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WHITEPAPER

How can Medium and Long-Term Credit Insurance Respond to a Constantly Changing World?

Secure your
business transformation
with digitization

Table of Contents

Foreword

As a provider of medium and long-term (MLT) credit insurance, it is more than likely that your business is dealing with new pressures on a regular basis.

With slowing global economic growth and a risk landscape that is changing more rapidly than what we have seen in years, demand for MLT credit insurance is increasing. This is a strong reminder of just how important and valuable credit insurance is in supporting global trade.

While as a business, you look outwards at servicing your customer, taking an inwards look at how your business is able to deal with complexities without compromising on service is critical. Do you have strategies and systems in place that will not only handle business effectively today but also in the future?

Greater pressure from customers, increasing complexities, and growing environmental priorities will mean that traditional methods of administering MLT credit insurance will no longer be adequate. Those that do not future-proof their operations are at risk of becoming ineffective, slow, and unable to meet demand.

While the future is unknown, one thing is certain:

Business must transform. Digitisation is a game changer.

Experts

Henri d'Ambrières

HDA Conseil Trade
and Project Finance Expert

Henri joined Credit Lyonnais in 1984, working in Project & Export Finance and Corporate Finance. He then spent two years in Human Resources before joining Project Finance as Deputy Head of Natural Resources.

He was then Global Head of Export and Multilateral Finance at Crédit Lyonnais, and Global Head of Export Finance of Calyon, then at Credit Agricole CIB. Henri later managed commercial activities in Trade Finance and chaired the Export Credit Group of the European Banking Federation.

Since 2013, Henri has advised companies, banks, ECAs, and the OECD in structured finance and financing of international development.

He is a Technical Advisor for the Trade Register of the International Chamber of Commerce and chaired 2018 the Advocacy Group of the ICC Banking Commission. He has been a director of several companies in France and Spain and was also involved as an expert in Export Finance in arbitration cases.

Henri holds a French MBA (HEC).

Robert Forbes

Independent Advisory
and Consulting

Robert works directly with business leaders tasked with solving difficult problems including trade finance and insurance solutions; breakthrough strategies and strategy execution; business leadership of transformation programs; and wicked problem solving (tackling complex situations with no obvious solution).

He provides subject matter expertise for Tinubu's Medium-Term Insurance solutions and works directly with clients in the planning and implementation of business transformation programs.

Robert spent 32 years at Export Development Canada, providing Canadian exporters/investors and their international clients with trade financing and insurance solutions.

He has deep operational leadership experience in credit insurance, performance bonding, PRI, insurance operations, and more than fifteen years in commercial, sovereign, and project trade finance. He also initiated and led several important transformational projects and initiatives.

Marc Meyer
Tinubu SVP Subject Matter Expert

Marc joined Tinubu in 2005. With more than 30 years of experience in the Trade Credit Insurance industry, he plays a major role in the development of the international portfolio.

He started his career in 1989 as a credit analyst in NatWest. In 1993, he joined Euler as a senior Risk Underwriter. He then participated in and led projects which resulted in the acquisition and opening of 14 subsidiaries in 13 countries (Europe, South America, Asia), and took part in the merger with Hermes.

He holds a Master's degree in Public and International Laws and Policies from Poitiers University, and a Diploma in 'Service Public' from Sciences Po Paris.

Olivier Saint-Raymond
Tinubu Solutions Expert

Olivier joined Tinubu in 2016 as Chief Product Officer to drive the Tinubu platform evolution. Today, as Solutions Expert, he supports Tinubu and its customers in identifying and defining new initiatives to expand the capabilities of the Tinubu Credit Insurance platform, especially in the MLT credit insurance or Trade, Receivable & Export Finance sectors.

Olivier has over 15 years of experience in the software industry. He started his career in 2006 as a Technical Account Manager at GL Trade Hong Kong, and then moved to various product management roles in the electronic trading industry at Fidessa, SunGard and Société Générale, both in Hong Kong and in Paris.

