

DUE DATE

newsletter



Letter from the GM



LCI News



Industry News



Insights

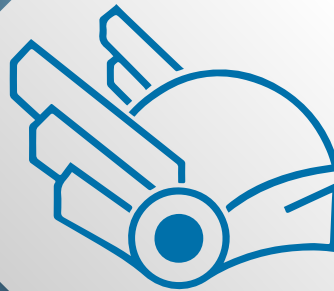
15TH

ANNIVERSARY

December
2016
n° 4



www.lci.com.lb





Letter from the GM

15 YEARS LATER...

Welcome to a special Due Date issue, which coincides with the 15 year anniversary of LCI. Fifteen years of growth as a result of challenges. Fifteen years of seized opportunities as a result of determination. Fifteen years of success, as a result of a tireless group of individuals, that were driven by LCI's vision, namely to be internationally recognized as a driving force in trade facilitation in the MENA region.

To look back and say that the journey was easy and only a fond memories prevail would not do justice to the efforts that were pooled into making LCI what it is today. Each year and month brought with it a new lesson and we found ourselves continuously growing as a company and within our industry.

In 2016, LCI has managed to expand its panel of first class reinsurers to cater for the growth of the portfolio. At the end of this year, we will have reached a turnover insured in



excess of USD 2.4 Billion and an actual outstanding exposure in excess of USD 1.4 Billion.

These figures describe a globally recognized trade credit insurance company when compared to its modest beginnings in 2001. LCI remains the first private credit insurer in Lebanon and the Middle East, with a regional presence in 12 markets. It is thanks to strong partnerships, that this development has been made possible.

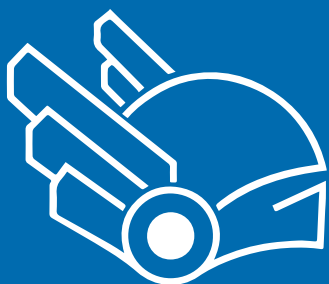
I would like to thank each and every person who has contributed to LCI's performance over the past years and we remain committed to our partners, clients, shareholders and reinsurers.

This special issue of Due Date will take you through the LCI journey. I hope you enjoy it.

