Credit Insurance News Digest/Credit Management News Digest on 14 June 2023

**Trade finance as a global growth engine**

**Working together for strong supply chains**

In the first half of 2023, major receivables finance and factoring conferences organised by EUFederation, BCR and WOA were held at European and global level to determine where to stand and how to navigate the current geopolitical and macroeconomic situation. It is crucial that all business representatives work hand in hand to overcome the current challenges while seizing the opportunities.

The stabilising effect of financing such as loans, factoring and trade credit insurance in recent years is demonstrable. A cautious but positive outlook for the overall economy and receivables financing in the coming months is discernible, but the main concern is geopolitical risks.

This is particularly important as global trade and trade finance are at their highest measured levels with an upward trend. Negative external influences, such as geopolitical risks and economic conditions, can have a sensitive impact on industries and world regions that are particularly affected in global supply chains.

**Safeguarding and exploiting opportunities**

The current geopolitical and economic environment necessitates the use of modern software in credit risk management. Leading industry associations are advocating for the digitisation of documents and collateral to more effectively and efficiently support supply chains for real economy processes with coupled digitally available financing and default protection.

Risk hedging through digitally available collateral and the use of a trade credit insurance portal for the management of policies in the one- and two-contract model should be an integral part. Modern data analysis methods, such as AI, round off risk assessment and monitoring. A current challenge is certainly the extensive due diligence of business partners to meet ESG requirements.

Credit risk management is not only a necessary safeguard in the face of significantly increasing financing offers with the assumption of credit risk management and default risk. Modern software is essential for scaling the business.

**Digital transformation in credit risk management**

An important component of modern credit risk management are the digital trade credit insurance processes, which must be integrated into IT solutions in such a way that automatic processes of credit risk and limit management are integrated into the existing IT landscape of an insurance company, a corporate, financial institution or bank.

Integrated online interfaces ensure purchases of cover worldwide and the administration and control of the insurance portfolio at the insurance company. IT solutions comprise automated limit decisions and processing of allocated limits and limit monitoring. Consolidations of insurance cover across all levels (borrower units) - all legal entities, interconnections and at group level – save unused capacities.

An important prerequisite is integrated policy management for trade credit insurance policies with options for managing policies of a financier and third-party policies (one- and two-contract model).

The handling of discretionary limits requires checks of creditworthiness using business reports or a credit insurance company to determine credit limits. Such limits need to be monitored with credit ratings or by automated checks of two positive payment experiences.

Automatic checks of compulsory insurance fulfilment and implementation of measures in the event of early warnings or limit reductions, terminations or overruns round off the IT-supported processes.

**Credit risk management as a growth machine**

Corporates, financial institutions and banks strive to make risk-based decisions efficiently. This requires replacing expensive and slow manual processes with IT solutions. An improved customer experience is significantly dependent on efficient limit decision processes. In this way, an expansion of the business volume is achieved.

Modern limit decision engines are the engine of a financing partner and trade credit insurance. Data in analytical processes is the green energy to make it work. Both belong together so that the desired performance in the market can be put on the road.

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