Credit insurance – Important characteristics, comparison with related collateral with emphasis on the EU

Introductory Work

SUMMARY

Credit insurance is a specific type of property insurance, different from the others types, since in calculating the premiums do not apply the rules of actuarial mathematics. Also in calculating, dominate the subjective side of risk. After global financial crisis, credit insurance premiums showed an upward trend. This, also applies to political risk premium. Many insurance companies that provide this insurance, have reduced coverage for higher-risk customers and so they left them without protection when they were most needed it.

The most developed credit insurance market is the European market. Independently, we can say that the area of EU development credit insurance market is very uneven. Credit insurance is the most developed in Spain, Germany, France and the Netherlands. On the other hand, in Italy, Greece and Portugal this insurance is in expansion, after the initial implementation phase, which is marked by a modest premium over recent years. Spain and Belgium are examples of countries where SMEs are the largest users of credit insurance. In other countries, the biggest buyers of insurance are big companies, and elsewhere are medium-sized enterprises. Companies can, as an alternative mechanism of credit insurance, the factoring and use letter of credit, but it should bear in mind that these mechanisms are more expensive than credit insurance.