Yours sincerely,

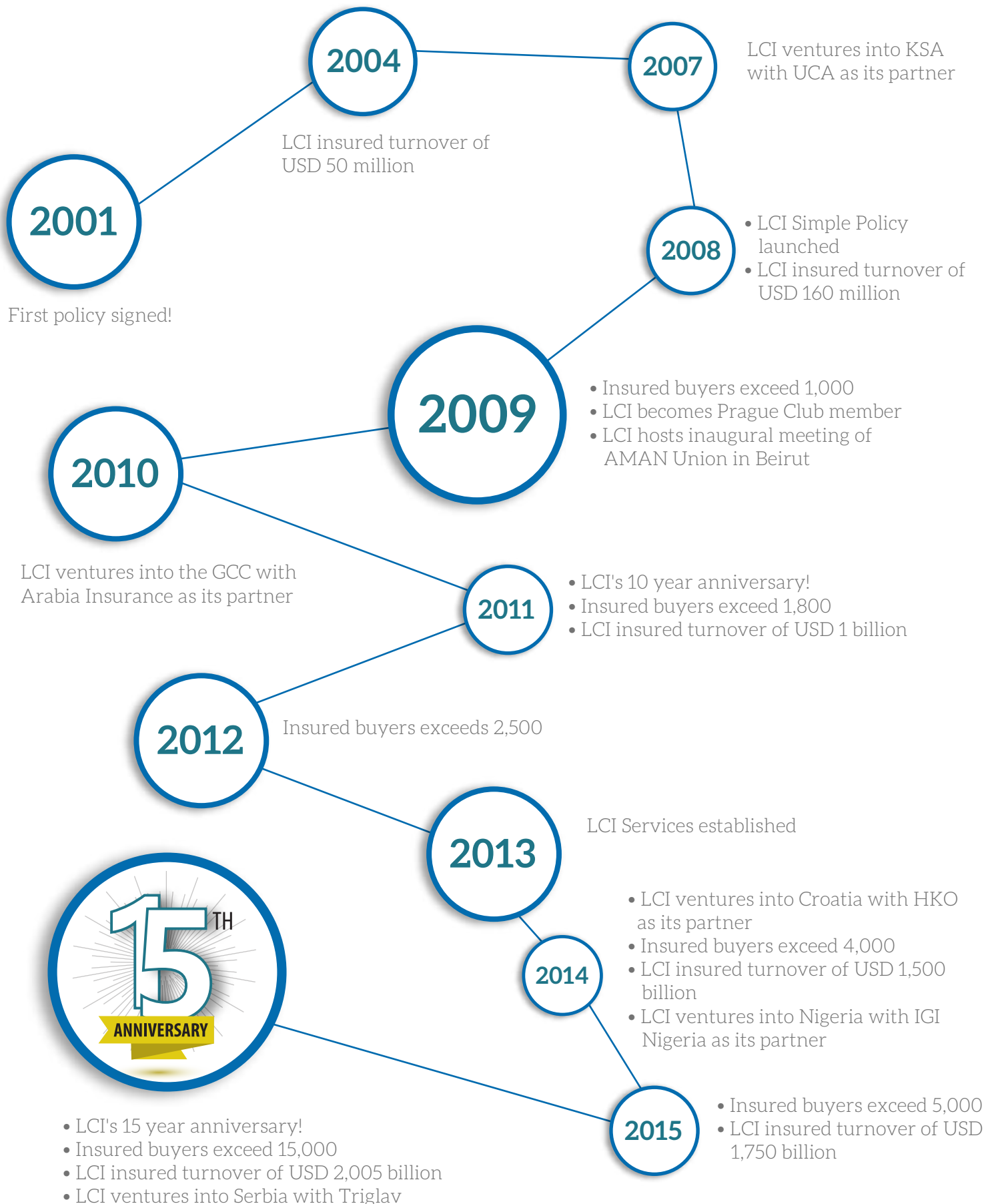
Karim Nasrallah
General Manager, LCI

15TH ANNIVERSARY



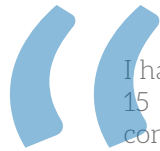


15 YEARS IN REVIEW





CLIENT TESTIMONIALS



I have developed a close and personal relationship with LCI that dates back 15 years. It's been a solid relationship founded on mutual values and continues to be strengthened by the business ventures between us. Perhaps it was the introduction of Credit Insurance across the company that was the most important achievement we did during this period. The second biggest achievement was the inclusion of rather unconventional and challenging countries in the policies.

My wishes for LCI on its 15th Anniversary is for the firm to continue to grow, to further enhance its operations and to cover more countries - going hand in hand with our company to have the proper coverage of required business in these territories. Trade Credit Insurance has led the company to establish a credit department internally, the function of which is to properly establish and maintain customer credit files. This has furthered trust building between both entities.



Vicken Sarkissian
CFO, Obegi Chemicals



We have been working with LCI for many years now, for almost a decade. The product offering, namely trade credit insurance, has had a huge impact on our business, contributing to positive growth throughout the years. In addition, the team at LCI, be it from their responsiveness to their knowledge in this field, have played an integral role in the company's growth. Our sales have grown since 2007, due to the cover provided by LCI, which has allowed us to focus on our core business and operations.

On the 15th anniversary of LCI, I would like to thank them for their ongoing support and I look forward to many fruitful years, working closely with the team.

Wassef Chaibane
Owner of Wassef Cheibane Ets.





MESSAGES FROM OUR REINSURERS

When I started visiting Lebanon in 2008, I had no idea what to expect from a relatively unknown country to me. I remember one of the first remarks made by Karim was why we were in such a hurry and only visited for 1 day, as Lebanon and Beirut have so much to offer. During this visit it became clear what Karim meant, whereby I was surprised by the hospitable people, the outstanding food and the professional business operation established by LCI. Of course I had to try the real Lebanese food, including some very traditional dishes, which were all part of the Lebanese 'experience'.

