



14 August 2024

IACPM and RMI
Credit Portfolio Management Workshop

Credit and Political Risk
Insurance (CPRI) - Latest
Developments and Approaches



Protecting
your world



Credit and Political Risk Insurance Panellists

Speakers



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Moderator



Edward Cheak

Head of Credit and Political Risk Insurance, Asia

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Underwriters – Providers of Cover

Banks – Procurer of Cover

Broker – Facilitator of Cover

Overview of Credit and Political Risk Insurance (CPRI)



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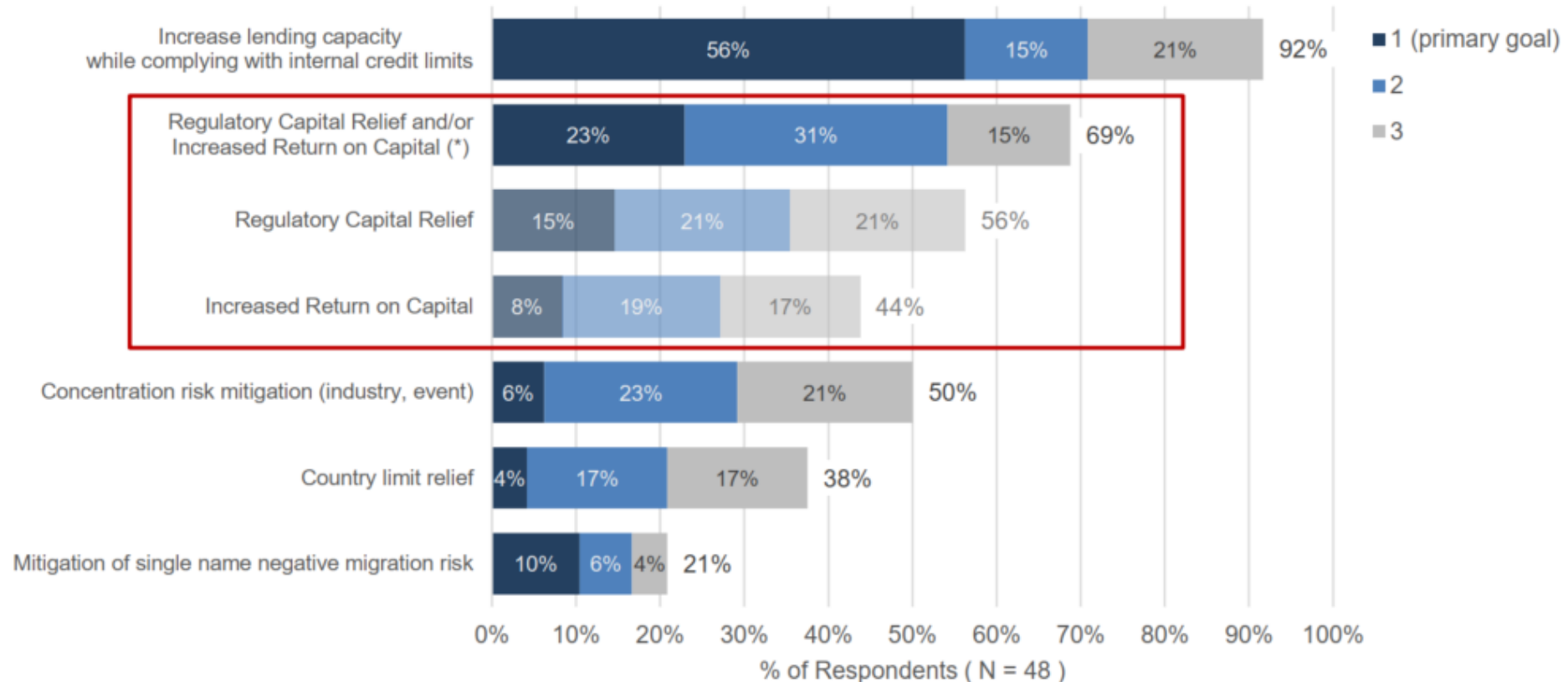
Question - Banks use Credit Insurance to:

1. Do the deals they wouldn't normally do
2. Increase lending capacity – Credit Limit Relief
3. Capital Relief
4. Concentration Limit Relief

<https://app.sli.do/event/2nUBGbnurpzKhmd6dxuySp/embed/polls/05d403e6-6094-438c-aadd-f85b874633c0>

What do banks use CPRI for and how do they benefit from the product?

