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ICISA
INTERNATIONAL CREDIT INSURANCE & SURETY ASSOCIATION

Overview of international Covid19-related policy developments

The following list is intended to provide key information on policy developments from domestic, international and supranational authorities in response to the Covid-19 pandemic. The information contained in this document is indicative and based on publicly available information as of 21 September 2020.

European Council / Council of Europe

The EU (via the European Council and Council of Europe) announced on 10 April 2020 that agreement had been reached on a package of economic relief and support measures worth over €500 billion available across the EU. The package, which functions through the European Stability Mechanism (ESM), the European Investment Bank (EIB), and the newly established Comission-led "Support to mitigate Unemployment Risks in an Emergency" (SURE) programme, respectively, aims to provide short term relief to member state economies, while also trying to build resiliency across the single market.

European Commission

The European Commission adopted a Temporary Framework on 19 March 2020 for state aid measures member states can take to support their respective economies as a result of the pandemic. The framework includes five types of aid, including measures relating to short-term export credit insurance.

In this context, the Commission launched an urgent information request on 23 March 2020 to assess the availability of short-term export credit insurance and steps it could take to increase capacity. Following this, on 27 March 2020, the Commission decided to temporarily remove all countries from the list of "marketable risk" countries under the Short-term export-credit insurance Communication.

The Commission believes that this will lead to State insurers being "able to step in and provide insurance for short-term export-credit risk for all countries, without the need for the Member State in question to demonstrate that the respective country is temporarily "non marketable"."

On 19 May 2020, Executive Vice-President of the European Commission, Valdis Dombrovskis noted the "…need [for] a coordinated and comprehensive response so that the Union can recover" from the impact of the Coronavirus. Subsequently, on 20 May 2020, the EU published its European Semester Spring Package which provides recommendations for greater coordination across the EU. The EU cites the package as providing a "…coordinated European economic response [which] is crucial to relaunch economic activity, mitigate damage to the economic and social fabric, and to reduce divergences and imbalances".

On 29 May 2020, Executive Vice-President, Margarethe Vestager proposed an EU Solvency Support Instrument. The initiative sits alongside the overall framework of measures introduced by the European Commission and is specifically intended to provide equity support to business across the EU, but particularly to those in Member States where there is limited ability to offer domestic equity support programmes. Describing the scheme, Verstager stated that it "…aims to mobilise 300 billion euros for equity investments in viable businesses through the European Fund for Strategic Investments. Part of the guarantee will already be available this year. The goal is to crowd in significant private investment in equity of companies."

European Central Bank (ECB)

The ECB announced on 18 March 2020 the introduction of a temporary asset purchase programme of private and public sector securities in an effort to mitigate the impact of the pandemic in the euro area.

On 20 March, it also announced the introduction of greater supervisory flexibility regarding the treatment of non-performing loans and recommended that, "…banks avoid procyclical assumptions in their models to determine provisions and that those banks that have not done this so far opt for the IFRS 9 transitional rules".

EIOPA

EIOPA issued recommendations to EU member state national competent authorities calling for flexibility on reporting and public disclosure, including: Annual reporting referring to year-end occurring on 31 December 2019; Quarterly reporting referring to Q1-2020; Solvency and Financial Condition Report referring to year-end occurring on 31 December 2019.

EIOPA also confirmed that it will limit information requests and consultations to only essential matters relating to the impact of the pandemic on the sector. It also announced the extension of the deadline of the Holistic Impact Assessment for the 2020 Solvency II Review by two months, to 1 June 2020.

On 27 March 2020, EIOPA announced it would shortly begin to carry out extraordinary calculations on weekly basis (as opposed to the current monthly basis) to monitor the evolution of the relevant risk-free interest rate term structures (RFR) and the symmetric adjustment to equity risk (EDA) and will publish these on their website. This was followed on 19 May 2020, by EIOPA stating that extraordinary RFR/EDA production would move to a fortnightly basis from 25 May 2020.

On 1 April 2020, EIOPA urged continued action by insurance market participants to mitigate the impact of the Covid-19 pandemic, and in particular, called for continued access and continuity of insurance services. While this communication is primarily aimed at protecting retail consumers, the principles which EIOPA sets out relating timely and clear communications with policyholders and ongoing product oversight and governance will apply across the board and highlights a key area of supervisory focus during the current crisis.

