

TABLE OF CONTENTS

1. INTRODUCTION	3
2. METHODOLOGY	3
3. FINDINGS & ANALYSIS	4
3.1 Capital	4
3.2 Clients Base	5
3.3 Number of Buyers.....	6
3.4 New Business Insured	8
3.5 Leverage.....	15
3.6 Premiums Written	17
3.7 Claims & Recoveries	20
3.8 Loss Ratios.....	26
3.9 Outward Reinsurance.....	28
4. CONCLUSIONS.....	30
ANNEX (AMAN UNION Questionnaire)	30



GLOSSARY OF ABBREVIATIONS USED

ASEI	: Asuransi Ekspor Indonesia
CAGEX	: Compagnie Algerienne D'Assurance Et De Garantie Des Exportations, Algeria
COTUNACE	: Compagnie Tunisienne Pour L'Assurance Du Commerce Exterieur, Tunisia
DHAMAN	: Arab Investment and Export Credit Guarantee Corporation
ECGA	: Export Credit Guarantee Agency (S.A.O.C), Oman
ECGE	: Export Credit Guarantee of Egypt
ECIE	: Export Credit Insurance of Emirates
EGFI	: Export Guarantee Fund of Iran
ICIEC	: The Islamic Corporation for Insurance of Investment & Export Credit
JLGC	: Jordan Loan Guarantee Corporation
LCI	: The Lebanese Credit Insurer S.a.L
MEXIM	: Malaysia Eximbank
NAIFE	: National Agency for Insurance and Finance of Exports
SEP	: Saudi Export Program
Shiekan	: Shiekan Insurance & Reinsurance Co.
SONAC	: Société Nationale d'Assurance du Crédit et du Cautionnement
Turkexim	: Turk Eximbank



1. INTRODUCTION

1.1 AMAN UNION is an Association of Commercial and Non-Commercial Risk Insurers and Reinsurers established in October 2009, assembling Member Countries from the Arab Investment and Export Credit Guarantee Corporation and the Organization of Islamic Cooperation (OIC). It aims at promoting and developing the commercial and non-commercial risks insurance industry and strengthening the mutual relationships among members through a range of activities listed in AMAN UNION Charter (available in the Website).

1.2 This paper attempts to outline the business trends of AMAN UNION members* (17) since the establishment of the UNION. It also seeks to identify some of the main developments experienced and key challenges being faced by those members.

2. METHODOLOGY

2.1 AMAN UNION Secretariat General, managed by ICIEC since November 2011, circulated a questionnaire (**Annex**) to the members in order to collect information for the purposes of this paper. All members have responded. Wherever data was unavailable, estimates or past data has been used in order to maintain consistency.

*Full Members

2.2 A list of the ECAs included in the study is given below.

Table 1 – AMAN UNION Full Membres (17)		
1	Algeria	CAGEX
2	Egypt	ECGE
3	Indonesia	ASEI
4	Iran	EGFI
5	Jordan	JLGC
6	Kuwait	Dhaman (Multilateral)
7	Lebanon	LCI
8	Malaysia	Malaysia Eximbank
9	Oman	ECG Oman
10	Saudi Arabia	SEP
11	Saudi Arabia	ICIEC (Multilateral)
12	Senegal	SONAC
13	Sudan	NAIFE and Shiekan
15	Tunisia	COTUNACE
16	Turkey	Turk Eximbank
17	UAE	ECIE

Out of the 17 members, we have 2 multilaterals (i.e. ICIEC and DHAMAN), 1 private company (i.e. LCI) , 4 companies with mixed public/private shareholders (i.e. SONAC, COTUNACE, JLGC and NAIFE) and the remaining 10 ECAs are Government owned.

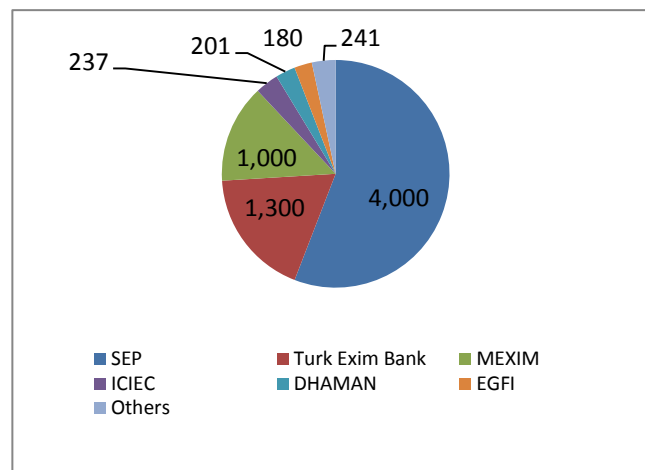
3. FINDINGS & ANALYSIS

3.1 Capital

3.1.1 Collectively, the capital base of the AMAN UNION members in 2011 is USD 7.2 billion up from USD 7.1B in 2010.

It should be noted that the capital base of 3 ECAs (i.e. SEP, Turkexim and MEXIM) accounts collectively for over 88% of the total capital reported in 2011.

3.1.3 If we exclude the aforementioned ECAs, the average capital base of the remaining ECAs comes to USD 64m. This indicates that the majority of AMAN UNION full members still have a relatively limited capital base. In light of the increasing demand on credit insurance, this could impede the growth possibilities of those ECA's.



3.2 Clients Base

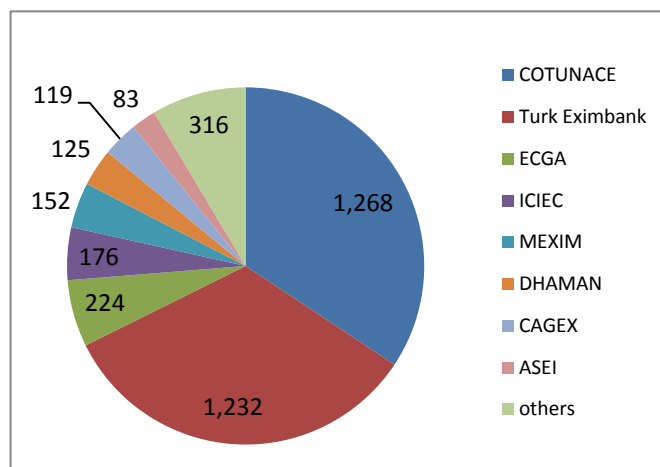
3.2.1 AMAN UNION members have more than 3,695 policyholders in 2011, up from 3,501 declared in 2010. This gives us an average 217 policyholder per ECA.



3.2.2 We noted that 96% of policyholders are holding Export Credit Insurance policies.

3.2.3 COTUNACE and Turkexim account for 68% of the total number of AMAN UNION policyholders with respectively 1,268 and 1,232.

3.2.4 In 2011, we noted a decrease in 4 ECAs policyholder base (i.e. Shiekan, NAIFE, ECGE and SEP) whereas ICIEC witnessed the highest increase in the number of policyholders by 36%.



