International Union
of Credit and Investment Insurers

Export Credit & Investment Insurance Industry Report 2020

Annual report of the export credit and investment business of Berne Union Members

August 2021

 www.berneunion.org

Contents

§1 INTRODUCTION

Foreword from the President

Spotlight on international trade

The pandemic has placed a spotlight on our industry like never before.

One very tangible consequence ofthe unprecedented lockdowns seen across much of the globe during the past year has been the impact on supply chains and resulting shortages, delays, and increased costs for everything from basic necessities to automotive components or building materials.

Under these circumstances, international trade quickly acquired a new prominence. But more than simply increasing its visibility, COVID also arguably caused the instruments of trade finance to become more important than ever.

A vaccine against buyer-default

Export credit insurance is an incredibly efficient enabler of trade: a kind of 'vaccine' against buyer-default. It works not only as a direct mitigation against non-payment risks, but also indirectly, boosting the capacity of lenders, the liquidity of borrowers and the confidence of the trade system as a whole.

The pandemic has challenged both the financing and performance of international trade. It has delivered simultaneous impacts on buyers, exporters, and financiers, as well as insurers directly. In this context, the speed of response across the export credit insurance industry, from both public and private institutions has been quite remarkable, with measures successfully introduced to maintain capacity for trade, ensure liquidity and minimise defaults on existing transactions.

ECAs in particular have taken a substantial and visible role in responding to this crisis and many have been called upon to not only support their exporters but also to backstop aspects of the trade finance ecosystem in which they operate, including through reinsurance of private insurers, new or expanded mandates to provide domestic support for short term liquidity, and in some cases delivering elements of their governments' wider COVID response packages.

Michal Ron
Chief International Officer, SACE
President, **BERNE UNION**

Transformation of the industry

As with almost every industry, export credit has undergone a huge amount of operational change in the past year. From home-working and remote client contact, to fully-digital documentation we have had to reimagine our systems and practices, and quickly.

Digitalisation was an existing trend well before the pandemic, but many of the changes of the past year have accelerated this, increasing efficiency, and accessibility as well as bolstering the resilience of the industry to tackle future crises.

At the product level too, the pandemic has instigated both the deepening of existing trends and the emergence of new innovations. Insurance is rightly recognised – and used – not only for the mitigation of risks, but as a broader instrument to facilitate and optimise trade and catalyse investment.

> The next urgent challenge our planet is already facing is climate change... this is can no longer be postponed and requires the united effort of all governments and all actors of society

Learning lessons for the next challenge

Perhaps the most valuable lesson we can take from the past year is that no single institution, industry, country or sphere can address a global challenge alone. And the next urgent challenge our planet is already facing is climate change.

The catastrophic events that affected so many countries in the world during the last year, from the floods experienced in central Europe, the drought and wildfires in the US, the mudslides in India and the record-breaking heat in Canada, dramatically confirm that this is a challenge that can no longer be postponed and that requires the united effort of all governments and all actors of society.

Collaboration between all parties is critical to this end, including within our industry. It is an area towards which a substantial part of the collective energy is currently directed. But the mountain is high, and the climb is steep. If we are to achieve this in time we will need every ounce of available capacity, and every spark of innovation to succeed in this challenge over the next 10, 20 or 30 years.

Cooperation is essential to the ethos of the Berne Union – applying this strength to the challenge of climate is a duty and a personal objective I hope to advance as far as possible during my presidency.

We can do this by meeting and forging new connections opening dialogues and commencing collaborative projects. Equally, we achieve a lot simply through sharing information and learning about and from each other's approaches.

As a snapshot of our industry during the past year, in which so much has changed, I hope this report provides a valuable insight for Berne Union Members as well as our partners across the globe.

Economic Context

Jonathan Skovbro Steenberg
Economic Research Analyst
BERNE UNION

2020 was a year unlike any seen in several decades as countries shut down; both internally with lockdowns and externally as borders closed and flights were grounded.

According to the WTO, global merchandise trade fell by 5.3 %, and GDP, the collective economic output of the world, fell by 3.8 % in 2020[1] – the largest drops since the *Global Financial Crisis*.

As we begin to gradually loosen and unlock across the globe, the world is starting to look on the one hand quite familiar and at the same time very different: More and more people are returning to work, companies are increasing their capacity, restaurants are opening and the travel and hospitality sector is slowly recovering.

At the same time, the world has changed markedly, and many major economies are not what they were before the COVID-19 pandemic.

However, swift government responses and a strong and healthy financial and insurance sector quickly came in to support exporting businesses, to maintain supply chains and ensure the capacity of world trade.

A quicker than expected rebound for trade

While the hospitality and travel sector (and the general services industry) has yet to properly regroup, transport of goods recovered swiftly as containers started sailing again and manufacturing orders flew in on exporters' books.

Figure 1: Container and commercial flight activity

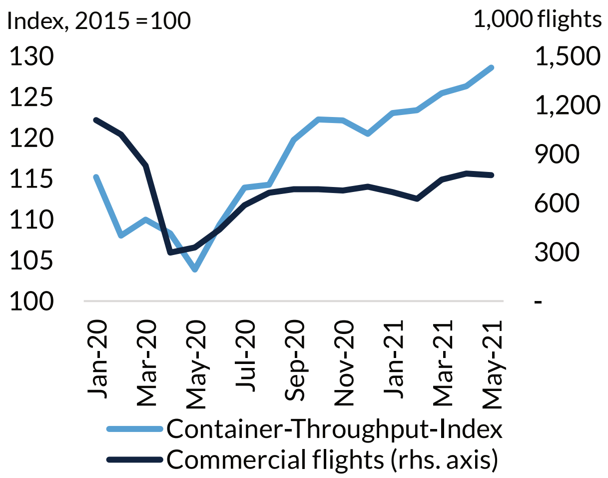
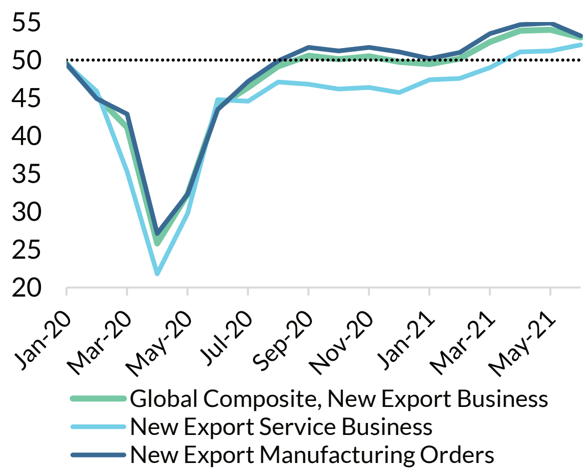


Figure 2: New global export business activity



Sources: Flightstats, RWI/ISL, J.P. Morgan Global Composite PMI)

From health crisis to economic crisis

By March 2020, as it became evident that the rapidly spreading novel coronavirus was becoming a global pandemic, travel, shipping, and trade practically came to a halt. Commercial flights were grounded, and fleets of container ships were a (slightly) less frequent sight in the ports of Singapore and Rotterdam. New export orders for manufacturing and new export business for services fell rapidly, and the outlook for cross-border trade was grim and full of unknowns.

The quicker than expected recovery of trade and GDP was a surprise to many and forecasts went from fears of a disastrous collapse in the beginning of 2020 to expectations of serious but more subdued falls toward the end of 2020.

Financial support from governments, along with revised bankruptcy laws have helped to keep levels of insolvency low despite the large fall in global production seen in 2020.

However, policies have varied across the world and different consequences accordingly.

Uneven recovery and the spectre of 'zombies'

Europe, South Asia and North America had very generous economic support schemes throughout 2020 which resulted in bankruptcies actually falling in 2020 compared to the preceding year.

Meanwhile, regions like MENA and East Asia & Pacific both saw increasing bankruptcies and NPLs in 2020, with China the main cause of the increase in East Asia & Pacific.

The concept of 'Zombie companies', a quite niche topic of debate in past decades has become a more prominent concern as these companies, which are currently being kept alive by government support measures and low interest rates, will have a difficult time going forward when support schemes are phased out. If a large number of these companies were to fail around the same time, in an uncontrolled way, it could seriously degrade the quality of banks' lending portfolios with the knock-on effect of a credit crunch which would also diminish borrowing options even for viable businesses.

Trade and changing consumer trends

In addition to the surprisingly swift rebound of merchandise trade, a notable shift observed in 2020 is that manufacturing now is the driver of new export business, in contrast to before the pandemic when services generally saw more growth than manufacturing.

The pandemic has, at least for the time being, changed consumer spending as travelling and hospitality (two large service industries) has been impossible. Travel services decreased by 63 % in 2020[1]. Consumers have instead turned to buying indoor entertainment, new furniture and building up a home office as they expect to spend more time at home, not only in the short term, but also going forward, as working habbits evolve.

According to the WTO[1], the goods experiencing the largest year-on-year growth in Q4 2020 were *Computers etc., Integrated circuits etc., Textiles and Toys, games & sports equipment*. This change in consumer spending is, probably, one of the key drivers of the quick recovery in merchandise trade. Going forward, the question is whether merchandise trade has been inflated by COVID-related restriction or this is a new long-term trend in consumer behaviour.

A riskier and less favourable investment environment

While merchandise trade saw a speedy recovery in 2020, many larger cross-border projects and investments have been put on hold or cancelled as governments, corporations and investors assessed the increased risks going forward. Foreign direct investments (FDI) fell abruptly in the beginning of 2020 and did not truly recover for the remainder of the year. As already mentioned, most projections on GDP or trade have been readjusted upwards since the beginning of the pandemic, as forecasters had been overly pessimistic about the immediate future. FDI, however, fell by 42 % in 2020[2] which is in line with the OECD's most pessimistic outlook for FDI[3] at the beginning of the pandemic.

Announced new greenfield projects, an important factor for MLT Export Credit and Political Risk Insurance (PRI) of foreign investments, saw a drop of 35 %, while new International project finance fell by 2 % in 2020[2].

> Going forward, the question is whether merchandise trade has been inflated by COVID-related restriction or this is a new long-term trend in consumer behaviour.

Developed countries saw the largest drop in FDI (-69 % in 2020) the result of a falling number of mergers & acquisitions (M&As), a high volume of divestment as well as a steep drop in greenfield investments[2]. It was developed countries, in particular that introduced a bulk of trade restrictions to prevent shortages, and a number have since also introduced investment review mechanisms on health infrastructure and biotechnology, sectors where such measures were not prevalent before.

In a World Bank survey[4], many Multinational enterprises (MNEs) also reported an increasingly less business-friendly trade policy environment during 2020. The general tightening against foreign investments is quite dissimilar to what happened after the Great Financial Crisis (GFC) of 2008-09 where countries opened up to foreign capital to rejuvenate the economies. The latter half of 2020 saw a slight rise in international project finance, mainly in developed countries.

Foreign investments generally fall during crises as MNEs and foreign investors become more risk averse and generally shift their investments back to their home countries or other safe havens.

FDI is not expected to recover to pre-pandemic levels in 2021

UNCTAD[2] expect a further decrease between 5-10 % – as the investment inertia due to COVID is expected to persist.

Despite MNEs being less uncertain and negative about their future investment in the beginning of 2021, 92 % of respondents to a World bank survey[5] stated that no change was expected in the amount invested in their host country in the next 1-3 years. Generous government investment plans in Developed countries, introduced to revitalise their economies, may assist in a quicker recovery for investments in 2021. However, governments in Developing countries do not have the same capacity to finance such ambitious infrastructure projects, and expect to suffer from a prolonged retrenchment of foreign capital, meaning an overall slower recovery – this may result in an uneven recovery which risks further exasperating the wealth gap between developed and developing countries.

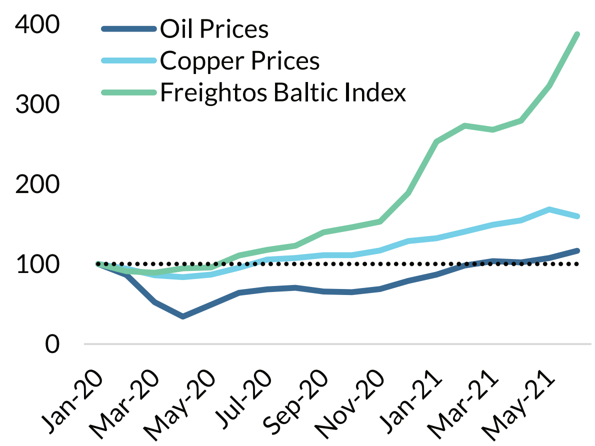
Fluctuation in commodity and shipping prices

Prices have been a focal point in 2020 as the start of the year saw commodity prices fall rapidly – see figure below. Crude oil, in particular, had an eventful year as the average monthly price fell by more than half, and oil futures shortly were negative in April 2020 for the first time in history.

Copper prices saw a similar, albeit smaller, fall in early 2020, but quickly recovered and were already back above pre-pandemic levels by July 2020. At the beginning of 2020, freight prices were dwindling following the sudden shutdowns and pessimism in the container shipping industry, driven by uncertainty.

But with government support providing a kickstart to global production, recovery turned to inflation as a physical mismatch of shipping logistics caused by the pandemic – container ships piled up in North America and Europe, as opposed to Asia, where they needed to be - caused shippoing costs to more than quadruple between March 2020 and June 2021.

Figure 3: Commodity and Freight prices [Jan-20 =100]



> Many Multinationals reported an increasingly less business-friendly trade policy environment during 2020

> The coming years may not provide the same agreeable cost of finance seen in 2020, which could very well become a problem for the many countries and businesses who have opted to finance COVID-related expenses with short-term debt

Interest rates and the cost of debt

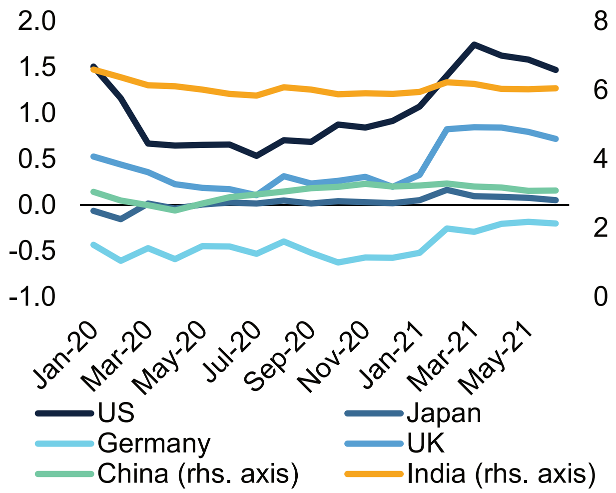
At the start of the pandemic, long-term interest rates decreased in most countries as the monetary rates were reduced by central banks along with falling inflation expectations, making financing more affordable for governments and businesses.

However, with commodity prices increasing since the latter half of 2020, considerably higher freight prices, and continued fiscal stimulus from governments, long-term interest rates are also starting to edge up. As a result, the coming years may not provide the same agreeable cost of finance seen in 2020, which could very well become a problem for the many countries and businesses who have opted to finance COVID-related expenses with short-term debt.

In many respects, the economic consequences of the pandemic ended up being smaller than first expected in the beginning of the second quarter of 2020. Global merchandise trade made a quick recovery, governments were proactive and generous, and bankruptcies and NPLs did not materialise to the extent that many feared. However, global debt levels have reached new highs, mega trends are changing and government support schemes will eventually have to be faced out.

How the world will look once we are truly on the other side of all this is not yet clear and the degree to which the impressive actions of businesses and governments will actually have averted a greater financial crisis, rather than simply delaying one, remains to be seen.

Figure 4: 10-year government bond yields [%]



End Notes

1. WTO Press Release (PRESS/876), 31/3/2021, World trade primed for strong but uneven recovery after COVID-19 pandemic shock, WTO.

2. UNCTAD Investment Trends Monitor (Issue 38), 24/1/2021, Global FDI flows down 42% in 2020, UNCTAD.

3. OECD Policy Responses to Coronavirus (COVID-19), 4/5/2020, Foreign direct investment flows in the time of COVID-19, OECD.

