



# Credit Insurance: Challenges and Opportunities

Marek Dlouhý, 22. 9. 2016





- EGAP supports Czech export **since 1992**
- EGAP has insured exports in amount of **795 bn of CZK** to more than **100 countries**

### Some examples of insured goods:



27,500 cars



4,900 buses



4,220 trucks



1,550 tractors



991 trolleybuses



169 helicopters



59 power stations



56 airplanes

## What is EGAP?



- EGAP – Export Guarantee and Insurance Corporation
- Export Credit Agency (ECA) of the Czech Republic
- Joint Stock Company, owned by state, state guarantee



**Ministry of Finance**  
of the Czech Republic



MINISTRY OF  
INDUSTRY AND TRADE



Ministry of Foreign Affairs  
of the Czech Republic



MINISTRY OF AGRICULTURE  
OF THE CZECH REPUBLIC

**EGAP insures risks connected with financing of exports of goods and services from the Czech Republic against political and commercial risks uninsurable by commercial insurance.**

# What is EGAP / What do we insure?



**Commercially insurable countries**

**Commercially uninsurable (risky) countries**

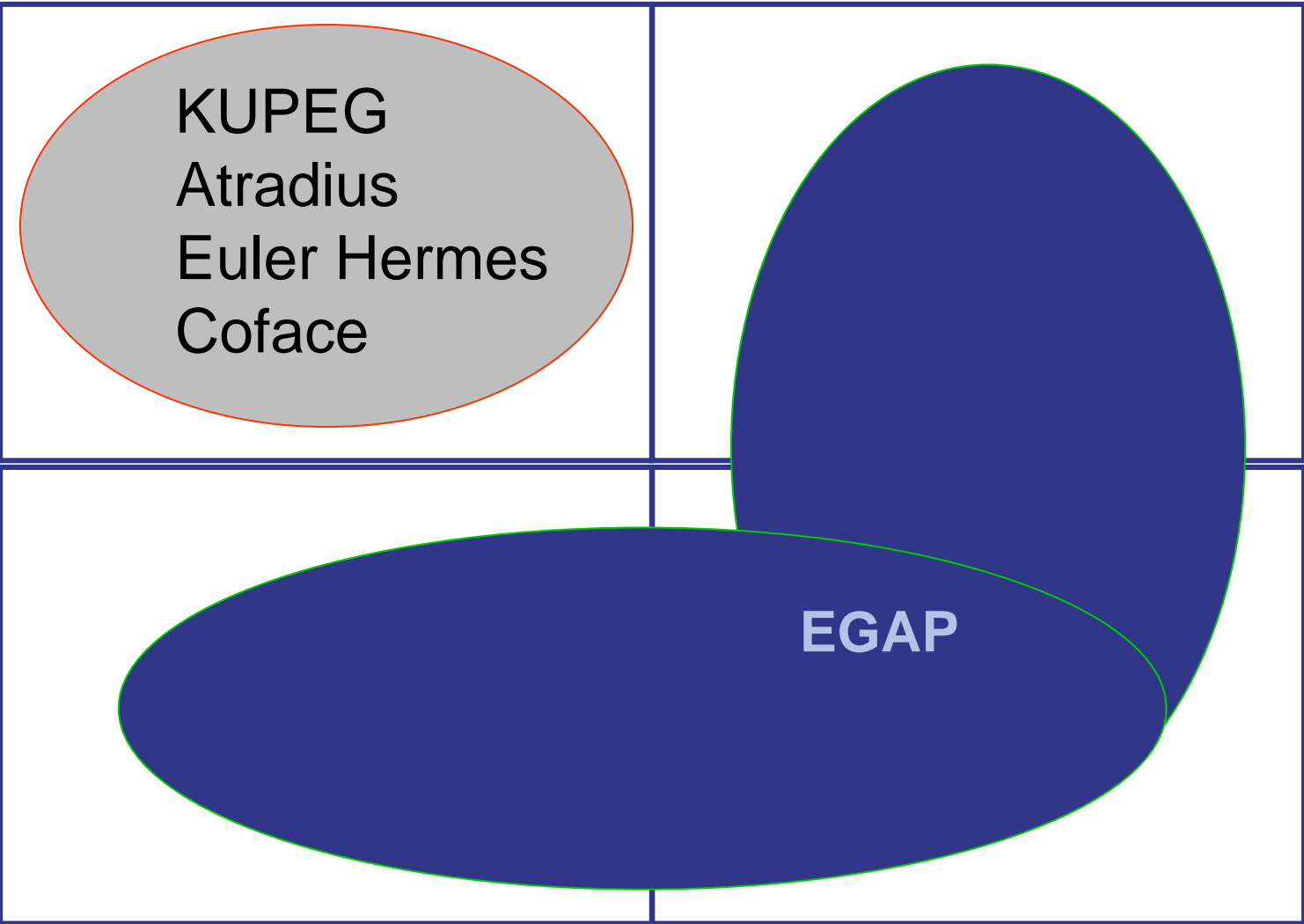
**Short-term loans**

KUPEG  
Atradius  
Euler Hermes  
Coface

A dark blue, vertically-oriented oval shape with a green border, positioned in the top-right quadrant of the diagram. It overlaps the 'Commercially uninsurable (risky) countries' column and the 'Short-term loans' row.

**Mid- and Long-term loans**

EGAP





- Arrangement on Officially Supported Export Credits
- Participants of Consensus:
  - Australia
  - Canada
  - EU
  - Japan
  - New Zealand
  - Norway
  - Republic of Korea
  - Swiss Confederation
  - US
- Consensus OECD is legally binding for members of EU.