Nowadays visiting for only 1 day has been solved elegantly by Karim and the team, by hosting an annual partners meeting over a minimum of 2 days. The annual partners & reinsurers meetings started out with 3 people in the beginning, and today, they bring together over 40 attendees.

Since those early days, my colleagues and I have had many memorable moments with Karim and the team as well as further strengthened our business relationship. Seeing the company grow into a leading market in the region and being part of this, is something I highly value.

Deepest personal regards,

Michiel De Smet
Senior Reinsurance Underwriter Surety & Credit
N.V. Nationale Borg-Maatschappij

It was in volatile political times (which is typically the case in Lebanon), that I first visited Beirut in March of 2005. My memory is somewhat hazy from the time of my first visit, but I will never forget the excellent professional and personal conduct by Karim and the entire, at that time much smaller, LCI family.

We discussed professional opportunities, as well as personal matters, and forged a long term relationship, which is still standing firmly.

I'm very grateful for the memories that have been created, and I am confident that there will be many future memorable moments to be shared.

Deepest personal regards,

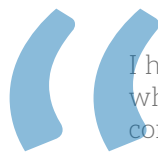
Ivo Nijenhuis
Managing Director
Nationale Borg Reinsurance N.V

"LCI has been growing encouragingly in recent years. The firm was founded with an entrepreneurial mindset, and as we all know, entrepreneurs are determined, and see the benefits of the challenges ahead of them. During my years of working with the people of LCI, I learned that they are an exhibit of continuously forward-thinking when it comes to developing the product, and creating new markets. Key for these successes can be found in their drive and enthusiasm, to keep investing in staff and willingness broadening their knowledge. This shows that LCI does not only have the present in mind, but also the future. On its 15th Anniversary, I would like to congratulate LCI on its accomplishments, and look forward also cooperating with them in the years to come."

Richard Lange
Head Credit & Surety
Arch Reinsurance Europe Underwriting



TESTIMONIALS



I have been involved with LCI and its operations since the very beginning, when it was founded over 15 years ago. I have contributed to setting up the company and throughout the years, we have experienced many challenges and been met with many opportunities as well.

I am pleased to be part of the vibrant spirit of the team, coupled with their energy and their capacity to adapt to different markets and situations.

It has been a pleasure chairing the company for the past 15 years, and it has been a privilege to see it grow and expand regionally. I truly believe the family spirit and sense of entrepreneurship is what drives LCI.

Gerard Van Brakel
Chairman of LCI's Board of Directors



"We all at Atradius congratulate LCI on its 15th Anniversary. During those years LCI has successfully developed awareness for the Credit Insurance product in Lebanon and the Levant region. We wish them continued success".

Daniel Stausberg
Atradius Participations BV





We are pleased to announce the launch of our new website.





Credit insurance services expanding in Serbia

LCI Services has been working alongside Triglav, a leading insurance-financial group, in Belgrade, Serbia, to oversee and aid in the development of credit insurance services within Serbia. The venture is now fully operational, and a cooperation agreement between the two entities has been put in place. Policies are now being issued to clients from various sectors.



LCIS expands its reach to Botswana

LCIS has entered into its second Consultancy Contract with the Export Credit Insurance and Guarantee Company (Botswana) (Pty) Ltd – BECI.

The Consultancy Contract stipulates that LCIS will assist BECI in reviewing all aspects of BECI's current business model and accordingly advising and reporting

how the efficiency of BECI could be enhanced by the adoption of new or amended approaches in any parts of the business model.

Consultants from LCIS recently visited BECI to discuss, review and update the initial reports that were issued in April this year.





6th Annual Partners & Reinsurers Meeting held in Beirut

LCI held its 6th Annual Partners and Reinsurers Meeting in Beirut on June 16 and 17, 2016, over two days. The Meeting's Agenda included various presentations from LCI's team, new reinsurers, business partners and partner market updates.

The meeting kicked off with a general overview of LCI's business over the last year, and covered the growth of LCI Services. Business Development and Risk Assessment were also covered by the LCI team, showcasing the strategies that have been put in place to contribute towards developing the firm.

