DUE DATE

newsletter

Letter from the GM

LCI News

Industry News

Insights

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www.lci.com.lb

Happy New Year!

Letter from the GM

Welcome

to the third issue of Due Date.

As we welcome a new year, we bring with us numerous lessons from 2015 and plans on how to improve and grow further, in 2016.

To briefly reflect on last year, the Middle East region was certainly tried and tested. Most businesses and industries faced many challenges, as a result of the general sense of uncertainty on many levels. From the deterioration of the political situation in some of the MENA countries, to the ongoing escalating conflict in Syria, the war in Yemen, to the global outburst of terrorism and the tightening of security measures in many countries. These events came in addition to the drop in oil prices and commodities, which have noticeably impacted the Gulf economies.

Despite the current situation, we have witnessed a steady growth in exports across the region, since 2010, with interregional exports increasing notably over the years as well. Moreover, the opening up of new markets, and the lifting of sanctions on Iran, will change the trading landscape of the Middle East as we once knew it.

In this climate of uncertainty, LCI has repositioned itself in terms of sectorial and market exposures. We remain strong advocates of the potential growth in the region and are committed to support clients in their respective industries.

On another front, my tenure as the Chairman of the Berne Union Prague Club came to an end in November 2015. Throughout the past two years, we have worked hard on bringing the Berne Union and Prague Club closer, to achieve stronger integration. I had the pleasure of working with various credit insurers and export credit agencies from around the world, which was a very enriching experience.

On that note, I hope you enjoy the latest issue of Due Date, and best wishes for 2016.

Yours sincerely,

Karim Nasrallah
General Manager, LCI

LCI News

Trade Insurance is going online

LCI is launching Trade Protect Online, its new online policy management portal that gives businesses immediate visibility over their buyer portfolio. The service will initially be launched in Lebanon, and will soon be available in other countries.

Trade Protect Online provides businesses with timely intelligence on their current clients and will complement their internal risk management procedures. They will gain more direct and live access to their accounts receivable portfolios which will in turn help them maximize opportunities.

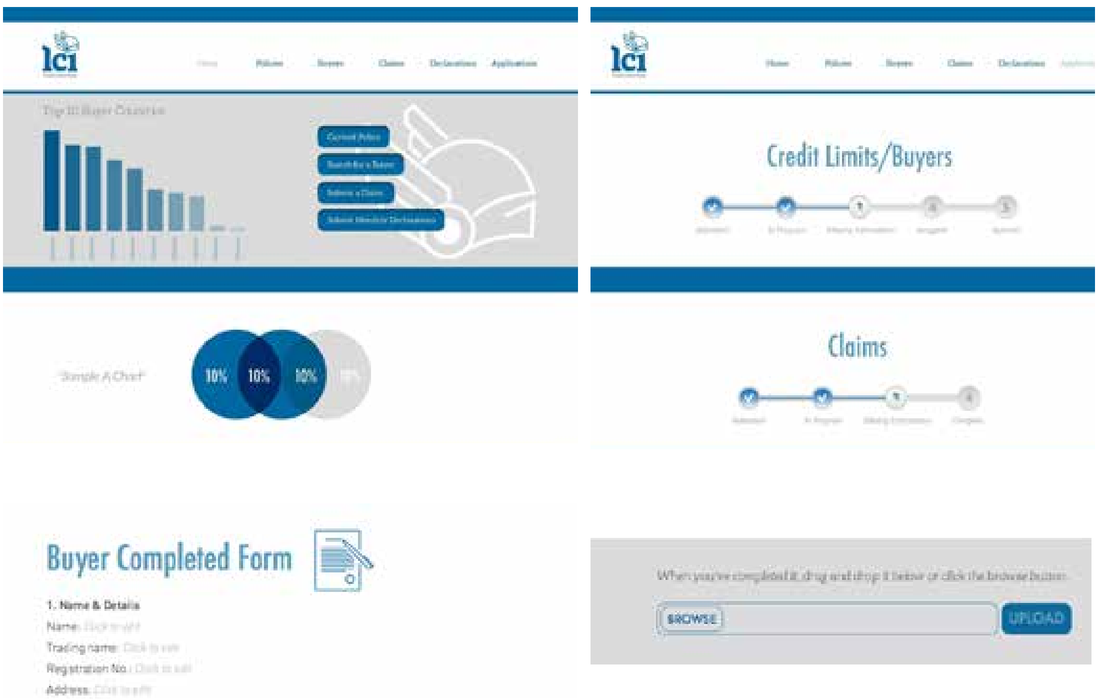
Policyholders will access Trade Protect Online via a secure online portal and will be able to view their total Credit Limit acceptance rate as well as gain insight on their Buyer Portfolio profiles. Information such as top buyer countries, total and individual exposure and usage will be readily available and automatically updated.

