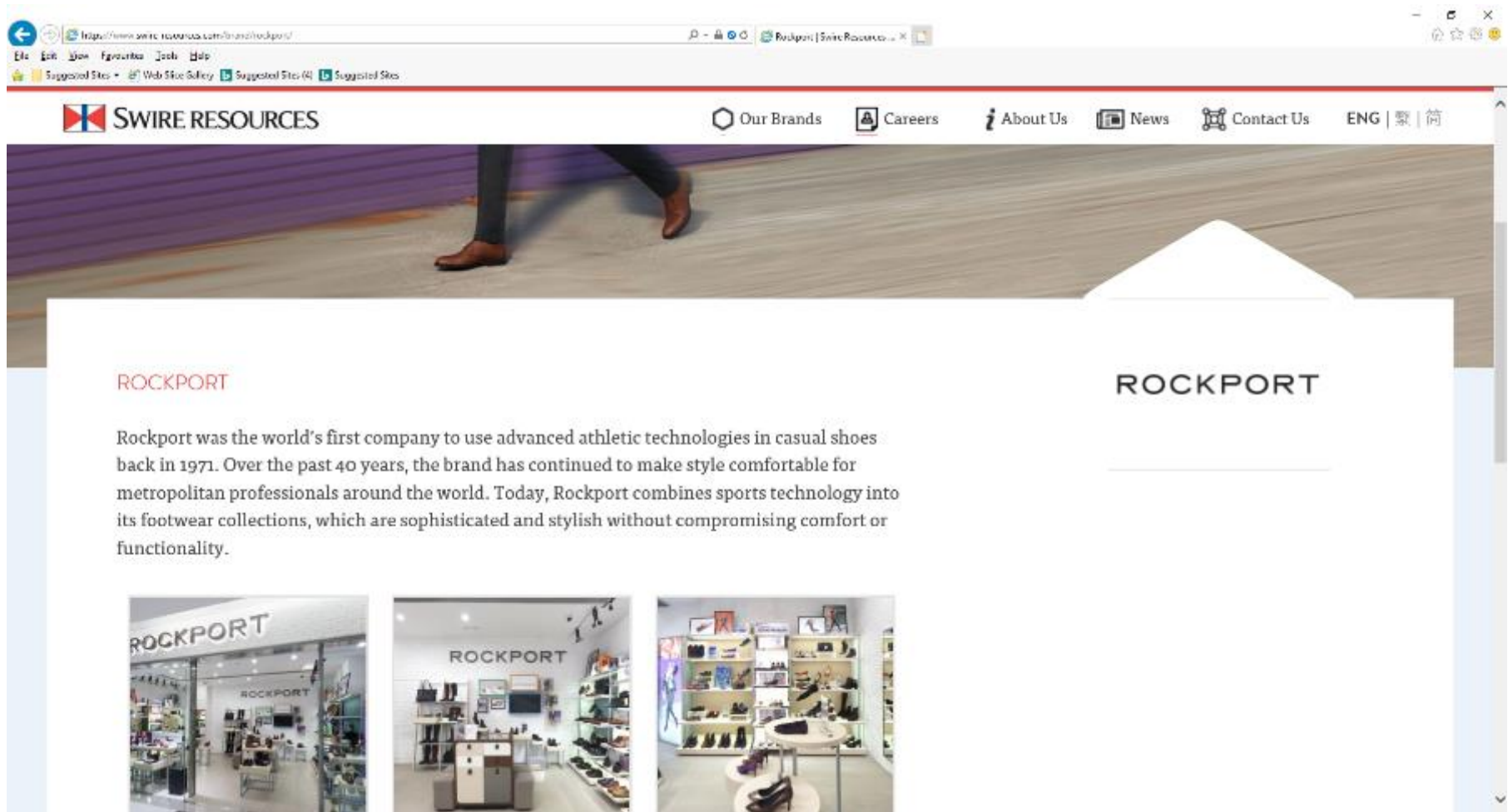
THE ROCKPORT COMPANY, LLC



FILED FOR CHAPTER 11 BANKRUPTCY PROTECTION (14 MAY 2018)


The Rockport Company, LLC, a US-based comfort shoe maker, has filed for Chapter 11 bankruptcy protection. According to court filing, the company listed both assets and liabilities between US\$100 million and US\$500 million. The company said it would maintain operations through the restructuring process, but was seeking court approval to close some of its locations.

