The Midlands World Trade Forum together with Black Country and Birmingham Chambers of Commerce and Business Voice WM invited local businesses to a breakfast event with Q&A session on Export Credit Insurance on Friday 2 October. The panel included Steve Dodgson, Business Group Director from ECGD, Adrian Bailey MP and representatives from the insurance and banking sectors.

The following is a summary from one of the delegates, who attended, which we would like to submit in evidence. The company, is a leader in their field manufacturing metal spraying equipment with an export turnover representing 70% of their total business.

Over the last year I have taken every opportunity open to me to draw attention to this problem in the hope that the government and the credit insurance industry could somehow get together and find some sort of "fix" to sort out the problem that currently exists. It seems to me that the current export insurance model is broken and we urgently need both a short term fix to protect businesses that are basically sound and profitable but find themselves exposed and vulnerable at this time, and also a long term fix that is sustainable without the need for government participation and which give the policy holder, confidence that the insurance industry will react in a sensible way to increased risk rather than just hiding when the going gets tough.

The recent actions taken by the insurance industry are survival actions brought on by its own extreme commercial distress rather than the rational actions we would expect of a mature and confident industry.

What I find so frustrating is that the message from the government is essentially still that "we are listening but cannot do much because of EU rules". I also heard today that government intervention is particularly difficult at this stage because we are at the riskiest point in the cycle and it wouldn't do to risk too much of the taxpayers money; so it now seems to be official HMG policy to shut the stable door after the horse has bolted!

<u>Three questions therefore need to be asked:</u>
If the government is able to help a broken banking sector by intervening directly, why can't it help the insurance sector?
If EU rules are a problem then why don't we hear our government or MEPs lobbying the EU to urgently find a fix on a pan European basis?
Why hasn't our government applied for an EU dispensation as has France and several other EU members?

My Suggestion

With hindsight we can all now see that the current insurance market problems were caused by over aggressive under pricing of risk by the various global insurers in just the same way that the banking industry got itself into difficulties. What I would like to see is the government (or EU) working in the short term with the insurers to provide some joint under-writing such that the insurers could continue offering credit limits (maybe lower than hitherto) rather than taking a blanket approach of total withdrawal in some territories and/or commercial sectors. This solution would result in the increased risk being shared by the policy holder, the insurer and the government. At present the policy holder ends up holding all the risk when the credit limit is arbitrarily withdrawn in full. The government has essentially tried to take this approach in the top-up scheme available on intra UK credit, although it doesn't apply where credit limits have been withdrawn totally, so there is a precedent.

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