4. World Bank Investment Climate Assessment, 26/3/2021, The Impact of COVID-19 on Foreign Investors : Evidence from the Quarterly Global MNE Pulse Survey for the Fourth Quarter of 2020, World Bank.

5. World Bank Investment Climate Assessment, 22/6/2021, The Impact of COVID-19 on Foreign Investors : Evidence from the Quarterly Global MNE Pulse Survey for the First Quarter of 2021, World Bank.

Definitions and Terminology

Cross-Border Business Lines

Short Term Export Credit

Export Credit / Trade-Finance Credit lending and Insurance of which the repayment term is less than 360 days. Shorthand reference: **ST**

Medium and Long-Term Export Credit

Insurance, Guarantees and lending for Export/Trade-Finance Credit of which the repayment term is greater than 360 days. Shorthand reference: **MLT**

Political Risk Insurance

Insurance or Guarantee that indemnifies an equity investor or a bank financing the equity investment for losses incurred to a cross-border investment as a result of political risks. Shorthand reference: **PRI**

Other Cross-Border Credit

Insurance or Guarantee or direct loan relating to a debt-finance instrument, of which the debt obligor resides in a different country than the debt counterparty; AND the debt obligation is provided without any requirement that the debt capital be used to finance an export or international trade. Shorthand reference: **OCB**

Reported Parameters

Commitments Outstanding:
'Stock' item, showing the total amounts under cover at the end of half-year under all current policies.

New Commitments:
'Flow' item, showing the total volume of new insurance/guarantee/loan/etc. commitments issued during the half-year for which commitment has been confirmed. This Includes the full amount of new commitments issued during the half-year, even if disbursements are to take place later. In the case of short term revolving business, the analogue used is the total volume of trade turnover covered under credit limits during a calendar year.

Claims Paid:
'Flow' item recording the total volume of claims paid or non-performing loans, categorised by the type of loss event (political or commercial).

Recoveries:
'Flow' item recording the total volume of recoveries collected, categorised by the type of loss event (political or commercial).

Political Risks:
Inconvertibility / Non-transfer; Political violence; Confiscation / Expropriation / Nationalization; Trade embargo; Selective Discrimination; Forced Abandonment; Forced Divesture; Non-repossession of an asset; Breach of contract / Arbitration award default

Commercial Risks:
Non payment or protracted default of the buyer due to insolvency, bankruptcy or inability to pay for financial reasons

Guide to Sectors

Short Term Export Credit

Agriculture and Food: Includes exporters engaged in the export of: foodstuffs, livestock, cotton, and other non-foodstuff agricultural products.

Construction & Engineering: Includes exporters engaged in the export of: engineering and construction services (and goods used in the process of and related to engineering and construction services).

Automobiles and Transportation Manufacturing: Includes exporters engaged in the export of: automobiles, other exported used for the transportation of goods and/or people, and parts thereof.

Electronics: Includes exporters engaged in the export of: electronics and/or parts thereof.

Product Manufacturing: Includes exporters engaged in the export of: non-capital manufactured goods.

Capital Goods Manufacturing: Includes exporters engaged in the export of: capital machinery and/or capital machine parts.

Energy Commodities: Includes exporters engaged in the export of: petroleum, coal, biomass, waste-to-energy, etc.

Non-Energy Commodities: Includes exporters engaged in the export of: minerals, refined metals/alloys, lumber, water, etc.

Pharma & Medical Products: Includes exporters engaged in the export of: pharmaceuticals, manufactured medical equipment, etc

Common Categories

Other/Multiple: Includes all other products/ projects/companies/investments that: (1) are not applicable to any of the defined sectors, or (2) are applicable to more than one sector.

Nonspecific: The field to enter a total business figure for those Members who are unable to report by sectors.

MLT Export Credit / PRI

Energy (Production): Includes products, projects, companies, and investments related to distribution, refining, and or generation of energy except for those applicable to Renewable Energy. Note that this sector includes Nuclear Energy.

Renewable Energy (Production): Includes products, projects, companies, and investments specifically related to generation of energy from renewable sources (wind, solar, biomass, hydroelectric dams, etc.). Note that this does not-include Nuclear Energy.

Transportation (Capital Goods): Mobile assets (including components) for the purpose of (and companies/investments related to) transportation of goods and/or persons including (aircraft, ships, hovercraft, locomotives) – this would not include related/supporting infrastructure (i.e. airports, seaports, rail systems, etc., which should be recorded under '5. Infrastructure'.

Natural Resource (Production): Includes products, projects, companies, and investments specifically related to exploration/extraction/production/harvesting of natural resources (includes: lumber, mining, petroleum exploration and extraction).

Infrastructure: Includes products, projects, companies, and investments specifically related to infrastructure (includes: railways, roads, bridges, airports, seaports, power transmission, communications transmission infrastructure, pipelines, tunnels, water treatment and transport, non-hydroelectric dams).

Manufacturing (production): Includes products, projects, companies, and investments related to maintaining or increasing manufacturing capacity (including steel production). Does not include the outputs from Manufacturing.

Executive Summary

General Observations

Despite the huge disruption, uncertainty and heightened risk environment inflicted by the COVID-19 pandemic, the export credit insurance industry fared relatively well in 2020 and overall new business increased despite the sharp contraction in economic activity, while defaults and claims have so far remained manageable.

The surprising speed of the rebound in world trade following initial lockdowns, combined with unprecedented government action to protect employment and industry helped to maintain demand for trade finance products through 2020.

On the supply side, the unique dynamic between public and private spheres of export credit was shown to be incredibly effective with governments (often through their ECAs) stepping in to maintain capacity in the private insurance market through reinsurance or guarantees.

The flexible approach taken by insurers and other creditors, as well as the indirect benefit of other government support measures has kept defaults low throughout the crisis.

Paul Heaney
Associate Director
BERNE UNION

Interpreting the claims story relative to COVID-19 impact is not straightforward.

The lack of increase in ST and domestic claims paid, owes a lot to the high degree of government support in many countries. Conversely, a large part of the increase in MLT claims paid in 2020 is not in general attributable to COVID, but in many cases relates to pre-existing defaults, which have only now manifest as claims, due to the natural delay between default and indemnification.

Accordingly, there are still indications that a substantial share of COVID-19 related claims may not yet have emerged.

The degree to which these will appear later depends in part on how the phase out of special measures of government support is handled, as well as the actions and risk appetite of creditors, and general economic conditions.

Portfolio Commitments Outstanding at Year End 2020

- Outstanding commitments of Berne Union Members, including both direct cross-border and indirect (domestic) support for exporters, reached USD 2.9 trillion at the end of 2020; an increase of 2.4 % year-on-year.
- Short-term (ST) and medium / long-term (MLT) export credit insurance make up 62 % and 24 % of the overall portfolio, respectively, while Political Risk Insurance (PRI) of foreign investments accounts for 6 % and domestic support 5 % of outstanding exposure by end-2020.
- While private insurers still account for the lion's share of ST credit insurance, market gaps arising during the pandemic drove an expansion in ST support from public providers, who increased their share (of the BU total) from 28% in 2019, to 30% in 2020. In addition to direct cover, many public insurers provided support for private market capacity through reinsurance arrangements, although this does not show in our figures, which include primary cover only.
- In contrast, while the share of private insurers is small, it has been growing over recent years and along with private reinsurance of ECA business, provides important additional market capacity. Approximately 20% of total ECA MLT business was outwardly reinsured at the end of 2020, with a significant chunk of this going to the private market.
- Despite a difficult year in 2020, Transportation remains the largest sector by outstanding commitments, accounting for 21 % of exposure at the end of 2020, concentrated in Europe (49 % of regional exposure) and North America (69 %).
- Energy (13 %) is the second highest individually named sector with the largest share of exposure coming from East Asia & Pacific (22 % of regional exposure) and South Asia (36 %).

New Business in 2020

- Berne Union Members' total new business, including both cross-border and domestic, increased by 2.4 % in 2020 to USD 2.5 tn, driven by growth in short term trade credit (+ 31 %) as well as new domestic support, which increased sharply (+ 60 %) in the wake of the COVID-19 pandemic.
- Public provision of ST export credit insurance rose by almost 10 % as ECAs stepped in to fill market gaps, with ECAs in East Asia & Pacific seeing particularly strong growth.
- Although not historically a core focus of Berne Union Members (and still accounting for only 3 % of total new commitments) domestic support in various forms has become a steadily growing component of the toolkit of ECAs in recent years, and during the pandemic became a vital lifeline for many exporters, with USD 82.5 bn new commitments in 2020,
- Europe is still the largest market for ST export credit insurance (~ 50 %), followed by East Asia & Pacific and North America. Almost all regions saw a moderate increase in cover provided, except for Latin America & Caribbean (- 1 %) and Sub-Saharan Africa (- 5 %).
- New commitments in MLT export credit insurance fell by 22 % in 2020 as the COVID-19 pandemic caused several large projects and transactions to be cancelled or postponed. North America (+ 31 %) and Russia & CIS (+ 9 %) were the only regions not seeing substantial falls in new business in 2020.
- PRI of foreign investments continued the decline seen in the previous 5 years with new cover falling by 17 % in 2020. This correlates with a substantial fall in recorded Foreign Direct Investments (FDI), especially in North America and Latin America & Caribbean.
- Although Untied support (reported to the Berne Union as 'Other Cross Border / OCB) has been increasing in recent years 2020 was an exception to this trend as new OCB commitments fell by 12 %, likely because of the same pressures facing MLT credit business, including delayed and cancelled projects.
- Overall, in 2020 Berne Union Members provided direct support for 13.6 % of total global cross-border trade in 2020, despite a 7.5% fall in the volume of merchandise trade.

Claims Paid in 2020

- Despite early fears of a cascade of defaults, 2020 was relatively benign in the end, with an increase in total claims paid across all business lines of 12%, up to USD 8.8 billion.
- Overall cross border claims payments increased by 21% in 2020, with the excess largely concentrated in longer tenor business lines: + 44 % increase in claims paid for MLT and OCB business, up to USD 5 billion combined. ST claims payments were stable and actually decreased - 1 % year-on-year to USD 3 billion. Claims paid for PRI in 2020 were minimal at just USD 26 million.
- Claims paid relating to domestic support fell considerably by - 38 % in 2020, despite the uptick in provision of these products throughout 2020 following the onslaught of the COVID-19 pandemic
- The Transportation sector saw the highest volume of claims paid in 2020 (almost doubling to reach USD 1.1 bn) with the largest part of these relating to transactions in Latin America & Caribbean (USD 0.5 bn) and East Asia & Pacific (USD 0.3 bn). This is unsurprising, given high exposure and the fact this is a sector which has been affected particularly acutely by the pandemic.
- Notable losses were also incurred in the Manufacturing sector in 2020 with USD 0.6 bn claims paid. This Sector also had the highest claims ratio (claims paid / exposure) of all sectors.
- Latin America & Caribbean continues to be the region with the highest total volume of claims paid: USD 1.7 bn in 2020. This is followed by Europe (USD 1.6 bn) and North America (USD 1.2 bn), with North America seeing a huge % increase of 144 %.

The flexible approach taken by insurers and other creditors has kept defaults low throughout the crisis…

…But there are indications that a substantial share of COVID-19 related claims may not yet have emerged…

§2

COMMITMENTS OUTSTANDING

Commitments Outstanding at 2020 YE

At the end of 2020, Berne Union Members reported **outstanding commitments totalling USD 2.91 trillion** across all business lines:

- USD 2.77 tn in products directly supporting cross-border trade and investment
- Plus a further USD 0.14 tn in domestic support for exporters, indirectly supporting export trade

Cross-border Business	% Total	Commitments Outstanding (USDm)
Short Term Export Credit	65%	1,812,249
Medium / Long-Term Export Credit	25%	689,169
Political Risk Insurance	06%	170,360
Other Cross-border Support	04%	97,309

Domestic Business	% Total	Commitments Outstanding (USDm)
Working Capital (Ins/G'tee/Loan)	57%	77,613
Internationalization (Ins/G'tee/Loan)	24%	32,632
Bond Insurance for Exporters and Banks	13%	17,696
Sole Manufacturing Risk Cover	04%	5,870
Bonds Issued by Member	02%	2,229
Cover for Pre-Paid Deliveries	0.4%	574

'Domestic business' here refers to products where the assumed credit risk is not cross-border. Nonetheless, the products listed are provided to exporters in indirect support of their cross-border trade activities.

This is in contrast to, e.g. domestic trade credit insurance, which supports trade between two parties within the same country.

There is a large private credit insurance market for domestic trade, but this is not the focus of the Berne Union and such data is neither collected from our members, nor presented here.

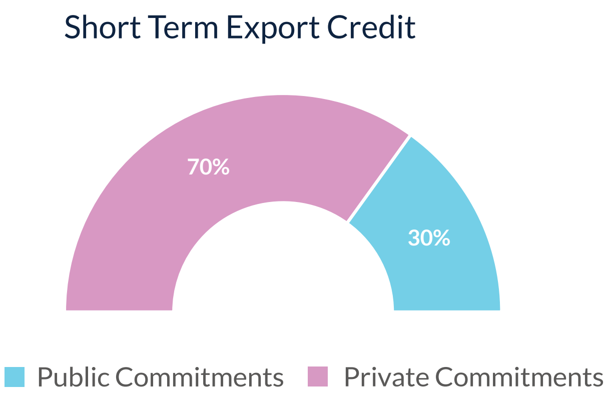
The data on domestic business which is included here is in the interests of completeness with respect to the total support for exports (direct and indirect) provided by Berne Union Members, especially as these products become increasingly important.

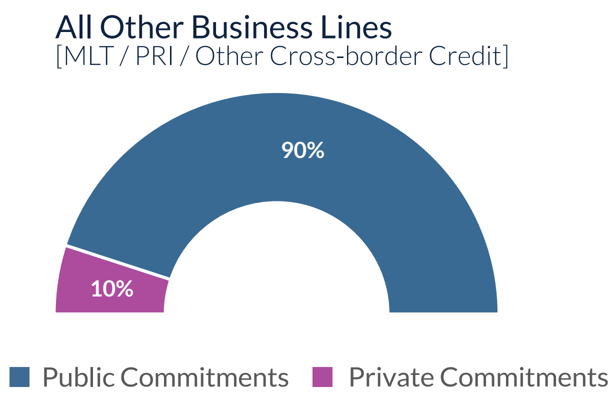
Even so, the focus of this report is primarily on direct support for exports and unless otherwise indicated, that will be the reference.

Public and Private Share of Cross-Border Commitments

While both public and private sector organisations are active across all business lines, private credit insurers dominate in short term export credit, while export credit agencies (ECAs) and multilateral institutions are responsible for the largest share of all non-ST business, as well as 97% of domestic commitments indirectly supporting exports.

Public and Private share of Outstanding Cross-border Commitments in 2020





ECAs Boosting Short term business

While private insurers still account for the lion's share of ST credit insurance, market gaps arising from increased risk during the pandemic drove an expansion in ST support from public providers, who increased their share (of the BU total) from 28% in 2019, to 30% in 2020. The European Commission's Communication on ST Marketable Risks was temporarily suspended at the outset of the pandemic and many EU ECAs have been more active as a consequence.

In addition to direct cover, many public insurers provided support for private market capacity through reinsurance arrangements, as part of special measures introduced in a number of countries to support essential trade finance infrastructure, although this does not show in our figures.

Those ECAs have historically been active in ST business have increased their annual commitments considerably over the past several years, especially for exports to South Asia and East Asia & the Pacific.

Non-short term business (MLT / PRI + OCB)

On the other side of things, medium and long-term business, and investment insurance / PRI have traditionally been the purview of public institutions due to lack of adequate capacity and risk appetite from the private sector for business of ticket size and tenor of repayment.