THE ROCKPORT HONG KONG



ROCKPORT

Rockport was the world's first company to use advanced athletic technologies in casual shoes back in 1971. Over the past 40 years, the brand has continued to make style comfortable for metropolitan professionals around the world. Today, Rockport combines sports technology into its footwear collections, which are sophisticated and stylish without compromising comfort or functionality.



HUAWEI & ZTE



ANSWERS



Cathay Pacific (GRADE 7)

Virgin Australia Airlines Pty Ltd (GRADE 8)

Flybe (GRADE 10)

IATA (No grade for association)

THE ROCKPORT HONG KONG (GRADE 4) – Under the SWIRE group

THE ROCKPORT COMPANY, LLC (GRADE 7)

HUAWEI TECHNOLOGIES CO LTD (GRADE 4)

ZTE CORPORATION (GRADE 6)

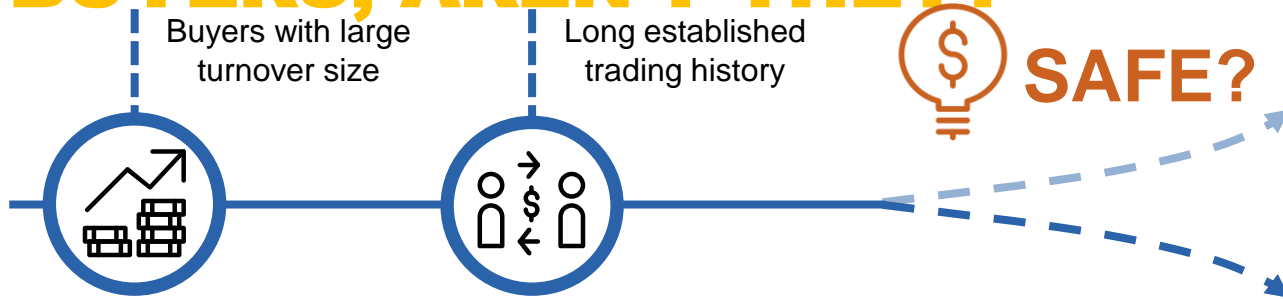
03

GLOBAL ECONOMIC PERSPECTIVE AND **THE OUTLOOK FOR EXPORTS**

- 2020 YTD World Insolvency cases
- Sector Risk Outlook 2020 – Q1 Update
- Country Risk Outlook 2020 – Q1 Update














YOUR LARGEST BUYERS ARE YOUR SAFEST BUYERS, AREN'T THEY?













50% of the claims we receive, the buyer and seller have been trading together for over 5 years

2020 Q1 WORLD INSOLVENCY CASES

Month	Sectors	Company	
Jan	Food	Borden Dairy Co. (UK)	
	Fast Food Restaurant	Krystal (US)	
Feb	Home furnishing	Pier 1 Imports Inc. (UK)	
	Media	McClatchy Co., (UK)	
March	Retail	Modell Sporting Goods Inc., (UK)	
		Kikki.K Pty Ltd (UK)	
		Laura Ashley Plc (UK)	
		Caversham Finance Limited (UK)	
		Esprit Holdings Limited (Germany)	
	Cruise	Luminous Cruise (Japan)	
	Airline	Flybe (UK)	

2020 APRIL WORLD INSOLVENCY CASES

Month	Sectors	Company
Apr	Airline	First Cabin (Japan) 
	Hotel	WBF (Japan) 
	Oil & Bunkering	Hin Leong Trading (SG) 
	Drilling Contractor	Diamond Offshore Drilling (US) 
	Luxury Department Store	Neiman Marcus (US) 
	Retail	J.Crew (US) 
		Cath Kidston (UK) 
		Oasis Fashions Limited (UK) 
		Debenhams PLC (UK) 
		Warehouse Fashions Limited 