A keynote address was delivered by Robert Nijhout, Executive Director of The International Credit Insurance & Surety Association (ICISA) who covered the global trade credit insurance market and its challenges, along with the market outlook, which indicates that an increase in premium income is forecasted. Nijhout also shed light on global economic trends, such as the creation of new trade corridors, the rise of commercial superpowers, as well as technological trends, such as digitization and big data that are impacting the trade credit insurance industry.

Day two of the meeting showcased the latest advancements in LCI's online platforms, which will soon allow clients to be able to manage their policies on a tailored platform.





LCI taps into the impacts on businesses in the MENA region, at the ICISA Meeting

How have businesses in the MENA region been impacted with global changes? Karim Nasrallah, GM of LCI, delivered a presentation on 'Doing Business in the MENA Region' at the most recent ICISA meeting, held in March 2016.

He indicated that many factors have been impacting businesses, such as the outburst of terrorist acts, sharp decreases in oil prices and commodities, evident reductions in public spending and a general sense of uncertainty that has swept over companies. These factors have contributed to the reduction in public spending, tight liquidity in the market, and the weakening of numerous currencies.



Subsequently Nasrallah follows with the critical dynamics that businesses may encounter, such as the lack of transparency and difficulty in obtaining buyer information, the inefficiency of the legal systems and lack of strong commercial laws, in addition to the limited spread of credit insurance.

He concluded by sharing with guests that companies of all sizes are being tested at this time and forecasted that 2016 will be a challenging year for all in credit insurance. Surviving this challenging environment requires building resilience, pursuing innovation, expanding business pipelines and watching/reducing expenses.

"Companies of all sizes are being tested at this time and 2016 will be a challenging year for all in credit insurance."

Building resilience, seeking innovation, expanding business pipelines and watching/reducing expenses will be key to getting through this rough period."



LCI News

Aman Union Organizes its 7th Annual Meeting in Beirut



The Aman Union held its 7th Annual Meeting in Beirut, Lebanon, on November 13 – 15, 2016. This year, the meeting was hosted by the Lebanese Credit Insurer (LCI), and brought together a group of international and regional experts and professionals, coming from national, regional and international export credit agencies (ECAs) to discuss important issues in the insurance and reinsurance sector, export credit, trade finance and the challenges facing those areas.

The meeting kicked-off with a welcome address by H.E. the Secretary General of the AMAN Union, Mr. Oussama A. Kaissi, followed by an address by Mr. Karim Nasrallah, the General Manager of LCI.

The first day included a rich line-up of presentations and discussions, starting with a presentation on the Developments in ECAs Activities: 'Development in Products, Systems Organization in 2016 and Business Expectations for 2017,' and the Performance analysis presentation, presented by the Secretariat General of AMAN Union. Other presentations of the Day included important themes like

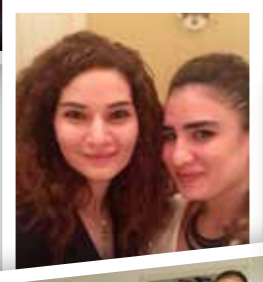
"the Takaful Credit Insurance : Unleashing Potential and Obstacles"; "The Insolvency Law Systems in AMAN Union member Countries" and "The Importance of the Compliance and Due Diligence Function in Export Credit Insurance".

The second day of the Meeting hosted a session with speakers from Saudi Hollandi Bank in Saudi Arabia who presented "The Areas of Cooperation between Banks and Export Credit Agencies (ECAs) and the Role of the Banking Sector in Supporting Trade".

The AMAN Union 7th Annual Meeting concluded with a General Assembly where the plans for the coming years were shared, along with voting to accept new members to the Aman Union.

About the Aman Union

The Aman Union is a professional forum assembling Commercial & Non-commercial Risks Insurers & Reinsurers in Member Countries of the Organization of the Islamic Cooperation and of the Arab Investment & Export Credit Guarantee Corporation (DHAMAN). The Aman Union was launched on 28th October, 2009 following an agreement between the Arab Investment and Export Credit Guarantee Corporation (DHAMAN) and the Islamic Corporation for the Insurance of Investment and Export Credit (ICIEC) to join their efforts for establishing a union for commercial and non-commercial risks Insurers and Reinsurers in their respective Member Countries. To date, it has 33 members, composed of full members, associate members and observer members. For more information, visit www.amanunion.net.





