

Media Release

Euler Hermes: Successful extension of supply chain protection

- The German federal government and German credit insurers are extending their joint protection shield to secure supply chains by six months until the end of June 2021
- Extension is important contribution to the recovery of the economy in a volatile environment and creates planning certainty for companies
- The German government is providing a counter-guarantee for possible indemnification payments to companies insured under commercial credit insurance up to a total of EUR 30 billion
- Credit insurers are again making a substantial contribution to the further stabilization of the German economy: they are ceding approximately 60% of their premium income to the federal government and are bearing a proportionate share of losses amounting to 10%, as well as the default risks that exceed the federal government's guarantee
- German credit insurers are providing cover of more than EUR 400 billion in Germany, with Euler Hermes, the market leader, providing just under half of this amount

Hamburg, December 4, 2020 – The German government, Euler Hermes and other German credit insurers have jointly decided to extend their protective shield for the German economy by six months until June 30, 2021. The agreement is still subject to approval by the EU Commission.

Coverage commitments for companies that were economically sound before the pandemic will thus be maintained. In this way, companies, the economy, trade, production and supply chains can be further stabilized. The coverage commitments of the German credit insurers amount to over 400 billion euros (bn EUR), almost half of which is attributable to market leader Euler Hermes.

Protective shield for the economy creates maximum security in difficult times

"We fought to ensure that our clients will be able to continue their business virtually unchanged in the coming six months – despite significantly increased risks," says Ron van het Hof, CEO of Euler Hermes in Germany, Austria and Switzerland. "This is not a matter of course in such a crisis. In order to achieve this goal, we played a major role in shaping the supply chain protection shield and in recent weeks, we advocated for its extension. We are thus continuing to make a considerable contribution to the economy. In doing so, we are laying one of the most important foundations for a rapid further stabilization of the local economy and companies, especially in the SME sector. In the current very volatile situation, it is important to continue the recovery. We assume that this will put many companies back on the road to success by the end of June".

Specifically, the agreement provides for the Federal Government to provide a counter-guarantee of up to EUR 30 billion to the ECAs until June 30, 2021, to secure business transactions of German companies with their domestic and foreign customers.

The ECAs again make a significant contribution of their own to this protective shield for the German economy: they cede just under 60% of the premium income of the first half of 2021 to the Federal Government and bear proportionate losses of 10% as well as the default risks that exceed the guarantee of the Federal Government.

Protective umbrella as a basis for sustainable economic recovery and predictability

The protective shield continues to largely disregard the negative changes in customers caused by Corona, such as a slump in sales or additional loans. Once the protective shield expires on June 30, 2021, the usual market mechanisms and business processes will again take effect and the credit insurers will again determine the individual credit rating on the basis of the actual situation at the individual companies, as is customary in the market.

"By extending the protective umbrella by six months, we have given German companies the best possible planning capability," says Van het Hof. "They now have sufficient time to prepare for the new normality, to adapt their business models to the current situation and to make them as crisis-proof as possible. That was an important issue for us. We are already offering our customers solutions for the time after the end of the protective shield. This gives them maximum transparency and planning security. This is particularly important in times of greatly increased risks, and companies have a very good starting position for a return to the road to success. On this path, we are accompanying the economy and our customers as a strong partner."

The extension of the protective shield for the German economy is a measure that continues to pursue the goal of protecting economically well-positioned companies from the pandemic in these difficult times. Companies that are in financial difficulties unrelated to the Corona pandemic are still not covered by the agreement now reached between the credit insurer and the federal government. Euler Hermes decides on credit based on the provisions of the guarantee contract. As usual, this is done on the basis of an individual assessment that takes into account a large number of factors: In addition to individual financial indicators such as turnover, profitability, financial result, debt, liquidity or cash flow, other factors such as country and sector risks, market position, diversification, sales markets, management, client structure, strategy or unique selling propositions also play a role.

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About Euler Hermes

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