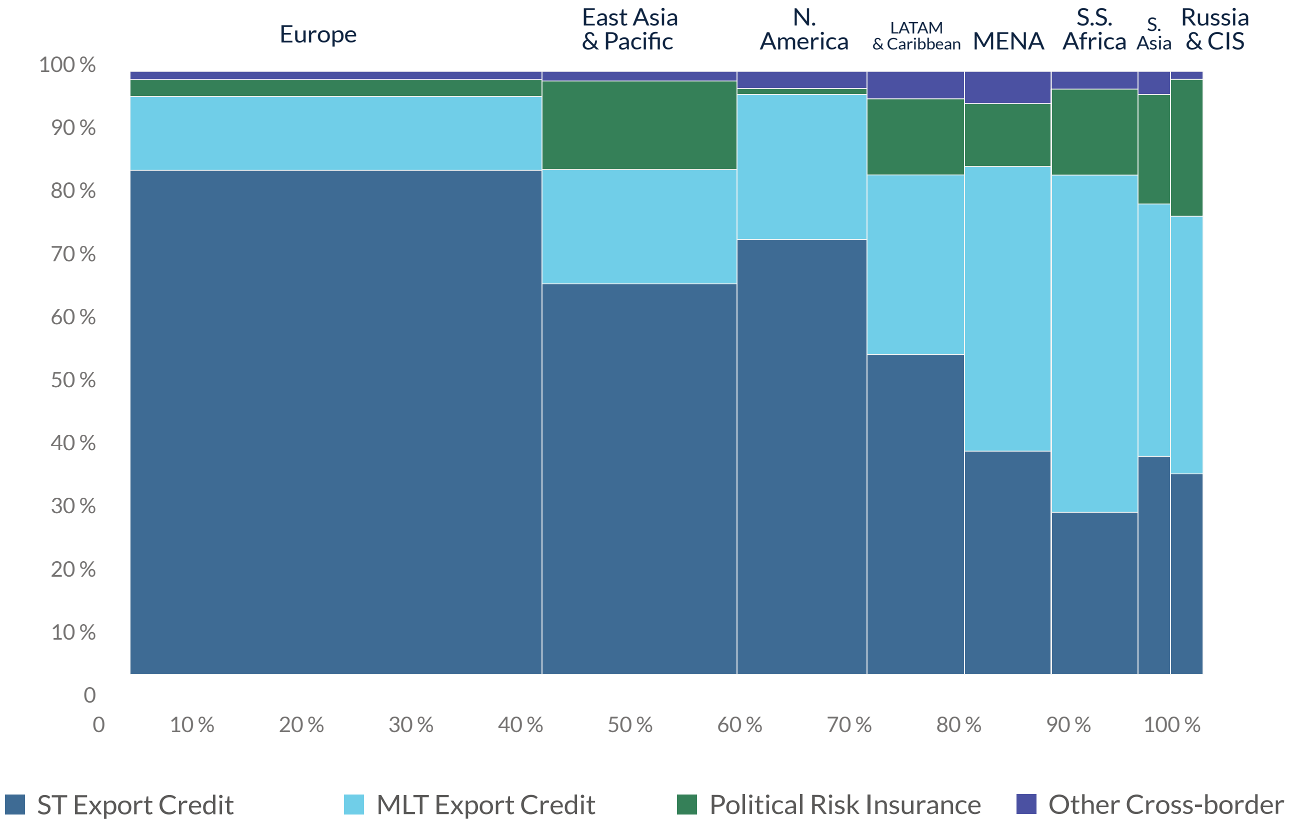
This trend has been rolled back by degrees over the last two and a half decades at least and the private market now provides considerable capacity for these lines of business, often also matching the tenor of ECA partners.

For the purposes of the above comparison - and at some other points in this report - all 'non-short term' business has been grouped together and includes: MLT export credit / Political Risk Insurance and Other Cross-border Credit.

This allows for a broader comparison on the basis of tenor and types of risk, without the much larger volumes of short term insurance obscuring trends in the other business lines.

Geographic Distribution of Cross-border Commitments in 2020

Cross Border Commitments Outstanding, by Region, 2020



At 65% of total outstanding commitments, ST Export Credit shifts the overall balance of the chart heavily towards its largest markets, predominantly in the most developed parts of the world: Europe, North America and East Asia.

The majority of this exposure is held by the private insurance market, but those ECAs who are active in short term export credit also take a share of this, especially in the case of the East Asia and Pacific region.

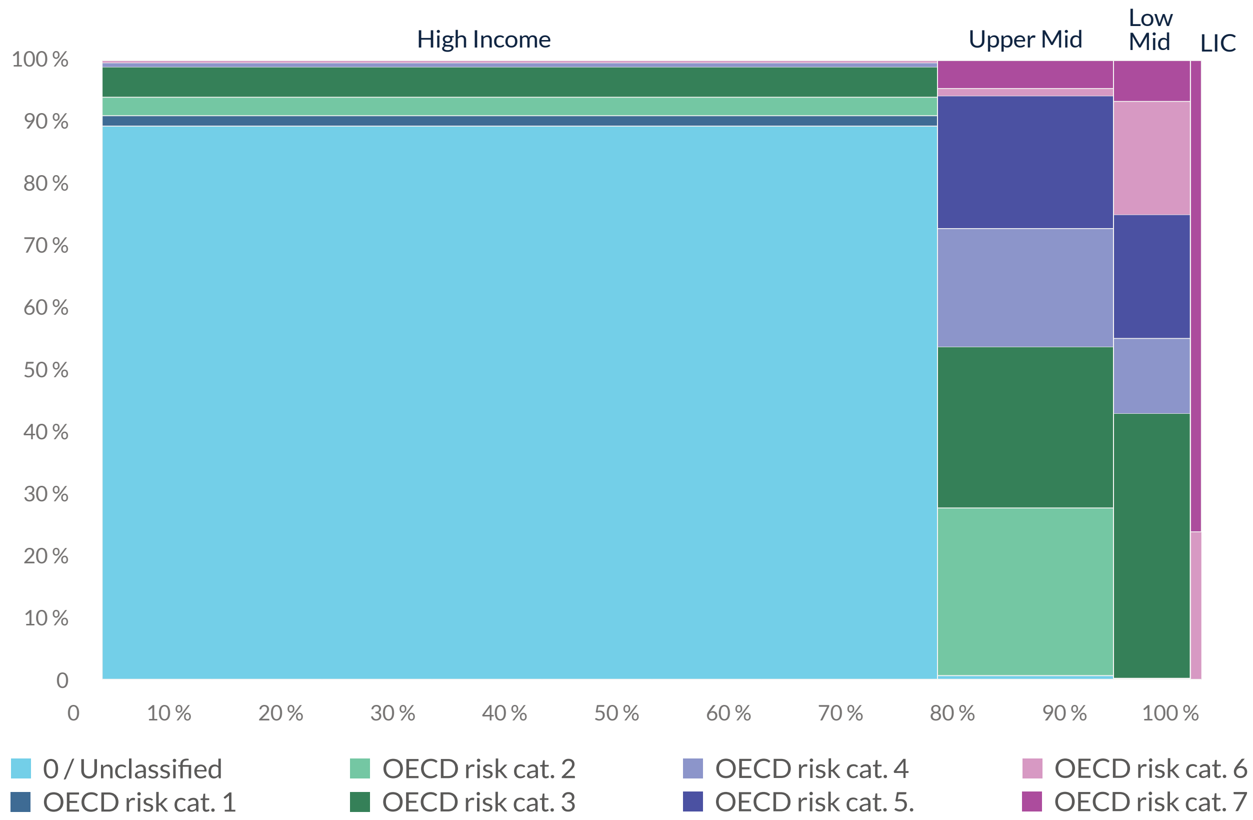
MLT and PRI Commitments, mostly from ECAs and multilaterals pull Sub-Saharan Africa ahead of Russia / CIS and South Asia, in terms of total exposure.

[USD millions]

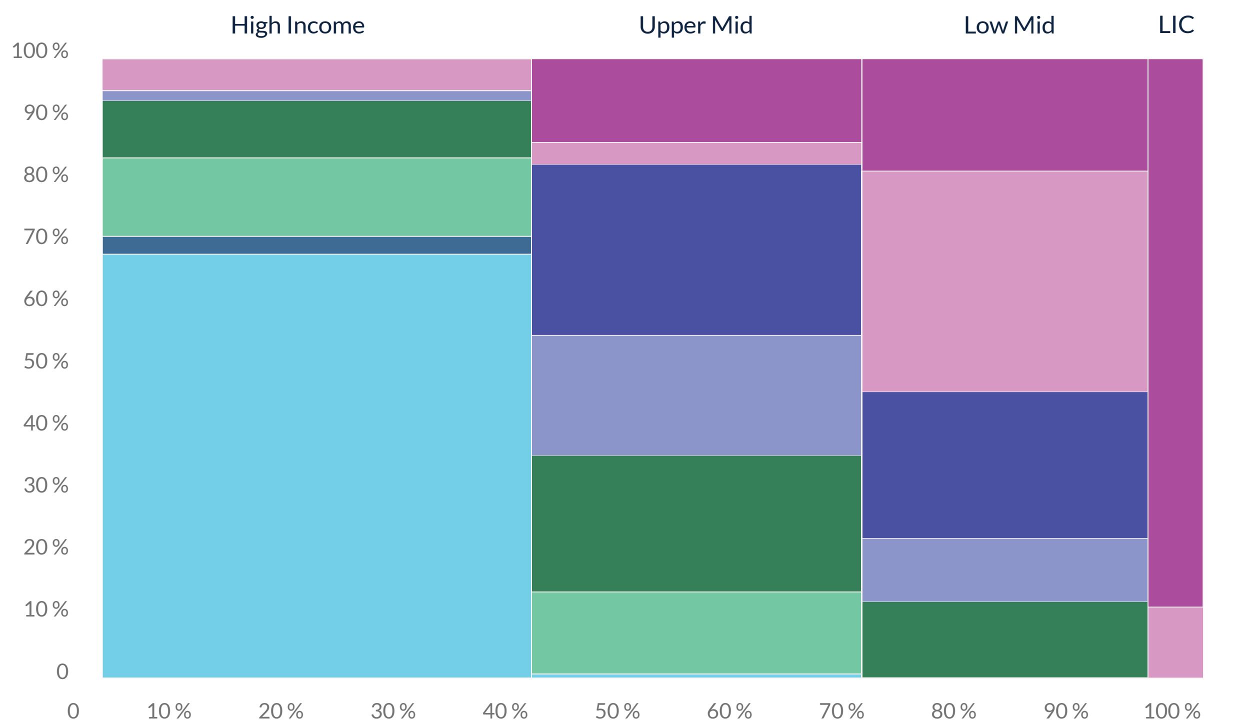
Region	ST	MLT	PRI	OCB	Total
Europe	901,382	131,873	29,986	14,773	1,078,013
East Asia & Pacific	328,501	96,187	74,371	8,159	507,218
North America	235,388	78,438	3,212	9,241	326,279
LATAM and Caribbean	131,692	73,781	31,364	11,264	248,101
MENA	87,265	111,115	24,568	12,573	235,521
S.S. Africa	53,473	111,113	28,325	5,851	198,761
South Asia	35,426	40,962	17,796	3,742	97,925
Russia and CIS	31,481	40,412	21,461	1,248	94,603

Distribution by Country Income Category and Risk Classification

Short Term Export Credit Insurance Commitments
[2020 YE, World Bank Country Income Category and OECD Risk Classification]



Commitments of Other Business Lines
[2020 YE, MLT, PRI, OCB, World Bank Country Income Category and OECD Risk Classification]



Trends in risk distribution of commitments over time

Distribution of ST Commitments has remained stable over the last 5 years

Despite many large shifts in global trade due to the COVID-19 pandemic, the share of ST export credit commitments going to countries classified as 'High Income' by the World Bank at the end of 2020 remained almost unchanged at 76 % of all commitments.

Equally, 'Upper middle income' and 'Lower middle income' countries continued to make up 16% and 7%, respectively. And, lastly, the share of ST export credit commitments going to countries classified as 'Low income' account for 0.3 % of total ST export credit commitments.

Private insurers continue to have slightly more exposure towards 'High Income' countries and 'Upper middle income' countries (83 % and 13%, respectively) than ECAs and multilaterals (60% and 24%, respectively). Meanwhile, ECAs and multilaterals are slightly more exposed to poorer countries, 'Lower middle income' and 'Low income', than their private counterparts – 15 % of total commitments compared to 4 %.

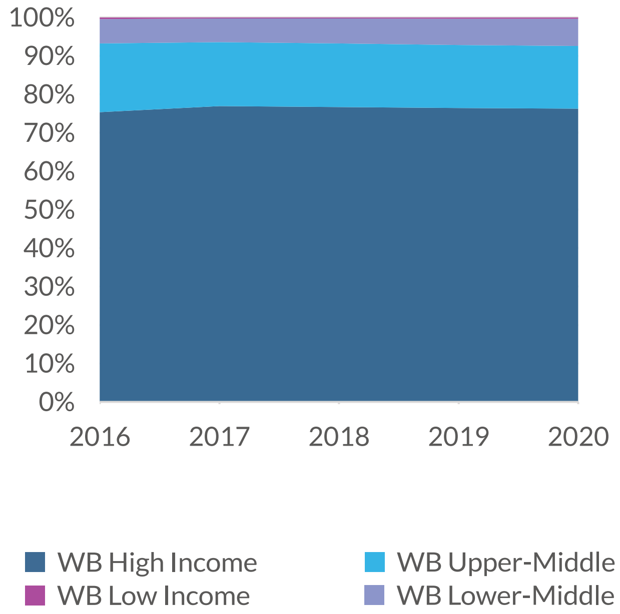
Until 2020, poorer countries saw their share of other business lines increase, with gains in Sub-Saharan Africa and South Asia in particular

Similarly to ST business, the other business lines (MLT export credit, PRI and Other Cross-Border support) saw the distribution of outstanding commitments between countries in the different WB country income classification remaining relatively unchanged in 2020.

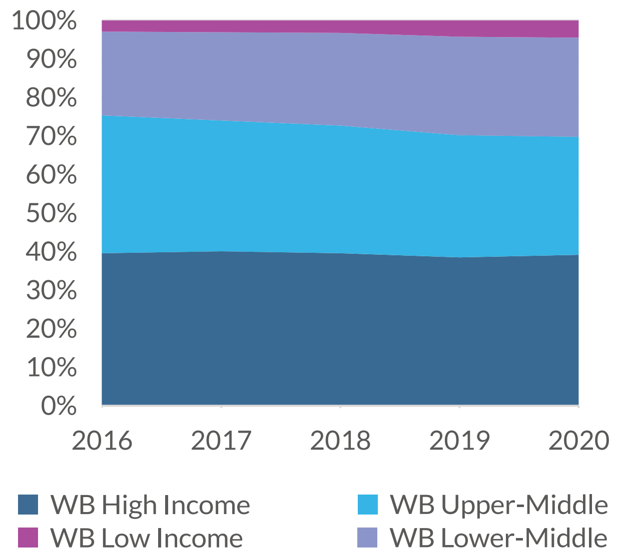
'Low income' countries and 'Lower middle income' countries have seen their share of outstanding commitments increasing in the past four years (25 % in 2016 to 30 % in 2019) with the trend plateauing in 2020 as a lot of projects, especially in developing countries, came to a halt.

ECAs and multilaterals saw their outstanding exposure of commitments to 'Low income' and 'Lower middle income' countries increase quickly in the past five years (6 % a year) as the share of overall exposure to these countries increased from 25 % in 2016 to 31 % in 2020. These poorer countries made up a smaller share of private insurers' outstanding commitments (24 % in 2020), and the share has been roughly unchanged in the past five years.

Short Term Export Credit Commitments
[by Country Income Category, 2016 - 2020]



MLT Export Credit Commitments
[by Country Income Category, 2016 - 2020]



Sector Distribution of Cross-border Commitments

Sector reporting is relatively new for the Berne Union, with the first data collected from members in 2019.

Sector data for short term export credit relates the turnover business covered during the course of the relevant year. For MLT / PRI business the commitments displayed here relate to the stock portfolio at year end. New business flows per sector and country are presented later in this report for MLT and PRI business.

ST Turnover by Sector

Overall, ST sector distribution stayed relatively stable between 2019 and 2020, in part because of the large portion reported to 'Unspecified', a reflection of the fact that some Members are still transitioning to report specific sectors.

