CRS
CREDIT RISK SOLUTIONS

COVID-19 – Impact On The Credit Insurance Market

- Backdrop -2019/20 Increasing claims volumes; hardening premium rates; certain sectors, e.g. Retail, Travel, Agri-Food, Construction experiencing reduced underwriting capacity. Similar trends reflected in other European Economies e.g. Germany, Italy;
- Whilst Covid-19 was first experienced in China, underwriting exposure is modest, therefore, most Insurers kept a watching brief. However, with the transmission of the virus across Europe, insurers began to implement specific strategies per country, using publicly available data from respective Governments;
- Initial exposure reviews commenced in Italy with main sectors impacted including Transportation, Automotive, Metals, Textiles, IT/Telecoms, Retail and Construction;
- Just 7 days later with the virus rapidly spreading, attention moved from mitigation country by country to one of working with clients to respond to the needs of their customers;
- Economic Research by insurers suggest a best case of the virus spreading until June resulting in a Global recession for H1 2020;
- Credit Default Swaps in US$ and € have seen increased activity since January 2020, with Banks, Oil & Gas, Automotive/Parts, Leisure & Travel, Insurance, Real Estate and Basic Resources seeing an increase in that time;
- Demand for credit insurance has increased with insurers still providing capacity;
- Government intervention has allowed some time for insurers to assess market conditions, however, it is increasingly likely that businesses previously highlighted as ‘high risk’ will again be under the spotlight. State assistance in the credit insurance market was provided in 2008/09 and may be required again.