



## Credit Risk in Credit Insurance: ITFA and GCD join forces

*Contributed by the ITFA Insurance Committee*

The publication of the GCD report Credit Risk in Credit Insurance is a significant milestone in our advocacy efforts for credit insurance. The report commissioned and funded by ITFA in December 2023. It shows to the regulators an observed LGD on insured loans based on the most extensive claim data collection exercise to date. In total, 9 banks participated in data collection in Q1 2024 spurred by Audrey Zuck and other members of the ITFA insurance regulatory committee. Over 1000 individual claims on 150 defaulted and insured facilities were then analysed by GCD.

The conclusion is crystal clear: not only does the product work but its performance is flawless. The observed nominal LGD on the insured portion of a loan is 0%, i.e., all the claims were paid in line with contractual arrangements. If one discounts the cashflows received from insurers back to the Basel-defined default date, the observed LGD is 6%, a far cry from the prescribed 45% LGD. In addition, no concurrent default of an obligor and an insurer was observed.

This finding corroborates with much needed hard data the annual survey of claims done on the insurer side as well as our industry expectations on the performance of the CPRI product. We very much hope that the report will be instrumental in assisting the EBA and EIOPA with their own conclusions. GCD subsequently continued their dialogue with EBA on their wider pool of insurer data.

The GCD report and its methodology appendix can be found in the Members Area Insurance section > <https://itfa.org/member-area/insurance/>.