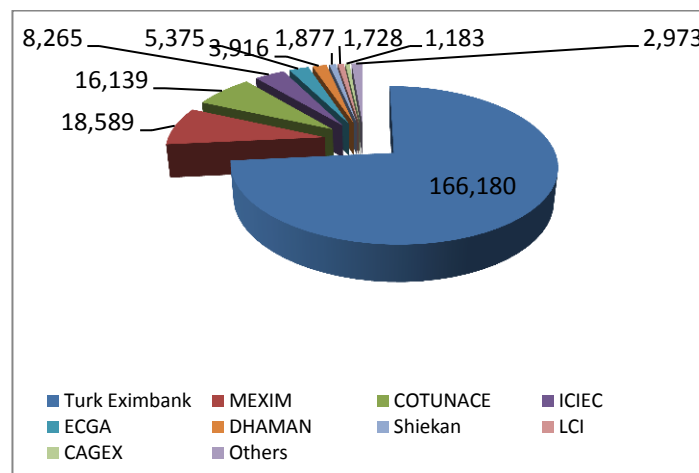
3.3 Number of Buyers:

3.3.1 Total number of AMAN UNION buyers increased from 217,758 in 2010 to 226,267 in 2011. This gives an average 13,309 buyer per ECA.

3.3.2 It should be noted that Turkexim has the largest number of buyers by far (i.e. 166,180) which represents 73% of the total number of buyers. It also recorded the highest increase in the buyer's database in 2011 with an additional 10,841 recorded buyers.



- 3.3.3 If we exclude Turkexim, the average number of buyers will be 3,755 buyers per ECA.
- 3.3.4 We noted that 98% of the buyers are covered by Export Credit Insurance business.
- 3.3.5 In 2011, there is an important decrease in Shiekan and EGFI number of buyers by 74% and 43% respectively.
- 3.3.6 Even if we consider that many of ECAs may have the same buyers on their records, and they are being double-counted, this is still a significant number, and offers a good scope for information sharing between different agencies. This is a potential area of synergy that can be better utilized under AMAN UNION Database Center which will be launched in KL, Malaysia on November 20th, 2012.





3.4 New Business Insured

A- Total Business Insured

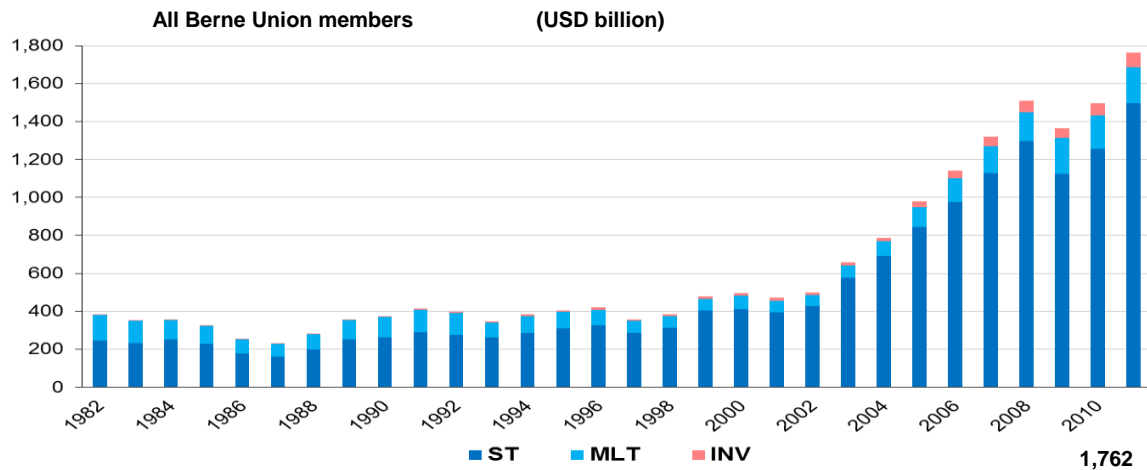
3.4.1 Business Insured reached USD 17.4B in 2011 up from USD 14.8B in 2010, USD 13.1B in 2009 and USD 12.3B in 2008. In the last 4 years, Business Insured increased by an average yearly growth of **12.3 %**. This is a significant increase, but it must be examined in light of the impact of the financial crisis on the demand on credit insurance products.

3.4.2 Comparably, the increase of the Business Insured of the of Berne Union members for the same period (2008-2011) year-on-year over was approximately **5.5%**.

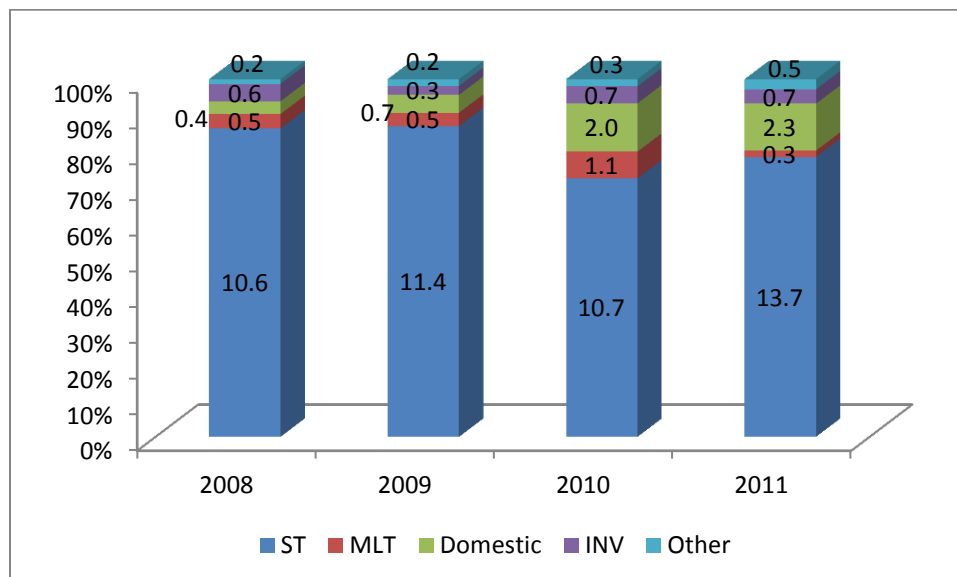
It should, however, be noted that the Berne Union volumes are extremely large as compared to volumes of our members and involves products that only few of our members provide (i.e. Medium Term, Investment Insurance and Bonding), therefore, the percentage changes are not exactly comparable.

3.4.3 Berne Union Business insured for 2011 totaled USD 1.76 trillion which represents almost 10% of the world global trade volumes. The total volumes of AMAN UNION members was USD 17.4 billion, or less than 1% of that covered by the Berne Union members.

3.4.4 Average Business Insured per AMAN UNION member in 2011 was around USD 1 billion compared with USD 36 billion average Business Insured per Berne Union member for the same period.



