

# Swiss Re study finds promising outlook for credit insurers

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**Revenue growth expected to come from new products and underdeveloped markets.**

**Prospects for traditional credit insurance remain positive, and, in addition, credit insurers have many promising new market opportunities. Products that are expected to boost revenue include: credit lines for commercial internet purchases, information services and other support services for corporate accounts receivable departments. Markets with greater potential for growth than Europe include: US, Eastern Europe, Asia and Latin America.**

The market for credit insurance is expanding more rapidly outside of Europe. Of the USD 4.2 billion worldwide market for credit insurance, Europe accounts for 84 percent and the US only 12 percent. Swiss Re's latest sigma study, "Trade credit insurance", reports that the market for credit insurance is expanding moderately in Europe, but more rapidly in the US. In Europe, annual growth in credit insurance premiums is expected to accelerate modestly and grow by 5 percent to 7 percent over the next five years, driven by a rapid increase in exports. US premiums, modest in comparison, are expected to continue growing at the 10 percent rate of recent years. In Eastern Europe, Asia and Latin America, credit insurance has great potential as a form of political risk insurance, as well as the traditional credit risk coverage.

## **Exports fuel credit insurance demand**

An increase in European exports should raise demand for credit insurance. There are two reasons why export growth, which tends to stimulate demand for credit insurance, is expected to be more rapid in Europe over the next five years. First, export growth relative to GDP has been in a slump, but this is now improving with the prolonged weakness of the Euro. Second, the European Monetary Union (EMU) is stimulating trade within Europe. If the pattern of export performance improves as expected, then annual credit insurance premium growth in Europe will accelerate.

## **Internet boosts chances for credit insurers**

The internet appears to be largely a benefit for credit insurers. The internet provides a vehicle for other company-specific information providers to compete with credit insurers. However, credit insurers are improving the quality of their services by utilising the internet infrastructure to facilitate communications and accounting procedures with clients. Credit insurers are unbundling their information databases and selling company credit information directly over the internet. In addition, they are providing new risk coverage products, such as lines of credit to buyers, to facilitate the rapidly growing market of business-to-business internet transactions.

The study concludes that the outlook for credit insurers is positive. Credit insurers are becoming receivables management companies providing credit information services, collection services and risk coverage. These companies are using their risk management expertise and proprietary information to compete in the changing marketplace by unbundling their service offerings and providing new products.


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