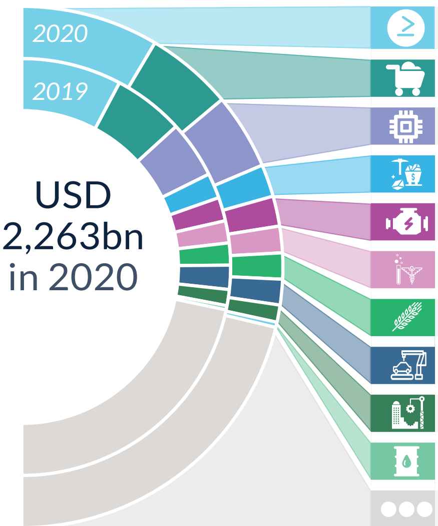
The 'Other / Multiple' category continues to be the second-largest sector for ST turnover with USD 386 billion, followed by 'Product Manufacturing' (USD 243 billion) and 'Electronics' (USD 214 billion). 'Other / Multiple' and 'Electronics' saw the largest increases in 2020 – + 13 % and + 10%, respectively. At the same time, 'Automobile and Transportation Manufacturing' and 'Construction and Engineering' felt the consequences of the pandemic as they fell by 12 % in 2020.

MLT / PRI Sector Exposure

'Transportation' is the largest sector for non-ST business (MLT export credit and PRI) with outstanding commitments of USD 176 billion in 2020, being around a 20 % of total exposure. Improvements in reporting reduced the share reported under 'Other/Multiple', with the difference distributed across the other sectors. Compared to ST turnover, only 10 % of commitments are 'Unspecified'.

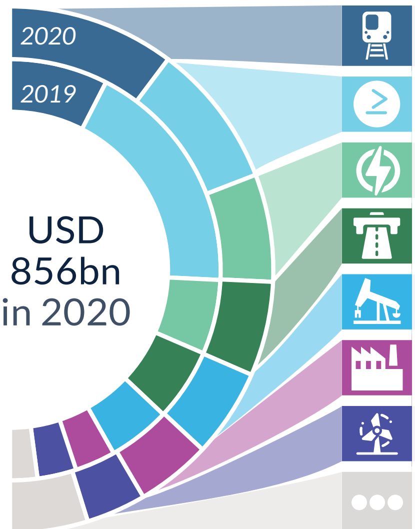
Significant differences can be observed in sector distribution between the regions. In Europe and North America 'Transportation' is by far the largest sector for MLT business, accounting for 67 % of exposure in North America. 'Energy' meanwhile, makes up 36 % of exposure in South Asia, while 'Infrastructure' equates to 29 % of exposure in Sub-Saharan Africa.

Short Term Export Credit Turnover
[by Sector, during 2020, in USD bn]



2020	Share	Δpp
386	17%	+2
243	11%	0
214	9%	+1
91	4%	0
84	4%	0
75	3%	0
73	3%	0
72	3%	-1
48	2%	0
15	1%	0
963	43%	-1

Medium / Long-Term & PRI Commitments
[by Sector at 2020 YE, in USD bn]



2020	Share	Δpp
176	21%	+5
152	18%	-19
113	13%	+2
99	12%	0
93	11%	+1
78	9%	+3
63	7%	+1
82	10%	+5

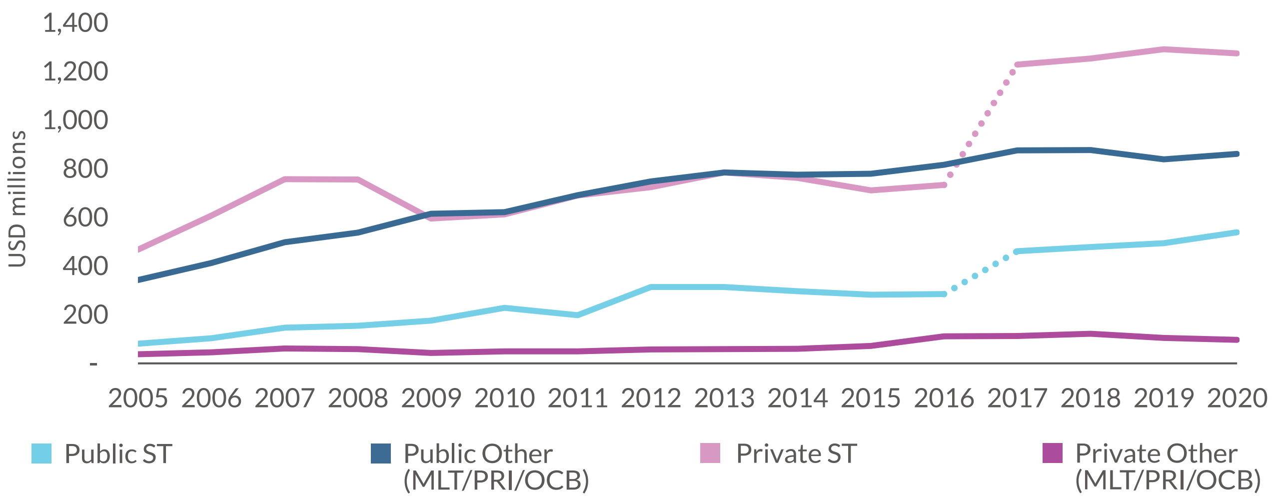
Trends in Cross-Border Commitments Outstanding Over Time

At the end of 2020, total cross-border commitments outstanding across all business lines were very slightly higher than at the end of 2019 (+1.5 % / +USD 41.3 Y-oY).

The long-term trend has been towards growth, with total outstanding commitments reported to the Berne Union almost continuously rising since 2005, when they stood at USD 926 billion. Due to changes in reporting methodology, it is not instructive to compare the amount in 2005 with the amount in 2020 on absolute terms.

The graph below shows a more detailed breakdown of the long-term trends across the portfolio by business line and institution type.

Cross-Border Commitments Outstanding at Year End
[by institution type and business line, 2005 - 2020 in USD m]



Note: The pronounced increase in short term commitments recorded in 2017 is due to a change in the Berne Union's reporting guidelines and does not represent a material change in the underlying business.

2020 Shows similar dynamics to 2008 with public insurers covering market gaps. The difference this time is the gaps were smaller, and covered by a more nuanced mix of policy approaches

Reminiscent of the dynamics seen following the Global Financial Crisis (GFC) – albeit to a far smaller degree – 'Private ST' commitments fell by 1.5 % in 2020 (ST commitments by private insurers fell by 21 % after the GFC).

The significantly smaller fall in Private insurers' commitments in 2020 can partly be explained by different market practice – e.g., the greater prevalence of non-cancellable policies, leading up to the COVID-19 pandemic – as well as important government support provided to private insurers, either directly through reinsurance and guarantees or indirectly by supporting trade confidence with furlough schemes and other business support measures.

Again, similarly to what was seen after the GFC, 'Public ST' commitments increased significantly in 2020; and, again, lower by degree (public commitments increased by 14 % following the GFC, and *'just'* 9% in 2020).

The noted smaller fall in private insurers' commitments as well as the reinsurance backstop and provision of other types of finance (e.g. working capital etc.) all contributed to the smaller market gap for ST insurance on this occasion.

The long-term trend has seen growth across all regions from both private insurers and public providers.

In the past four years, the biggest contributor of growth has been public providers' commitments in East Asia & Pacific, Europe and North America.

§3 NEW BUSINESS

New Business During 2020 FY

Berne Union Members reported a total of USD 2.52 tn in new business during 2020.

This is composed of the following:

- **USD 2,367 bn in direct support of export credit** (includes ST + MLT, insurance + lending)
- **USD 70 bn in support of foreign investments** and other cross-border credit
- **USD 83 bn in domestic support** for exporters

Cross-border Business	% Total	New Commitments (USDm)
Short Term Export Credit	92.9%	2,262,848
Medium / Long-Term Export Credit	4.3%	104,114
Political Risk Insurance	1.6%	38,851
Other Cross-border Support	1.3%	30,861

Domestic Business	% Total	New Commitments (USDm)
Working Capital (Ins/G'tee/Loan)	58.6%	48,349
Internationalization (Ins/G'tee/Loan)	19.4%	15,993
Bond Insurance for Exporters and Banks	10.0%	8,251
Sole Manufacturing Risk Cover	8.6%	7,109
Bonds Issued by Member	3.3%	2,694
Cover for Pre-Paid Deliveries	0.2%	176

'New business' is a measure of the total volume of new financing, or credit supported by Berne Union Members during the year.

For Short Term Revolving Export Credit (the vast majority of all ST business reported) this is calculated as the total trade turnover covered under credit limits issued by members during the calendar year.

For all other business lines it is the volume of new commitments made under insurance policies, guarantees or loan agreements signed during the same calendar year.

As with the previous section on commitments outstanding, the focus here is on cross-border products and the domestic products are included above in order to give a more detailed indication of the overall total support for exports (direct and indirect) provided by members of the Berne Union.

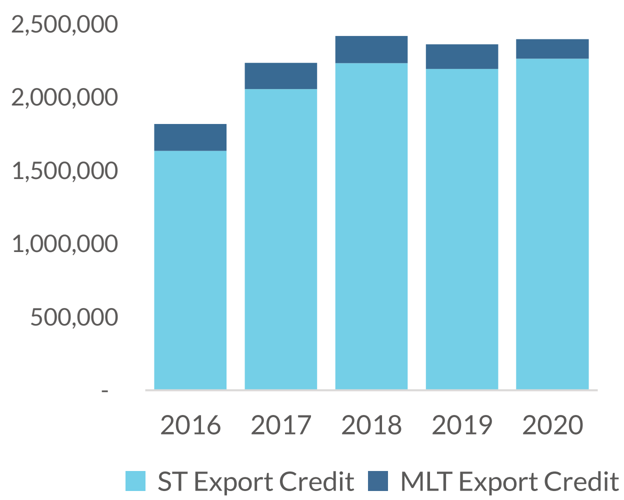
Support for International Trade

The export credit insurance industry is of course highly influenced by factors affecting the underlying environment for international trade. All things being equal, less trade means less potential business to cover, while at the same time an increase in the perceived risk of trade can drive an increase in demand for risk mitigation instruments, such as credit insurance.

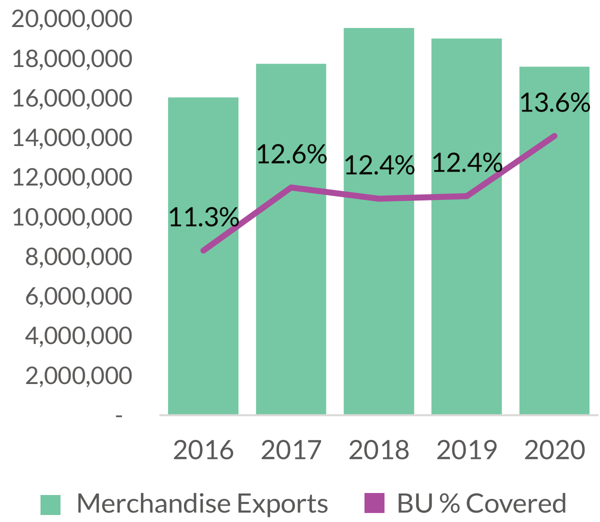
This relationship is not one way and it is estimated that between 80 and 90% of all trade relies upon some form of financing instrument (including export credit insurance).

The Berne Union tracks the contribution of export credit insurance provided by members in direct support of global cross-border trade, measured against WTO statistics.

New Business in direct support of Exports
[ST, MLT, 2016 - 2020, USD m]



World Merchandise Exports & BU %
[2016 - 2020,USD m]



Already declining volumes of MLT business took a further hit during the pandemic, compensated by a slight increase in ST business

New export credit insurance business increased by 1.5 % in 2020 (+ USD 36 bn), despite the effects of the COVID-19 pandemic. This was due to an increase of 3 % for ST export credit (+ USD 69 bn), driven by a steep increase of 9 % in ECAs' new ST commitments (+ USD 81 bn). Over the same period, private insurers' new ST commitments fell slightly by 1 % (USD 12 bn).

Meanwhile, new MLT commitments fell by an astounding 22 % in 2020 (- USD 29 bn) with private and public credit insurers seeing similar levels of drops in new commitments: -18 % (- USD 3.1 billion) and -22 % (- USD 26 billion), respectively.

Due to the nature of the COVID-19 pandemic, many larger projects and investments were postponed or cancelled causing the noticeable drop in new MLT commitments compared to ST business.

Despite the decline in merchandise exports, demand for credit insurance remains strong

World merchandise exports decreased by USD 1,432 bn in 2020 – a fall of 7.5 %.

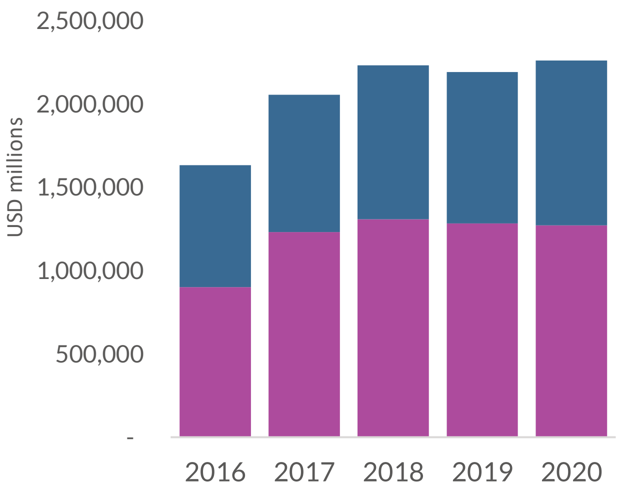
Strong demand for ST export credit insurance, and the increase in turnover covered allowed Berne Union Members to increase their share of global exports covered up to a record 13.6 % in 2020.

This growth in export credit insurance, despite the fall in merchandise trade is indicative of increased risk perception during the pandemic, as well as underlining the important stabilising and counter-cyclical effect of credit insurance in times of turmoil, and in particular the role of public insurers in supporting this.

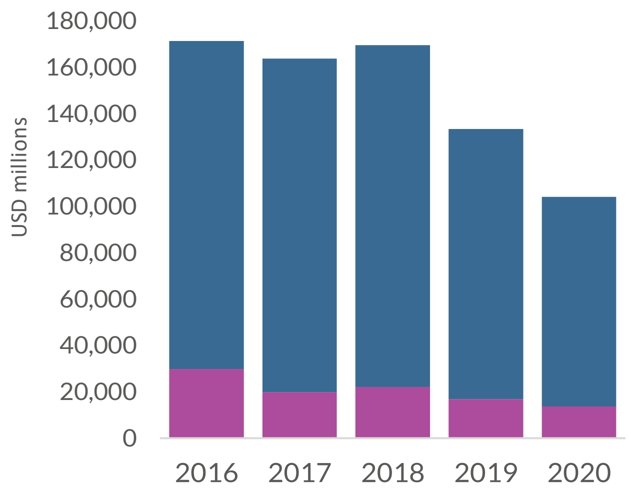
This estimate of trade covered by Berne Union Members is a simple measure which does not take account of trade which is uninsurable (e.g., inter-company trade), nor the significant support for enabling exports provided by domestic (indirect export support) products, such a working capital loans etc.