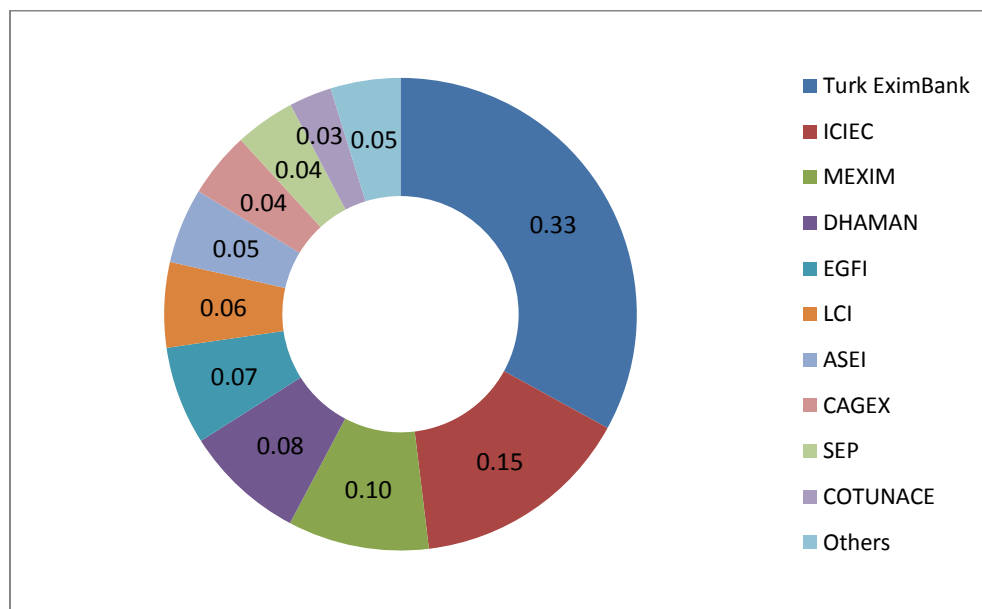
AMAN UNION members (USD billion)





3.4.5 In 2011, Export Credit Insurance continued its predominance over the other lines of business with 78% of total Business insured, whereas Medium Term Business Insured share decreased from 7% to 1% compared with 2010 due to the decrease in MT Business Insured by EGFI and DHAMAN during the same period by (- USD 638m) and (- USD 150m) respectively. The other lines of business (Investment and Domestic) kept the same share in 2011. This is the same trend as in Berne Union where ST business is increasing its share over the other lines of business.

3.4.6 The biggest player is still Turkexim, accounting for 33% of the total business volumes for 2011. This solid performance has been consistent over the past years. ICIEC and MEXIM are 2nd and 3rd respectively, with 15% and 10% of the total volumes.





AMAN UNION



3.4.7 ECIE Business Insured has grown aggressively by more than 9 times in 2011 compared with 2010, noting that it started operations only in 2009. Other ECAs have recorded high growth in 2011 including MEXIM, JLGC and ICIEC which increased their Business Insured by 117%, 81% and 62% respectively.

3.4.8 There are 6 ECAs which account for 80% of the total Business Insured (i.e. Turkexim, ICIEC, MEXIM, DHAMAN, EGFI and LCI).

B- ST Business :

3.4.9 There are 5 ECAs which account for 83% of the total ST Business Insured (i.e. Turkexim, ICIEC, MEXIM, DHAMAN and SEP).

2010			
ECA	Business Insured (USD million)	Market Share	Rank
Turkexim	5,010	47%	1
ICIEC	1,467	14%	2
SEP	865	8%	3
DHAMAN	609	6%	4
MEXIM	606	6%	5
Cotunace	569	5%	6
EGFI	371	3%	7
ASEI	334	3%	8
ECGA	276	3%	9
CAGEX	222	2%	10
LCI	132	1%	11
JLGC	81	1%	12
NAIFE	79	1%	13
Shiekan	34	0%	14
ECIE	25	0%	15
SONAC	18	0%	16
ECGE	16	0%	17
Total	10,714	100%	



AMAN UNION



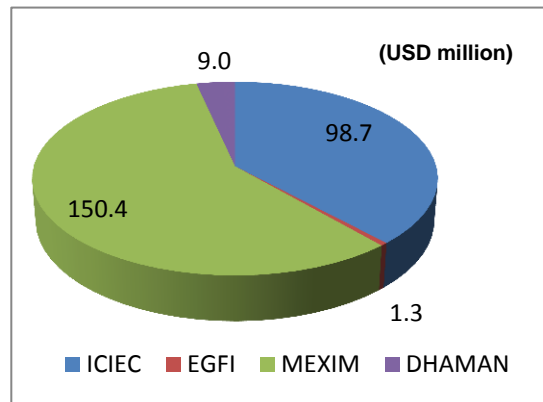
2011			
ECA	Business Insured (USD million)	Market Share	Rank
Turkexim	5,752	42%	1
ICIEC	2,331	17%	2
MEXIM	1,521	11.1%	3
DHAMAN	1,076	7.9%	4
SEP	717	5.2%	5
Cotunace	509	3.7%	6
ASEI	446	3.3%	7
LCI	342	2.5%	8
ECGA	220	1.6%	9
CAGEX	164	1.2%	10
EGFI	159	1.2%	11
JLGC	155	1.1%	12
ECIE	150	1.1%	13
NAIFE	90	0.7%	14
SONAC	20	0.1%	15
ECGE	17	0.1%	16
Shiekan	12	0.1%	17
Total	13,680	100%	

3.4.10 ST Business insured of ECIE, LCI, MEXIM, DHAMAN and ICIEC increased tremendously in 2011 which improved their market share.

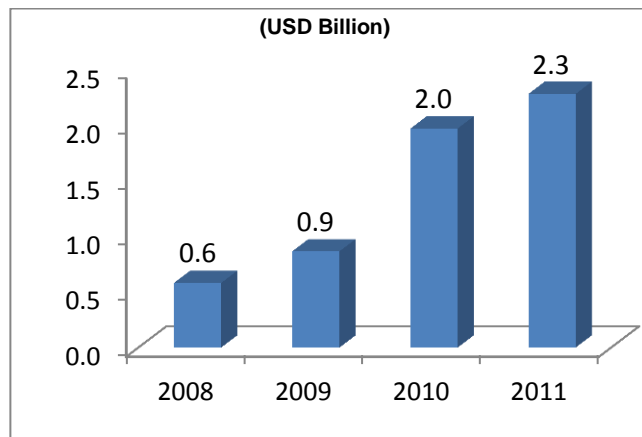
C- MT Business :

3.4.11 MT Business insured decreased from USD 1,067m in 2010 to USD 259m in 2011 due to the huge drop in MT business of EGFI (USD 638m) and DHAMAN (150m) which used to have a cumulative market share of 75% in 2010 but only 4% in 2011. Consequently, MT Business Insured share in total Business insured decreased from 7 to 1% during the same period.

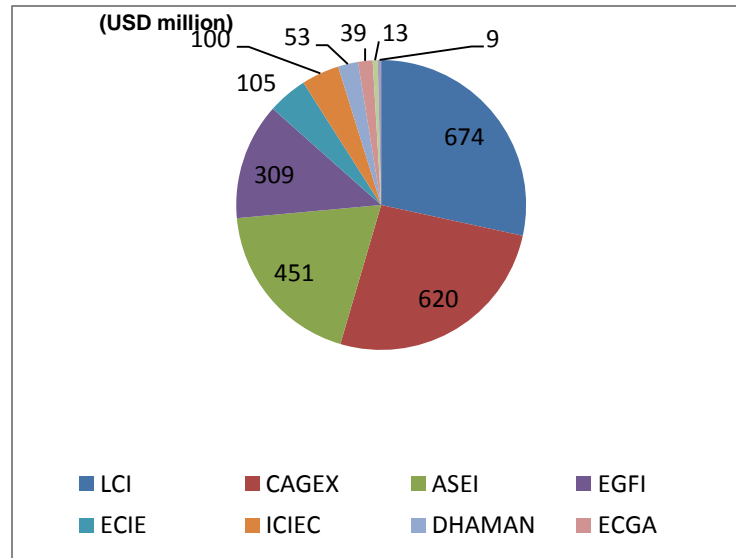
3.4.11 96% of MT Business Insured in 2011 was provided by only 2 ECAs (i.e. MEXIM with USD 150m and ICIEC with USD 99m).