EIOPA issued a further statement on 2 April 2020, calling on "…(re)insurers [to] take measures to preserve their capital position in balance with the protection of the insured, following prudent dividend and other distribution policies, including variable remuneration". In particular, it urged (re)insurers to temporarily suspend all discretionary dividend distributions and share buy backs aimed at remunerating shareholders. This advice from EIOPA mirrors similar calls from the ECB, EBA and ESMA.

Other European Supervisory Authorities

EBA issued a statement regarding the application of the prudential framework and related accounting implications of COVID-19 and also noted that it had suspended its EU-wide stress test until 2021and recommended NCAs adopt flexible approaches in response to the crisis.

ESMA has issued recommendations to financial market participants relating to business continuity, market disclosure, financial reporting, and fund management, amongst other issues relating to the crisis. ESMA also issued a statement on “accounting implications of the COVID-19 outbreak on the calculation of expected credit losses in accordance with IFRS 9”.

EU Member States

While the European Council and other institutions of the EU have encouraged uniform approaches and provided coordination in a number of areas, notably on state aid measures as noted above, approaches by member states in response to the crisis have varied on a country-by-country basis.

Information on selected public support schemes which have already been announced by member states are included below. ICISA is also aware of discussions within other member states on similar support schemes which may be introduced in support of maintaining short-term credit insurance, in addition to the measures announced by DG Comp on marketable risks on 27 March 2020. Such conversations are developing rapidly within markets and further details on these may not be available until they are publicly announced. Moreover, the legal an accounting treatment accorded to schemes is unclear in some cases and may be resolved after the schemes are officially in place:

- France – On 10 April 2020, the French government introduced a public reinsurance arrangement worth up to €12 billion for credit insurance, which was approved by the European Commission on 14 April 2020. The related guarantees are distributed across Cap and Cap+ for domestic cover, and CapFranceExport for short term export credit insurance.

  On 10 June 2020, the French government tabled amendments to pandemic-related instruments (see Article 15) which seek to augment the initial plan outlined above. Under the additional measures, the state (via a new reinsurance programme under the name, Cap Relais) will seek to extend the cover provided to a wider range of domestic trading and exporting companies. The proposal would see Cap Relais assuming a proportion of credit insurance risks from private players in return for a proportion of premium. Losses incurred will be guaranteed by the new programme up to a certain loss ceiling (valued at up to €8 billion across the market), after which the private market will be solely liable.

- Germany – The German government has put in place a range of aid programmes to mitigate the impact of the Covid19 pandemic as part of the German “Corona protective shield", including state-backed guarantees for business loans and similar efforts to maintain liquidity in the real economy. The European Commission also approved the German government's support scheme for trade credit insurance on 14 April 2020. The scheme provides reinsurance cover to credit insurers on the basis that cover will be maintained by the market. The arrangement, which will see insurers pay a premium to the State in return for it sharing in risks for the year, ensures support up to a volume of €5 billion, and provides an additional safety-net to cover up to €30 billion in total if required.

The government has also introduced amendments to German insolvency law which enables the continuation of businesses which have become insolvent or over-indebted as a direct result of the Covid-19 pandemic and for which there is a genuine prospect of eliminating an illiquidity. Amongst other aspects of the new provisions is that for the period of the law (1 March 2020 until 30 September 2020, with an option to further extend until 31 March 2021 if needed), the provision of collateral to secure loans shall not be considered disadvantageous to creditors, nor shall granting of credits and collateral be considered to be an immoral contribution to the delay of an insolvency.

- Netherlands - The Dutch government announced on 7 April 2020 its intention to introduce measures to support the continuation of trade credit cover in response to the Covid-19 pandemic. This was followed on 25 May 2020 with approval of the proposed measures by the European Commission on state aid grounds. As with other schemes, the guarantee from the state is given on the basis that credit insurers will maintain existing levels of coverage in the market and will be limited to cover trade credit insurance until the end of 2020. The scheme is open to all credit insurers operating in the Netherlands and will provide "risk-sharing" by the government up to a volume of €1 billion with the possibility of additional provision up to €12 billion, if required.
- Belgium – A Memorandum of Understanding was signed on 21 April 2020 between the Belgian State, Credendo, Assuralia (Belgian insurance association) and private credit insurers. The scheme will see the Belgian state, via Credendo, reinsuring private credit insurers in return for those firms endeavouring to maintain credit limits provided in the 12 months preceding 1 March 2020 as much as possible. The arrangement agreed will see Credendo pick up claims above a certain loss ratio from firms whilst also sharing in premiums from credit insurers, also depending on the loss ratio experienced.
- Denmark – On 15 May 2020, the European Commission approved a guarantee scheme adopted by the Danish government which is intended to stabilise the Danish trade credit insurance market. The scheme which is valued at DKK 20 billion, sees local insurers committing to maintain current levels of protection in return for the state guarantee and will cover trade credit business until the end of 2020.
- Italy – On 13 August 2020, the Commission also approved a scheme introduced in Italy valued at €2 billion which is intended to maintain the availability of credit insurance to Italian businesses. The scheme will be structured as a reinsurance arrangement via the SACE, the Italian ECA.