Trade Protect Online will help businesses view their active sales exposure in a matter of minutes. It will also provide them with the ability to apply for new Credit Limits on new clients as well as go through their existing client database and amend cover on existing ones. Businesses will also have the option of declaring their monthly turnover directly on the portal.

On top of client portfolio management, businesses will be able to submit their claim applications via the portal and follow up on its status.

Benefits of Trade Protect Online

- *Access timely intelligence*
- *Gain live access to account receivable portfolios*
- *Obtain insights to Buyer Portfolio profiles*
- *Access info on top buyer countries and total exposure etc.*
- *Submit claim applications via portal*



Serbian Cooperation Agreement: Signed

In December 2015, Triglav Osiguranje A.D.O. and LCI finalized a cooperation agreement intended to jointly develop credit insurance activities within Serbia.

LCI will bring technical know-how and expertise in underwriting the risks in the region, as well as Re-insurance support through top tier Reinsurers; while Triglav Osiguranje A.D.O.will issue credit insurance policies within Serbia. Triglav Osiguranje A.D.O., on the other hand will be able to provide their corporate customers with credit insurance services.

LCI will help Triglav Osiguranje A.D.O. set up its own adapted Microsoft Dynamics CRM dedicated to manage their policies as well as follow through the credit insurance cycle from Client Application, Risk Assessment, Policy Management to Debt collection and Recover.

Both companies are very keen on increasing the penetration and awareness of Trade Credit Insurance in Serbia and helping companies benefit from the stability and expansion potential credit insurance provides.

triglav

about Triglav Osiguranje A.D.O.

Triglav Osiguranje A.D.O. is a Joint Stock Company in Serbia that provides all kinds of non-life and life, health & accident insurance. Triglav has been in the market for 100 years and has provided economic stability and security to multiple companies and individuals. It has carefully developed its business network to ensure that its insurance services are always easily accessible and available. Services are provided at contact centers across 19 branches all over Serbia. Triglav Insurance Company has 800 agents and 90 salesmen. The business of Triglav with its branch companies allows it to operate in various markets including Slovenia, Serbia, Czech Republic, Croatia, Bosnia and Herzegovina, Macedonia and Montenegro.

LCI News

Presenting a New Way: The TRADE Suite of Products

LCI's products and services include TRADE PROTECT™, our Trade Credit Insurance policy, in addition to: TRADE INFORM™, TRADE COLLECT™, and TRADE ADVISE™.

TRADE INFORM

**Provided by LCI Services*

Trade Inform provides the supplier with extensive background information on a potential buyer, to order to aid the supplier in making more informed decisions, prior to engaging in business transactions.

This service includes:

- Information/Credit Reports
- Regional Reports
- KYC

TRADE ADVISE

**Provided by LCI Services*

Trade Advise provides the client with a series of beneficial outsourced services, to identify, mitigate and manage any trade credit insurance-related product or business venture.

The following services are provided by LCI (via its partner network or as consultation services):

- Business Model Review
- New Product Development
- Establishment of Credit Insurance Activities
- Risk Management
- IT
- Consultancy/Training

TRADE COLLECT

**Provided by LCI Services*

Trade Collect appoints the trade credit insurance firm as the 'bad' debt collector, pursuing customers to collect bad debt and to settle any pending payments, after they default.

This service includes:

- Bad Debt Collection
- Invoice Management

For more on each of these products, visit www.lci.com.lb

UAE Trade Credit & Risk Insurance Forum

LCI, represented by Mr. Karim Nasrallah (General Manager) attended the Trade Credit & Risk Insurance Forum on October 11-13, 2015. The conference took place at the The Address Hotel, Dubai Mall, Dubai, UAE.