D- Domestic Insurance Business:

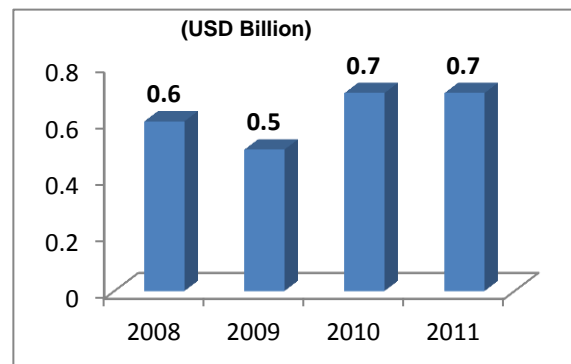


3.4.12 95% of Domestic Business Insured in 2011 was provided by only 5 ECAs (i.e. CAGEX, ASEI, EGFI, LCI and ECIE).



3.4.13 We have 3 AMAN UNION members which domestic business is considered their main line of business (i.e. CAGEX “72%”, LCI “83%” and ASEI “53%”).

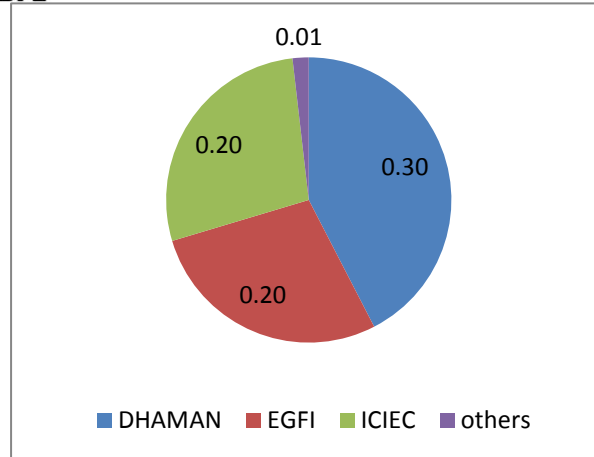
D- Investment Insurance Business :



3.4.14 3 ECAs account for 98% of the Investment Business Insured in 2011 (i.e. DHAMAN, EGFI and ICIEC).



AMAN UNION



3.5 Leverage

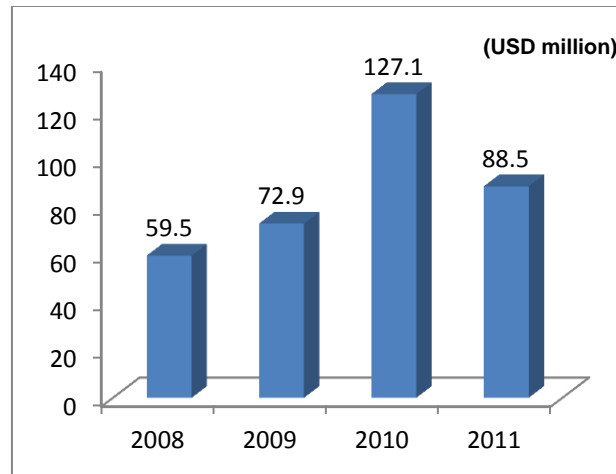
ECA name	Business Insured (in USD million)		Capital (in USD million)		Leverage	
	2010	2011	2010	2011	2010	2011
COTUNACE	569.37	508.65	12.5	12.5	45.5	40.7
CAGEX	798.67	784.29	29.0	29.0	27.5	27.0
JLGC	90.4	164	14.0	14.0	6.5	11.7
ASEI	710.9	896.9	85.0	85.0	8.4	10.6
ICIEC	1,627.70	2,628.70	237.0	237.0	6.9	11.1
EGFI	1,865.13	1,171.75	180.0	180.0	10.4	6.5
LCI	792.4	1,016.14	2.5	2.5	317.0	406.5
Shiekan	49.7	24.8	5.0	5.0	9.9	5.0
ECGE	15.5	16.9	41.0	41.0	0.4	0.4
Turk Eximbank	5,012.71	5,752	1,300.0	1,300.0	3.9	4.4
NAIFE	79	90	18.0	18.0	4.4	5.0
MEXIM	776.34	1,684.87	1,000.0	1,000.0	0.8	1.7
DHAMAN	1,197.60	1,440.00	201.0	201.0	6.0	7.2
SEP	865.2	716.6	4,000.0	4,000.0	0.2	0.2
ECIE	25	255	13.7	13.7	1.8	18.6
ECGA	326.7	258.6	18.2	18.2	18.0	14.2
SONAC	23	26.7	2.2	2.2	10.5	12.1



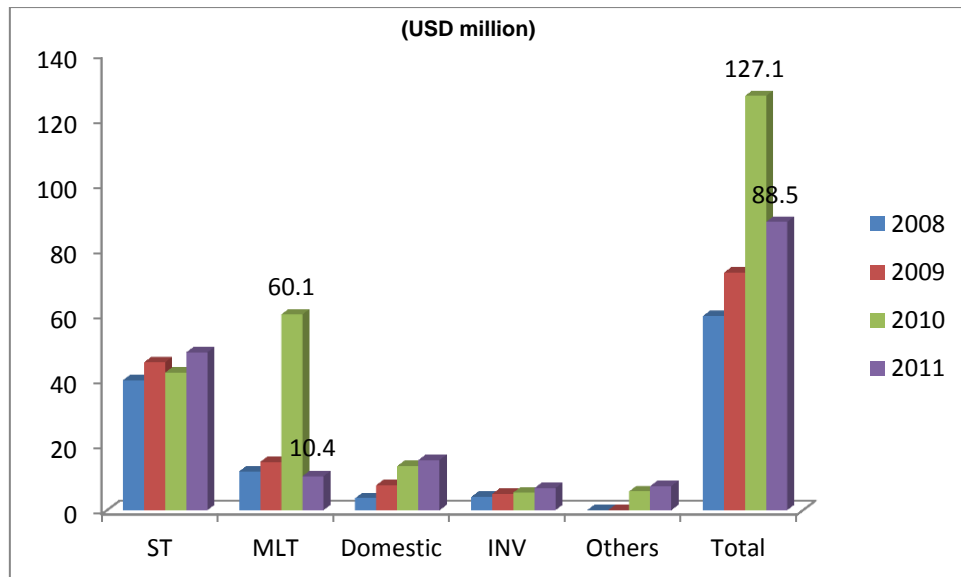
- 3.5.1** Leverage¹ can be defined as a measure of the efficiency with which an ECA uses its capital. Limited capital can prove to be a hindrance especially when it comes to underwriting large transactions especially in relatively higher risk countries where reinsurance support may not be easily available.
- 3.5.2** Although higher degrees of leverage may directly translate into higher risk, it can be reasonably assumed that with prudent risk management practices and reinsurance support, the risk profile of a highly leveraged company can be brought to manageable levels.
- 3.5.3** As can be seen from the table above, Cotunace, LCI and CAGEX stand out in comparison to the other ECAs. If we exclude Cotunace from our analysis, the bigger ECAs like Turkexim, ICIEC and DHAMAN have relatively conservative levels of leverage. SEP has the lowest leverage, on account of its significant capital base.
- 3.5.4** Cotunace's high leverage can be explained by the fact that it depends on the Government to support its insurance exposure. This gives it freedom to underwrite more business without being constrained by the leverage limits that other ECAs might be subjected to.