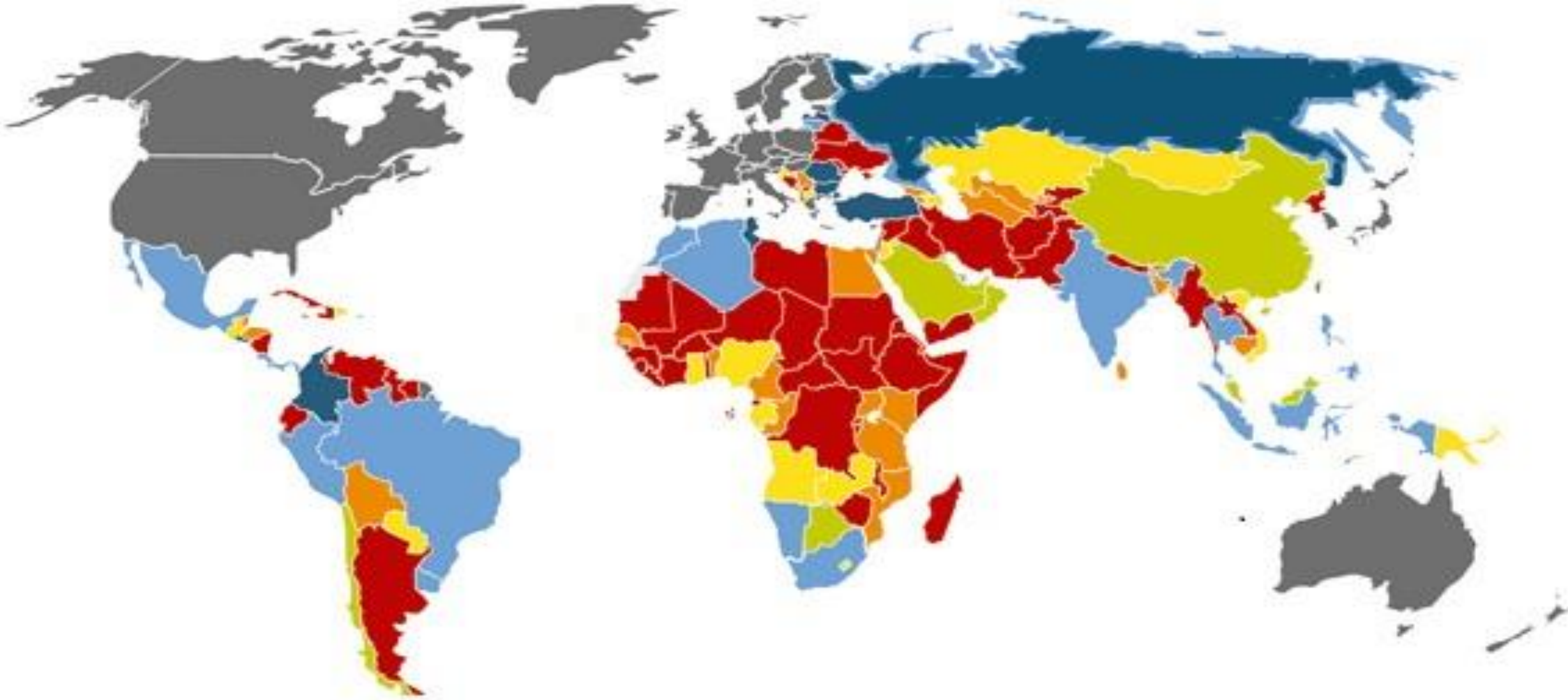


- **Consensus OECD** relates to export credits supported by state with maturity **longer than 2 years.**
- Consensus regulates these main areas:
  - Minimum amount of **advance payment** (15 %)
  - Maximum share of **local costs** (30 %)
  - **Maximum maturity** for different groups of countries and sectors
  - Rules of repayment
  - Minimum interest rates (CIRR)
  - **Minimum insurance rates**
- Moreover, Consensus sets **specific rules** for project financing, renewable sources of energy, railway projects and newly for restrictions of financing coal power plants.

# What is EGAP/ Country Risk Classification



Classification of Countries by OECD Country Categories 0–7



CCa 0  
Market prices

CCa 1  
Low risk

CCa 2

CCa 3

CCa 4  
Middle risk

CCa 5

CCa 6

CCa 7  
High risk

## Products overview

► Pre-scoring

**B** Insurance of a Short Term Export Supplier Credit ►

**Bf** Insurance of a Short Term Export Supplier Credit Financed by a Bank ►

**C** Insurance of a Medium and Long Term Export Supplier Credit ►

**Cf** Insurance of a Medium and Long Term Export Supplier Credit Financed by a Bank ►

**D** Insurance of an Export Buyer Credit against the risk of non payment ►

**E** Insurance of a Confirmed Letter of Credit ►

**F** Insurance of a Credit for Pre Export Financing ►

**I** Insurance of Investment of Czech Legal Persons in Foreign Countries ►

**If** Insurance of a Credit for the Financing of Investments of Czech Legal Persons in Foreign Countries ►

**V** Insurance against the risk of impossibility to perform Export Contract ►

**Z** Insurance of Bank Guarantees Issued in Relation to an Export Contract ►

### Quick links

[Czech content](#) ►

[Country Classification](#) ►

[EGAP in numbers](#) ►

[EGAP in the media](#) ►

[Annual Reports](#) ►

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[Where to go next](#) ►

[www.egap.cz](http://www.egap.cz)



**EGAP is a dedicated supporter of  
Czech exports**



Support of export since 2005/ In 2015, new insurance contracts amounted to 40,5 bn of CZK