Top 3 Goals for Using CPRI : Unchanged to prior years, firms globally are using CPRI solutions primarily to increase lending capacity



(*) Total of responses to "Regulatory Capital Relief" and "Increased Return on Capital". To avoid double-counting, percentages reflect only one Capital related ranking per firm, e.g., if a firm ranked "Regulatory Capital Relief" 1st and "Increased Return on Capital" 2nd, the total only reflects Rank 1 for "Regulatory Capital Relief".
 Source: IACPM / ITFA Credit and Political Risk Insurance Survey 2023
 Question: What are your top 3 goals when using CPRI for any of the asset classes indicated above? Please rank from 1 (primary goal) to 3. (Q17)

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Question - Credit Insurance cannot be used for most banking products.

True or False?

<https://app.sli.do/event/2nUBGbnurpzKhmd6dxuySp/embed/polls/08425af8-0ae5-4c76-a313-04a15c5405b5>

CRI Market: Eligible Transaction Structures



Financial Institutions

Bank-to-bank term loans, DPRs, Subscription/ Capital Calls & NAV Facilities



Project Finance

Non-recourse financing including Renewables, Oil & Gas, Infrastructure, etc. with tenors up to 20 years



Structured Commodity & Export Finance

RBLs, PXFs, Borrowing Base Facilities. Down-payment and buyer credit financing relating to exports



Asset Finance

Commercial loans including pre-delivery financing and selected secured Aircraft Financing, PPPs, Shipping/ FPSOs, Real Estate, etc.



Corporates

Term loans, RCFs, Promissory Notes



Sovereigns

MOF Facilities, Government Guaranteed Projects, SOEs



Transactional Banking & Trade Finance

Documentary Credits, Performance Guarantees, Trade Loans, Receivables and Supply Chain Finance