SECTOR RISK RATINGS Q1 2020

ECONOMIC RESEARCH

↓ 126
SECTORS WITH
DOWNGRADED RATINGS

- UNITED STATES**
Transport
Chemical
Transport equipment
- MEXICO**
Electronics
Transport equipment
- GUATEMALA**
Electronics

- COSTA RICA**
Construction
Electronics
Computer & Telecom
- PANAMA**
Electronics
- COLOMBIA**
Electronics
- ECUADOR**
Energy
- PERU**
Automotive manufacturers
- CHILI**
Automotive manufacturers
Construction
Software & IT services
Computer & Telecom

- IRELAND**
Automotive manufacturers
Automotive suppliers
Construction
Transport
Chemical
Agrifood
Textile
Electronics
Metals
Retail
Machinery & Equipment
Transport equipment

- UNITED KINGDOM**
Automotive manufacturers
Automotive suppliers
Transport
Textile
Electronics
Retail
Household equipment
- THE NETHERLANDS**
Textile
Retail
Household equipment
- BELGIUM**
Automotive manufacturers
Automotive suppliers
Transport
Textile
Electronics
Computer & Telecom
- LUXEMBOURG**
Transport
Chemical
Textile
Electronics
Computer & Telecom

- DENMARK**
Electronics
- GERMANY**
Automotive suppliers
Machinery & Equipment
- SWEDEN**
Transport
Paper
Computer & Telecom
- FINLAND**
Transport
- NORWAY**
Transport
- RUSSIA**
Paper
Metals

- ITALY**
Construction
Chemical
Agrifood
Textile
Machinery & Equipment
- PORTUGAL**
Automotive manufacturers
Automotive suppliers
Transport
Retail
Machinery & Equipment
Transport equipment
- SPAIN**
Construction
Household equipment

- LITHUANIA**
Automotive suppliers
Construction
Transport
- ESTONIA**
Transport
Electronics
Transport equipment
Energy
- POLAND**
Automotive suppliers
Transport
- SLOVAK REPUBLIC**
Automotive suppliers
Transport

- CZECH REPUBLIC**
Automotive suppliers
Electronics
Computer & Telecom
- ROMANIA**
Automotive manufacturers
Automotive suppliers
Transport
- HUNGARY**
Automotive manufacturers
Automotive suppliers
- BULGARIA**
Automotive suppliers

- JAPAN**
Retail
- SOUTH KOREA**
Automotive manufacturers
Automotive suppliers
Retail
Transport equipment
- CHINA**
Transport
Retail
Transport equipment
- HONG KONG**
Transport equipment
- TAIWAN**
Retail
Household equipment

- SINGAPOUR**
Automotive manufacturers
Automotive suppliers
Transport
Chemical
Retail
- MALAYSIA**
Transport
Agrifood
- PHILIPPINES**
Automotive suppliers
Transport
Metals
Transport equipment
- INDONESIA**
Electronics
- THAILAND**
Retail

- VIETNAM**
Transport
Agrifood
Electronics
Retail
Transport equipment

- ISRAEL**
Retail
- QATAR**
Energy
- SOUTH AFRICA**
Retail

- TURKEY**
Transport
- MOROCCO**
Automotive manufacturers

- Sound fundamentals, very favorable or fairly good outlook.
- Signs of weaknesses, possible slowdown.
- Structural weaknesses, unfavorable or fairly bad outlook.
- Imminent or recognized crisis.