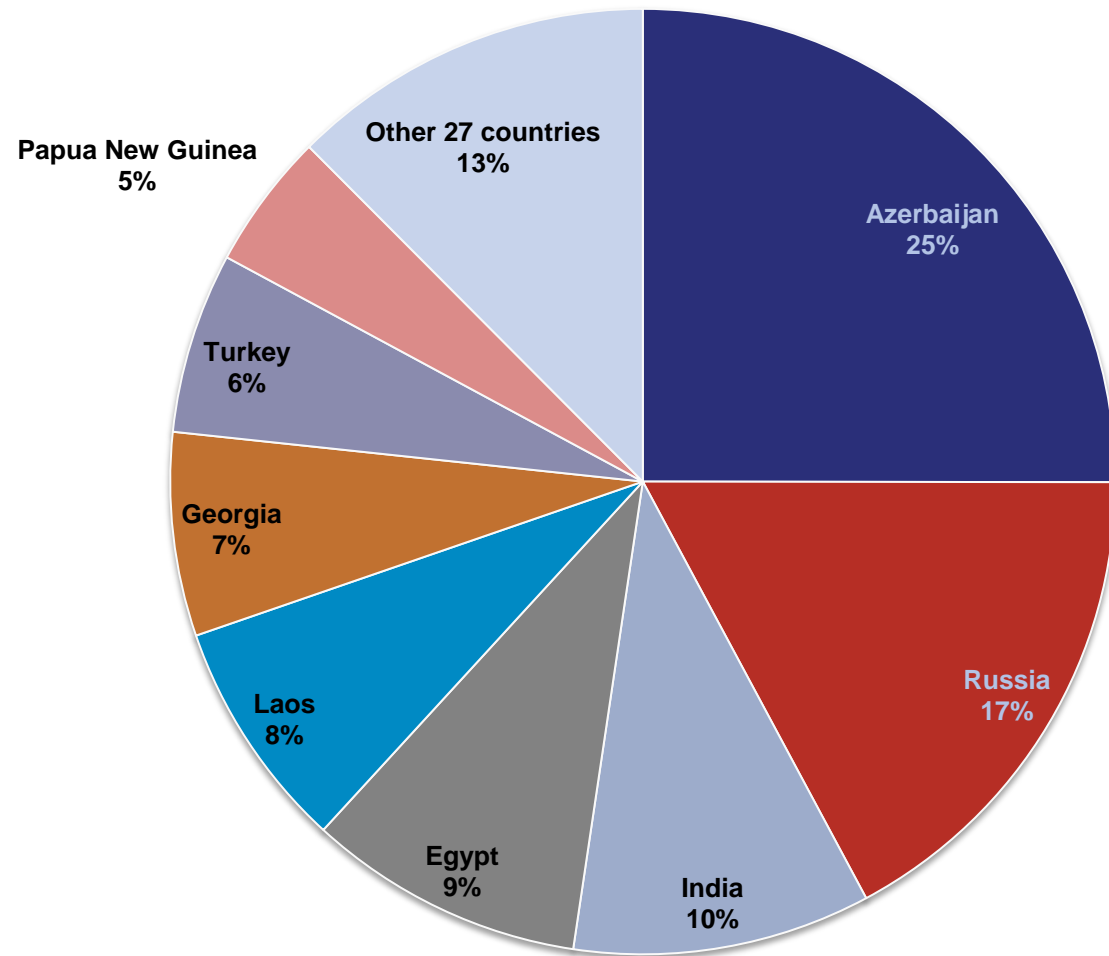


**1,5 bn EUR**





## 2015

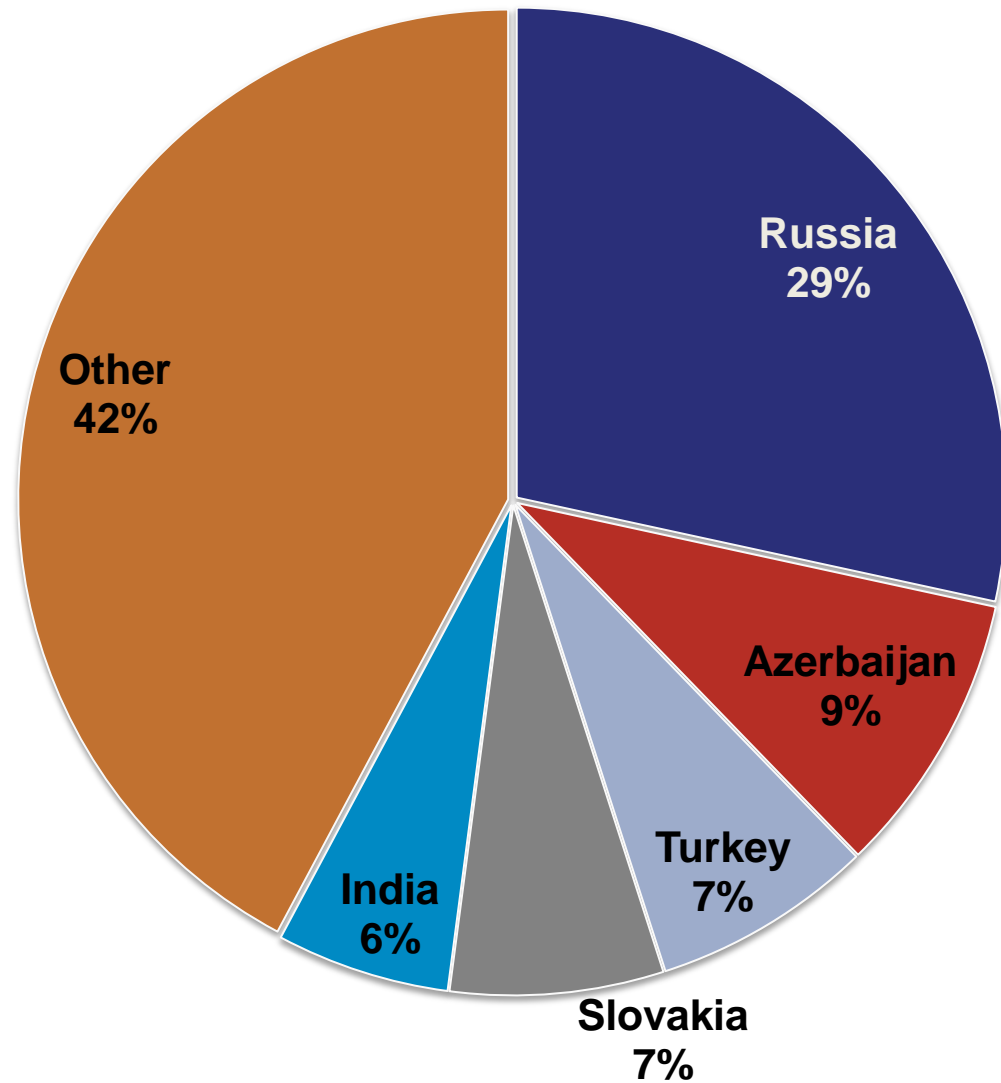


### Insurance contracts in 2015 by country (bn of CZK)

Azerbaijan	10,1
Russia	6,9
India	4,1
Egypt	3,8
Laos	3,2
Georgia	2,8
Turkey	2,5
Papua New Guinea	1,9
Other 27 countries	5,1
<b>TOTAL</b>	<b>40,5</b>



**2005-2015**



**Total amount of new insurance contracts since 2005**  
(bn of CZK)

Russia	168,4
Azerbaijan	55,4
Turkey	43,7
Slovakia	41,7
India	33,9
<i>Other</i>	250,2
<b>TOTAL</b>	<b>593,0</b>