¹ Leverage is defined as the business insured expressed as a multiple of the capital of the ECA.

3.6 Premiums Written



3.6.1 Premiums Written have shown substantial increase from 2008 to 2010 but it dramatically decreased in 2011 due to the huge drop in the MT premium from USD 60.1m in 2010 to USD 10.4m in 2011.

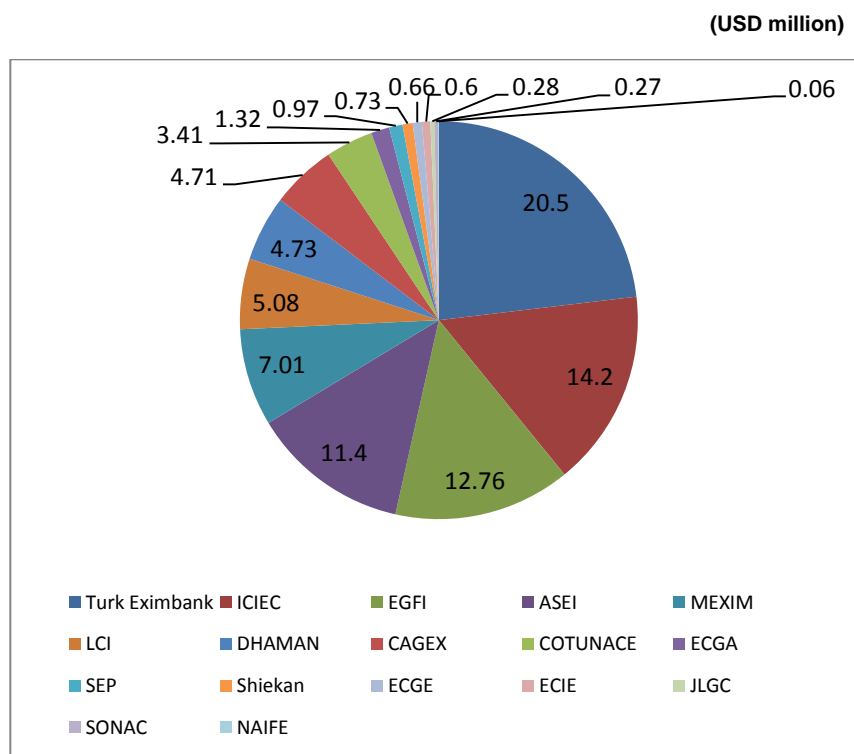




3.6.2 If we exclude MT premium, the total premium written increased by an average 15.3% in 2011 compared with previous year.

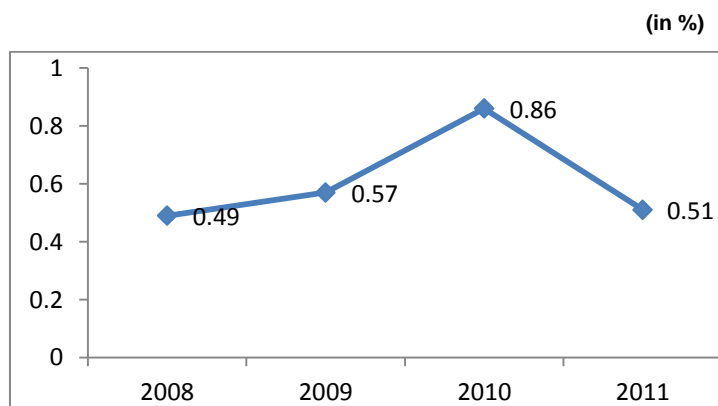
3.6.3 EGFI is providing other services generating handsome amount of fees and commissions totaling USD 7.4m in 2011. This is related to pre-shipment finance guarantee.

3.6.4 Of the individual ECAs, Turkexim is the largest with total premiums of USD 20.5m in 2011, a 23% share of the total premium written. ICIEC has been improving its performance significantly during the previous few years and currently it ranks 2nd with total premiums of 14.5m representing 16% of the total premium.

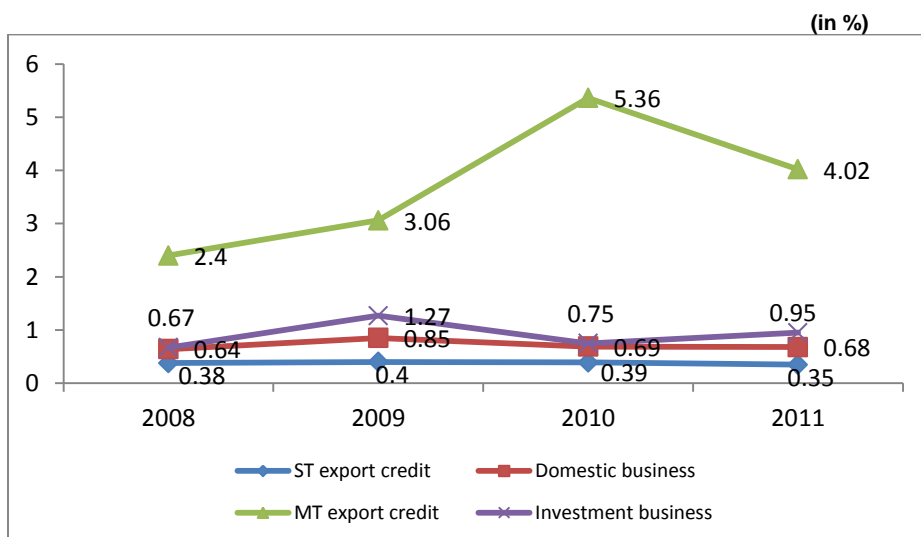




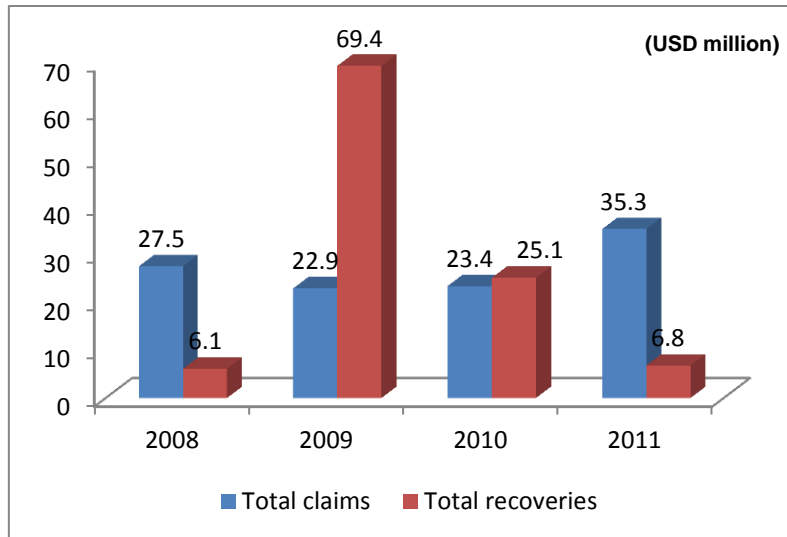
3.6.5 After upward trend from 2008 to 2010 fueled by the increasing demand on the credit insurance post financial crisis, the average premium rate for AMAN UNION members decreased in 2011 affected mainly by the drop in the MT premium.