Olivier holds an MSc in Engineering in Computational Fluid Dynamics from Grenoble INP - UGA.

About Tinubu

Our company brings together technology and insurance expertise so our clients can perform better.
Our solution covers the entire value chain of credit insurance and surety with a single end-to-end platform, connecting every part of your business with one digital highway. We bring fluidity and simplicity to the insurance industry by using the strength of collective performance.
Created in 2000 and headquartered in Paris, we are an independent software provider, employing more than 170 people. With additional locations in London, New York, Orlando, Singapore, and Montreal, our clients represent 30 of the top 60 credit and surety underwriters worldwide.
Our vision: To be the lifeblood of insurance by anticipating interactions from the core of the industry.
Our promise: To multiply possibilities by connecting value chains.

A changing risk landscape

A changing risk landscape

Primarily used to finance capital equipment and major projects, medium and long-term (MLT) credit insurance continues to be recognised as playing a critical role in supporting competitive, sustainable international trade and economies.

Protecting against commercial and political risk when extending credit terms of 1-20 years or longer, MLT credit insurance helps exporters to increase their global competitiveness by giving buyers the financing they need to win international tenders. It primarily takes the form of buyer credit insurance – involving banks – to support projects in power generation, large scale infrastructure, transportation, and natural resources.

Industry reports have indicated that in the past 15-20 years, 98% of claims have been paid in full - a strong testament to the effective coverage that trade credit insurance offers as a risk mitigation tool. However, only 15% of global trade volumes are covered by trade credit insurance, so while efficient, it is not widely used, mainly because it is seen as complex by potential policyholders.

Short-term credit insurance has returned to a quasi-normal state, with increased prices, flows, and volumes adjusting to global needs. It will regain pre-pandemic levels with a greater need for coverage due to political hazards worldwide, and as government schemes have all been withdrawn.

For MLT credit insurance, the commercial political risk continues to evolve. After 20 years of relative stability, the compounding of the Covid-19 pandemic and now the war in Ukraine have brought back uncertainty. Amid growing global commodity prices, ongoing supply chain issues, and evolving political instability, export credit agencies (ECAs) and private insurers alike are reassessing not only their exposure but also their entire operations, while the timeline for greater stability is yet to be clear.

Following a significant drop (-22%*) in new business at the peak of the Covid-19 pandemic, MLT volumes are rebounding with renewed demand driven by investment in transportation, manufacturing, and renewable energy. With rising costs and concerns over energy security putting more urgency on renewables and green energy transitions, private insurers have little appetite to go after such business that they consider to be too risky, too long, and where they cannot compete with OECD pricing. Hence the growing push for ECAs to grow their MLT business, and the opportunity to use Covid-19 accelerated digitisation as a strategic force.

*Berne Union Istanbul Spring Meeting Data, May 8-13, 2022.

For many commercial insurance carriers, the Covid-19 crisis exposed weaknesses with their legacy systems which were designed for employees to use while working in the office but lacking in integrated digital capabilities to support the needs of both the customer and employee to work remotely 24/7.
Critical problems such as an inability to scale for remote users, system latency, cybersecurity concerns, and a lack of on-line services via robust customer portals, means big problems, long hours, and unhappy employees. Covid-19 also accelerated the most powerful strategic force over the past decade – the digitisation of both organisations and society.

At an operational level, many well-established systems, policies, and processes are now under the spotlight. In several cases, those that have been used for decades are no longer fit for purpose for current or future services.

Global trends

1

Increasing volumes and complexity

2

Changing competition

3

An outdated OECD arrangement

4

Demand for renewables and climate transition projects

5

Environmexntal and social governance

6

Delayed innovation

7

User vs customer

8

Knowledge and talent shortages

1 Increasing volumes and complexity

The need for MLT credit insurance is growing in both the number and the volume of deals and will continue to increase.
Projects are increasingly complex, with more parties involved, cross-border projects becoming more common, added regulatory and legal pressure, as well as political instability making processing more complicated under mounting time pressures.