## Support of export since 2005/ Product breakdown of new contracts since 2005 (bn of CZK)



311

- Insurance of Export buyers credit

116

- Insurance of Investment in Foreign Countries

33

- Insurance of Credit for the Financing of Investments in Foreign Countries

31

- Insurance of Credit for the Pre Export Financing

29

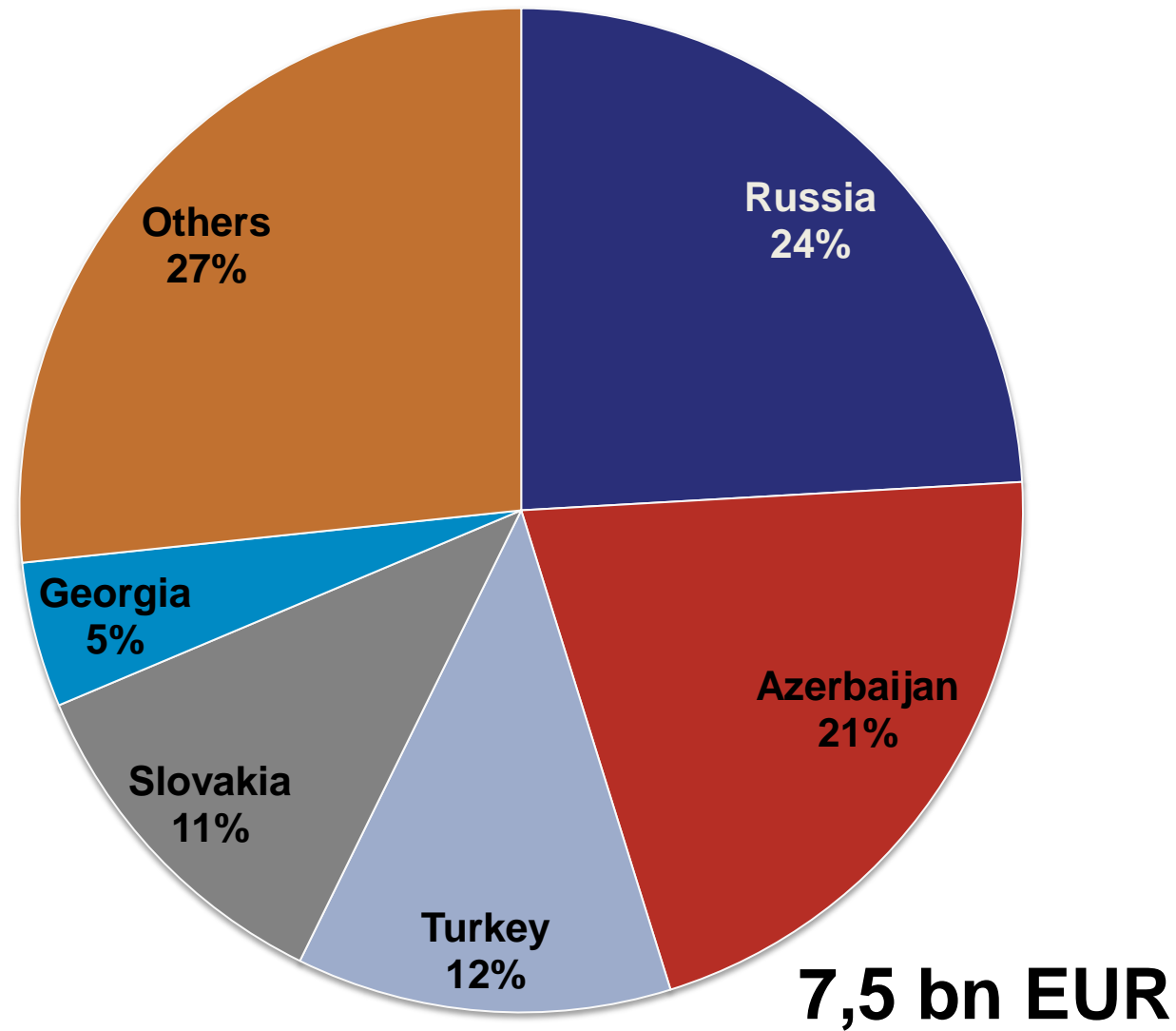
- Insurance of Bank Guarantees

73

- Others



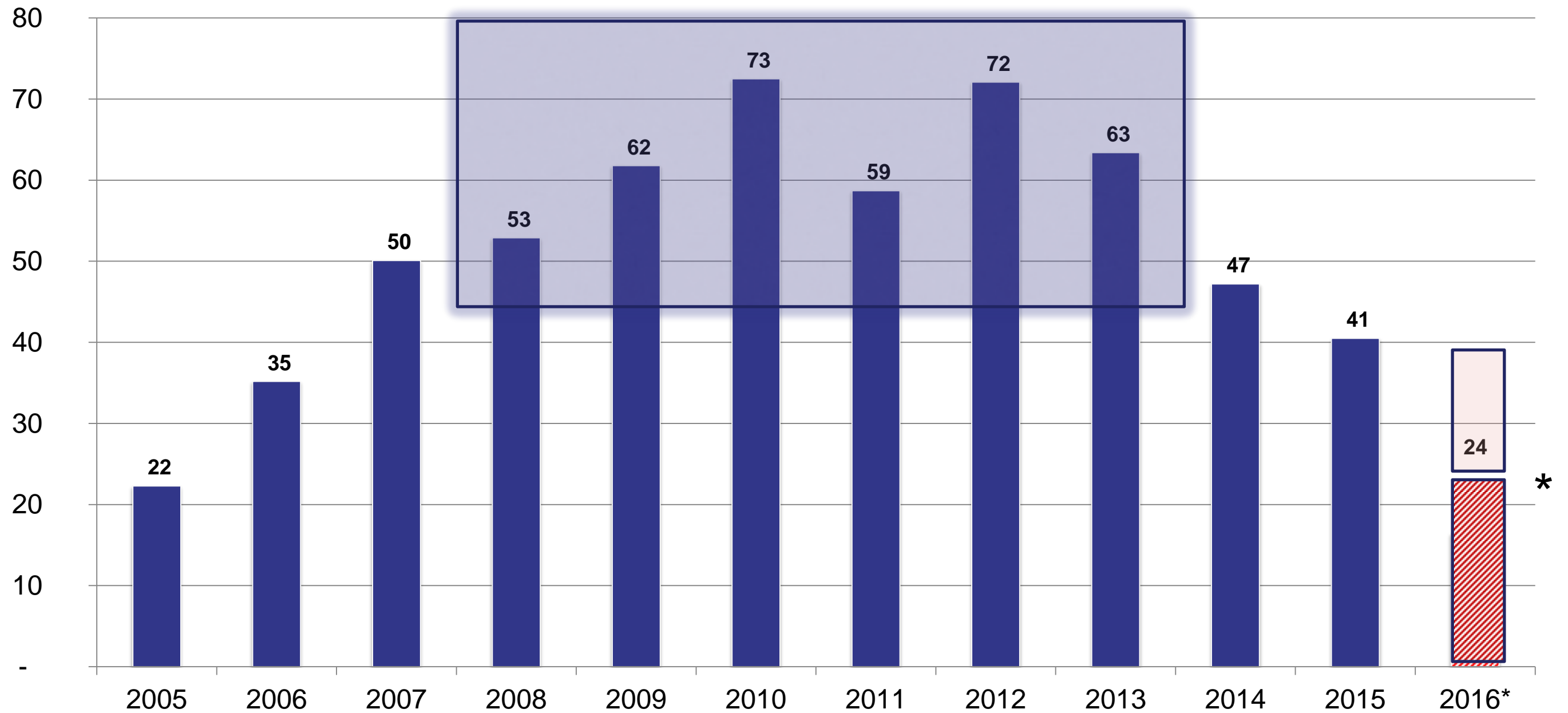
## Portfolio 2015



Outstanding commitments (bn of CZK)	
Russia	48,8
Azerbaijan	42,8
Turkey	24,5
Slovakia	23,1
Georgia	9,5
<i>Others</i>	<i>54,1</i>
<b>TOTAL</b>	<b>202,7</b>