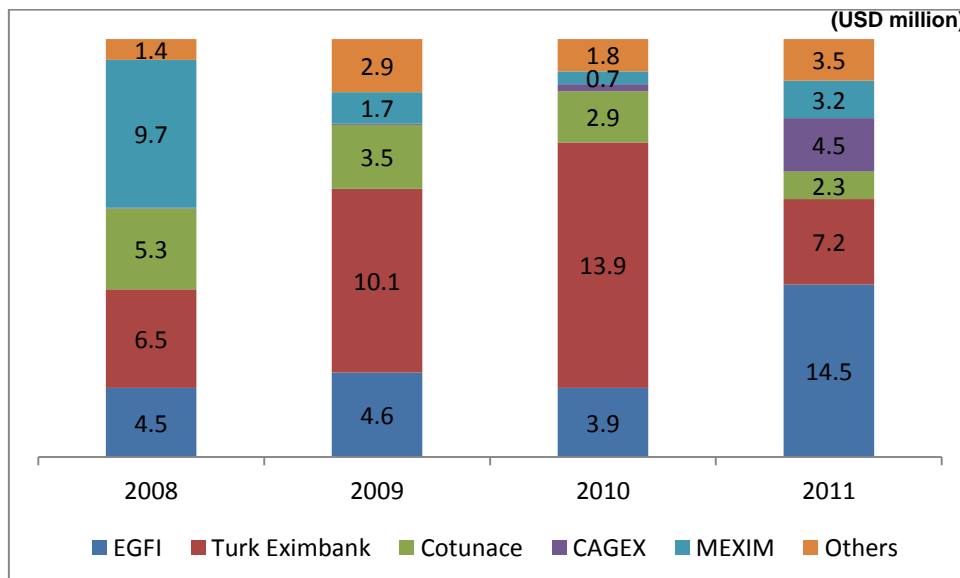
3.6.6 Except Investment average premium rate which increased in 2011, all other lines of business average premium rate decreased during the same year. But, the highest drop was in MT average premium rate (from 5.36% in 2010 to 4.02% in 2011).



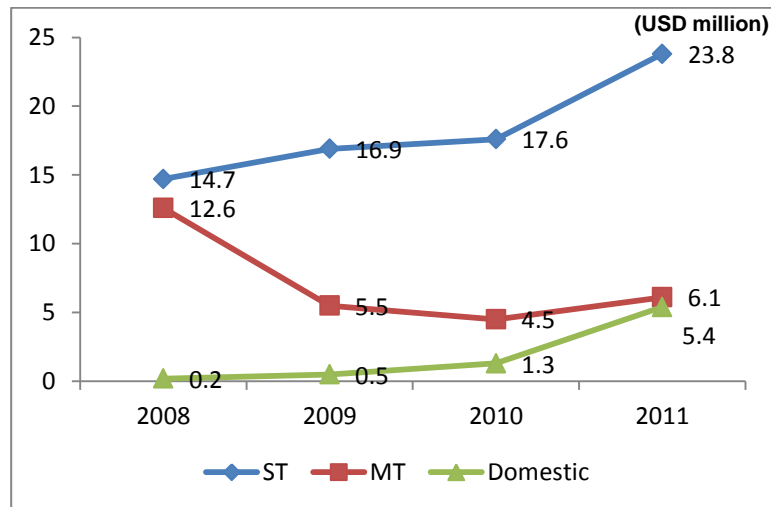
3.7 Claims & Recoveries



3.7.1 Claims have increased significantly in 2011, primarily as a result of high claims paid by EGFI (USD 14.5 m). As a result, total claims in 2011 have increased by almost 50% from the levels of 2010. Turkexim had the 2nd highest incidence of claims (USD 7.2m), which is understandable given its high volume of business.



3.7.2 Except Investment insurance, where no claims have been paid so far, the claims paid increased in all other lines of business. ST still account for the major share (67% of total claims paid in 2011).



3.7.3 The largest claims by line of business in 2011 was paid by EGFI (USD 8.4m in ST and USD 6.1m in MT) and CAGEX (USD 4.4m-domestic).

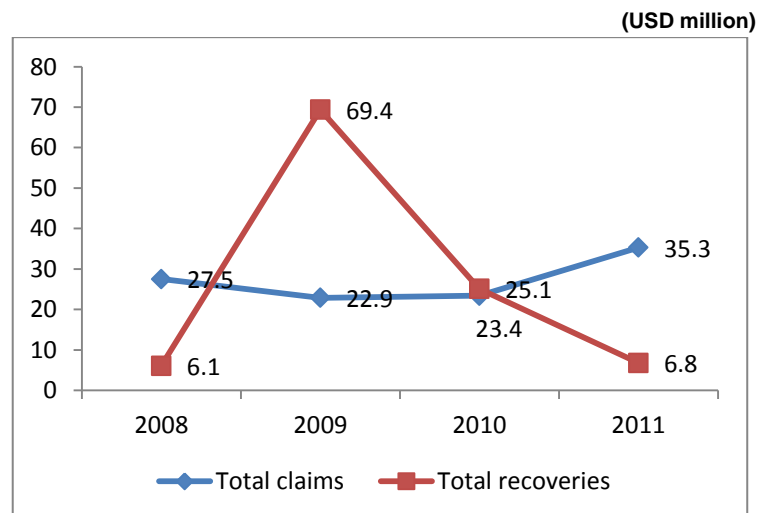
3.7.4 By geographical zone, the claims paid in Asia (mainly in UAE, Iran and Azerbaijan) have tremendously increased in 2011 followed by claims paid in Africa (mainly in Algeria and Ivory coast).

(in USD million)	2008	2009	2010	2011
Europe	5.8	10.1	13.6	5.8
Asia	9	4.6	3.9	16.9
Africa	4.8	4.8	2.9	8.3
S America	0.8	2.1	2.1	0.4
Austria and NZ	6.7	1.1	0.9	0
North America	0.5	0.3	0.6	0.6

3.7.5 By sector wise, exports of chemical and petrochemical products, vehicles, packaging, construction, furniture and livestock have witnessed the highest claims during the year 2011.

