



# P R E S S R E L E A S E

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## COFACE SUPPORTS PROTECTION SHIELD FOR GERMAN COMPANIES

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**Together with the credit insurers, the German government is setting up a €30 billion protective shield to secure supplier credits for German companies and to support the economy in difficult times. Coface is also cooperating in this extensive programme for domestic and export business. The EU Commission has approved the programme.**

The protective shield is another important component of the Federal Government's extensive aid package to further stabilise the economy. This is particularly important at the moment, because even long-standing and solvent customers of policyholders can suddenly run into payment difficulties through no fault of their own during the coronavirus crisis. With this cooperation, credit insurers can maintain existing cover commitments, and take on new ones, despite the considerably increased risk of default.

For the year 2020, the Federal Government will grant a guarantee for indemnification payments of the ECAs of up to €30 billion. The ECAs participate substantially and leave 65% of the premium income in 2020 to the Federal Government. In addition, they bear losses up to an amount of €500 million themselves and assume the default risks exceeding the Federal Government's guarantee amount. The procedure does not change for the insurance customers: Coface remains the contractual and contact partner.

### **Strong signal to companies**

*"This program is a strong signal to German companies," says Katarzyna Kompowska. Coface's Northern Europe Regional CEO sees the programme as a good solution to master the balancing act between the demands of corporate risk management and the crisis management currently required. "This enables us to maintain commitments that would no longer be tenable under normal risk aspects". The high financial participation of the credit insurers shows that this is not a state protective shield for the insurers, but a broad stabilisation programme for the economy, says Katarzyna Kompowska.*

### **"Fix" serious disruption**

*"With the help of the protective shield, credit insurers can continue to maintain existing cover commitments and also take on new ones - despite a considerable increase in default risk. We are acting with foresight here, because at the moment many credit insurance policyholders can very often still solve their difficulties without our help", said Federal Finance Minister Olaf Scholz in Berlin.*

Federal Minister of Economics Peter Altmaier added: *"The crisis poses a threat for many companies because they are no longer receiving orders. And if there are still orders, it is uncertain whether the customer will be able to pay in the end. That is why we are providing a €30 billion protective shield to ensure that credit insurers continue to be liable for any payment defaults and help to maintain supply chains in Germany and worldwide".*

This is also the view of the EU Commission. Margrethe Vestager, Executive Vice-President of the EU Commission responsible for competition policy, commented on the approval under EU state aid rules: *"The German scheme helps to ensure that trade credit insurance continues to be available to all companies. The*



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measure will facilitate the liquidity of European companies and help them to continue their business operations in these difficult times". The German scheme is necessary, appropriate and proportionate to 'remedy a serious disturbance in the economy of a Member State'.

**Credit insurance is not comprehensive cover**

Without the guarantee of the Federal Government, credit insurers would have had to restrict or abolish limits more strongly as part of their risk policy in the coronavirus pandemic. After all, the core competence of credit insurers is risk analysis. They assess the creditworthiness of companies and thus the risk of bad debt in business transactions. If this risk is clearly too high or can no longer be calculated, the insurers adjust or lift limits. "Credit insurance is active risk management, not comprehensive cover for risky transactions. The goal is always loss prevention in the common interest of the policyholder and the insurer", explains Katarzyna Kompowska.

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**Coface: for trade**

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