



TFD Initiative - a Texel sponsored panel on digitising credit insurance flows

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The first half of 2021 revealed a new set of early adopters of [TFD Initiative](#).

In June, we invited some of those early adopters for sharing their experience around the digitisation of trade credit insurance distribution flows. The following experts got on the ITFA stage:

- **Simon Bessant**, Director, **Texel**
- **Huw Owen**, Head of Underwriting and London Markets, Financial Risk Solutions, **Liberty Specialty Market**
- **Natasa Ruiter**, Portfolio Management and Distribution, **ING Bank**
- **N L N Swaroop**, Director Alternate & ESG Distribution, Global Trade and Receivables Finance, **HSBC**
- Moderator: **Silja Calac**, Chair, Insurance Committee, **ITFA** and Head of Private Debt Mobilization GTB Europe, **Banco Santander**



TFD initiative



Simon Bessant kicked off by sharing the path chosen by Texel which led to a [partnership with Tradeteq](#) as announced in January. "Tradeteq offers an automated platform where underwriters define their rules around issuing banks, pricing, concentration in countries/industries, ... Trades submitted by banks on Tradeteq are checked in real time against eligibility criteria established by connected underwriters such as Liberty Specialty Markets", explained Simon. In 2020, Texel took the decision to adopt Tradeteq's market-wide solution (i.e. multi-bank and multi-investor) to digitise credit insurance flows with trade originators, and to combine it with a proprietary solution (called Connexion) that focuses on portfolio and data management across their clients insurance book. Simon shared more on Texel's strategy based on below:

Client Focused Digitisation Strategy



- Core driver for the Texel Group digitisation strategy is improved service for our Clients.
- This has lead us to follow two paths focusing on two distinct and clear digital developments.



- Existing trade finance distribution platform which lacked capacity to incorporate non-payment insurance into the distribution options available to Grantors
- Tradeteq and the Texel Group have collaborated to develop a digitised distribution platform for Bank to Bank trade finance assets into the non-payment insurance market
- Transactions are checked in real-time against eligibility criteria established by Insurers with real-time insurance terms provided thus permitted insurance syndication and execution in minute
- A marketwide solution for Insurers that does not impact current client/broker relationships, thus allowing Insurers to efficiently support clients in a digital fashion using a rules based underwriting approach which can be optimised by client
- UAT Testing and MVP development complete and first trades to be concluded in July



- Client led portfolio management platform that can provide complete through the transaction management capabilities built bespoke to our clients internal processes/procedures
- Designed to exclusively focus on non-payment insurance and developed for the Texel Group by a 3rd party Insurtech
- Real-time data displayed on interactive dashboards across clients portfolio of policies. This can permit internal reporting / analysis across deal teams, industries, Insurers using any number of combinations of underlying data points such as premium as % of gross margin, policy hit rate, premium paid, future premium, insured exposure etc. Examples being:
 - Bank A can extract data on the annual average premium as a percentage of gross margin across it's portfolio of insured maritime asset financings with Lloyd's underwriters since 2019.
 - Bank B can show Underwriter A their hit rate of deal closing for a deal team during the past 12 months and the future premium generated to the insurance market from all of these deals.
- Electronic execution of policies and endorsements using DocuSign with Lloyd's Electronic Placing Platform certification due in Q3/2021
- Full info on data security etc available from our IT development team



Both **N L N Swaroop** and **Natasa Ruiter** explained how important credit insurance is to the trade finance business at their institutions, HSBC and ING. Banks view credit insurers and brokers as long-term partners, and such relationships span various types of trade finance products. The objectives for banks include capital relief, concentration risk, risk mitigant, ...

Huw then expanded on the direct benefits of digitising credit insurance flows as follows:

- the ease and speed of transacting and the removal of frictions increase transaction-level efficiency
- the rules based underwriting speed up and enhance the underwriting processes which support automation and increase pro-activeness
- using structured data on transactions and deals drives standardisation and enables automation too
- the opportunity to increase scale and volume in the area of short-term trade helps credit insurers balance their portfolio's
- a fully digital and more proactive process contributes to an improved client service (e.g., more transparent process).

Additional benefits emerged from the panel discussion:

- The higher speed of the underwriting process is essential to go back to the clients as quickly as possible to close the deal
- Avoiding manual input by uploading electronic documentation and transaction details removes risks of rekeying and human errors
- Automation of internal processes is critical as well as the automation of the external dealings with clients and counterparties
- The additional analytics offered by the digitisation of the trade and credit insurance flows will delivery enhanced transparency which is critical for underwriters.



The risk related to the transaction is not changing however.

The panel identified three **major opportunities** as the industry continues to digitise credit insurance flows:

1. Technology will help credit insurers deploy more capacity by underwriting additional transactions that become more attractive thanks to enhanced risk transparency and an automated rule-based decision making process
2. The industry has the potential to benefit from harmonisation and standardisation by aligning around a common platform supporting the digitisation of the bank to credit insurers flows
3. Finally, the industry will also gain from more transactional insights that can be shared with regulators in aggregated form as part of the industry advocacy efforts.

The digitisation of the credit insurance flows will also benefit the intermediaries as brokers have the opportunity to move up the value chain and provide strategic advisory on market trends, counterparties and initiatives, rather than spending most time processing transactions.

The main legal challenge that the panel debated is around cross-border data sharing which requires more industry work and regulatory clarity.