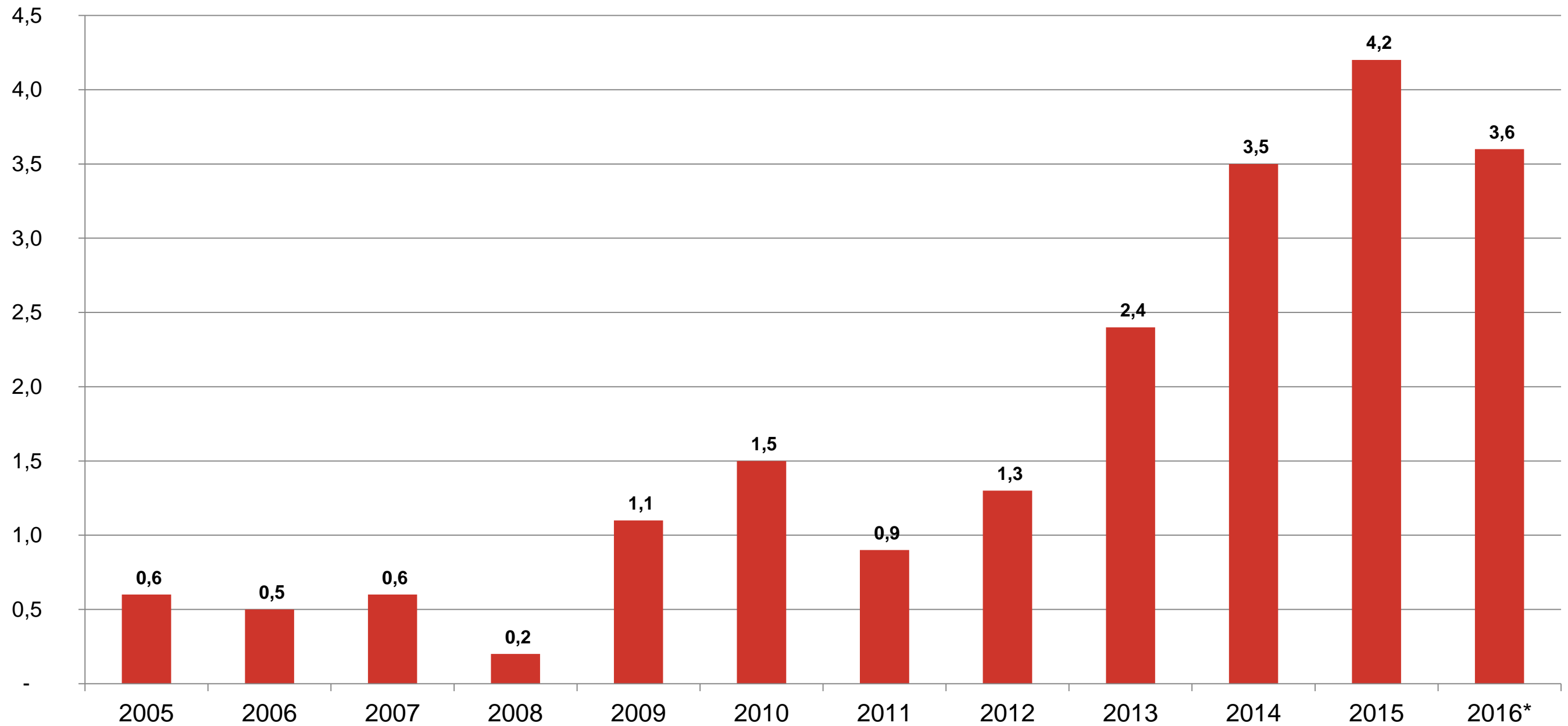
Outstanding commitments as of 20. 9. 2016

# Support of export since 2005/ Dynamics of annual volume of EGAP cover (bn of CZK)



\* - includes new insurance contracts concluded during 1. 1. - 20. 9. 2016

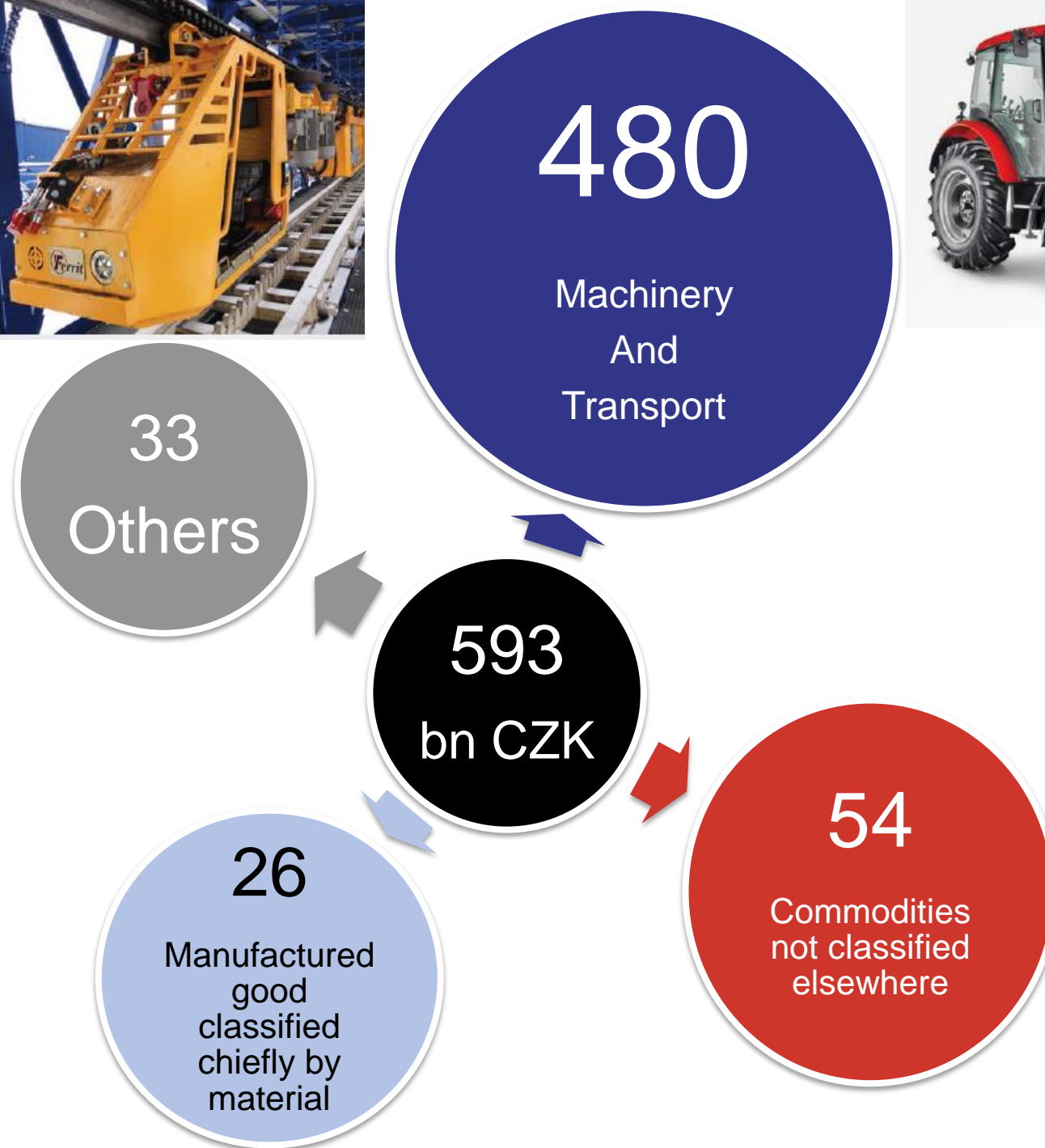
## Support of export since 2005 / Claims paid (bn of CZK)



