

GAD helps develop support for the trade credit insurance sector

News story

GAD has helped develop trade credit insurance schemes backed by £10 billion of government guarantees.



The Government Actuary's Department (GAD) has played a central role in new measures to support the credit insurance market, with a reinsurance underpin.

GAD was part of the advisory and analytical team behind the development of the [Trade Credit Insurance schemes](#) backed by £10 billion of government guarantees. This will provide essential cover to thousands of business-to-business transactions and will see the majority of trade credit insurance coverage maintained across the UK.

Cross government working

In developing this unique challenge, GAD worked closely with the Department for Business, Energy & Industrial Strategy and other government departments and agencies.

The scheme is available on a temporary basis for 9 months; it has been backdated to 1 April 2020 and will run until the end of December 2020, with the possibility of extension. It is available for insurers operating in the UK market and the measures will support thousands of businesses by protecting against customer defaults or payment delays.

Modelling scenarios

Actuary Jacqui Draper who led on the project in GAD said:

“We produced financial models to help the government understand the implications of guaranteeing business-to-business transactions previously supported by trade credit insurance. Our modelling meant that policy makers could explore costs under various scenarios to better understand the

potential implications of different scheme structures.

“Policy makers then used these models during their negotiations with the insurance industry to estimate the potential implications on government finances. This means the scheme ensures firms are supported with risk which is shared appropriately between the government and insurers.”

Helping UK business

Trade Credit Insurance underwrites an estimated £350 billion of economic activity of more than 630,000 businesses in the UK each year. Implementation of the scheme is subject to state aid approval, agreement of full form documentation with insurers and acceptance of applications from insurers for participation.

This reinsurance scheme will help struggling businesses at risk of having their credit insurance withdrawn or their premiums raised beyond sustainable levels. This will help business to continue to operate, protecting jobs and supply chains.

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