2 Changing competition

In the face of greater competition, there is a growing need to adapt to remain relevant and provide value to customers. Under pressure to be faster and more flexible in their processes, ECAs face scrutiny from their customers, especially banks where needs and expectations change rapidly. As key clients for MLT, banks have invested heavily in their own digital capabilities over the past ten years, and consider ECA backing to be the slowest and most arduous part of financing projects.
Relying on complex, often onerous processes and requirements is now a major competitive risk, with alternative forms of financing such as bonds and other sources becoming more affordable options, without the same complicated requirements, and the added benefit of faster processing.
Put simply, customers are demanding faster turnarounds than what they currently receive and greater transparency, so the sector must find ways to keep up.

3 An outdated OECD arrangement

As the only international agreement governing export credits, many now view the OECD Arrangement to be limiting and no longer fit for purpose. Around 30-40% of the world's MLT trade is governed by the Arrengement, so while it remains relevant, the parameters under which it operates are not considered flexible enough to support today's changing world.
Although it has been continuously updated since its inception over 40 years ago, making meaningful changes will not be straightforward. While there is little doubt that any such change will take a long time, now the main questions from the industry are: What should change look like? Should it be adapted, or should it be completely rebuilt?

More and more sectors (such as renewables) will require significantly longer tenors than what the Arrangement currently allows, and there are calls for a general extension of allowed credit duration or for new sector-specific agreements on top of the existing ones.
While participants wait for meaningful change, a growing number of projects are being lost to non-OECD competitors. New ECAs from non-OECD countries are able to operate outside of the Arrangement with less restrictions, making them increasingly competitive, and putting pressure on others. In addition, several ECAs from OECD countries are now offering cross-border covers, which are not regulated by the Arrangement.

4 Demand for renewables and climate transition projects

Although renewable energy is still the smallest by volume of new MLT commitments, it is experiencing consistent growth, even during the height of the Covid-19 Pandemic. With 2021 figures 47% higher than in 2019, transactions are increasing in volume as well as in number and distribution. However, the OECD Arrangement makes it challenging to offer favourable terms for green projects, so while investment in traditional energy projects continues to fall, ECAs are still financing more fossil fuel projects than green energy ones, and this has been the subject of criticism from NGOs. If the upcoming COP 27 conference includes a pledge by countries to end ECA support for fossil fuels, ECAs must be prepared. Reliance on ECAs for support of green projects will grow in line with increasing demand and changing priorities, with fresh concerns over energy security and changes to many national energy policies. While ECAs have long been considered the lenders of last resort, they will be increasingly relied upon to support green projects where private insurers and others do not have the appetite for them.

5 Environmental and social governance

Setting, applying, and monitoring Environmental and Social Governance (ESG) criteria for MLT credit insurance is a complex undertaking. Creating and applying globally accepted measures for criteria is one avenue, however it would be near impossible to make it fair across countries and economies that are fundamentally different on so many levels. Unified approach or not, either way the challenge faced by ECAs and private insurers in setting, applying, measuring, and monitoring ESG criteria as well as any of their own against each of their projects brings additional complexity to their operations. The problems are twofold. Firstly, the lack of standardised ESG criteria (even if COP targets are global), which triggers a very creative production by any and all stakeholders around finance and insurance. Secondly, technical and operational issues occur as no standard guidelines currently exist to handle assessment criteria, their enforcement, and monitoring at the various stages of projects - this includes the underwriting of the insurance coverage, and financing. As demand grows, so too will the need for integrated ways to handle these requirements over the term of each project.

6 Delayed innovation

Despite the evolving operating environment around them, most MLT business is administered using traditional paper and spreadsheet-based systems, while the rest of the world has gone digital.
Managing MLT business manually with a smaller number of deals, and a small team may have worked in the past, but now there is significant competitive and economic risk in not responding and adapting. These decades-old systems are slowing down operations, resulting in a failure to service the customer, and bringing into question the value of credit insurance. Customers will either seek cover elsewhere or operate without cover at all. Incumbent carriers often lack the digital capabilities to effectively support launching new and innovative products in a timely or cost-effective manner. This is spurring the launch of FinTechs and InsurTechs that can solve specific unmet needs.

