

# Managing risk, enabling trade

Q&A

In a Q&A with Andreas Tesch future developments in  
credit insurance are discussed



Atradius Credit Insurance offers credit management solutions that protect businesses against risks inherent in global trade. We spoke with Andreas Tesch, the Chief Market Officer of Atradius NV

### **Please describe the history of Atradius**

Atradius' history dates back to 1925 when the Nederlandsche Credietverzekering Maatschappij (NCM) was created to protect Dutch traders. Over the years the company has grown organically and through mergers and acquisitions of credit insurance, bonding, collections, reinsurance and information services companies across the world. In 1932, NCM became the official Dutch Export Credit Agency. While acquisitions of complementary businesses accelerated in the late 20<sup>th</sup> Century, the 2001 merger of NCM and Gerling Credit Insurance, which had been formed in Germany in 1954, represented a major step forward in defining the shape of what in January 2004 became Atradius through-

out the world. The business combination of Atradius and Crédito y Caución, the leading credit insurance and bonding company on the Iberian Peninsula is the most recent major addition to what is the second largest credit insurer worldwide.

With a uniform focus on making business to business (B2B) trade safer for businesses, no matter where they sell their products or services, Atradius has built a substantial network of offices and partner organisations that enable the company to deliver 'best in class service' across the world. 'We don't need to be the biggest to be the best credit insurer. Making our customers' experience the best we possibly can is our first priority.'

### **What range of solutions are provided by Atradius?**

Our largest product offering is credit insurance. Essentially, this is insuring that, when selling on trade credit terms in a B2B transaction, the seller of goods or services is reimbursed for the products or services if the buyer does not pay. We are able to offer credit insurance coverage to companies through our own offices, partners and insurers in which we have an ownership interest in 50 countries covering sales to buyers across the world.

Our bonding offering includes Contract, Customs & Excise, Commercial and Payment Bonds. Atradius bonds protect the buyer of products or service in a contractual agreement against the risk that the seller does not perform in accordance with the contract.

Atradius Collections helps companies, both insured and uninsured by Atradius Credit Insurance, collect overdue invoices. Whether those outstanding debts are with domestic buyers or in foreign countries, we have a network of collectors and lawyers all over the world with expertise in local business and legal practices as well as the ability to operate in the local language and culture that can increase the likelihood of recovery.

AtradiusRe is one of the world's largest specialist credit insurance and bonding reinsurers serving customers on five continents for over 40 years.

Credit management information is available on millions of companies across the world. Our information services offering enables companies to make smarter decisions about who they offer trade credit to and how much trade credit they offer.

In Belgium, France and Luxembourg we also offer instalment credit protection against short and medium-term risks involved in multiple instalment agreements with private individuals and businesses (business-to-consumer).

### **What expertise does the group have?**

Our strengths lie in credit management, more specifically underwriting and debt collection. Our underwriting enables our customers to make better decisions about how they use trade credit and protects them financially when

*Credit insurance is a basic concept that has been serving the world for more than 100 years. It is the backbone of trade, helping both buyers and sellers grow their companies*

those decisions result in payment default by their buyers. Our collections strengths lie in our ability to improve collection success through improving collection practices and in the actual collection of domestic and international debts which we can do while maintaining our customer's desired relationship with its debtor. In both underwriting and debt collection we have experienced teams across the world. However important to us is our customer service. All this is incomplete if we don't deliver top quality service and we strive to be best in class in this area as well as in credit insurance underwriting and collections.

### **How can you help SMEs and the smaller business?**

The obvious benefits of credit insurance and bonding are reimbursement of unpaid invoices and protection against the failure of a contractor to fulfil its contractual obligations respectively. But one of the greatest values you receive is the underlying information and analysis of the risks that support the insurance decisions. This is often unrecognised, but can save SMEs money and can be one of the most powerful and useful benefits that an SME will receive.

Whether the customer is local or in another country, finding information about its creditworthiness and assessing whether and how much trade credit should be offered can be time consuming, expensive and challenging. Atradius has access to information on approximately 200 million businesses across the world and underwriters with years of expertise in analysing that information in combination with the other factors that can impact their payment. This professional assessment gives companies more power to safely grow their business and can save them time and money. It creates a more stable financial environment for them to work in where their expenses are more predictable, their risk of loss is limited and the price of protection is often surprisingly inexpensive. Particularly when a policy can be tailored to focus more on the information or more on the insurance protection.

## What kind of insurance strategy should a business develop?

Businesses should be looking for information or knowledge, protection, and stability in their insurance strategy. There are a number of insurance products, such as liability and fire, that are required of businesses, sometimes more for the protection of their customers and employees than for the business itself. Many of these insurance products are focussed on the somewhat rare but potentially expensive incidences. These are the purely protection oriented products.

Insurance products that are more information or knowledge focused can almost be looked at as business improvement tools. These are the tools that are often overlooked and underused because businesses believe they can do it themselves or that they are just another expense. Credit insurance falls into this category. In many cases, businesses have a far greater likelihood of suffering a loss from a payment default than they do from a fire or a workplace accident yet they are far less likely to protect themselves from payment defaults.

When building a business insurance strategy one should weigh the real cost of not being insured against the real financial benefits of insurance and the overall value and protection it provides in a range of reasonably potential situations. Measure the cost of the insurance against your historical losses for that risk, but consider the other benefits the insurance provides and calculate that value into its cost.

For instance what is the replacement cost of the loss and how will that impact your business. But also when looking at your sales, think about how the failure of that buyer to pay would impact the business. What is the cost and value of the information I will receive from the insurer versus if I try and gather it myself and will I be able to make better decisions with the additional knowledge. This is where many companies find that credit insurance saves them money.

## Please provide an example of how you have provided solutions

I could provide you with a broad range of examples of how Atradius solutions have improved the lives of our customers.

We have a customer that found a new buyer, but could not find much information about that buyer's creditworthiness. We already had information on that buyer and were able to provide the protection our customer needed to offer trade credit right away. This is the case with hundreds of customers across the world, large and small, for which our credit insurance cover has enabled them to offer better terms to their buyers or grow more rapidly and securely, particularly with new buyers, through the use of Atradius credit insurance.

Another customer decided not to grant credit to a buyer after receiving information from us on that specific buyer. Six months later the buyer went into liquidation. Our customer avoided losses but its competitors did not. Our customer said this decision would have not been possible looking just at the latest financial data.

For some companies the information is more important than the insurance. A number of these companies have chosen to tailor their policies to focus more on the information portion of the policy providing them with the knowledge they need to make good decisions, while limiting their insurance spend by maintaining higher deductibles.

## How do you see the sector developing?

Credit insurance is a basic concept that has been serving the world for more than 100 years. It is the backbone of trade, helping both buyers and sellers grow their companies. However its penetration rate is relatively low. To expand, the industry has to evolve with the world and find new ways to appeal to a constantly changing business

environment. Not just in the way it markets itself, but in the way it serves businesses. This means new product variations that protect against new payment risks, new service offerings to ensure customers' receive what they need when they need it, constant technological advancements to keep pace with the customers' requirements and to find ways of meeting the needs of businesses that have not yet discovered the benefits of credit insurance. Businesses need to be able to make quick decisions and therefore consolidated sources of information, automation and flexible IT platforms, including 24/7 access to account information, will be mandatory in ensuring customers receive the best possible service. ■