5-Year Trend in New Business for each line and provider type

Short Term Turnover Covered
[Public / Private, 2016 - 2020, USD m]

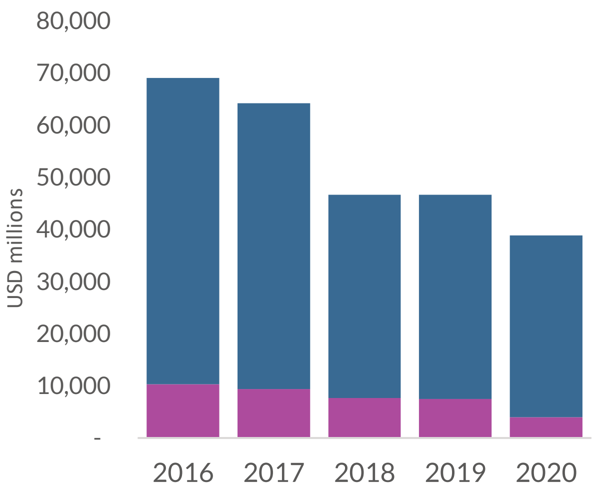


Medium / Long-Term New Commitments
[Public / Private, 2016 - 2020, USD m]

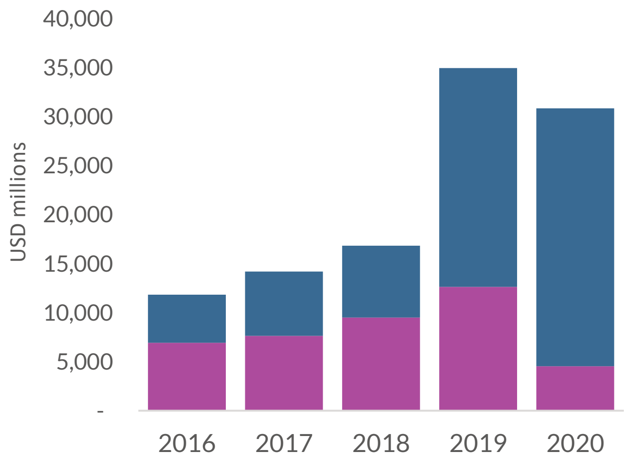


Public Insurers
Private insurers

Political Risk Insurance New Cover
[Public / Private, 2016 - 2020, USD m]

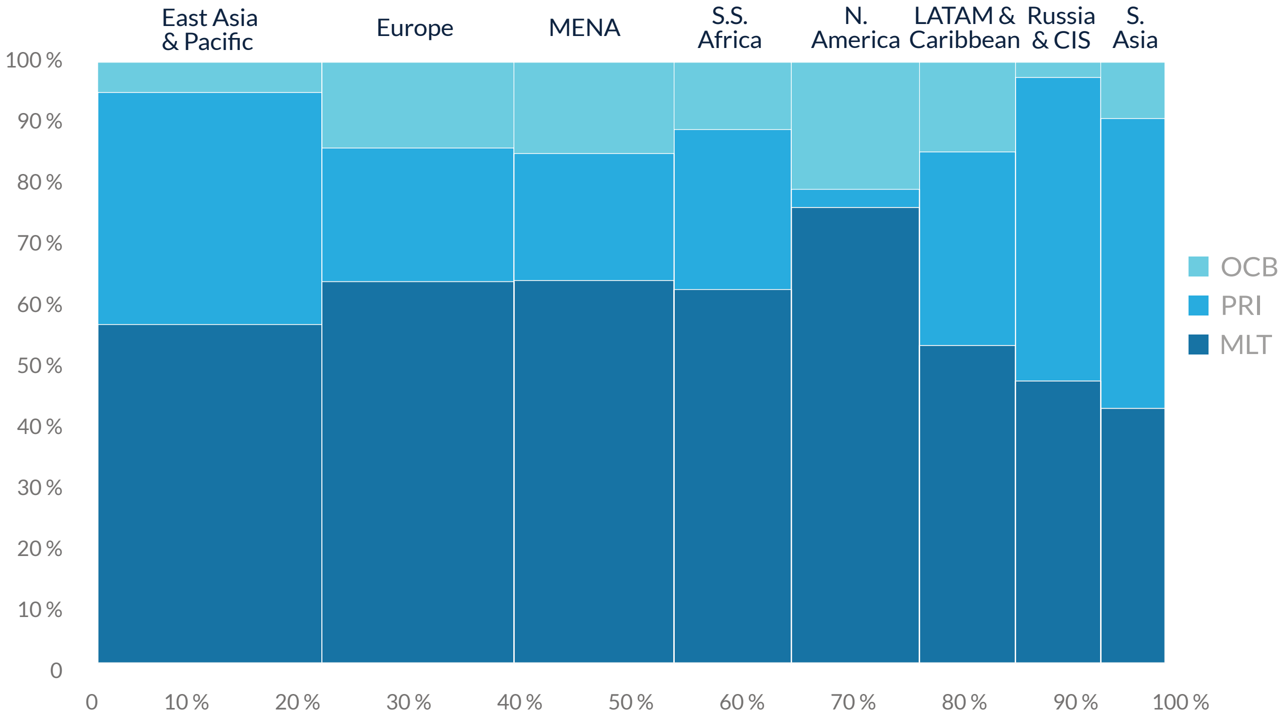


Other Cross-Border Credit New Commitments
[Public / Private, 2016 - 2020, USD m]



Geographic Distribution of New Cross-Border Commitments in 2020

New Cross-Border Commitments by Business Line and Region, 2020



Since Members do not report short term turnover by country, this analysis includes only new commitments for the other cross-border business lines: MLT export credit, Political Risk Insurance, and Other Cross-border.

In contrast to short term business, which is mainly concentrated upon private insurers' coverage of risks located in Europe public insurers' coverage of risks in East Asia & Pacific, the non-ST business lines are more evenly distributed.

East Asia & Pacific and Europe are still the two biggest markets, respectively 22 % and 18 % of total new non-ST commitments, however MENA (14 %), Sub-Saharan Africa (12 %) and North America (12 %) now make up a larger share. New commitments in North America saw the smallest fall in 2020 (-6 %) causing it to overtake LATAM & Caribbean as the fifth biggest destination for new business.

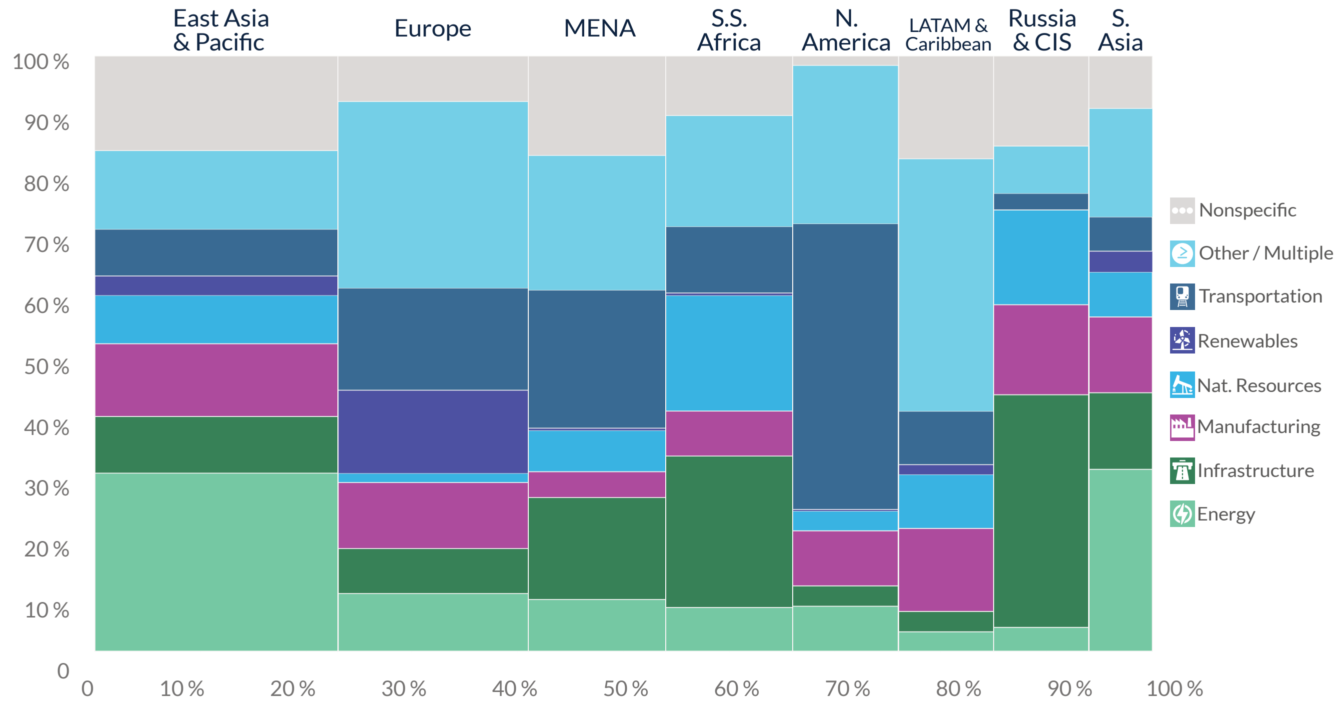
Political Risk Insurance is more prevalent in less developed countries where political risk is more frequent.

These markets are often smaller in volume for other business lines.

[USD billions]

Region	MLT	PRI	OCB	Total
East Asia & Pacific	21.0	14.4	1.9	*37.3*
Europe	19.9	7.0	4.5	*31.4*
MENA	15.7	5.2	3.7	*24.6*
SSAfrica	12.4	5.3	2.2	*20.0*
North America	15.1	0.6	4.2	*20.0*
LATAM and Caribbean	8.5	5.2	2.4	*16.0*
Russia and CIS	6.5	7.0	0.3	*13.9*
South Asia	3.8	4.3	0.8	*8.9*

New Cross-Border Commitments by Sector and Region, 2020



The chart above, shows the relative distribution of new commitments by industry sector and geographic region.

This particular set of data is only available for MLT and PRI business and accordingly, the geographic distribution differs from the chart on the previous page due to the absence of information on OCB commitments.

A not insignificant portion of sector data is reported as 'nonspecific', between 8-17 % by region. The largest sector continues to be the multiple or residual sector 'Other/Multiple' (USD 34 billion), followed by specific sectors 'Transportation' (USD 24 billion) and 'Energy' (USD 21 billion). Which sectors are the biggest in the region varies by a lot – for example 'Energy' makes up 30 % of new business in 'East Asia & Pacific', 'Transportation' makes up 48 % of new business in 'North America' and 'Infrastructure' makes up 39 % of new business in 'Russia & CIS'.

The complete data set is included in the table below, for reference.

[USD billions]

Region								
East Asia & Pacific	10.6	3.4	4.3	2.9	1.2	2.8	4.7	5.6
Europe	2.6	2.0	3.0	0.4	3.8	4.6	8.4	2.1
MENA	1.8	3.6	0.9	1.4	0.1	4.8	4.7	3.5
S.S. Africa	1.3	4.5	1.3	3.5	0.1	2.0	3.3	1.8
N. America	1.2	0.5	1.5	0.5	0.0	7.6	4.2	0.2
LATAM and Caribbean	0.4	0.5	1.9	1.2	0.2	1.2	5.8	2.4
Russia & CIS	0.5	5.3	2.0	2.2	0.0	0.4	1.1	2.0
South Asia	2.5	1.0	1.0	0.6	0.3	0.5	1.5	0.7

Top Markets for New Commitments in 2020, by Continent and Country

[All figures in the tables are in USD billions]

Short Term Export Credit Insurance (USD 1,823 bn / 91%)

Africa			Americas			Asia & Oceania			Europe		
Egypt	10.7	17%	United States	204.2	55%	China	67.8	15%	Germany	128.2	14%
Morocco	8.1	13%	Brazil	32.6	9%	Hong Kong	42.5	9%	France	82.2	9%
Algeria	5.4	9%	Mexico	31.6	9%	India	39.3	9%	United Kingdom	81.4	9%
Tunisia	3.1	5%	Canada	29.6	8%	Japan	37.1	8%	Italy	78.3	8%
Nigeria	2.5	4%	Chile	11.8	3%	Korea Rep.	28.7	6%	Spain	65.5	7%
REST	33.0	53%	REST	59.1	16%	REST	243.4	53%	REST	496.6	53%
TOTAL	**63**	**3%**	**TOTAL**	**369**	**20%**	**TOTAL**	**459**	**25%**	**TOTAL**	**932**	**51%**

Medium / Long-Term Export Credit Insurance (USD 103 bn / 5%)

Africa			Americas			Asia & Oceania			Europe		
Egypt	7.0	34%	United States	14.0	59%	Vietnam	4.2	12%	United Kingdom	4.8	19%
Cote d'Ivoire	1.9	9%	Mexico	2.0	9%	Indonesia	3.7	11%	Russia	4.2	17%
Nigeria	1.6	8%	Brazil	1.6	7%	China	3.7	11%	Turkey	3.6	15%
Tanzania	1.4	7%	Panema	1.5	6%	Taiwan	2.9	9%	Germany	1.2	5%
Ghana	1.2	6%	Colombia	1.2	5%	U.A.E.	2.6	8%	Netherlands	1.2	5%
REST	7.3	36%	REST	3.3	14%	REST	16.7	49%	REST	10.0	40%
TOTAL	**20**	**20%**	**TOTAL**	**24**	**23%**	**TOTAL**	**34**	**33%**	**TOTAL**	**25**	**24%**

Political Risk Insurance (USD 49 bn / 2%)

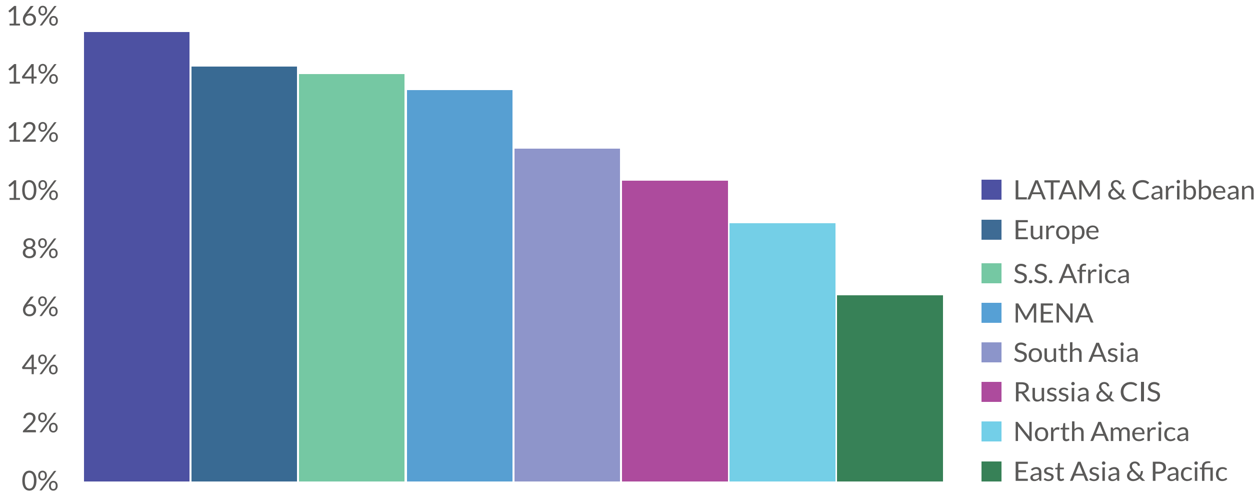
Africa			Americas			Asia & Oceania			Europe		
Mozambique	2.0	31%	Argentina	1.2	20%	Kazakhstan	5.1	18%	Turkey	1.6	18%
Egypt	0.7	11%	Peru	1.1	19%	Viet nam	3.7	13%	Russia	1.0	11%
Cote d'Ivoire	0.4	6%	Brazil	0.9	16%	Indonesia	3.2	11%	Bosnia and Herzegovina	0.6	7%
Madagascar	0.4	6%	Mexico	0.5	9%	Saudi Arabia	2.6	9%	Serbia	0.6	7%
South Africa	0.4	6%	United States	0.4	6%	Pakistan	2.3	8%	Germany	0.5	6%
REST	2.6	41%	REST	1.7	29%	REST	11.3	40%	REST	4.3	50%
TOTAL	**6**	**13%**	**TOTAL**	**6**	**12%**	**TOTAL**	**28**	**57%**	**TOTAL**	**9**	**18%**

Other Cross-Border Credit (USD 20 bn / 1%)

Africa			Americas			Asia & Oceania			Europe		
Senegal	0.6	25%	United States	3.0	45%	Saudi Arabia	3.4	52%	U.K.	0.9	20%
Cote d'Ivoire	0.4	18%	Canada	1.3	19%	Australia	1.2	19%	Turkey	0.7	15%
Malawi	0.3	12%	Brazil	0.7	11%	India	0.7	12%	France	0.5	12%
Nigeria	0.3	12%	Chile	0.6	9%	China	0.2	3%	Luxembourg	0.5	11%
Egypt	0.2	8%	Mexico	0.5	8%	Uzbekistan	0.2	3%	Spain	0.4	10%
REST	0.6	25%	REST	0.6	9%	REST	0.7	11%	REST	1.5	33%
TOTAL	**2**	**12%**	**TOTAL**	**7**	**33%**	**TOTAL**	**6**	**32%**	**TOTAL**	**5**	**23%**

Export Credit Insurance Cover of Total Imports by Region

New Export Credit Insurance as % of Total Imports (USD Value)
[ST, MLT, 2020, Regional imports: World Bank Data]



Berne Union Members insured almost 14% of global merchandise trade in 2020

Since Members do not report short term turnover by country, the detailed regional breakdown is an approximation with new MLT commitments and new ST business, where new business for ST export credit is a summation of outstanding commitments for revolving cover and new commitments for single transactions cover and loans.