Source: Euler Hermes, as of March 27, 2020

DISCLAIMER

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COUNTRY RISK RATINGS

Q1 2020

ECONOMIC RESEARCH



Source: Euler Hermes, as of March 27, 2020

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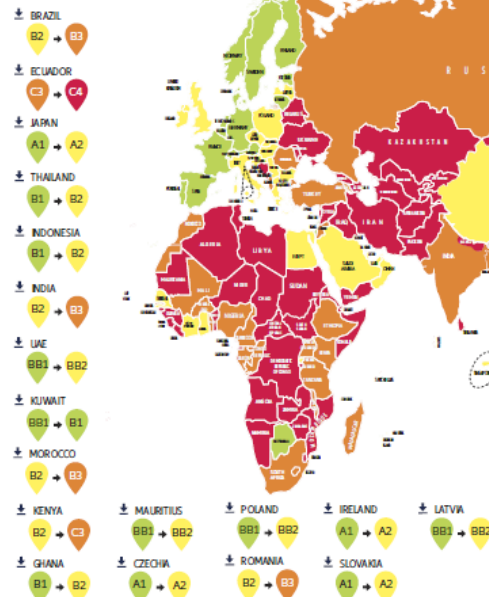
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COUNTRIES WITH DOWNGRADED RATINGS



04 COLLECTION

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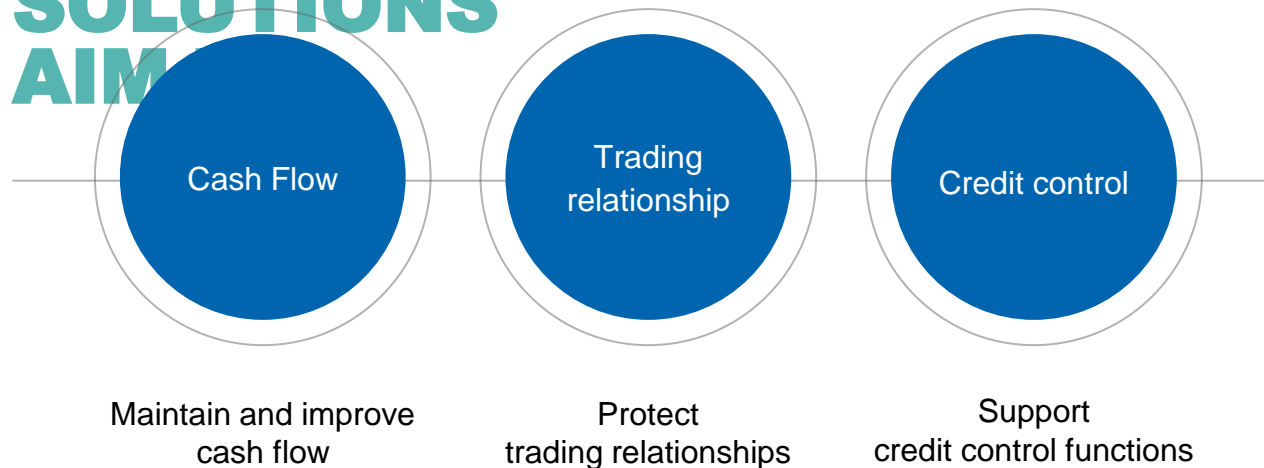
 EULER HERMES