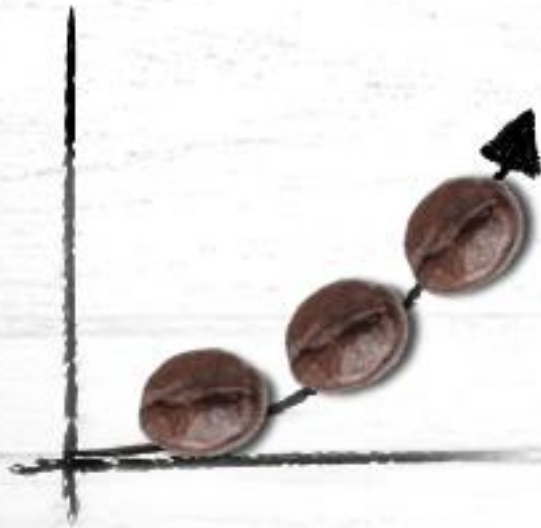
\* - includes claims paid during 1. 1. – 20. 9. 2016



# Support of export since 2005/ SITC breakdown of new contracts since 2005 (bn of CZK)



# EGAP - Partner of Czech Export to Russia



## **Russia represents traditional and core market for EGAP**

- EGAP didn't stop insuring financing to Russia during sanctions' period
- We continue to cooperate with the TOP 15 Russian system banks
- Transactions with strong and stable Russian entities, the advantage is natural hedging of the exchange rate risk

## **In 2015 150 mil. EUR ( 4,1 bn CZK ) paid by the Russian debtors**

- 10 cases completely repaid
- A total of 33 cases in the process of restructuring

**EGAP insured 21 new transactions in 2015.**

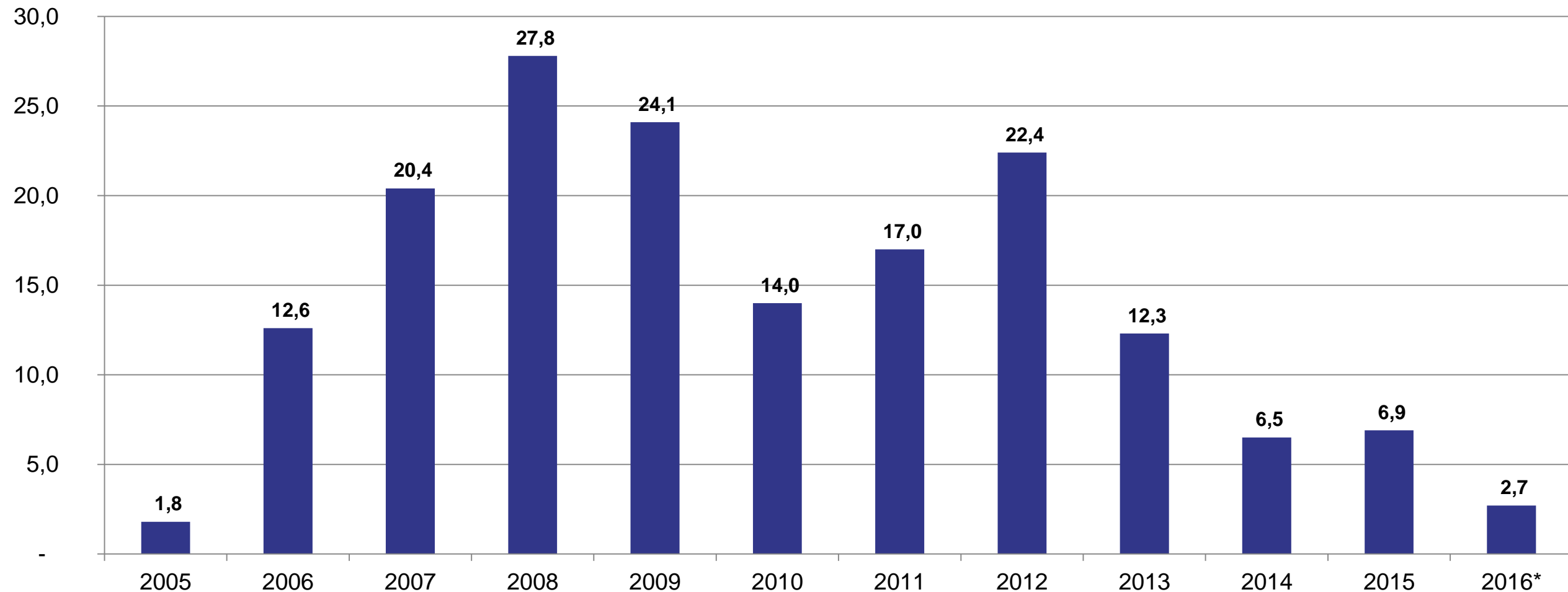
**In 1st half-year 2016 EGAP insured 10 new transactions to Russia.**

