

Press Release with Photo Attached
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NI firms urged to take advantage of recently approved Government Trade Credit Insurance Scheme

Ireland's largest Trade Credit Insurance Broker has urged local firms in Northern Ireland to maximise the potential of a competitive advantage afforded to them by the UK Government's £10bn guarantee scheme designed to protect businesses negatively affected by Covid-19.

The UK Government became the latest European country to stabilise its internal credit insurance market when it announced it would temporarily act as the reinsurer to guarantee business to business transactions currently supported by Trade Credit Insurance. In doing so, it has possibly presented some competitive advantage to NI businesses who can now consider looking to develop or increase sales into the ROI market.

Unlike many sovereign governments across Europe who have now implemented a credit insurance reinsurance schemes to support their indigenous economies, it seems unlikely that the Republic of Ireland government will implement a similar scheme for its own credit insurance market. If it doesn't, NI businesses may be able to fill the void by being able to offer extended credit terms to ROI businesses who can't get credit from local suppliers because insurers have been forced to cancel cover and, without a state aid scheme, they could be forced to settle invoices on a pro-forma basis. This would put an enormous strain on their cashflow.

Without trade credit insurance in place, companies expose themselves to the potentially catastrophic credit risk of their customers defaulting in paying invoices, either because they ceased to trade during the credit period or because of an inability to discharge debts owed to their supplier as they fall due - either of these scenarios could prove fatal. As a direct result of Covid-19 the instances of payment default and insolvencies are expected to increase very significantly.

In many cases, credit insurance is also taken as collateral by banks and commercial funders to facilitate the provision of working capital facilities. For many businesses access to such facilities is going to be critical as we look to rebuild our economy and the Government's reinsurance scheme is expected to inject confidence into the wider supply chain as well as banks and financiers.

Nigel Birney, Head of Trade Credit at Willis Towers Watson in Belfast, said:

"The UK Government's sensible decision to temporarily act as the reinsurer to guarantee business to business transactions usually supported by Trade Credit Insurance has provided confidence and relief to many Northern Ireland firms who were very concerned that the coronavirus crisis could cripple their efforts to trade on credit terms with suppliers and customers both at home and abroad."

"Despite extensive lobbying and advocacy from colleagues in the Republic of Ireland, the government there has yet to implement a similar scheme to those now operational in most European countries."

"Now that the UK's scheme has been signed off and approved by the European Union, and a similar support scheme for the Republic of Ireland's Credit Insurance market looks unlikely to"

be forthcoming, local firms should be acting swiftly and searching for business and export opportunities across the border as soon as possible.

“The UK Government’s scheme will provide NI companies with an added layer of security and confidence to trade domestically and abroad. With the Covid-19 crisis seriously impacting how firms do businesses, they should be searching for any and all advantages to help them to succeed and operate as normally as possible. The crisis has significantly impacted the local economy and businesses of all sizes, but the UK government’s scheme presents local firms with some competitive advantage and incentive to seek out and explore opportunities to increase their sales into the Republic of Ireland and beyond.

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