COLLECTION

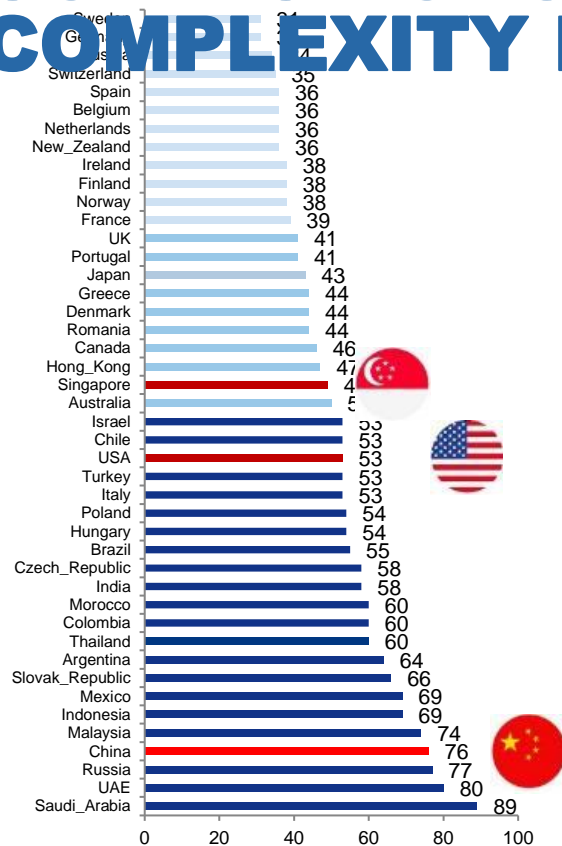
DEBT COLLECTION

SOLUTIONS

AIM



COLLECTIONS COMPLEXITY MAP



Beyond the insolvency number, the easiness to collect debt and legal insolvencies framework are crucial.

Collection complexity
(overall complexity, severity index from 0 to 100)

CASE SHARING

DIFFICULTIES ON COLLECTING DEBTS FROM BUYERS



- Collection process is complicated and time consuming
- Legal action against debtor is not recommended. The legal system is not transparent.
- Supplier has to contact and send demand letter/ reminder to debtor
- Travel for site visit in person
- All the documents present to court required in local language
- Document notarization is needed
- Amicable action is much effective but it takes time

CASE SHARING DIFFICULTIES ON COLLECTING DEBTS FROM RS

I have followed up my **US\$2 Million** overdue payment for months but my client refused to pay.

Policyholder



I would not pay as my end-buyer **delayed payments** and there are some quality issues on the products.

Debtor in South Korea



Euler Hermes Collections

- The case is handled by EHC local collector eventually
- Separated the non-dispute and dispute parts to start the discussion with debtor
- A 3-installments payment plan was worked out to settle the non-dispute portion, at 70% of the outstanding

A SNAPSHOT OF THE 44 SHADES OF COLLECTION PRACTICES AROUND THE WORLD



IT MAY NOT BE SO EASY TO GET THE MONEY BACK, EVEN IN MOST ADVANCED ECONOMIES

	EH country rating	Of total exports	2018f Insolvency	Debt Collection Complexity		
				Collection	Court proceedings	Insolvency proceedings
CN	B2	56%	+5%	Severe	<div></div>	<div></div>
US	AA1	9%	+5%	V high	<div></div>	<div></div>
JP	A1	3%	+1%	High		

Notable

High

Very High

Severe



KEY COLLECTION SERVICE PRINCIPLES

Country Specific

Collectors with proximity to the debtor

Language Specific

Calls, letters and emails sent to debtors in their local language

Area Specific

Often collectors can visit the debtor's office to conduct negotiations





**LET'S WORK
TOGETHER TO
MAKE SURE YOU
SURVIVE
THROUGH THE
HARD TIME!**

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 **EULER HERMES**

 **EULER HERMES**

Appendix

- The trade credit insurance brand of Allianz
- Present in over 50 countries across 5 continents