The theme of the Conference was 'Leveraging insurance and credit management to minimise risk, enhance trade and ensure sustainable business growth." The forum was attended by various leader from leading ministries, regulators, corporates, SMEs and insurers.

The conference was made of 2 conference days and 1 workshop. The first two days brought together multiple speakers and panelists to discuss the economic and political risk landscape, Insurance product trends and innovation, commercial credit and risk management amongst other topics.

The workshop had a more focused and technical perspective and went into depth on topics such as "Understanding the legal aspects of claims, coverage, disputes and recoveries for Trade Credit and Political Risk insurance" and "Examining the regional political and economic risk landscape and framing strategies to effectively mitigate these risks and ensure business growth".

Mr. Nasrallah was an active delegate at the conference. He gave a keynote presentation on the topic: "Assessing key criteria that influence insurers." He discussed criteria such as debt loss history, and trade performance and policy variables such as cancelable and non-cancelable limits, discretionary limits and buyer limits.

He also took part in the Stakeholder panel on Obstacles for SMEs in the region. The other panelist was Sanjoe Mathew, Regional Associate Director, Trade, Export & Structured Finance, Huawei, UAE.

The panel tackled the following:
• Common concerns for SMEs in the region
• Challenges and solutions
• SMEs with relation to banks and financing

Aman Union Conference

A two-day intensive training on Reinsurance, by the Aman Union, took place in Istanbul, and was attended by LCI's Claude Noujeim – Underwriting Manager. This is the sixth edition of such a training by Aman Union and this year, it was hosted by Turk EximBank, the 100% state owned-bank, at their premises in Turkey.

Reinsurance has grown in importance over the years and become a top priority for insurance firms, as a tool to mitigate and spread risks.

This Reinsurance training program was conceptualized and delivered by Munich RE, one of the world's leading reinsurers, based in Munich, Germany. The course provided participants with in-depth coverage of proportional and non-proportional reinsurance treaties. It also focused on pricing techniques, the key issues associated with reinsurance and the trust cost of reinsurance. Participants of the training learned how reinsurance products work and how they are used, applied in different examples.

The Munich Re Team was represented by Maria Fischer, Senior Underwriter, Property Treaty; Silke Hock, Underwriter, Property Treaty; Franz Karmann, Senior Portfolio Manager and Michael Heckl, Portfolio Manager.

This training program is part of a series of events hosted by the Aman Union to expand and enhance its members' knowledge in the field of Trade Credit Insurance and its supporting activities. LCI has been a member of the Aman Union since 2011.

Berne Union and Prague Club host Annual General Meeting in Shanghai

The Berne Union and its affiliate the Prague Club, held their Annual General Meeting in Shanghai, China early November. The meeting was hosted the Berne Union's Chinese Export Credit Agency SINOSURE and lasted a full week (November 1-5, 2015).

Over 220 international Senior Executives and Managers, representing 66 export credit and investment insurance companies from 57 countries worldwide gathered in the Chinese capital for their annual five-day working meetings.
The annual general meeting marked the end of Mr. Nasrallah's (GM of LCI) Prague Club Chairmanship.

Unfortunately, he was not able to attend this year's event. Mr. Nasrallah addressed the members and expressed his apologies and wishes via a speech delivered by the incoming Prague Club Chairman, Mr. Chris Chapman. He assured the members that his dedication and enthusiasm for the Prague Club will transcend any official role or responsibility. He also expressed one of his final wishes for the future of the Prague Club is that they see the much-anticipated Berne Union/Prague Club Integration effort through. A clear strategy and path towards how the two associations could collaborate will strengthen both groups and better prepare them for the challenges of tomorrow.

Mr. Nasrallah has served as Chairman of the Prague Club for two years ever since he was elected in December 2013 at the AGM in Queenstown, New Zealand.

During his term, Mr. Nasrallah was highly involved in all aspects of the Prague Club and was mainly focused on bringing the two associations (Berne Union and the Prague Club) closer. The topic of the increased collaboration and Prague Club/Berne Union integration was at the forefront of this year's AGM and was discussed thoroughly amongst both groups.

The new Prague Club chairman elections also took place at the AGM in Shanghai and Mr. Chris Chapman, Manager, NZECO (New Zealand) was elected as the new Chair of the Prague Club for the coming two years.