7 User vs customer

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8 Knowledge and talent shortages

Whether established or emerging, attracting and retaining the talent needed to run smart, efficient operations remains a constant challenge. In a highly competitive employment arena, the risk of losing valuable people is high. Employee job satisfaction is now highly correlated with having (or not having) effective operational tools and systems to support daily work with elevated levels of digital capabilities, integration, and process automation.

While an MLT credit insurance operation may be able to rely on a small team, reliance on certain individuals without a back-up knowledge retention system poses some risks, as when those employees leave, so too will their many years of experience and knowledge.
Emerging ECAs face another challenge: How can they build a cost-effective operation from the ground up, without enough established knowledge and experience?

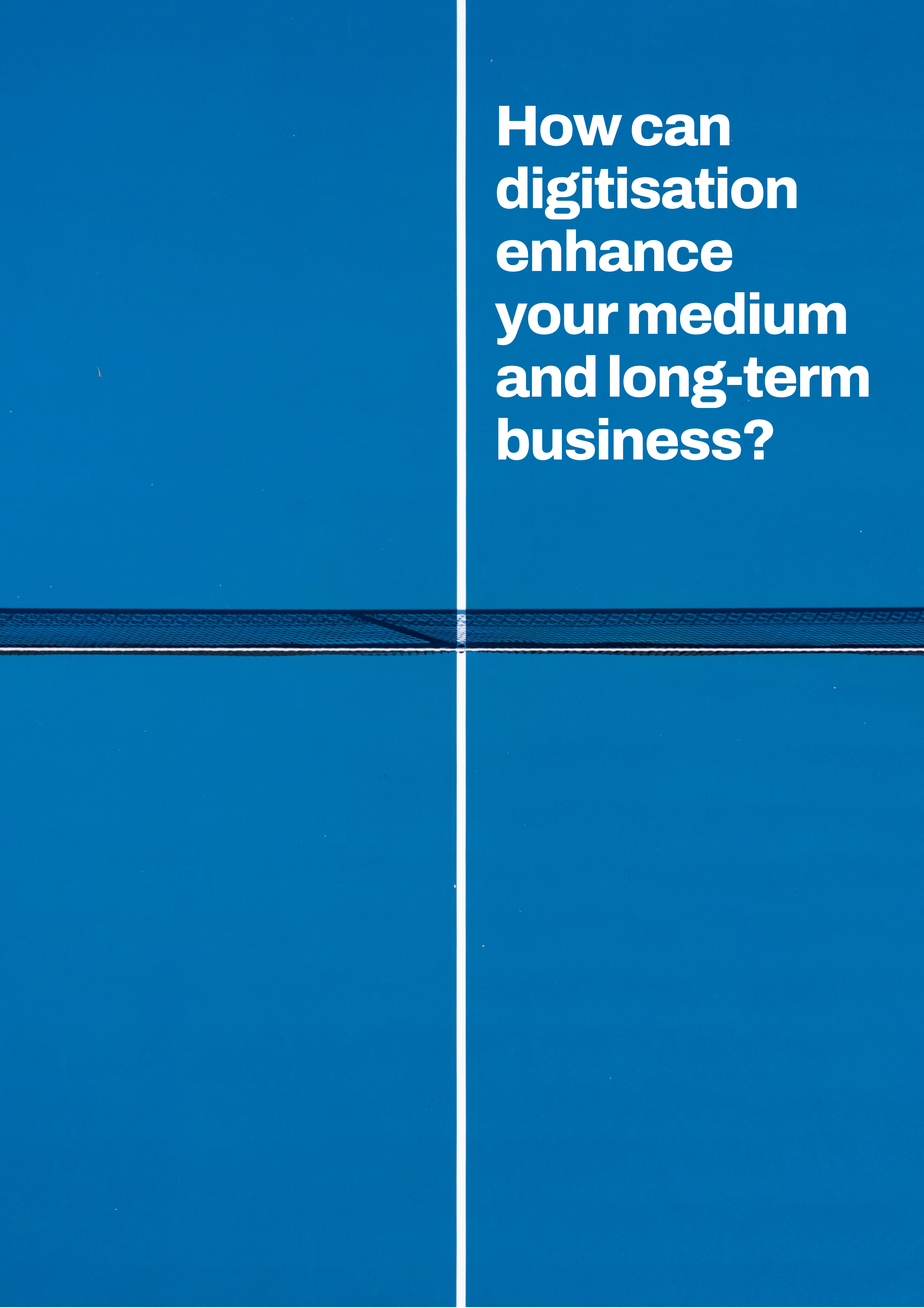
One way could be to partner with other organisations, allowing them to collectively share their knowledge and resources. Alternatively, subcontracting and outsourcing of certain roles for immediate scaling makes sense in the short term, but it may not offer a sustainable solution.
One answer is to reinvest in the operation and end-to-end digital capabilities that give employees the right tools for the job and increase job satisfaction while also improving operational efficiency and enabling growth.