Industry News

GTR Levant Region Trade & Export Finance Conference takes place in Beirut



The GTR Levant Region Trade & Export Finance Conference took place in Beirut on December 6, 2016, bringing together industry experts to discuss numerous topics, such as the discovery of oil and gas reserves in Lebanon, current trade priorities, regional trade flows and the role of technology in trade finance.

LCI's GM, Karim Nasrallah, took part in a panel, shedding light on the current trade and export priorities for the Levant region.

Industry specialists from across the trade finance community, including insurers, local and international banks, financiers, corporates and lawyers networked throughout the day.



How five MENA countries have been affected by global changes

The evolution of risk in the MENA region is currently not only limited to political unrest and turmoil in Libya, Egypt, Syria, Yemen, and Iraq, it is also affected by several economic factors where these countries are now highly influenced by the changes and challenges occurring regionally and internationally.

Further to the sharp decrease in oil prices, there have been grand numbers of Syrian refugees entering Lebanon, Jordan and Egypt. The lifting of sanctions on Iran the war in Yemen, and the international economic deterioration have also affected the region. . In addition, the region has been highly affected by the currency deflation in most of the African countries, the deterioration of the economic situation in Argentina and Brazil, and the economic slowdown in China.

Each country in the MENA region has been affected for various reasons. Below is a summary that illustrates the main challenges recently encountered by five different countries.

LEBANON

In addition to the political challenges the country is facing, along with the Presidential vacuum (exceeding two years to date), Lebanon is facing difficulties to export, as it is currently unable to depend on exporting by land, due to the ongoing war in Syria and war with Israel. Lebanon was also affected by the high influx of Syrian refugees who have put more pressure on its economy.

Below are some figures obtained from Central Bank of Lebanon:

- 1- Exports have dropped from LBP 5 billion in 2014 to LBP 4.4 billion in 2015
- 2- Increase in Public Debt – Net total debt from LBP 86,391 billion in December 2014 to LBP 92,781 billion in December 2015.

EGYPT

Despite the increase in Egypt's stock of foreign exchange reserves to USD 17 billion in April 2015, and the new regulations issued by the Central Bank to tighten the control on the national currency, the Egyptian currency has devalued against the dollar from 7.6 in April 2015 to 8.85 in April 2016. The new regulations and measures taken by the Central Bank to control the EGP devaluation has resulted in slowdown of imports of different types of goods.

In May 2016, Standard and Poor's issued a statement indicating that it has downgraded the outlook on Egypt's long-term sovereign credit to negative, from stable, because of "external and fiscal difficulties."

Further adding: "The negative outlook reflects our view that Egypt's external and fiscal vulnerabilities might increase further over the next 12 months. We consider that this could dampen the country's economic recovery and exacerbate sociopolitical tensions."

UAE

In addition to the sharp decrease in oil prices, UAE's exports to Iran were ►



highly affected by the lifting of sanctions on Iran and the latter's current ability to import directly from the source with low margins. It was also affected by the currency deflation in some African countries that form major export markets for the UAE. The UAE also witnessed daily cases of companies shutting down and runaways, during 2015 which reflected significant amounts of doubtful debts at UAE's top banks reaching DH 45 billion as per an article in the Gulf News.

SAUDI ARABIA

Saudi Arabia, which is the largest oil producer in OPEC and has the world's lowest public debt, is currently facing challenges and is affected by several factors.

Saudi Arabia's credit rating was cut by Standard & Poor's. The ratings agency indicated that the decline in oil prices will increase the budget deficit in a country that relies on energy exports for 80 percent of its revenues.

Commenting on the matter, Trevor Cullinan, a credit analyst at the rating company, said in the statement: "We could lower the ratings within the next two years if Saudi Arabia did not

achieve a sizable and sustained reduction in the general government deficit, or its liquid fiscal financial assets fell below 100 percent of GDP."