In addition to the general meetings, various technical breakout sessions and workshops took place. Mr. Ahmed Madkour (Middle East Claims & Recovery Director, Recovery Advisers) gave a full day workshop on the following topics:
- Impact of Credit Insurance Claims and Recoveries Management Strategies
- Approaches and Strategies for Claims and Recoveries Management
- Policyholder Dynamics
- Recovery Strategies (ST Transactions, MLT Transaction & Investment Insurance (claims management))

The next joint general meetings of the Berne Union and Prague Club will be its Spring Meeting in May 2016, hosted in Warsaw by Poland's official export credit agency KUKE. Several specialist meetings will be held just before and after such time on topics such as Energy Sector Underwriting and Rating Medium Long Term Commercial Risk.

ifg
CONNECT. EDUCATE. INFLUENCE.

IFG's 53rd (and last) Annual Meeting

IFG 53rd annual meeting took place Vienna, Austria on 18-21 October 2015. The leading global conference for factoring, receivables financing and asset-based finance brought together various decision-makers in the factoring, receivables financing and asset-based finance industry. It was an opportunity for industry professionals to discuss, plan and create new business opportunities, network and develop business relationships.

LCI attended the IFG Conference, and was represented by Mr. Karim Nasrallah (General Manager) and Mr. Michael McPhilimey (Advisor to the Board).
The conference was a platform for discussing ideas and challenges such as:
• Opportunities for Multilateral Banks in the Factoring Industry
• Innovation and Product Development
• Global Supply Chain Finance Standard Definition
• The world of crowdsourcing: examples, success stories, application in the receivables finance industry.

Multiple panels were held throughout the conference to explore the following topics:
• IFG's role in UNCITRAL and the harmonization of Trade Law and Secured transactions
• Challenges and Opportunities for the Factoring Industry in East Europe and CIS countries
• Business Opportunities for IFG members through Cooperation with Asset Based Lenders in cross-border deals

Breakout sessions also took place during the meeting as a form of moderated discussion of the following topics:
• Impact of Digitization on the Factoring Industry
• Compliance Issues (Basel, Conduct Risk, AML etc.) – what role IFG can play as well as how technology can support compliance
• IFG's new business proposals for members in areas such as SCF, Certification etc.

The three day conference was followed by a networking day visiting Vienna's highlights during the day and Farewell Viennese evening at the Heuriger.
LCI joined IFG in December 2014 and is the first Trade Credit Insurer to join as an Associate Member.

FCI and IFG join forces

FCI and IFG have signed an Agreement to create a single organization to represent the interests of the receivables finance and factoring industry with over 400 members in 90 countries dedicated to open account trade finance. Effective January 1st, 2016, the combined organization will be under the legal auspices of FCI, a non-profit association under Dutch law headquartered in Amsterdam, Netherlands with a branch office in Brussels, Belgium. This means that all of IFG members will be transitioned to become active members in FCI. It is expected that the organization will adopt a new name and mission statement, to be considered during the FCI annual meeting in Cape Town, South Africa 23-28 October 2016.

The association will be run by a single Secretariat, managed by Mr. Peter Mulroy, Secretary General and Mr. Erik Timmermans, Deputy Secretary General." This decision will bring multiple benefits to its members as well as expand the influence and reach of the organization. Members will have increased country coverage in over 90 markets to generate increased cross border business as well as a larger trade network with over 400 members.

LCI has been an Associate Member of IFG since December 2014.

To read more, please visit: https://goo.gl/j4fOJI

FCI + ifg For a strong future.

MENA, A Region Transforming*

**This article is a BU Yearbook Contribution.*

Although notable changes have been witnessed across the Middle East and North Africa (MENA) region in the past few decades, the region has undeniably transformed as of late. The year 2008 marked the beginning of a myriad of challenges that unfolded in the Middle East, be it from wars, financial crises, instability and political developments. Businesses operating in the MENA region have felt the repercussions of these changes, and as a result many challenges have surfaced. Several economies have been impacted, and disruptions in the trade sector have been recorded.