Various wider support schemes of different scales have also been adopted across member states which are aimed at supporting businesses which have been forced to close or significantly reduce activities in response to the pandemic. These have included loans, direct payments, deferral of tax payments, amongst other measures. Nationalisation schemes have also been discussed in a number of member states for industries considered particularly vulnerable to the fallout from the continued lockdown, such as the airline industry.

Further information on specific schemes introduced by member states following the relaxation of state aid rules can be viewed on a country-by-country basis on the website of DG COMP (European Commission).

Norway

On 24 June 2020, it was announced that the Norwegian parliament had adopted a framework for provision of a credit insurance guarantee via GIEK (national export credit agency) worth up to NOK 20 billion. The scheme will see GIEK reinsure the four major players (representing 99.8% of the market) in the Norwegian market: Atradius, Coface, Euler Hermes and GIEK Kredittforsikring through 2020. The scheme will be structured such that the credit insurers shall pay 10% of all losses until a limit of NOK 1.8 billion is reached. GIEK will then then covers all losses until the upper limit of NOK 20 billion is reached, after which losses are borne by the credit insurers. As with similar schemes seen elsewhere in Europe, the guarantee is provided on the understanding that the local private credit insurance market will endeavour to maintain cover at the same level as before the pandemic.

UK

The British government instituted a number of packages aimed at mitigating the impact of the pandemic on business and individuals. This has included setting up a "Coronavirus Business Interruption Loan Scheme" to provide guarantees on loan facilities to SMES, as well as delivering direct grant funding to affected firms. The UK joined EU member by expanding the scope of cover provided by UK Export Finance to include developed markets, such as EU member states, the USA, Australia and others.

On 13 May 2020, the UK government also announced it will "…temporarily guarantee business-to-business transactions currently supported by Trade Credit Insurance, ensuring the majority of insurance coverage will be maintained across the market". It noted that full details of the scheme were still to be agreed, but that it will be delivered as a temporary reinsurance arrangement with insurers operating in the market. The guarantees will provisionally last until the end of 2020 and will cover both domestic and exporting firms.

The scheme came into force on 14 September 2020, following EU State Aid approval. The scheme is applied retroactively from 1 April 2020 and is scheduled to close on 31 December 2020, although an option is available to extend the scheme beyond this period.

USA

The US introduced the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) on 19 March 2020 which, amongst other measures, authorises emergency loans to distressed businesses, including air carriers, and suspends, defers due dates or provides rebates to individuals in relation to certain taxes. Other recent developments include:

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- On 6 April 2020, in response to the restrictions imposed by the pandemic, the General Services Administration approved a class deviation from **the Federal Acquisition Regulation (FAR)** and **General Services Acquisition Regulation (GSAR)** to allow vendors and sureties the use of electronic signatures in lieu of manual signatures and eliminated the requirement for any seals for bonds. The approval is effective from the date it was published until such point that it is rescinded or incorporated into the GSAR and FAR. Further information on actions taken under the FAR in response to the Covid-19 pandemic can be viewed here.
- It is understood that a number of states have already implemented relaxation of requirements for wet signatures at this time, including **Virginia, Michigan, Minnesota, Illinois** and **Tennessee.** Similarly, on 11 June 2020, the Governor of **Georgia** issued an Executive Order which permits "…public procurement officers [to] accept electronic signatures and electronic corporate seals… and [that] any construction surety bond or commercial surety bond may be executed electronically [pursuant to certain requirements being met]".
- On 3 March 2020, **Ohio** Department of Transportation (DOT) issued a public notice allowing for extensions of time for performance related delays due to the pandemic and if needed, allowing for terminations for convenience if a project is further delayed. A similar measure introduced by the **Michigan** DOT was updated on 6 April 2020 regarding delays to infrastructure projects, although it remains silent on terminations for convenience.
- Moratoriums have been instituted in a number of states on cancellation of policies and non-renewal notices, as well as extending claim filing deadlines or introducing grace periods for premium payments. Moratoriums are listed as lasting for up to 60 days in some places (i.e Arkansas, Georgia, Connecticut, amongst others) and for an unspecified length for the period of the pandemic or related state of emergency in others (i.e. Delaware, Florida, Massachusetts, amongst others).