IRAN

Despite the lifting of sanctions on Iran, size of its economy, and possession of the third largest oil reserves in the world, it will take few years for Iran to embark on a normal economic recovery. This is mainly due to the low oil prices and investors' fear of sanctions being reintroduced.

Each country in the MENA region has been impacted in a different way, some more than others. Risks across the MENA region have been increasing and are expected to further increase in the coming years. This will directly reflect on an augmented number of defaulting companies and will emphasize the importance of having a credible credit insurer to mitigate risks, by either identifying potential risks, or to provide protection against these risks to safeguard a company's biggest asset - its trade receivables.

Bahaa Merhi
Risk Assessment and
Credit Information Manager
LCI





Insights



How Iran is changing the regional landscape

The sanctions on Iran have been lifted, after nearly 40 years. These sanctions have greatly impacted the Republic as a whole, as well as numerous industries such as trade, shipping and insurance. Iran's economy is expected to be positively impacted, as a result of increased foreign trade and investments that have started to make their way into the oil-rich nation.

In light of the opening up of the Iranian market, the landscape of the Middle East has also begun to shift from an economic and trade standpoint. On an international level, ties with various nations, including the United States and the European Union are being normalized. This has prompted many business leaders to question how these changes will impact the regional and global landscape.

Opening up of trade prospects

Iran's GDP is estimated at 416.5 Billion USD (based on IMF reports), making it the second largest economy in the MENA region. With the lifting of sanctions, experts in Iran indicate that the country can attract up to an additional 50 billion USD per year in investments.

There are ample opportunities in the energy sector, with hydrocarbon production is expected to rise. The oil sector as well, is anticipated to attract investment. In terms of crude oil production, an increase is forecasted, from 2.8 million barrels per day (2015) to nearly 3.6 million barrels per day in

2017. Experts indicate that this will have an impact on oil prices, reducing prices as production increases.

The automotive sector in Iran has been dampened by the sanctions and there exists a strong demand amongst Iranian nationals for international brands. Thus, international car producers have started eyeing opportunities in Iran and entering the market.

On the other hand, the FMCG sector and its key players can now expand their operations and tap into a new market, with a population of nearly 78 million people in Iran. Nearby markets which Iran depended on for trade, such as Dubai, have already started to feel the repercussions, as the country can now trade directly with the source.

Whilst it may be too soon to make predictions on how the regional and international landscape will change as a result of the opening up of the Iranian market, growth opportunities are definitely in sight.

LCI was one of the first private trade credit insurers in Iran, signing an MOU with the Export Guarantee Fund of Iran (EGFI) in early 2014. This move aims to help strengthen Lebanon and Iran's services and trade industries. The EGFI is responsible for handling credit insurance-related issues in Iran as well as the finance of Iranian export.

LCI's Editorial Team



Insights

SMEs, meet Credit Insurance

The credit insurance sector in the MENA region is still budding. LCI estimates that there are only around 1,000 companies insured against the risk of non-payment, protecting their biggest asset – their trade receivables. If you compare the revenue stemming from this sector compared to the region's GDP, you will see that the spread of such a tool, namely credit insurance, remains very under developed in the region. The primary reason for this is that there is a lack of proper education on the availability of such tools, and there remains low risk consciousness across the region, despite the MENA countries being exposed to diverse and high levels of risk.

From a business development perspective, SMEs have continually strived to obtain a bigger market share and more stable long-term business. This is where credit insurance can support both growth and expansion plans for these types of companies.

Credit insurance providers grant many benefits to SMEs, starting with market knowledge sharing and risk assessment tools. Supporting small and medium enterprises with market intelligence is often an overlooked advantage of credit insurance. The current market condition, in the MENA region in specific, is very demanding and to survive, competitiveness is key.