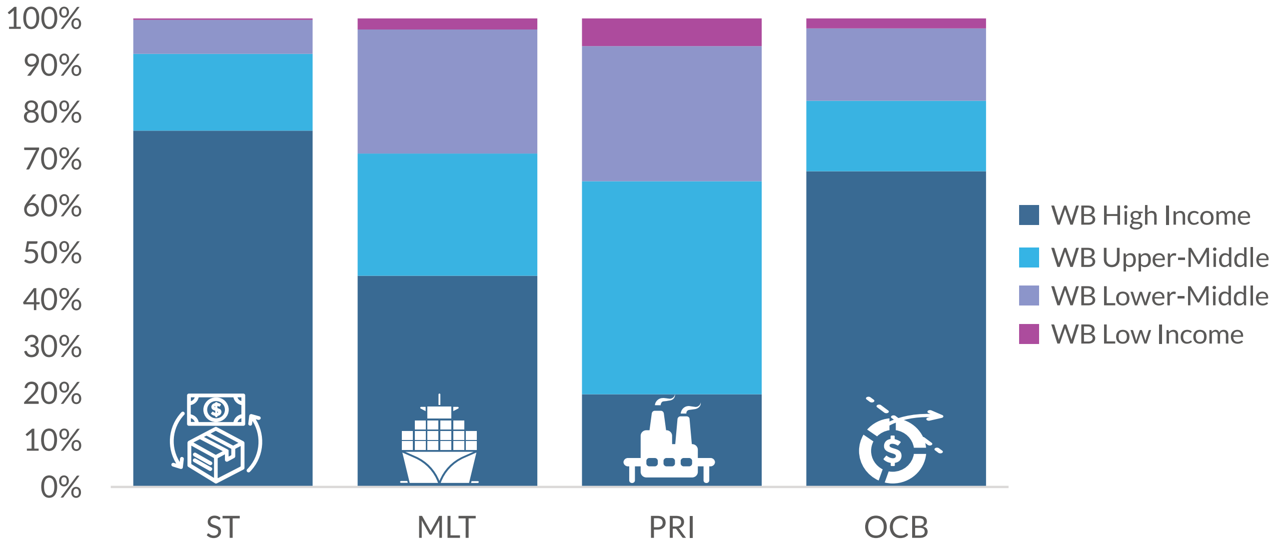
The above chart shows the regional differences in penetration of direct export credit insurance, ST export credit and MLT export credit, which varies between only around 6 % to almost 16 % of imports to countries in a region being covered by direct export credit insurance. This does not include PRI for investments or OCB support.

'LATAM & Caribbean' had the highest share of coverage of imports covered in 2020 with 15.4 % , followed by Europe (14.3 %) and Sub-Saharan Africa (14.0 %).

On the other end of the scale, countries in East Asia & Pacific only had 6.4 % of their imports covered by export credit insurance.

New Commitments by Country Income Category

Share of Total New Commitments By Country Income Level



[USD billions]

WB Income	ST	MLT	PRI	OCB
High income	1,384	46	10	14
Upper middle income	298	27	22	3
Lower middle income	132	27	14	3
Low income	6	2	3	0

The overall pattern of New Commitments across business lines is similar to the stock value of Outstanding Commitments.

ST export credit continues to be heavily focused in 'High income' and 'Upper middle income' countries which together count for 92 % of new cover, largely driven by the high usage of ST export credit in Europe. Despite generally being a business line of longer tenors, OCB support's distribution of new business is most similar with ST export credit with 'High income' and 'Upper middle income' countries making up 82 % of new business in 2020.

MLT export credit and PRI for foreign investments are generally more active in 'Lower middle income' (26 % and 29 % of new commitments in 2020, respectively) and 'Low income' (2 % and 6 % of new commitments in 2020, respectively).

It should be noted that the nature of the longer tenor business has a tendency to distort this kind of analysis when only looking at a single year, due to the significant capacity of one or two large projects to shift the balance one way or the other.

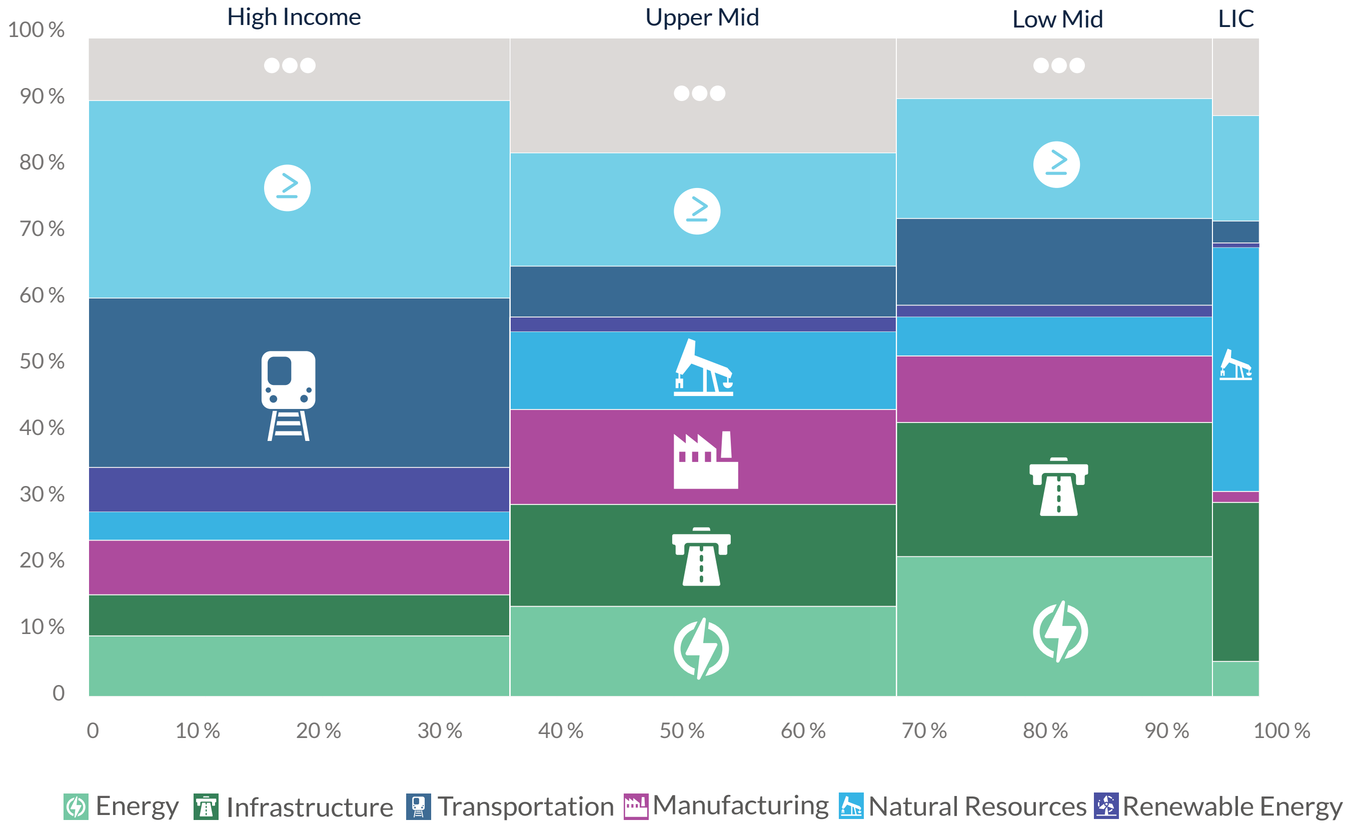
This is also true in 2020 where, for example, a single large LNG project in Mozambique is responsible for a sizeable proportion of new commitments in the 'Low income' country category.

The prevailing picture of new commitments' country income category distribution has a lot to do with the macroeconomic conditions affecting countries differently as well as the industries which are more dominant in countries of a certain country income category profile.

'High income' countries usually have quite developed infrastructure and energy systems as well as a developed national financial system, and as a result, longer tenor credit insurance is usually used for very large projects, especially in the 'Transportation' sector (26 % of new commitments).

Sector Distribution and Country Income Category

New MLT / PRI Commitments by Sector and Country Income Category
[MLT, PRI, 2020 FY, World Bank Country Income Category]



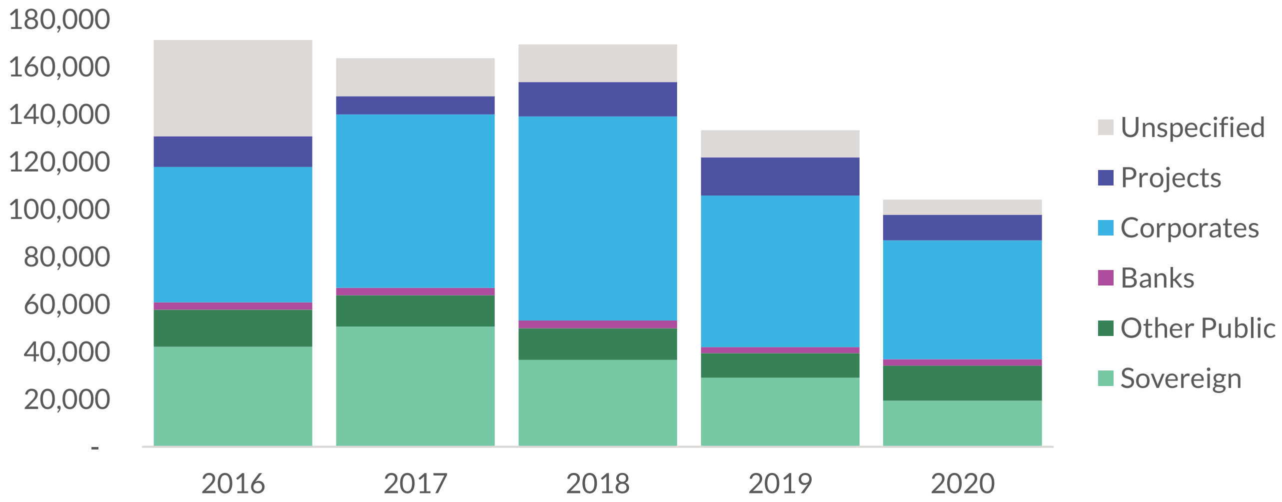
On the other end of the spectrum, 'Low income' countries are still developing and several of them have unused natural resources, meaning that credit insurance is generally more active in 'Natural resources' and 'Infrastructure' sectors (37 % and 24%, respectively). Noticeably, 'Renewable Energy' makes up a larger share of total new commitments the richer the countries are as it makes up 7 % in 'High income' countries and 1 % in 'Low income' countries.

[USD billions]

Sector	High	Upper-mid	Low-mid	Low
Energy	9% (5.2)	14% (6.7)	21% (8.8)	5% (0.3)
Infrastructure	6% (3.5)	15% (7.6)	20% (8.4)	24% (1.3)
Manufacturing	8% (4.6)	14% (7.1)	10% (4.2)	2% (0.1)
Natural resources	4% (2.4)	12% (5.8)	6% (2.5)	37% (2.0)
Renewable Energy	7% (3.8)	2% (1.1)	2% (0.7)	1% (0.04)
Transportation	26% (14.4)	8% (3.8)	13% (5.5)	3% (0.2)
Other/Multiple	30% (16.8)	17% (8.5)	18% (7.5)	16% (0.9)
Nonspecific	9% (5.3)	17% (8.6)	9% (3.8)	12% (0.6)

Obligor Distribution of New MLT Committments

New MLT Commitments by Obligor and Country Income Category
[MLT, 2020, USD million]



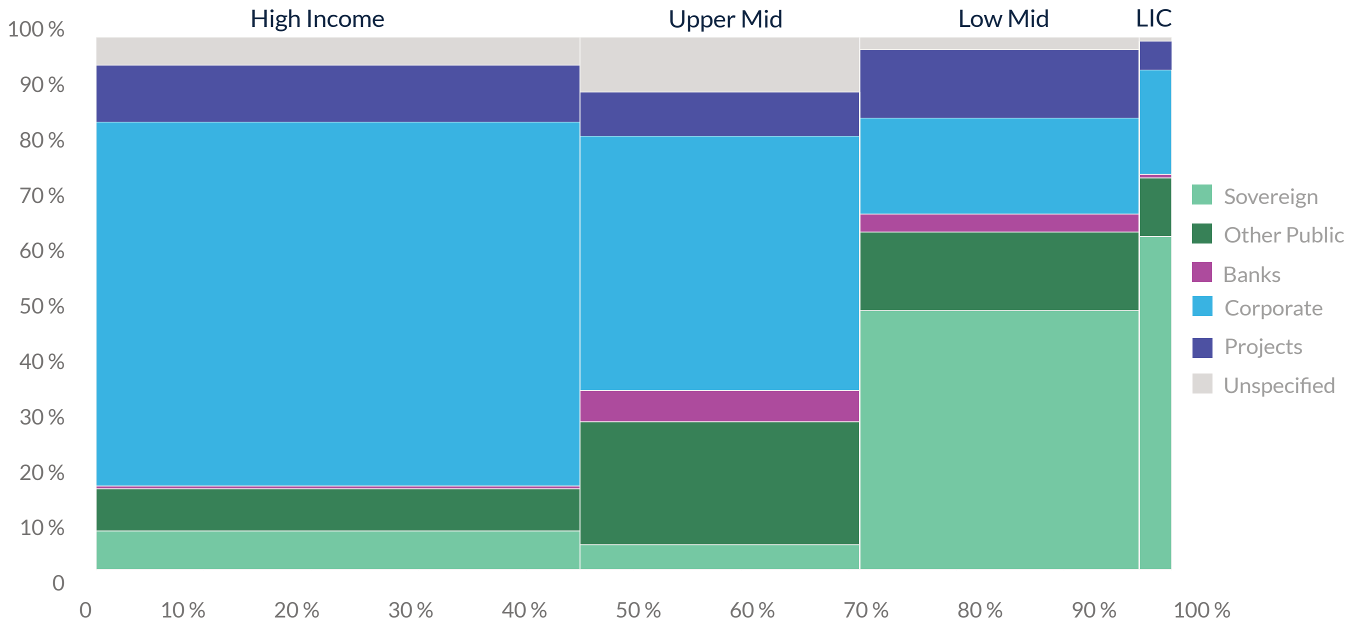
New MLT Commitments as a whole fell by 22 % in 2020. However, if we look at the distribution of business among different obligor types, the dynamics are a bit more varied.

Transactions with sovereign and sub-sovereign obligors fell by 13 % in 2020 and transactions with private corporate obligors, dropped by 24 %. At the same time, transactions with banks actually increased by 9 % in 2020 – even if these still have the smallest share of new commitments overall.

Wealthier countries generally see more business involving private corporate obligors, since companies operating in these countries often have better credit ratings, and more credible credit information available – in 'High income' countries 'corporates' make up almost 70 % of new business by obligor.

The converse is true in less wealthy countries where the majority of business involves sovereign or sub-sovereign obligors. In many low income countries these are the only entities capable of financing projects of the scale typically seen in MLT export credit transactions – projects with 'Sovereign' obligors make up more than 60 % of new business here.

New MLT Commitments by Obligor Type and Country Income [MLT, 2020]



§4

CLAIMS & RECOVERIES

Claims and Recoveries

Berne Union Members reported USD 8.8 bn in claims paid and non-performing loans (NPLs) during 2020 In the same period **they collected USD 2.1 bn in recoveries**.