Canada

The Canadian government extended the mandate of Export Development Canada in a number of areas, including by extending existing arrangements which provide additional capacity to private credit insurers.

Singapore

On 31 March 2020, the Monetary Authority of Singapore (MAS) along with the Association of Banks in Singapore (ABS), the Life Insurance Association (LIA), the General Insurance Association (GIA), and the Finance Houses Association of Singapore (FHAS) announced a package of measures to support businesses and individuals facing financial strain as a result of the Covid-19 pandemic. In particular, this includes introducing instalment payment plans for premium payment of certain general insurance policies held by corporates, as well continued access to credit for businesses and options for deferred principal payment on secured term loans until the end of 2020.

International Association of Insurance Supervisors (IAIS)

The IAIS noted its support for measures introduced by its members to support fair treatment of customers, including on disclosures and efficient claims processing. It also updated on delays to its ongoing workstreams, including:

- planning to undertake a targeted assessment of the impact of COVID-19 on the global insurance sector;
- reviewing the 2020 timelines for the implementation of the Holistic Framework for the mitigation of systemic risk in the global insurance sector;
- reviewing and adjusting timelines for the data collection exercise as part of the implementation of Insurance Capital Standard (ICS) 2.0 as well as the Aggregation Method (AM) data collection being supported by the IAIS. The submission deadline will be extended to 31 October, to provide operational relief to participating insurers.
- The IAIS will postpone development of supporting material (Issues Papers and Application Papers providing guidance on supervisory practices), with public consultations generally deferred by at least six months.

Basel Committee on Banking Supervision

On 27 March 2020, the Basel Committee agreed to defer the implementation of Basel III to support boosting the operational capacity of banks and supervisors responding to the pandemic. In particular, the BCBS noted the following changes to its implementation timeline:

- The implementation date of the Basel III has been deferred by one year to 1 January 2023. The accompanying transitional arrangements for the output floor has also been extended by one year to 1 January 2028.
- The implementation date of the revised market risk framework has been deferred by one year to 1 January 2023.
- The implementation date of the revised Pillar 3 disclosure requirements has been deferred by one year to 1 January 2023.

G20

Leaders of the G20 economies announced a number of joint commitments relating to the safeguarding of the global economy, including in particular "…injecting over $5 trillion into the global economy, as part of targeted fiscal policy, economic measures, and guarantee schemes to counteract the social, economic and financial impacts of the pandemic", as well as calling for closer global cooperation between economies and international bodies, such as the WTO.

International Trade and Forfaiting Association (ITFA)

On 21 April 2020, ITFA called for EU-wide harmonisation and equality for all insurance products, echoing earlier calls by ICISA. In particular, ITFA noted that government support has not considered "…other insurance products such as the single risk insurance market or surety, and the diverse range of cover that they bring". ITFA also noted the lack of clarity around the impact of some payment deferral schemes on non-payment insurance solutions, and how existing insurance deals are affected by state guarantees. In addition to calling for greater awareness of the private credit insurance market when considering support schemes, ITFA joins ICISA and others in stating the case for greater coordination and harmonisation of government approaches across the EU.

International Chamber of Commerce (ICC)

The ICC updated its Force Majeure and Hardship clauses in response to the pandemic. The amendments introduced a new Short Form Force Majeure Clause aimed at SME usage which is limited to some essential provisions relating to the most important Force Majeure issues, and introduced further options in the Hardship Clause for termination and adaptation of contracts.

Lloyd's of London

On 14 May 2020, Lloyd's of London published the results of an economic study of the impact of the Covid-19 pandemic on the Lloyd's market and the wider, global non-life insurance industry. The Lloyd's study concludes that, "The estimated 2020 underwriting losses covered by the industry as a result of COVID-19 are approximately $107bn, on par with some of the biggest major claims years for the industry, such as when three catastrophic windstorms have struck (2005: hurricanes Katrina, Rita and Wilma; 2017: hurricanes Harvey, Irma and Maria)." However, in addition, Lloyd's notes that unlike other major events, the industry is also likely to see a significant fall in investment values at the same time.

Useful Links

- European Union Coronavirus website
- US Government Coronavirus website
- US Federal Reserve Coronavirus website
- World Bank Coronavirus information
- IMF Coronavirus response information
- WTO Coronavirus website