A company of **Allianz** 



 EULER HERMES

ALLIANZ AROUND THE WORLD

Allianz Arena, Munich



Allianz Riviera, Nice



Allianz Stadium, Sydney



Allianz Parque, São Paulo



Allianz Stadium, Turin



Allianz Park, London



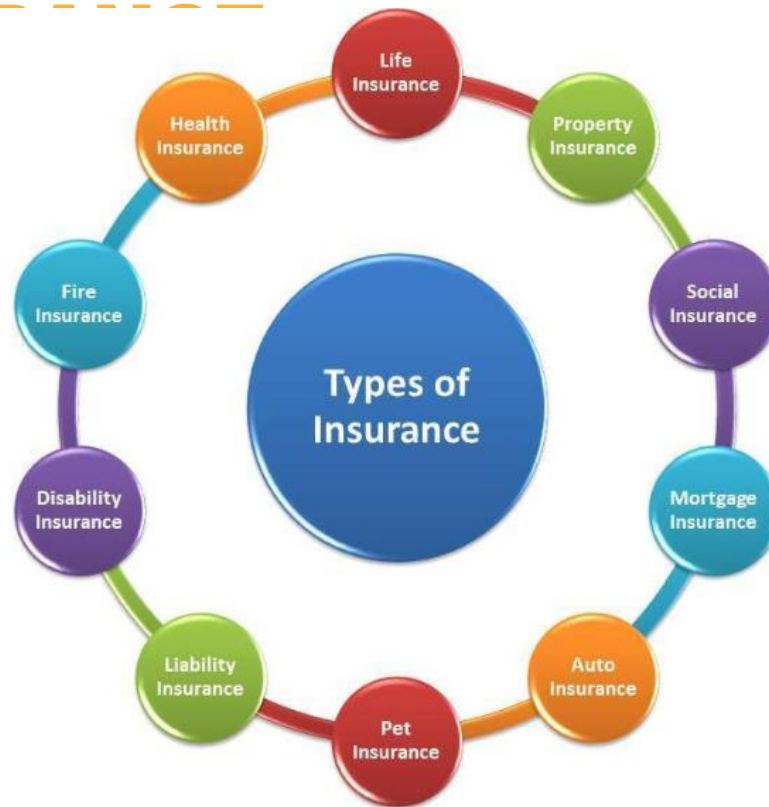
Allianz Stadion, Vienna



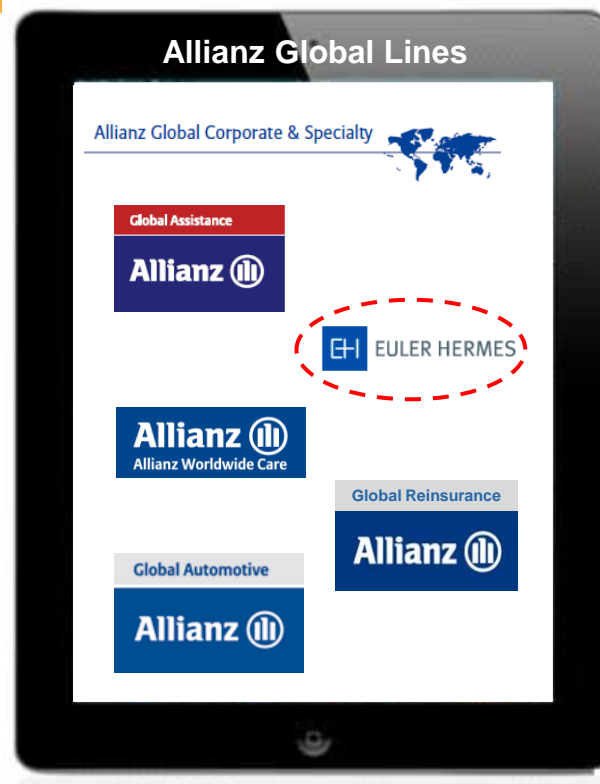
Allianz Field, St. Paul, Minnesota



ALLIANZ - TYPES OF INSURANCE



THE TRADE CREDIT INSURANCE BRAND OF ALLIANZ



COMPANY PORTRAIT 2020

Global market leader
35% market share

5,800+
employees
50+
countries



Turnover
in 2019



Net Promoter Score (NPS)
No.1 brand
Recommended
TCI insurer by our
customers for the
3rd year in a row



95% says EH is a
trustworthy
brand

89% says they
would
recommend
us

Global leader in trade credit insurance and
recognized specialist in the areas of bonding,
guarantees and collections.

Business-to-business (B2B) financial services to
support cash and trade receivables management.

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How does credit insurance work?

Credit insurance covers the risk of
non-payment when a company offers
trade credit to a business customer



**€950
billion**

in exposure
at the end of
2019

AA

Rating by Standard &
Poors
(as of Dec 2019)

Tracks & analyzes companies active
in markets representing

92% of global GDP



PRESENT IN OVER 50 COUNTRIES ACROSS 5 CONTINENTS





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