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USE REAL-TIME INTELLIGENCE TO ALLEVIATE THE TRADE CREDIT RISKS OF BREXIT

INDUSTRY VIEW

Nothing could be more certain at the moment than that we face uncertainty. The outcomes of the UK's exit from the EU will affect every one of us and for businesses, frustratingly, there is a limit to what can be done in the short term.

Trade must go on

Alarm bells are ringing across the insurance industry as the outlook for trade credit risk becomes more and more difficult to predict, and the Association of British Insurers has said that 'a no deal Brexit is an unforgivable act of economic and social self-harm'.

At the end of January, trade credit insurer Euler Hermes published its latest annual insolvencies report, which indicated that the UK would 'remain highly vulnerable to a disorderly Brexit'. The company believes there will be a sharp rise in the number of UK business failures in 2019, regardless of whether a Brexit deal is agreed before the March 29 deadline and in an article in GTR, Ana Boata, the company's European economist said: "Overall, the prolonged high Brexit uncertainty has significantly reduced the pockets of resilience in the economy."

Other insurers agree, with Coface saying the magnitude of the slowdown in growth in 2019 will depend on the final outcomes of Brexit and Atradius, in its January economic update saying: "GDP growth is forecast to rise to 1.7% in 2019, from a historically low growth of 1.3% in 2018. However, this outlook is subject to uncertainty as it is based on the assumption of a smooth Brexit, including a transition agreement."

UK businesses, however, still have to trade, and unless they take the plunge, up-sticks and move overseas, which in itself is a risk, consideration needs to be given to how they can protect themselves amidst the uncertainty.

Planning ahead

Caution is the best approach. Against the backdrop of expected increased failures and the growing demand for domestic and export credit insurance, it's reasonable to expect that rates will increase, so companies need to factor this into their calculations.

This goes for receivables finance too, where the demand for non-recourse factoring is likely to increase as an outcome of Brexit uncertainty.

> *GDP growth forecasted to rise to 1.7% in 2019*

It makes sense for companies to seek the comfort and protection of insurance when they could be faced with the possibility of non-payment of invoices in established markets and new markets at any time but especially now, when future trading conditions are so unclear. After all, the supply chain is only as good as its weakest link and this may not be visible to the seller.

It is important to remember that whilst UK traders are at the mercy of the sterling exchange rate, those that export and import have been embracing globalization with increasing success for years. Many already have processes in place to manage sharp increases in costs and duty and changes to trading regulations. Because exporting is not like turning on a tap, they are prepared to continually assess their positions as they invest in developing markets or consolidate existing ones.

Getting Power from Intelligence

The key to keeping these assessments rooted in reality is intelligence.

Insurers and receivables financiers cannot expect to make informed decisions about their level of exposure if they don't have good aggregation management systems in place that deliver a complete picture, and the same goes for businesses. Insight into the complete financial ecosystem of a market or a geography can be a hugely powerful tool when it comes to making important decisions about the levels of credit that should be offered.

Turning to software solutions that can deliver the level of in-depth intelligence needed to calculate risk in relation to every division, company, sector and country where an organization has exposure is a good counter-measure for the uncertainties of Brexit.

In addition, having a full financial picture delivered in real-time mitigates against the risk of different stakeholders using different systems that don't talk to each other. In many industries buyers, banks, receivables finance companies, credit insurers and suppliers use widely disparate financial solutions that cannot communicate. This increases exposure to risk because the entire portfolio can so easily be miscalculated or misunderstood.

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Of course, whilst leveraging dedicated intelligence platforms will transform processes, they should not be viewed as just a quick Brexit-busting approach. Trade credit management solutions will impact not just the finance department, but all operational areas, and these changes need to be part of a strategy to protect the broader business.

The net result is that projects planned now, when we are unsure of the Brexit-effect, and later when the dust has settled, will be based on accurate intelligence and this will ensure that risk is managed within the

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particular parameters that suit the organization, regardless of the external economic situation.

About Tinubu

Tinubu is the business facilitator and exchange enabler that delivers fluidity and simplicity to the insurance industry by using the strength of collective performance.

Our company is an alliance of technology software and insurance expertise offering the best combination to its clients. It covers the entire value chain of credit insurance & surety with one end-to-end platform, connecting every part of your business with one digital highway.

Established in 2000 and headquartered in Paris, France, Tinubu is an independent software provider and employs 170 people, located in Paris, London, New York, Orlando, Singapore, and Montreal. Its clients represent 30 of the top 60 Credit & Surety underwriters worldwide.

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