These shifts have triggered a growing demand from clients, to protect their trade receivables, as they carry out business in an unpredictable region. Clients have not only eyed the importance in being protected from commercial risks, such as delays of payments or the insolvency of a buyer, but also the political risks in case of export transactions, such as war, transfer risks and license cancellation.

Regional Trade Flows

There has been a steady growth in exports within the Middle East, since 2010. Intra-regional exports in the Middle East increased from USD 105 Billion in 2010 to USD 134 Billion in 2014. In 2014, the majority of these exports were Mineral Fuels and Precious Stones. These two major industries amounted to approximately 32% of 2014 intra-regional exports. In 2014, Turkey was the top exporter within the Middle East. Turkish exports to the Middle East totaled USD 34 Billion with Iraq, UAE and Iran being the top importing countries. Saudi Arabia was the second top exporter, with USD 22.5 Billion worth of intra-regional exports. UAE came in as close third, with intra-regional exports amounting to USD 22.4 Billion.

On the other hand, exports from the Middle East to the rest of the world have recorded a slight decrease from 2013 to 2014. In 2014, the Middle East exported USD 1.3 Trillion to the world, with Mineral Products and Metals amounting to 70% of that trade. The top three exporting countries were Saudi Arabia, UAE and Turkey amounting to 56% of all Middle Eastern exports to the world. In 2013, Saudi Arabian exports to the world amounted to USD 347 Billion, the majority of which was Mineral fuels (85%). Meanwhile, UAE and Turkey exported USD 207 Billion and USD 158 Billion worth of goods respectively.

The Resulting Challenges

As the trade sector across the Middle East continues to grow, and import / export values have increased since 2012, there have been some growing demands from clients to obtain a trade credit insurance policy. However, the awareness levels and spread of trade credit insurance remains rather very low and concentrated amongst key suppliers.

In light of the ongoing changes across the Middle East, additional challenges exist, that governments and companies need to work on to bridge the gap. Markets across the MENA region are diverse in nature, and each market is governed by a different legal framework. Therefore, prior to issuing a trade credit insurance policy, extensive due diligence needs to be conducted, for both the supplier and buyer – and the scarcity of financial reporting and figures makes this task more difficult. There exists a pool of technical, commercial and legal challenges that Governments need to address, in order to enhance and facilitate trade in their respective countries, as well as make them more 'export-trade ready'.

Trade and export continue to be key

Insights

elements contributing to a country and region's growth and economic stability. Developing countries have become more competitive in this regard, and have been able to grow where mature markets have faced restrictions due to internal policies.

In light of the events that have unfolded across the MENA region and the consequences which followed, there is a growing need for the legal frameworks for several countries to be revisited. Insolvency laws in particular, should be modernized and updated, and consequently, governments should ensure their enforceability.

Moreover, taxation related to exports and related services (including export credit insurance) should be adapted to modern needs and international practice. The same is the case with the regulatory frameworks which no longer reflect modern trade needs.

Governments must also work to provide reliable financial information as it is one of the key tools of trade facilitation. Currently, in most of the MENA jurisdictions, there is no obligation to publish the annual accounts of companies and there's no existence of a register of companies that would give access to filed financial statements.

In the case of Egypt for example, a market in flux yet thriving with opportunity, there exists a non-supportive legal framework for trade credit insurance providers. In addition, there is a lack of necessary or required transparency from companies, and effective regulatory supported financial information is still being developed. These factors greatly increase the risks that firms such as ours are taking in such markets.

Finally, policy makers should make the implementation of Credit Insurance (ECAs, Private Market, Multilaterals etc.) a priority on their agenda, as the principal sustainable tool for trade promotion and support. Legally and technically admitting Credit Insurance as a trade finance facilitation tool by the Central Banks of the governments of the region would aid in making the region more 'trade ready'.

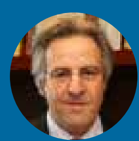
At present, the MENA region still has a long way to go to be 'trade and export ready'. However, with the right laws and regulatory frameworks put in place, along with the disclosure of financial statements of companies, and companies gaining greater access to Credit Insurance facilities, the MENA region's trading future looks promising.