To stay relevant in a changing world, business evolution is critical.

Why is it critical to evolve?

REASONS	DETAILS
Respond to growing competition	Build an agile, responsive business operating model with the necessary digital capabilities that can keep up with the pace of competition.
Meet customers expectations	Demonstrate value at every stage of the customer journey with future-fit services and solutions that meet the growing demands placed on your business.
Deal with increasing complexities	Develop better ways of managing increasing numbers and volumes of requests and respond to challenges and complexities without compromising on service.
Operate smarter and faster	Create a seamless business that uses the best of human knowledge and automated technology to deliver a market-leading service, and where innovation becomes business as usual.
Gain deeper operational insights	Uncover new business opportunities with access to comprehensive historical data across all levels of business, at your fingertips.
Retain knowledge and capability	Build and protect your organisation's human capital and knowledge base for long-term capability and delivery.

How can digitisation enhance your medium and long-term business?



How can digitisation enhance your medium and long-term business?

What are the benefits of an integrated digital solution?

1

Meeting growing customer expectations and unmet needs for robust online services

As your customers' activities and needs continue to evolve, so too do their demands on your service levels. Now you can effectively meet and exceed their expectations of turnaround time, as well as flexibility and innovation in service customisation and delivery. With a digital solution, your service levels remain consistent, and are not impacted by bottlenecks in demand or other internal operational pressures. Surprise and delight: By offering your customers access to online services, you are simpler, faster, and ultimately more user-friendly. The longer-term benefits? A strong value proposition for customer retention.

2

Managing risk: real-time aggregation as a game changer

While risk management is of critical importance for insurers, reinsurers, and investors, the standard paper and spreadsheet systems that have been used for decades typically measure different business activities separately. While these systems have been tried and tested over many years, they make it challenging for all stakeholders to view and assess risk as an aggregate and make truly informed decisions.

An integrated digital system is designed to give you real-time visibility over your aggregated risk, at the simple push of a button. This means that you can now comprehensively assess your MLT credit insurance alongside your other activities such as short-term credit insurance, surety, as well as other speciality lines.

Digital aggregation enables a business to compute the risk on a single debtor, or on a selected group of debtors without having to manually collect, harmonise, and analyse various information sources and parameters. At a group level, this capability can also extend internationally by line of business, monitoring the risk that accumulates, and powering smarter activity with closer connectivity across the entire business.

For ECAs and private insurers, having one place to measure total exposure now means better informed, more confident business decisions. For example, when taking on additional risk. By using a system that accurately and comprehensively computes the real-time situation across your entire business, you can make decisions based on your actual capacity, not guesswork or siloed estimates.

3

Tracking requests: identifying future opportunities

Imagine the additional opportunities you could tap into if you had a complete informational view of your business, both past and present. In essence, with standardised and automated reporting at your fingertips, you could be sitting on a gold mine.