This is composed of the following:

Claims / NPLs

- **USD 6.6 bn in export credit** (ST + MLT)
- **USD 1.5 bn** for **other cross-border credit**
- **USD 0.03 bn** for **investments**
- **USD 0.7 bn** for **domestic products** in support of export

Recoveries

- **USD 2.0 bn in export credit** (ST + MLT)
- **USD 0.01 bn** for **other cross-border credit**
- **USD 0.02 bn** for **investments**
- **USD 0.1 bn** for **domestic products** in support of export

Cross-border Business

	Claims / NPLs		Recoveries	
	% Total	**Volume** (USD m)	**% Total**	**Volume** (USD m)
Short Term Export Credit	38%	3,049	26%	538
Medium / Long-Term Export Credit	43%	3,516	72%	1,471
Political Risk Insurance	0%	26	1%	18
Other Cross-border Support	19%	1,524	0.4%	9

Domestic Business

	Claims / NPLs		Recoveries	
	% Total	**Volume** (USD m)	**% Total**	**Volume** (USD m)
Working Capital (Ins/G'tee/Loan)	10%	69	53%	57
Internationalization (Ins/G'tee/Loan)	2%	17	37%	39
Bond Insurance for Exporters and Banks	19%	139	10%	10
Sole Manufacturing Risk Cover	27%	197	-	-
Bonds issued by Member	42%	302	-	-
Cover for Pre-Paid Deliveries	0%	-	0.3%	0.3

As with previous sections, the focus of this report is on cross-border products and this is reflected in the following analysis.

The figures relating to domestic products included on this summary page are for reference only with respect to the overall business of Berne Union Members.

Claims in 2020, Compared to the Long-Term Trend

Members reported a total of USD 8.1 billion in claims paid / NPLs for all cross-border business in 2020 (ST, MLT, PRI and OCB). This is a 21 % increase compared to 2019 and comes after a relatively steady trend of claims paid increasing by around 3 % a year over the past five years.

The top chart on the right shows the total claims paid / NPLs since 2011, with a clearly increasing trend and notable leaps in 2015 and 2020.

However, looking only at the absolute volume of claims paid could give a misleading picture, since total commitments have also been increasing during the same period, and even with the rate of default remaining constant, we would expect to see an increase in absolute volumes of claims paid.

In order to get a better picture of the claims trend over time we should compare the ratio of claims paid to total exposure in each year.

2020 is a peak year for claims, but relatively benign compared with previous peaks

The bottom chart shows a rather smoother trend in the ratio of claims to outstanding commitments (Claims Ratio), but again with peaks around 2009 and 2015/16 as well as in 2020.

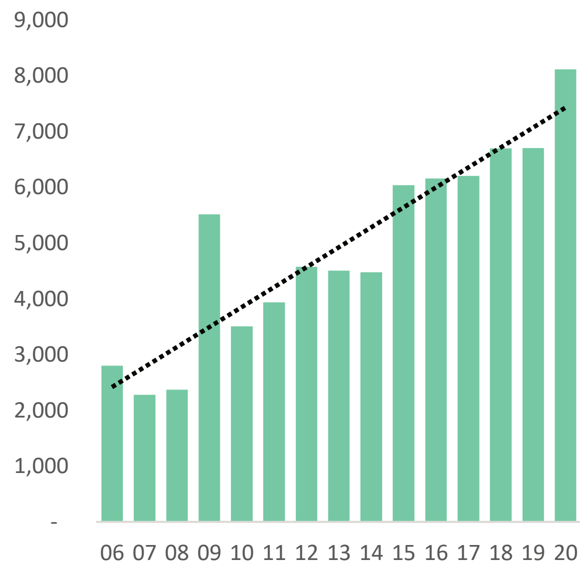
The increase in Claims Ratio in 2020 confirms a significant increase in the rate of default last year. However, the rise from 0.25 % in 2019 to 0.30 % in 2020 is smaller than that seen between 2014 and 2015 - corresponding to the '14/'15 commodity price crisis - and well below the peak in 2009, relating to the Global Financial Crisis.

It is notable that the Claims Ratio in 2019 was well below the average. This somewhat exaggerates the reality of the increase in 2020 and compared with the 0.27 % average over the past decade, 2020 is not far beyond reasonable fluctuation.

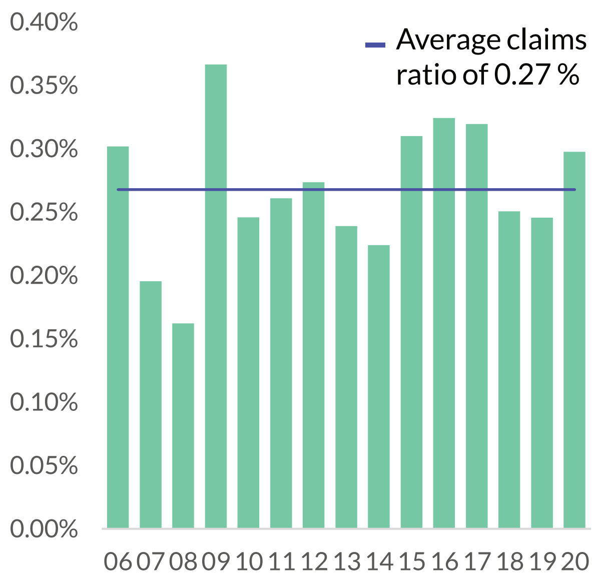
Interpreting the claims story relative to COVID-19 impact is not straightforward

The lack of any significant increase in ST and domestic claims paid, owes a lot to the high degree of government support in many countries. Conversely, a large part of the increase in MLT claims paid in 2020 is not in general attributable to COVID, but in many cases relates to pre-existing defaults, which have only now manifest as claims, due to the natural delay between default and indemnification.

Total Cross-Border Claims Paid / NPLs
[BU 2006 - 2020, USD m]



Ratio Total Claims / Exposure
[BU 2006 - 2020]



Accordingly, there are indications that a substantial share of COVID-19 related claims may not yet have emerged. The degree to which these may appear later depends on how the phase out of special measures of government support is handled, as well as the actions and risk appetite of creditors, and general economic conditions.

Claims Paid and Claims Ratio by Business Line and Institution Type

ST export credit and MLT export credit are equally the business lines which saw the largest claims paid in 2020 with USD 3.0 and 3.5 bn, respectively - around 80 % of all claims paid.

Contrary to expectations at the start of the pandemic, ST export credit did not record a large increase in claims paid, and in actual fact even fell slightly in 2020 (-1.2 %).

MLT export credit and other cross-border (OCB) support, however, saw a large increase, up 22 % in 2020, taken together. Political risk insurance (PRI) for foreign investments saw a continuation of the fall in claims paid since a peak in 2017-18 and actually fell to the lowest level since 2016 with only USD 26 million paid.

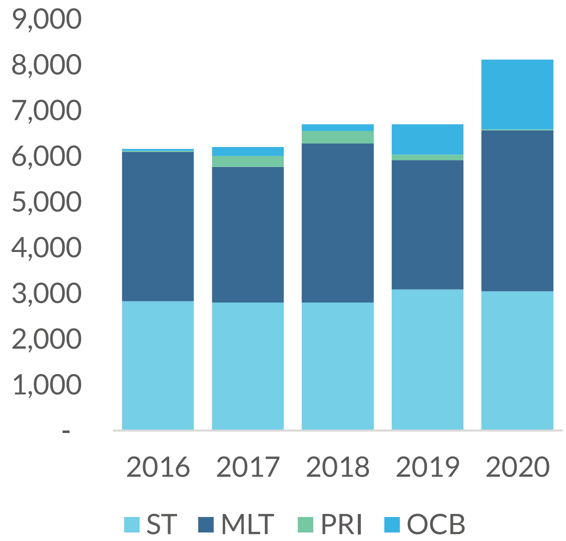
Due to their specific mandate to fill market gaps, as well as differences in the nature of underlying business, public insurers generally have higher claims ratios than their private counterparts. This is reflected in the 2020 data with public providers were responsible for 84 % of all claims paid.

Compared to the previous year, public insurers paid 35 % higher claims while private insurers actually saw their claims paid fall by 22 %. For the latter, note that private insurers paid an unusually high volume of claims in 2019 and 2020 was not really low compared to recent years.

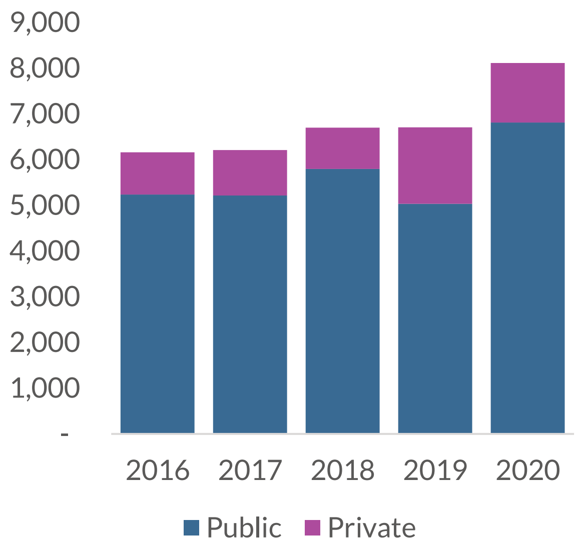
Public providers saw an increase in both their ST and MLT claims ratios with the MLT ratio being the highest level in the past five years. Private insurers' claims ratio for both ST and MLT export credit was essentially unchanged in 2020.

PRI claims ratio fell for both private and public insurers in 2020.

Ratio Total Claims / Exposure
[BU 2006 - 2020]



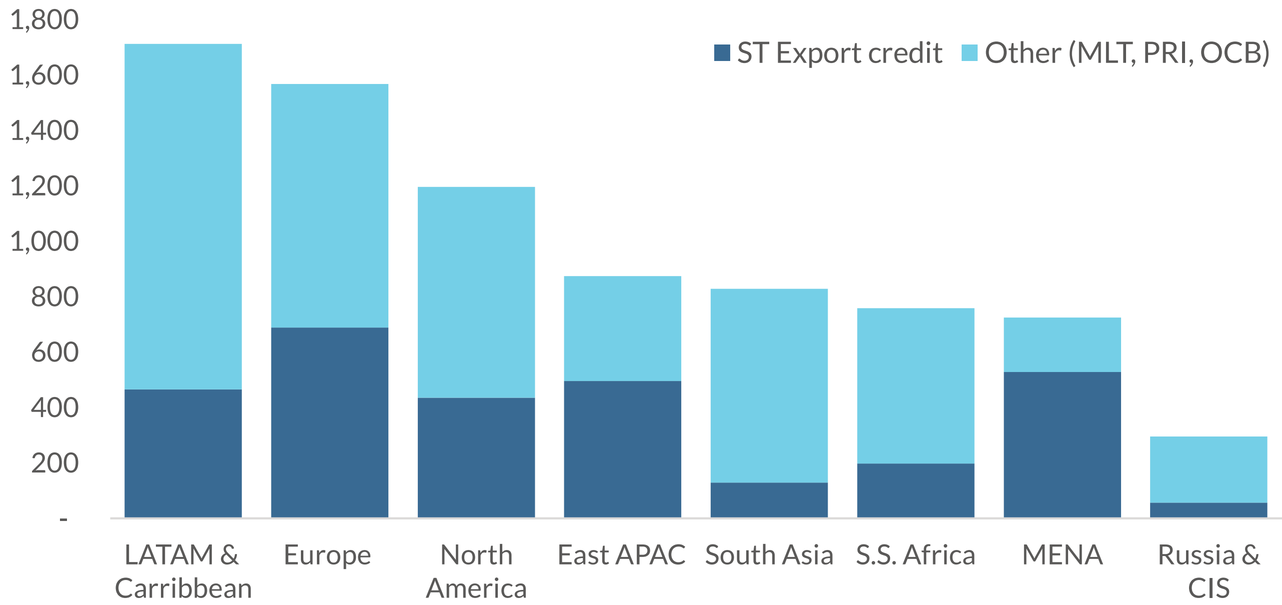
Ratio Total Claims / Exposure
[BU 2006 - 2020]



Business Line	Public		Private		Total	
	Claims Paid	Claims Ratio	Claims Paid	Claims Ratio	Claims Paid	Claims Ratio
ST Export Credit	1,107	0.09%	1,942	0.39%	3,049	0.17%
MLT Export Credit	173	0.43%	3,343	0.54%	3,516	0.53%
Political Risk Insurance	1	0.00%	25	0.02%	26	0.01%
OCB Credit	21	0.06%	1,503	2.12%	1,524	1.47%
Total	**1,303**	**0.09%**	**6,813**	**0.51%**	**8,115**	**0.30%**

Claims Paid by Geographic Region

Total Claims Paid by Region and Business Line
[2020 USD million]

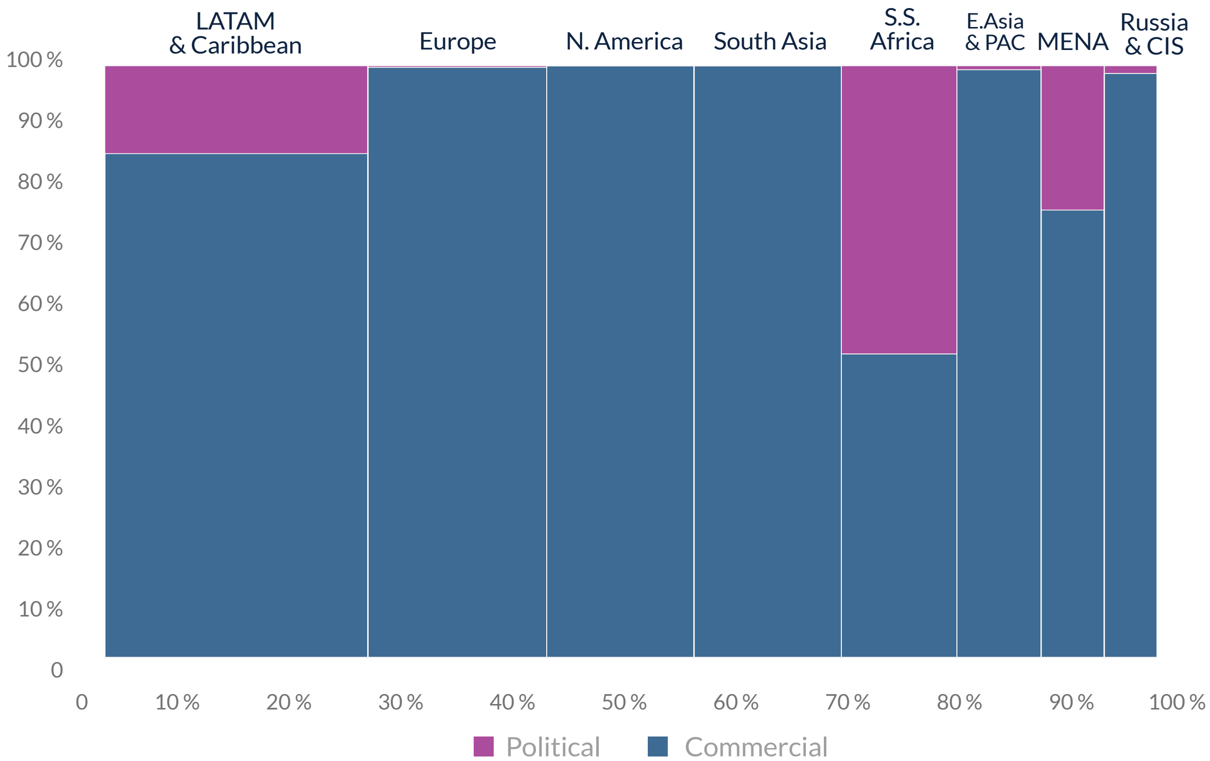


Despite a fall in claims paid of 13 % in 2020, 'LATAM & Caribbean' continues to be the region with most claims paid with around USD 1.7 billion, predominantly relating to MLT / OCB business. 'Europe' saw the second highest level of claims by region, with USD 1.6 bn claims paid, despite a fall of around 7 %.

'North America' is the last region with claims paid of more than USD 1 billion – USD 1.2 bn to be precise – and in contrast recorded a huge rise (+ 144 %) compared to last year.

Only 'East Asia & Pacific' and 'MENA' had more claims paid for ST than for MLT business lines.