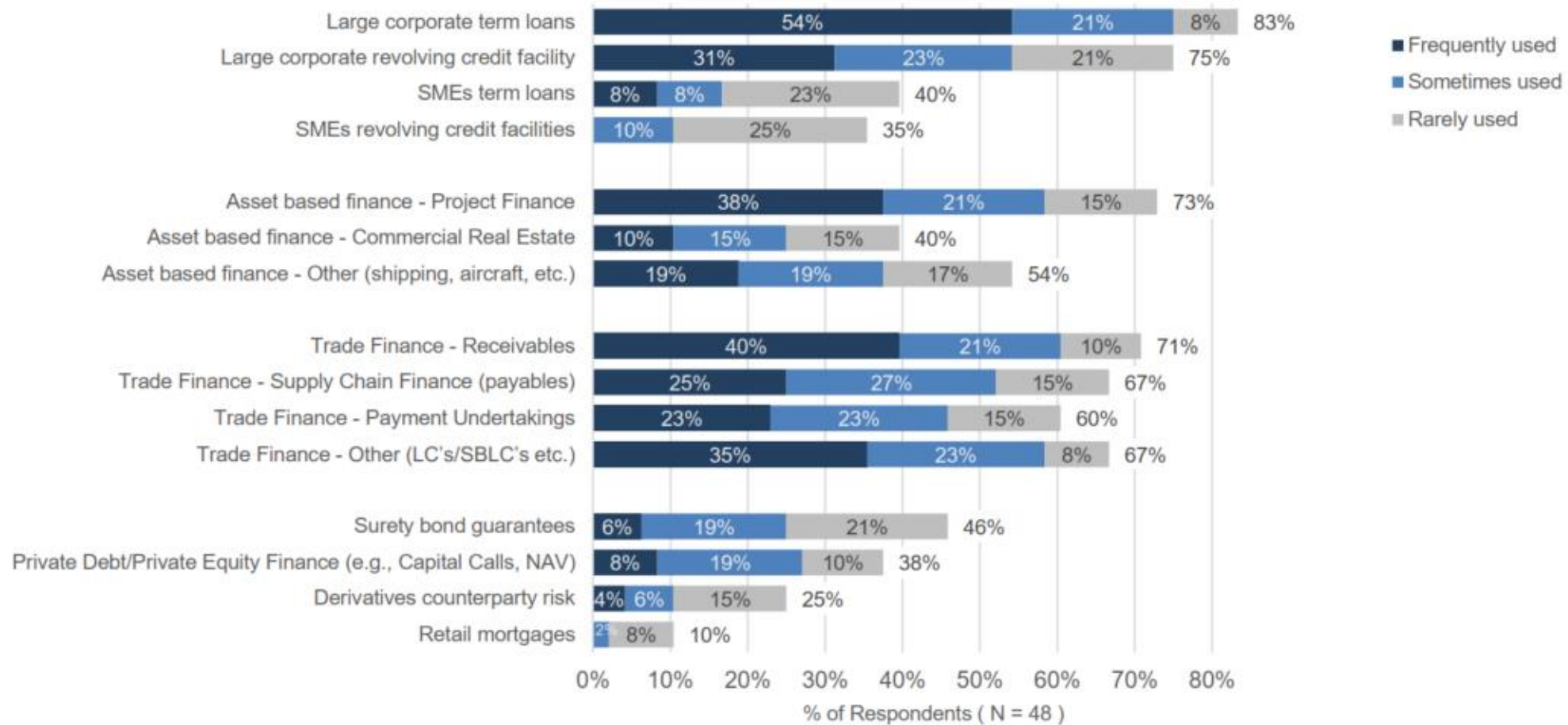
Derivatives / Repurchase Agreements

Structuring insurance around ISDAs & GMRA to cover Repos counterparty risk on Interest Rate, FX, Commodity, Inflation and other Swaps



Asset Classes that can be Covered?

Asset Classes Protected by CPRI get more diversified



Source: IACPM / ITFA Credit and Political Risk Insurance Survey 2023 | Question: For which of the following asset classes has your bank used CPRI over the past 1-2 years, including today? Please weight frequency relative to your bank's lending volumes and proportion of overall insured portfolio. (Q16)

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Question – Credit Insurers do not pay claims.

True or False?

<https://app.sli.do/event/2nUBGbnurpzKhmd6dxuySp/embed/polls/6a57e462-c743-46ce-ac9c-74bb5046a1b2>

CPRI Market Claims Statistics: 2023 Calendar Year.

	2007-2017	2018	2019	2020	2021	2022	2023
Number of Claims	436	50	34	58	140	190	227
Amount Claimed (USD m)	2,688	501	232	332	1,010	530	537
Amount Paid (USD m)	2,567	501	232	332	1,010	530	537
Amount Paid (%)	95.50%	100%	100%	100%	100%	100%	100%
Compromised Claims	15*	NIL	NIL	NIL	NIL	NIL	NIL

**100% of the disputes arose from non-fulfilment by the insured of an obligation or term under the policy which is within the Insured's control. Of the compromised claims, 44% of the amount claimed was still paid as a result of settlements.*

Source for 2007 - 2020 figures: Lloyd's Market Association/LIIBA annual claims data survey. Single risk CRI insurance placed by brokers: claims made by regulated financial entities.

Source for 2021 figures: Compilation of claims data from broad representation of CPRI market insurance brokers and five company market insurers.

Source for 2022 & 2023 figures: As for 2021 with two additional insurers totalling 15 submitting entities

“ Q&A ”

Thank you

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