## **The most problematic cases:**

- Krasavino power station, Salechard power station, Megapolis housing project ( Kazan )



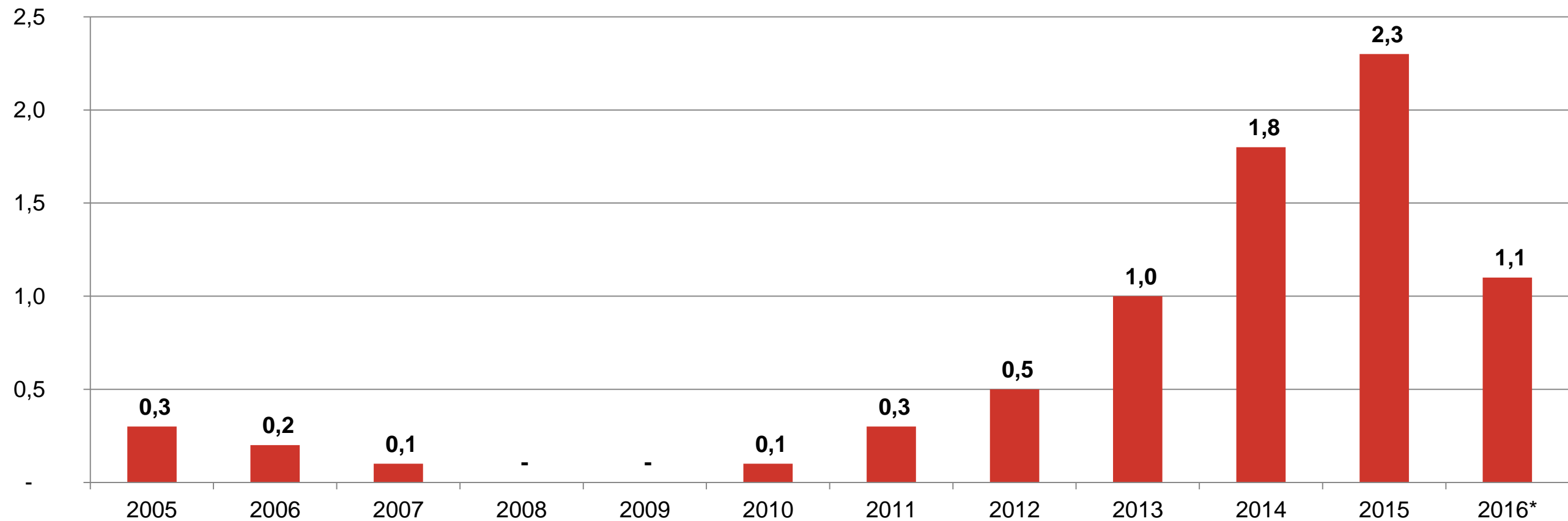
- Since 2005, EGAP cover for Czech export to Russia amounted to **168 bn CZK ( 6,2 bn EUR )**



\*- includes new insurance contracts concluded during 1. 1. - 20. 9. 2016



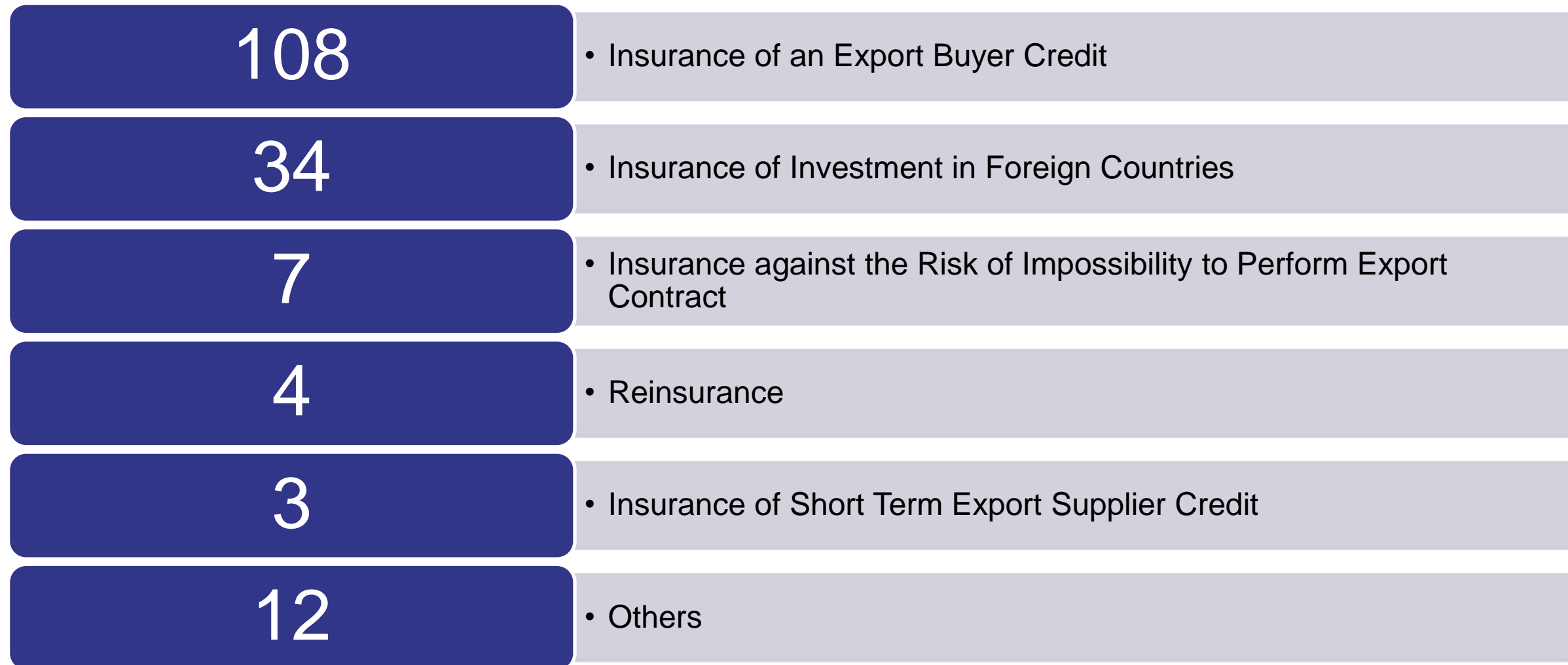
- Since 2005, claims paid by EGAP for cases related to Russia amounted to **7,7 bn of CZK** ( 285 mil. EUR )



\*- includes claims paid during 1. 1. - 20. 9. 2016



- The most popular insurance product by exporters to Russian market was **the Insurance of an Export Buyer Credit**



## Production of phosphate-based mineral fertilisers

- EGAP newly insured export in an amount over 100 mil. EUR
- Partner in the transaction is a strong Russian subject with an international rating, significant position at a global market with substantial revenues in foreign currency, PhosAgro Cherepovets
- Chemoproject Nitrogen already develops and delivers a new granular urea production unit with the capacity of 1500 t/d.