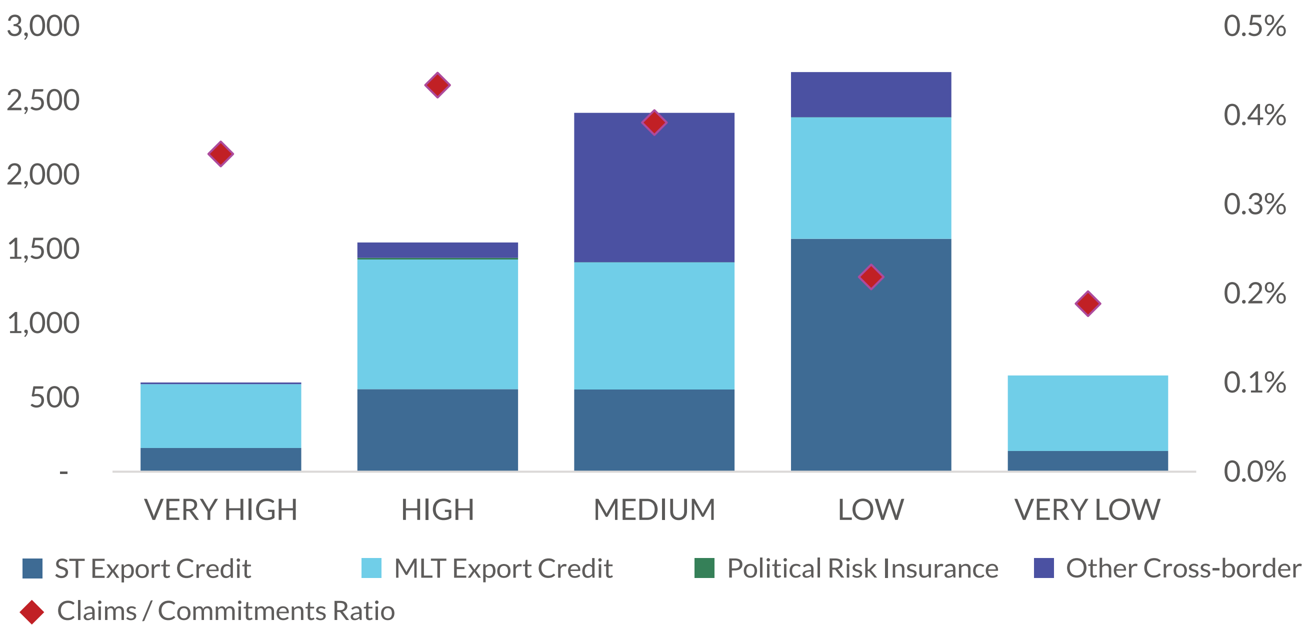
Claims Paid by Region and Claims Type (Commercial / Political)



For all regions, it is evident that the majority of claims paid are related to commercial risks with 'Sub-Saharan Africa', 'MENA' and 'LATAM & Caribbean' having slightly higher shares of claims paid relating to political risks compared to the other regions.

In 'Sub-Saharan Africa', claims paid relating to political risks made up almost 50 % of claims paid in the region due to high indemnifications in Zambia and Congo (Brazzaville) in particular.

Claims Paid and Claiims Ratio by Business Line and Country Risk Category
[USD million, Risk Category from countryrisk.io]



Most claims paid in 2020 were in countries categorised as 'Low risk' (USD 2.7 billion) by countryrisk.io, followed by 'Medium risk' countries (USD 2.4 billion) and 'High risk' countries (USD 1.5 billion). However, this does not provide a comprehensive picture of the actual risk level in these countries as 'Low risk' countries by far are the largest destinations for commitments.

Looking at the claims ratios instead, it is evident that countries with higher risk generally saw relatively more claims paid in 2020 with 'High risk' countries having a claims ratio of 0.43 % and 'Very low risk' countries having a claims ratio of 0.19 % - more than half the 'High risk' claims ratio.

Perhaps surprisingly, countries categorised as 'Very low' and 'High risk' saw the largest increase in their claims ratios (+ 0.11 %-points), while 'Medium risk' countries saw a drop in their claims ratio of 0.06 %-points.

Top Markets for Claims Paid / NPLs in 2020, by Continent and Country

[All figures in the tables are in USD millions]

Short Term Export Credit Insurance Claims (USD 3,049m / 38%)

AFRICA	(267)	(9%)	AMERICAS	(900)	(30%)	ASIA & OCEANIA	(1,036)	(35%)	EUROPE	(793)	(26%)
Mauritius	34	13%	United States	381	42%	U.A.E.	182	18%	Italy	114	14%
Algeria	29	11%	Cuba	114	13%	China	142	14%	Germany	108	14%
South Africa	28	11%	Brazil	85	9%	Saudi Arabia	106	10%	United Kingdom	97	12%
Ghana	24	9%	Mexico	61	7%	India	82	8%	Malta	62	8%
Egypt	18	7%	Canada	54	6%	Hong Kong	76	7%	France	57	7%
NEXT 5	59	22%	NEXT 5	125	14%	NEXT 5	201	19%	NEXT 5	178	22%
REST	74	28%	REST	80	9%	REST	246	24%	REST	177	22%

MLT and OCB Commercial Claims (USD 4,545 m / 56%)

AFRICA	(269)	(6%)	AMERICAS	(1,863)	(42%)	ASIA & OCEANIA	(1,219)	(27%)	EUROPE	(1,091)	(25%)
Tanzania	60	22%	Bermuda	354	19%	India	692	57%	Turkey	480	44%
South Africa	57	21%	Mexico	242	13%	Australia	83	7%	Russia	139	13%
Nigeria	50	19%	United States	229	12%	Philippines	78	6%	Norway	99	9%
Sudan	22	8%	Brazil	215	12%	U.A.E.	76	6%	Spain	89	8%
Botswana	19	7%	Canada	178	10%	Viet nam	68	6%	Ireland	34	3%
NEXT 5	43	16%	NEXT 5	584	31%	NEXT 5	152	12%	NEXT 5	139	13%
REST	17	6%	REST	60	3%	REST	71	6%	REST	112	10%

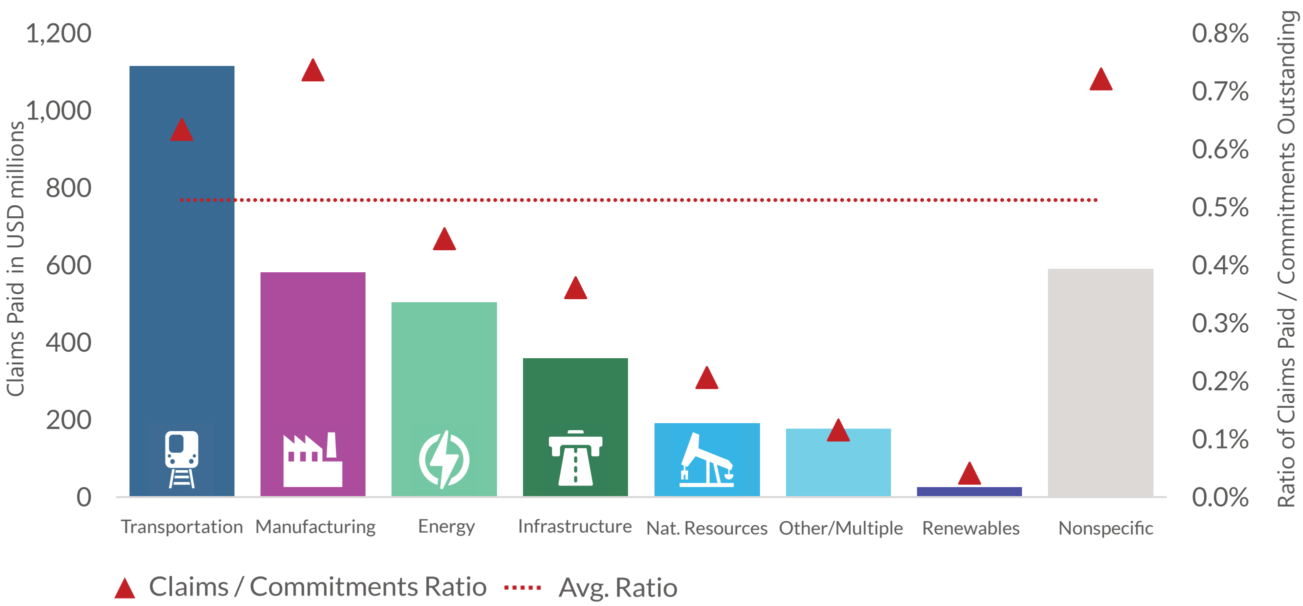
MLT and PRI Political Claims (USD 520m / 6%)

AFRICA	(365)	(70%)	AMERICAS	(145)	(28%)	ASIA & OCEANIA	(6)	(1%)	EUROPE	(4)	(1%)
Zambia	130	35%	Venezuela	84	57%	Iran	3	47%	Azerbaijan	3	89%
Congo (Brazzaville)	78	21%	Cuba	28	19%	Singapore	2	36%	Turkey	0.4	11%
Djibouti	58	16%	Suriname	17	11%	Malaysia	0.4	6%			
Ethiopia	32	9%	Nicaragua	13	9%	Saudi Arabia	0.3	4%			
Zimbabwe	29	8%	Argentina	3	2%	China	0.2	3%			
REST	38	10%	REST	2	1%	REST	0.2	3%			

Claims Paid by Sector, 2020

Sectoral data on claims paid is only available for MLT export credit and PRI for foreign investments. The chart below shows the total volume of MLT and PRI claims paid by sector. The secondary axis gives the ratio of claims paid / commitments outstanding. The dashed line represents the claims / commitments ratio for the entire portfolio. This gives a rough representation of the relative volume of claims amongst the named sectors.

Claims Paid and Claims Ratio by Sector
[2020, USDm & %]



Perhaps unsurprisingly, the Transportation sector had most claims paid in 2020 with USD 1.1 billion in total.

For the same period in 2019, claims paid relating to Transportation totalled only USD 0.6 billion, meaning that the absolute amount almost doubled from 2019 to 2020.

The Manufacturing sector saw the second largest volume of claims paid, albeit much lower, at around half the amount (USD 0.6 billion) and with "only" a 20 % increase year-on-year.

At the other end of the spectrum, transactions linked to 'Renewable Energy' had the lowest amount of claims paid, at USD 26 million. Although Renewable Energy accounts for a relatively small portion of the total exposure of Berne Union Members, the claims ratio suggests the business which is underwritten is also quite low-risk in comparison to some of the other sectors.

Looking at the overall picture, Claims Ratios varied significantly in 2020, with 'Manufacturing' showing the highest rate of default at 0.74 % while 'Renewable Energy', was lowest at just 0.04 %.

The average claims ratio was 0.51 %, a slight jump from the previous year, with most named sectors having a claims ratio below the average.

Recoveries collected in 2020

Recoveries in 2020 were considerably lower than the previous year, down 31 % to just over USD 2 bn, and well below average for the past 5 years. The decline was recorded fairly evenly across all business lines, including for both political and commercial recoveries – political recoveries fell by 33 % compared to a fall of 24 % for commercial recoveries.

Since most recoveries were reported for MLT business, it is not surprising that the vast majority of these (around 90 %) were collected by public providers, mainly ECAs.

Members benefit from a range of multilateral and bilateral rescheduling agreements which have a broad positive impact on the recovery of political claims. In 2020, however, the Debt Service Suspension Initiative (DSSI), while an important and beneficial measure, may have delivered a negative impact on the overall volume of recoveries.

Looking at MLT recoveries by sector

The majority here were reported under 'Nonspecific' sector (USD 619 million) which also showed the highest recovery ratio** (recoveries collected as a % of outstanding claims).

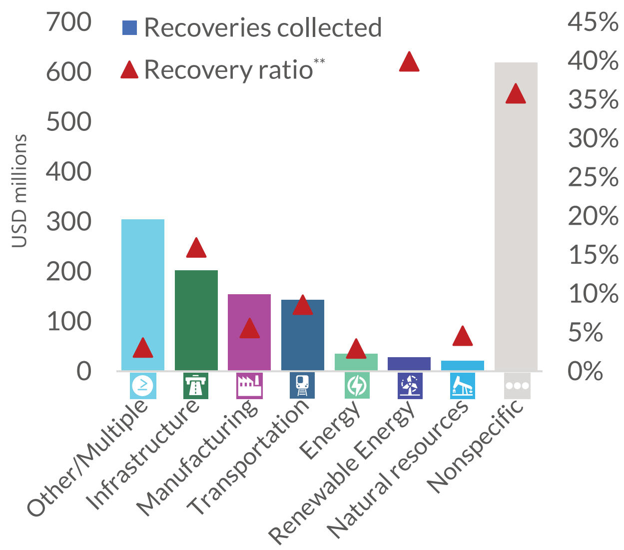
For the named sectors 'Other/Multiple' saw most recoveries in 2020 with USD 303 million, followed by 'Infrastructure', 'Manufacturing' and 'Transportation', all of which saw recoveries over USD 100 million in 2020.

Of the named sectors with a significant volume of recoveries, 'Infrastructure' had a relatively high recovery ratio (16 %) while transactions relating to 'Renewable Energy' had an impressive recovery ratio of 40 %, meaning that 40 % of outstanding claims in end-2019 were recovered during 2020.

The low claims ratio and high recovery ratio calculated for Renewable Energy transactions is indicative of a healthy and growing sector which enjoys a high degree of government support, as well as the fact that the largest portion of these projects are located in highly developed and wealthy countries. However, the relatively small business volumes involved mean that the figures are subject to larger swings than much of the rest of the data.

Total Recoveries Collected 2015 -2019
[ST/Other, USDm]

Sector Share of MLT Recoveries
[2019, o/multiple and nonspecific not shown]



**Recovery Ratio = Recoveries at T / Claims Outstanding at T-1

There is also a caveat to the sector data for recoveries, in that a significant amount of claims outstanding are not classified by sectors and this may potentially inflate the calculated recovery ratio.

About Berne Union Data

About The Berne Union

The International Union of Credit and Investment Insurers (Berne Union) is an international not-for-profit association, representing the global export credit and investment insurance industry.

Export credit insurance is a vital instrument in support of international trade. It indemnifies exporters and financing banks against the risk of non-payment due to commercial credit risks (buyer default) and political risks (currency inconvertibility; political violence; confiscation or expropriation of foreign assets). As a through-the-cycle risk-mitigation tool, credit insurance is designed to support trade through both benign and challenging environments, by helping to manage risk and liquidity for exporters.

Berne Union Members include government-backed export credit agencies, private credit and political risk insurers and multilateral institutions from across the globe who provide direct and indirect support for international trade and cross-border investments, through insurance, guarantees and various direct financing instruments.

Collectively, members provide payment risk protection for approximately 13% of world annual cross-border trade in goods and services (amounting to USD 2.5 trillion in 2020) and since the start of the global financial crisis in 2008, have paid out more than USD 70 billion in claims.

The mission of the Berne Union is to actively facilitate cross-border trade by supporting international acceptance of sound principles in export credit and foreign investment. We do this by providing a forum for professional exchange, sharing of expertise and networking among members, as well as through engagement in collaborative projects with other stakeholders from across the wider trade finance industry.

About This Report

The Berne Union holds by far the most comprehensive data set on the business of export credit and investment insurance. We collect detailed information on risk exposure, commitments, claims, recoveries, premium income and reinsurance, by provider, business line, country, sector and by obligor type.

Our global membership includes the largest and most active national export credit agencies, as well as the largest commercial credit and political risk insurance providers, who collectively account for the vast majority of export credit insurance activity globally. Members submit data on their business activities twice annually, covering activity up to the end of the second quarter, and for the full year. While we hold industry data dating back to the 1980s, detailed reports, per individual country are available from 2005 onward.

In compiling this report, our objective is to provide insight into the top-level trends relevant to our industry and to create a useful reference resource for our business partners and the wider community of international trade. The analysis is conducted by the Berne Union Secretariat, with the objective of providing an impartial perspective across the whole industry. Any observations made should not be interpreted as representing the view of the Berne Union membership either collectively or individually.

All reporting is subject to errors, and while we make every effort to ensure the accuracy of the information presented here, no individual figure is guaranteed.

This report was researched and compiled by Jonathan Steenberg and Paul Heaney of the Berne Union Secretariat.

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