Comments

of the German Insurance Association (GDV[1])
ID-number 6437280268-55

on the

proposed revised Communication on the application of Articles 107 and 108 of the Treaty on the Functioning of the European Union to short-term export credit insurance

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1) The Berlin-based German Insurance Association (GDV) is the federation of private insurers in Germany. Its about 460 member companies offer comprehensive coverage and retirement provisions to private house-holds, trade, industry and public institutions, through almost 454 million insurance contracts.

Executive summary

The German insurance industry welcomes that the EU Commission maintains the country- and term-related approach of the current Communication. This approach, which is based on the marketability of the respective country and a maximum risk period of less than two years, has proven its worth. In principle we also welcome the indicator-based approach for determining the non-marketability of any country. However, some aspects of the Communication should be modified in our opinion.

As coverage offered by private credit insurers is fully available to small and medium-sized enterprises, no special rules are needed for this target group. The same applies to special rules for single-risk cover with credit periods of between 181 days and two years.

We propose to introduce strict quantitative indicators (e.g. decrease of 20-30 % in insured amounts and acceptance ratios within a twelve-month-period) to prove a lack of sufficient private capacity. This would raise legal certainty.

The determination of minimum premiums for state export credit insurance on the basis of Standard & Poor´s ratings seems impracticable because only a small fraction of the companies to be insured have such a rating. Instead, national solutions ensuring an adequate price gap between private and state export credit insurance should be allowed.

1. Scope of the Communication and definitions (section 2)

Point 10 d) defines marketable risks as *“commercial and political risks within a maximum risk period of less than two years, on public and non-public buyers listed in the Annex; all other risks are considered non-marketable for the purposes of this Communication”*.

This definition of marketable/non-marketable risks is imprecise. Private insurance cover is not limited to two years. Private export credit insurers can offer the same risk periods as public insurers do if the risk is economic for the private insurer to take. Therefore, the appropriate terminology would be *"fully marketable"* for risk periods up to two years and *"not fully marketable"* for risk periods beyond two years.

2. Conditions for providing export credit insurance for temporarily non-marketable risks (section 4)

a. Exceptions to the scope of marketable risks (point 19)

Point 19 (b) includes the possibility for Member States to provide coverage to small and medium-sized enterprises with an annual export turnover up to EUR 2,5 million. This exception for SME´s is not necessary. The coverage by private credit insurers is fully available to SME´s. Nor is there any need for an exemption for single-risk cover with credit periods between 181 days and two years (point 19 (c)). In this area as well, sufficient coverage is offered by private credit insurers.

b. Adequate pricing (point 24)

To determine adequate pricing levels, point 24 refers to the risk categories of Standard & Poor´s. We do not consider this practical as for a multitude of small and medium-sized enterprises no such rating exists. Therefore, and also in the light of very heterogeneous premium levels in the different EU markets, it seems appropriate to determine the adequate premium gap for each individual Member State.

3. Modification of the list of marketable risk countries (section 5)

a. Indicators for insufficient private capacity (point 35)

Point 35 contains three indicators for a lack of sufficient private insurance capacity.

The indicator mentioned in point 35 (a) (contraction of private insurance capacity) is of decisive importance. The indicators mentioned in point 35 (b) and (c) (deterioration of sovereign sector ratings and corporate sector performance) are at best appropriate to additionally confirm the result of the analysis obtained under point 35 (a).

It would be suitable to introduce strict quantitative indicators (e.g. decrease of 20-30 % in insured amounts and acceptance ratios within a twelve-month-period) to prove a significant decrease of private capacities. Such strict quantitative indicators would raise legal certainty.

b. Consultation period (point 37)

The consultation period for modifying the list of marketable risk countries (*"usually not longer than 20 working days"*, point 37) is very short. The justification for the Commission´s decision has to be thoroughly checked by the private credit insurers. We propose to extend the period to 30 working days.

Berlin/Brussels, 8 September 2021