Countries	Claims paid (in USD million)	Sector
UAE	8.70	Chemical and petrochemical, service, packaging..
Algeria	4.30	Petrochemical (i.e. bitumen)
Azerbaijan	3.40	Vehicles and automobiles
Iran	3.14	Manufacturing goods
Ivory Coast	2.80	Vehicles and automobiles
Egypt	0.76	Livestock

3.7.6 Recoveries on the other hand, have been showing the opposite trend, and have declined over the last 3 years from USD 69.4m in 2009 to USD 25.1m in 2010 to reach USD 6.8m in 2011.





AMAN UNION

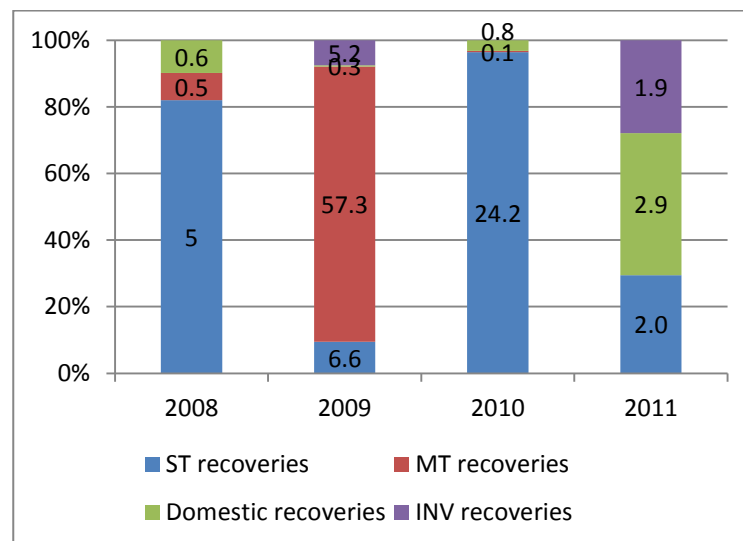
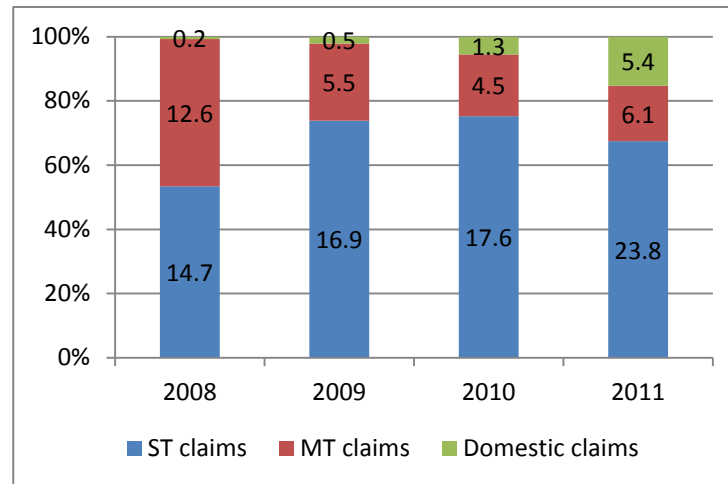


3.7.7 The decrease in recoveries from 2009 to 2010 resulted from the handsome amount of recovery made by DHAMAN in 2009 (USD 55.1m) whereas the drop in recoveries from 2010 to 2011 is mainly explained by COTUUNACE recovery of USD 21.7m in 2010.

(USD million)

ECAs	2008	2009	2010	2011
COTUNACE	0.063	0.946	21.68	0.08
CAGEX	0.000	0.000	0.43	2.4
JLGC	0.000	0.040	0	0
ASEI	0.605	0.308	0.34	0.4
ICIEC	0.100	1.910	0.02	0.15
EGFI	0.170	0.510	0.34	0
LCI	0.021	0.142	0.15	0.25
Shiekan	0.000	0.000	0	0
ECGE	0.000	0.000	0	0
Turk Eximbank	0.900	1.380	2.08	1.52
NAIFE	0	0	0	0
EXIM bank of Malaysia	4.240	9.060	0.14	1.91
DHAMAN	0.020	55.100	0	0.06
SEP	0.000	0.000	0	0
ECIE	0.000	0.000	0	0
ECGA	0.000	0.002	0.001	0.001
SONAC	0	0	0	0
Total	6.1	69.4	25.2	6.8

3.7.8 Domestic claims have the highest rate of recovery compared with the other lines of business (i.e. 62% in 2011 compared with 54% in 2010) as per below figures expressed in USD million.



3.7.9 MEXIM, ASEI and CAGEX have the highest rate of claims recovery in 2011 with 62%, 54% and 53% respectively.



AMAN UNION



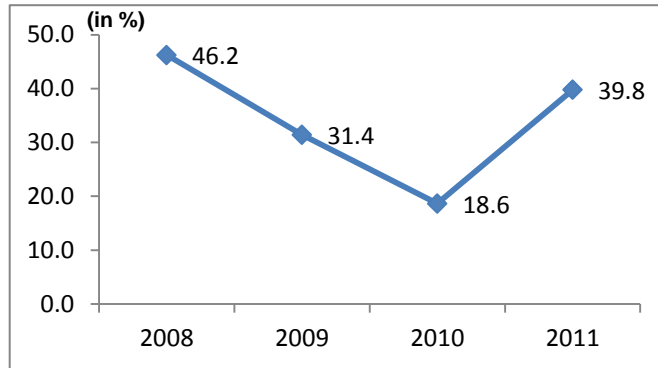
3.8 Loss Ratios

(USD million)

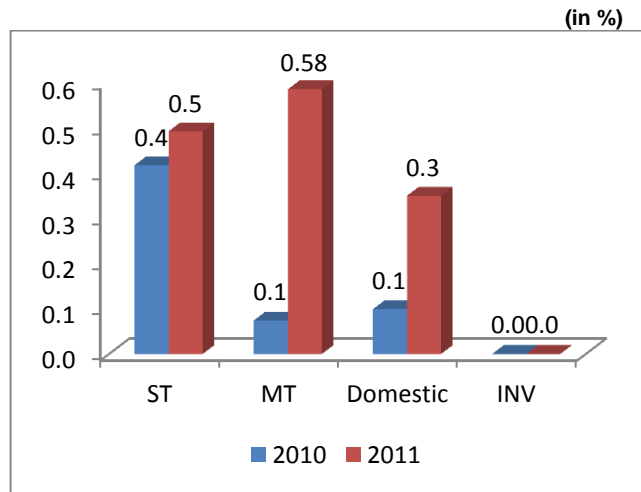
Loss ratio	2010			2011		
	claims	premium	loss ratio	claims	premium	loss ratio
COTUNACE	2.91	3.98	0.73	2.33	3.41	0.68
CAGEX	0.4	3.9	0.10	4.5	4.71	0.96
JLGC	0.14	0.2	0.70	0	0.28	0.00
ASEI	1.1	8.9	0.12	0.78	11.4	0.07
ICIEC	0	13.9	0.00	0	14.2	0.00
EGFI	3.91	55.25	0.07	14.5	12.76	1.14
LCI	0.36	4.09	0.09	0.97	5.08	0.19
Shiekan	0.015	0.96	0.02	0.064	0.73	0.09
ECGE	0.04	1.03	0.04	0.03	0.66	0.05
Turk Eximbank	13.9	18.57	0.75	7.2	20.5	0.35
NAIFE	0	0.04	0.00	0.76	0.06	12.67
MEXIM	0.72	4.23	0.17	3.15	7.01	0.45
DHAMAN	0.04	8.8	0.00	0.14	4.73	0.03
SEP	0.13	1.44	0.09	0.66	0.97	0.68
ECIE	0	0.06	0.00	0.1	0.6	0.17
ECGA	0.01	1.63	0.01	0.002	1.32	0.00
SONAC	0	0.27	0.00	0	0.31	0.00
Total	23.68	127.25	0.19	35.19	88.73	0.40

3.8.1 Loss Ratio of NAIFE is the highest, on account of the large claims they have encountered during 2011. Of the larger AMAN UNION members reviewed here, EGFI has had high loss ratios in 2011.

