

Coronavirus pandemic: Euler Hermes Germany participates in protective shield for German companies and suppliers

- German Credit insurers and the German Federal Government reach a joint, far-reaching agreement to protect German companies and their supply chains in times of the Coronavirus
- The protective shield is a joint measure for German companies: It is intended to ensure that previously healthy companies continue to have access to sufficient credit limits despite the considerable increase in default risks
- The German Federal Government will guarantee compensation payments by credit insurers to the value of EUR 30 billion
- Credit insurers make a substantial contribution to the German economy: They will transfer 65% of total premiums to the government this year, cover losses worth up to EUR 500 million and bear the default risks in excess of the government guarantee of EUR 30 billion
- German credit insurers cover default risks worth more than EUR 400 billion, of which Euler Hermes, the market leader, covers close to half

Hamburg, 16 April 2020 - The continuing spread of the coronavirus pandemic is putting more and more German companies - even those that were previously healthy - under considerable pressure. In order to protect these companies and their supply chains, the German Federal Government and private credit insurers in the German Insurance Association (GDV) today agreed on a far-reaching protective shield for German companies: This is intended to ensure that the German trade credit insurers will be able to maintain most of the existing cover commitments and even take on new ones.

The agreement specifically provides that the German Federal Government will guarantee compensation payments by credit insurers to the value of EUR 30 billion (bn) until the end of the year to cover business transactions of German companies with their domestic and foreign buyers.

The credit insurers also make a substantial own contribution to this protective shield for the German economy: they transfer 65% of the premium income to the German Federal Government and bear losses in the amount of EUR 500 million as well as the default risks exceeding the guarantee of the Federal Government of EUR 30 billion.

Exceptional times - exceptional measures: Cover commitments despite rising risks

"Exceptional times call for exceptional measures," says Ron van het Hof, CEO of Euler Hermes in Germany, Austria and Switzerland. "We are at a turning point for the German economy. And we are there for our clients in these times. We joined forces with the German government at a very early stage to support German companies in these difficult times. This is particularly important for the many SMEs in Germany. We

must ensure that previously healthy companies continue to have sufficient room for manoeuvre and that supply chains are maintained wherever possible. The primary goal is to stabilize confidence in trade. It is the backbone of the economy. The agreement we have now reached enables us to maintain our cover for precisely these previously healthy companies, prevent chain reactions and thus make an important contribution to the German economy and companies".

In 2019, the private credit insurers had cover commitments from German companies in an amount of more than EUR 400 billion. The market leader Euler Hermes accounted for close to half of the insured receivables from goods and services in Germany.

If a buyer defaults on payment, the credit insurer covers the financial loss. In this respect, especially in difficult situations such as the current coronavirus pandemic, this protection is the basis for stable supply chains and trust in trade. This is particularly important for the many SMEs in Germany.

Among other things, the cover commitments ("credit limits") of the credit insurers in Germany protect around 15% of German exports according to GDV estimates and thus contribute significantly to the security of the German export industry.

Protective shield joint measure to protect previously well positioned companies

Companies that already had financial problems before the pandemic are not covered by the agreement now reached between credit insurers and the German federal government. The decision on credit limits is made by Euler Hermes. As usual, this is done on the basis of an individual assessment in which numerous other factors play a role in addition to creditworthiness.

"The protective shield for German companies agreed with the German Federal Government is a joint measure to explicitly protect previously well-positioned companies in these difficult times," says Van het Hof. "It enables us to maintain the majority of our cover commitments and even take on new ones. For some companies, however, Corona does not act as a primary cause, but rather as a catalyst for existing financial problems. For these companies there is no general free pass. However, the detailed analysis is carried out individually for each company - that is exactly what our expertise is."

Euler Hermes' more than 1,600 risk analysts worldwide assess the creditworthiness of 80 million companies worldwide every day, more than three million of them in Germany alone.

This analysis is carried out individually for each company. In addition to individual financial indicators such as creditworthiness, debt, liquidity or cash flow, it also takes into account country and sector risks, as well as factors such as market position, diversification, sales markets, management, strategy or unique selling propositions.

If economic parameters change, as is now the case with Covid19, this can lead to adjustments in the risk assessment, but does not necessarily have to be the case. It is part of the daily business of a credit insurer to adjust limits - upwards and downwards. Euler Hermes always seeks a close dialogue with its clients and partners, their customers and other stakeholders - also in times of a coronavirus pandemic.

However, a negative economic development affecting all sectors of industry and all countries, and the associated sharp deterioration in the creditworthiness of companies, can have a signal effect and ultimately lead to suppliers no longer being able to supply the companies affected. This can now be avoided in major parts.

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