Whether a company operates only domestically or focuses on the export market, better credit terms is vital to achieve sales goals. For example, export markets are increasingly moving towards open credit policies without any bank guaranties, letters of credit or any other type of collateral. Therefore, and in order to compete in such a market, SMEs have to work in accordance with market trends, yet the commercial risk is quite high. This is where credit insurance plays a big role in protecting a company's receivables, resulting in higher market competitiveness.

In the light of the above, and in order to deliver the best support possible, credit insurance providers must monitor the market movements. At LCI, over 15,000 companies are monitored, with focus on their payment behaviors: timely payments, delays or payment patterns. Monitoring is also segmented by sector, trade size, company size and country location. The results of this active monitoring of firms, gives SMEs an immediate understanding of the market, long before any economic reports are issued.

Seeing that there is a scarcity of available information (financial and other), the only way for credit insurers to underwrite risk is to conduct research via on-ground visits to companies, to understand, based on their sector experience, what is the potential opportunity and credit worthiness of each entity.

Accordingly, credit insurers are able to assess the risks, and know the credit worthiness of most of the buyers, along with other pieces of information their research yields.

SMEs however, due to their size, financial structure or budgetary constraints, are unable to invest in this field, when it comes to hiring the skilled people specialized in risk, IT or information assessment. This is why many SMEs have jumped on the bandwagon, taking out credit insurance policies to gain insight into market trends, learn more about potential buyers / clients and ultimately mitigate commercial risks.

From our experience, what SMEs need is access to information, to increase their targets and sell on credit. Credit insurance offers many benefits to SMEs, and supports growth and expansion plans – all while a company's biggest asset is protected.

Abdo Radi
Business Development Manager
Lebanon, LCI





Insights

Market Focus: How Egypt is working to maintain leading role



In a region full of uncertainty and conflicts, Egypt is trying to maintain its leading role as one of the biggest economies. Having the largest population of over 90 million and the third highest GDP of around USD 300 billion, Egypt has been facing many ongoing political and economic challenges over the last few years. One of the major economic challenges that Egypt is confronting today is the availability of foreign currencies and the value of the Egyptian pound. Last March, the Egyptian Government had to devalue the Egyptian Pound by 13% to ease an acute dollar shortage in the banking system.

Despite these challenges, Egypt remains a great potential market for domestic and export Trade Credit Insurance. Egypt's Industrial and Agricultural sector contributes 37.5% and 14.5% to the GDP respectively. Main industries in Egypt include: Textiles, Food Processing, Chemicals and Pharmaceuticals. In the last couple of years, we have seen an increase in demand for domestic Trade Credit Insurance (TCI). However, we have noticed a very low awareness about TCI. Some companies were under the impression that credit insurance caters only for the export market.

Despite some challenges relating to the lack of a centralized registry for companies, and the difficulties in obtaining information about buyers, Egypt remains a prime market for LCI.

Last year, LCI launched the Default Insurance Program (DIP) in Egypt. The DIP insures IATA acting on behalf of the airlines against the risks of non-payment of their accounts

receivables from Travel Agents. The DIP is one of two collaterals accepted by IATA, the other collateral is a bank guarantee.

The insurance program was signed between LCI's partner in Egypt; Arab Misr Insurance Group / GIG and IATA. GIG partnered with the Egyptian Travel Agents Association (ETAA) to help facilitate enrolment of the Egyptian Travel Agents through ETAA's many offices throughout the country. LCI participated in a number of seminars in Cairo and Alexandria in which the DIP was presented and explained to the travel agents. LCI manages the DIP on behalf of its partner in Egypt in providing the technical and operational support.

Since the launch of the program back in August 2015, more than 700 travel agents have joined the DIP and more than 80% of all tickets sold in Egypt are insured by the DIP. LCI, in cooperation with our partner AMIG have launched the DIP program in Egypt.

This is the second DIP managed by LCI as the first one was launched back in 2008 in Lebanon.

Companies operating in Egypt have been met with many challenges over the past few years and based on the developments in the MENA region, they will continue to be tried and tested. However, with the proper precautionary mindset and due diligence, as well as a credit insurance policy, companies in Egypt can continue to contribute to the country's growing economy.

Naser Abu Ghazaleh
Head of Business Development,
LCI



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