Traditional operating systems can often leave gaps in reporting, for example, historical requests that did not proceed are often not recorded in any standardised way. This leaves no reliable source of information on past requests, other than from human memory.

Just because a request was rejected in the past does not mean it would necessarily be rejected at some point in the future when there is a greater capacity for certain types of requests. Historical information on requests can serve as a valuable source of future business, but you need to have records in order to follow up and go back to those prospective customers.

Through digitisation, you have the ability to easily record all propositions, whether they were approved and proceeded, or were initially rejected. With the introduction of an automated system to record and analyse historical requests, there is now a rich and valuable source of information for future prospecting and pipeline building.

You can now keep track of every opportunity and have the ability to react quickly and efficiently as your capacity changes, as well as conduct more accurate forecasting to anticipate the needs of your customers.

4

Audit: accountability and control

Digitisation ensures efficient and accurate recording of all data, allowing your organisation to accurately manage the audit process from end to end without the need for manual tracking and reporting from multiple sources.

With increasingly complex projects as well as demands from various stakeholders, a good audit system is critical to making sure decisions are accurate and compliant before, during, and after the term of a project. Looking to the future, this will be even more critical, and serve as a vital tool for managing higher volume, more complex projects.

5

ESG criteria: efficient monitoring

With mounting pressure on both public and private insurers to meaningfully apply ESG criteria, so too will the need for a system that assesses and tracks projects against them. While it will be a long time before we see any form of uniformity in the way the criteria are addressed, digitisation gives you the ability to standardise your ESG data efficiently, and accurately monitor your organisation's own application of

ESG and any other policies, while also providing increased transparency to your various stakeholders. As an added bonus, cloud computing in itself offers organisations a much more sustainable and efficient IT solution, as organisations can eliminate emissions from their own internal IT operations.

6

Better time management and corporate knowledge

Now there is no need for individual employees or small teams to maintain and analyse data, and the risk of storing (or losing) valuable corporate knowledge can be eliminated. With a digital system, your people will have better control over their activity. Instead of time spent collating and analysing data, the work is done for them so they can spend their time applying the analysis, and doing more meaningful work.

Conclusion

What is next for medium and long-term credit insurance? In an uncertain world, one thing is certain: evolution is vital for future value.

While the rest of the world has already gone through digital transformation, many MLT credit insurance providers have remained the same for decades, leaving their businesses exposed to the risk of higher operating costs and growing competition.

At Tinubu, we are well-recognised for our transformative solutions for short-term credit insurance. We have now leveraged our expertise in key areas such as underwriting, policy administration, claims, document management and customer and employee portals to improve the life of MLT players.

Moreover, thanks to our unique Cloud SaaS Platform we enable global players, underwriting both ST and MLT risks to leverage the same capabilities and aggregate their risks to make better decisions.

We believe that the future of credit insurance is digital. Digitisation is no longer a 'nice to have,' it is now a 'must have,' offering value to both shareholder and stakeholder, and the opportunity to continue to stay relevant to customers.