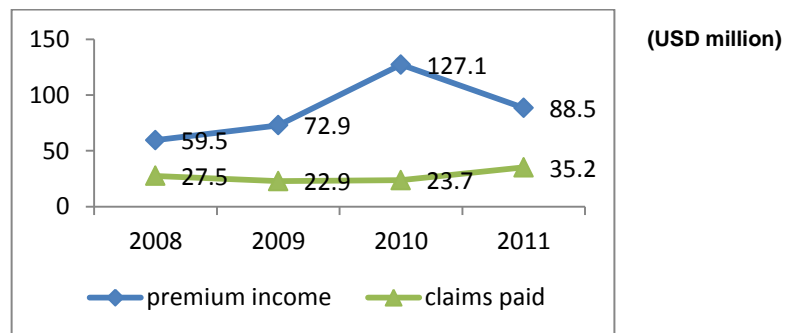
3.8.3 Given the high claims paid by EGFI and Turkexim during 2011, the Loss ratio deteriorated from 18.6% in 2010 to 39.8% in 2011.



3.8.4 By line of business, the loss ratio of MT business is the highest in 2011 followed by ST and Domestic business with 58%, 50% and 3% respectively. Loss ratio of Investment insurance was ZERO.

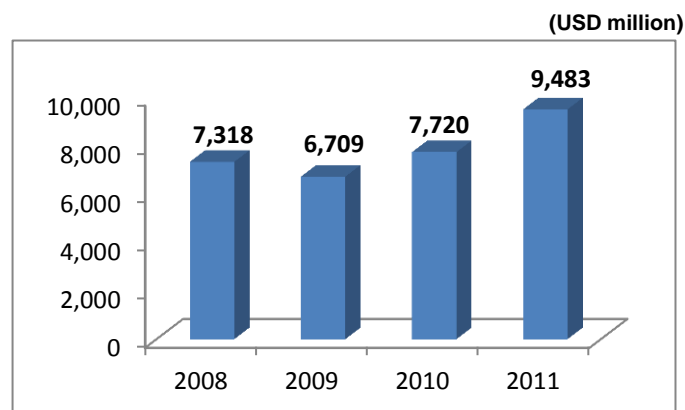


3.8.5 Since 2010, we have started to observe a worrying trend where the average premium rate and premium earned are decreasing whereas the claims paid are in the upward trend. This is might be explained by the increasing competition in the region and the high risks covered mainly after the Arab Spring effects.



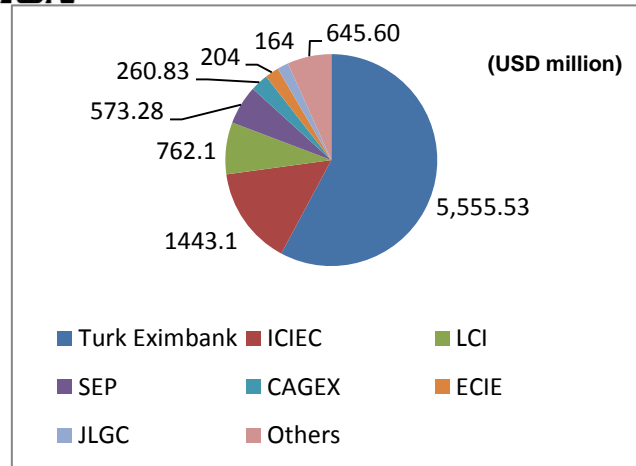
3.9 Outward reinsurance

3.9.1 The ceded volume of business increased by USD 1.8B in 2011 coming from USD 7.7B in 2010 to USD 9.5B in 2011. This is mainly explained by the increase of ceded volume of 3 ECAs (i.e. Turkexim by USD 0.8B, ICIEC by USD 0.5B and LCI by USD 0.2B).

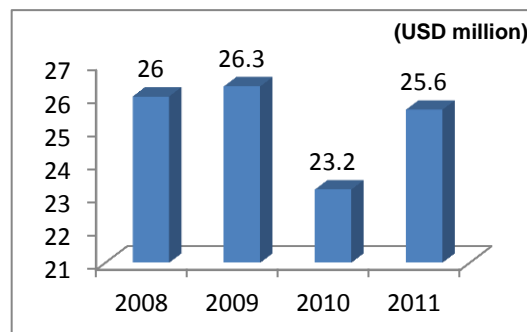


Ceded business (in USD million)	2010	2011
COTUNACE	56	55
CAGEX	205.52	260.83
JLGC	90.4	164
ASEI	40	40
ICIEC	946.8	1443.1
EGFI	0.9	0.24
LCI	594.3	762.1
Shiekan	39.2	15.6
ECGE	0	0
Turk Eximbank	4,808.36	5,555.53
NAIFE	14.67	25.45
MEXIM	8.3	130
DHAMAN	27.8	111.3
SEP	692.18	573.28
ECIE	22	204
ECGA	164	129
SONAC	9.6	13.7
Total	7,720	9,483

3.9.2 Turk Eximbank, ICIEC, LCI and SEP account for 88% of the ceded business of all AMAN UNION full members in 2011.



3.9.3 The premium ceded by AMAN UNION members increased from USD 23.2m in 2010 to USD 25.6m in 2011.



3.9.4 Turk Eximbank, LCI and ICIEC account for 74% of the premium ceded in 2011. Turk Eximbank comes first with USD 14.4m, followed by LCI with USD 3.1m and ICIEC with USD 1.5m

4. CONCLUSIONS

- 2011 appears to be a relatively difficult year for AMAN UNION members with a decrease in premium written by 31% and increase in



claims paid by 51%. The average premium rate fell by 41% and recoveries by 73% during 2011.

- Member Countries' ECAs face some challenging issues such as the lack of reliable credit information on buyers, low awareness amongst exporters, limited reinsurance coverage in higher risk countries, competition, lack of IT infrastructure, low capital base, and training and development needs of staff.
- Though many of the problems are systemic in nature, there are some problems which can be effectively dealt with by the ECAs.
- Cooperation among ECAs and close coordination with other concerned government agencies are some of the ways in which the above given problems can be tackled. The proposed areas of collaboration include knowledge sharing, credit information, insurance and re-insurance.