## The World's Largest Titanium Manufacturer

- 2 new business cases with the company **VSMPO-AVISMA** (Sverdlovsk region)
- Delivery of 12 machine tools and 9 chamber furnaces
- VSMPO-AVISMA - the world's only fully integrated producer of titanium, titanium products including titanium alloys, aluminum, magnesium and steel products.
- The company has a monopoly on the Russian market and ranks among the three largest titanium producers in the world.

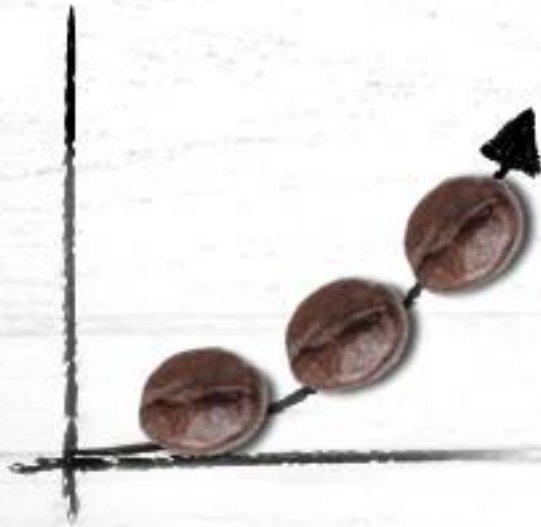






# EGAP & Sberbank

promoting growth of trade between Czechia and Russia





- In 2012, EGAP and Sberbank signed **The Memorandum of Understanding**
- The goal is „*to promote further development of cooperation in the field of international trade, by stimulating the growth of trade flow from Czech Republic to the Russian Federation and to other Target Countries*“
- Target amount of support set in the amount of up to **1 bn euro**



**SBERBANK**

*By your side*



- **OA O Sberbank of Russia ( Borrower )**

Since 2012 EGAP insured 5 Buyer's Credits

( automotive, energy, paper sectors )

- Total Exposure 5,3 bn CZK ( 200 mil. EUR)
- No claims
- Two loans already repaid

- **Sberbank CZ ( Insured )**

Since 2005 signed 51 Policies:

5 pre-export financing loans ( China, Austria, Saudi Arabia )

45 bank guarantees ( Turkey, Korea, Japan, China, India, Indonesia )

1 buyer's credit ( Russia )

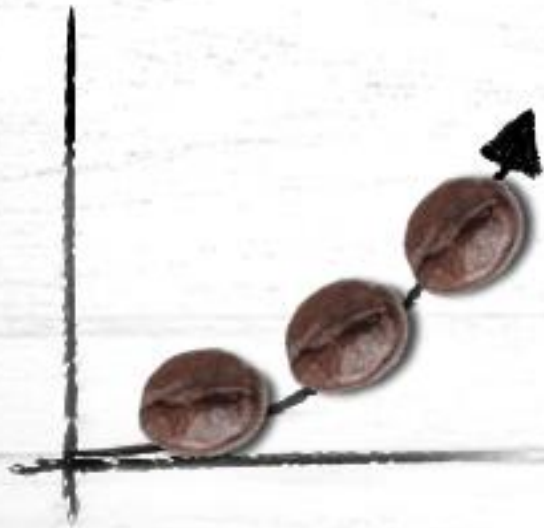
# EGAP & Sberbank/ Active (actual) cooperation with Sberbank



Subject	Subject of Delivery	Product	Exporter	Insured Value
Sberbank CZ	Delivery of 200 pc. of industrial sewing machines GPS	Short term Supplier Credit	ANITA B, s.r.o.	1 600 000 USD
OAO Sberbank of Russia	Delivery of cars and car components Skoda	Buyer Credit	ŠKODA AUTO, a.s.	72 588 000 EUR
OAO Sberbank of Russia	Delivery of paper machine for manufacturing two-layer paper	Buyer Credit	PAPCEL, a.s.	25 967 924 EUR
OAO Sberbank of Russia	Delivery of three steam turbines	Buyer Credit	Siemens, s.r.o.	29 006 549 EUR



# EGAP & International Relations





- EGAP is an active member of **Berne Union of Investment and Credit Insurers**
- EGAP is **a founding member** of the Prague Club of the Berne Union (PC) and member of the Berne Union (BU) since 1998.
- EGAP belongs to a small group of 9 ECAs with **dual membership**, i.e. simultaneous membership in both BU and PC.

berneunion 

  
EGAP



EGAP has concluded **reinsurance agreements** with many ECAs worldwide. Among others:

- |   |                        |   |   |
|---|------------------------|---|---|
|    | • Sinosure (China)     |    | • FINNVERA (Finland)  |
|    | • K-Sure (South Korea) |    | • SACE (Italy)  |
|    | • ASHRA (Israel)       |    | • Bpifrance (France)  |
|    | • ODL (Luxembourg)     |    | • EXIMBANKA SR (Slovakia)                                   |
|    | • SERV (Switzerland)   |    | • OeKB (Austria)  |
|   | • KUKE (Poland)        |   | • CESCE (Spain)   |
|  | • MEHIB (Hungary)      |  | • Credendo (Belgium)  |
|  | • EKN (Sweden)         |  | • Euler Hermes (gov) (Germany)                              |
|  | • EKF (Denmark)        |  | • US EXIM (unilateral for aircraft transactions only) (USA) |
|  | • GIEK (Norway)        |   |   |



- **„Agreement Governing Reciprocal Reinsurance Obligations“** between EGAP and EXIAR was concluded in December 2012.
- Such agreement **enables effective cooperation** of EGAP and EXIAR on third markets, i.e. using this bilateral agreement gives the opportunity both for EGAP and EXIAR to reinsure the part concerning national deliveries of the other involved ECA.
- Joint transactions of Czech and Russian companies already reinsured by EXIAR







# Renovation and Reconstruction of a Refining Plant Pancevo, Serbia



Czech insured percentage 66,39 % EGAP  
Russian insured percentage 8,59 % EXIAR  
Belgian insured percentage 8,85 % ONDD  
Italian insured percentage 16,17 % SACE







# Thank you for your attention

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