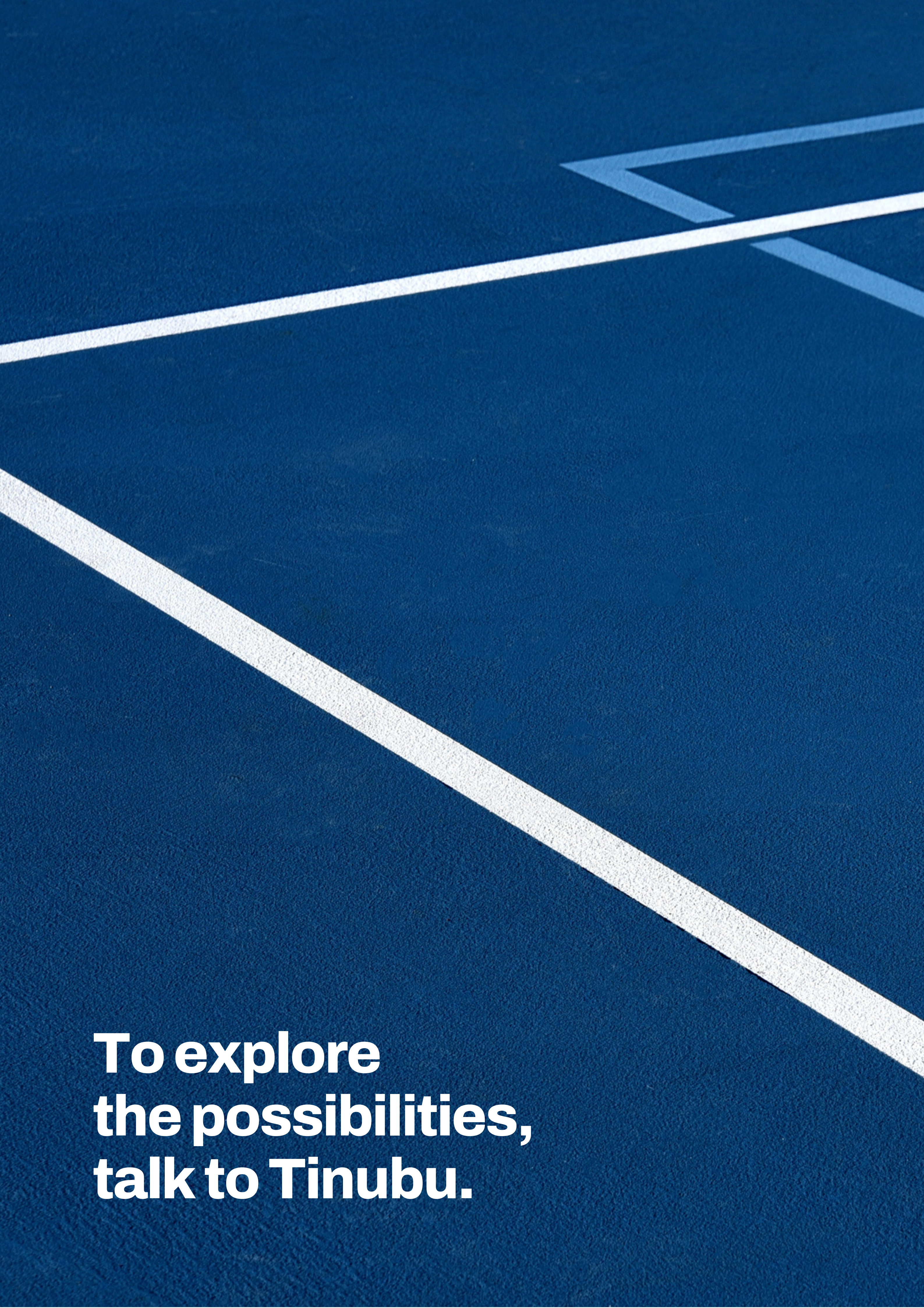
Transformation is critical, and with it comes the opportunity to react and respond faster and smarter than before, and to perform at the level that the world now demands.

How are you futureproofing your medium and long-term business?

Staying relevant in an evolving risk environment requires businesses to work smarter, not harder. How prepared is your business for the future?

Checklist:

STEPS	QUESTIONS TO ASK
1	How will you manage larger volumes, and growing complexity?
2	How will you ensure audit capability as volumes and complexities grow?
3	Can you comply with greater regulation without slowing down your business?
4	How will you stay relevant in response to growing competition?
5	How will you standardise, assess, and monitor ESG compliance?
6	Do you have real-time visibility over your entire business?
7	Do you have a knowledge retention plan?
8	Do you have a digital strategy?


To explore
the possibilities,
talk to Tinubu.

We are your partner in smarter, more efficient, digital solutions to drive the future of credit insurance.

Acknowledgements

Below, is the list of those committed to producing this whitepaper:

Responsible for concept and coordination, Karine Cupial, VP of Marketing, EMEA & APAC

Group of researchers, Olivier Saint-Raymond, Tinubu Solutions Expert

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