The way forward for the Middle East

Faced with both challenges and uncertainty in the MENA region, the outlook of the trade industry is debatable. However, with the ongoing efforts of trade credit insurers and organizations operating in this sector, who are working to support the trade industry, the Middle East region will likely see growth in this area. With a more transparent legal framework and heightened financial reporting standards, we are confident that our roles as trade credit providers and trade supporters in general, will be enhanced. The Middle East has ample growth opportunities in the trade industry, and capitalizing on them is a joint effort.

Sources
- *International Trade Centre – Trade Map – www.trademap.org - ITC calculations based on UN COMTRADE statistics.*

Karim Nasrallah
General Manager, LCI



Insights

Managing Policyholder Engagement in Debt Recovery

The insured-insurer relationship is possibly best described as a partnership, with each playing clearly defined roles and assuming similarly well-defined responsibilities. No other points test this partnership like the points of loss declaration and loss recovery. In this article we take a closer look at the important role played by policyholders during loss recovery processes, how their actions may influence the outcome of such activities, and make suggestions on how policyholder engagement can be improved to the benefit of both partners.

Policyholder engagement throughout loss recovery processes remains a delicate challenging task, and constitutes a soft risk that is not easily factored during underwriting. Undoubtedly, policyholders' cooperation during loss recovery significantly improves the chances of recovery; unfortunately, the opposite is also true.
There exists a wide variation in the form and extent of policyholder engagement throughout the recovery processes, despite the fact that the terms of typical credit insurance policies define (among other things) the policyholders' obligations in relation to loss recovery. The sources of this variation appear to stem from the following factors.

- Variation in the terms / policy wording of policies issued by various credit insurers.
- Broad and ambiguous definitions of the insured's obligations under policy terms, the laws governing the policies, or the applicable regulations.
- The insured's understanding of and practical implementation of the policy terms.
- The insured's perspective of their role after indemnification and recovering losses to the account of the insurer.

While it is extremely rare for policyholders to fully reject any involvement in recovery activities, it is far more common to see other forms of policyholder disengagement that negatively influence recovery actions. A common example of such disengagement is policyholder's refusal to empower the insurer (or the insurer-appointed recovery agency) to institute legal action under the policyholder's name. In such situations, policyholders insist on the insurer bringing action against the debtor as a subrogated creditor, which consequently complicates the legal action and potentially lengthens its duration.

Other examples of policyholder disengagement include prioritising recovery of uninsured debt, unauthorized resumption of trade with debtors, and carrying out the minimum recovery actions required for compliance with the policy terms without development of a concise recovery plan. There are countless other examples of policyholder disengagement from recovery actions, all of which ultimately affect the insurers' ability to recover their losses.

Addressing the risk of policyholder disengagement during the various stages of claims and recoveries activities starts with clear explanation of the insurance policy terms, training on correct policy management, emphasizing the policyholder's role and obligations towards the insurer, as well as their obligation to act as uninsured.

Managing the expectations of policyholders in relation to their involvement and the importance of their role within recovery actions is also a key element to ensure their engagement. Recovering losses to the benefit of the insurer is naturally a lower priority for the insured, cooperating in good-faith in doing so remains an obligation of the policyholder as a valuable partner of the insurer.

While increasing the policyholder's awareness of their role and obligations, as well as developing a spirit of partnership with the insurer may help manage the potential risk of disengagement from recovery actions, it is unrealistic for insurers to expect full dedicated cooperation form all their policyholders, especially after indemnification. Accordingly, the insurer should plan for a level of disengagement, and aim to gather all the required documents and authorizations from the policyholders as early as possible.

Ahmed Madkour
Middle East Claims & Recovery Director
Recovery Advisers

Insights

Credit Risk and the Domino Effect

In light of the political and economic instability in many Middle East and North Africa countries, numerous markets have been negatively impacted, and others have flourished as a result. One finds that it is through challenges that countries and companies can grow.

We have seen a steady growth in exports across the region, as well as an increase in interregional trade, with the opening up of new markets. Some notable shifts have been recorded in the GCC region.

Take Dubai for example, having been severely impacted by the 2008 financial crisis. Since, the Emirate has redeemed itself, and continues to take precautionary measures to safeguard its interests. With an average of one daily runaway case in the Dubai Al Ras area, banks in Dubai have begun to take harsh action against food, mobiles, scrap, metals, and general trading companies in such situations.

Dubai having created a solid foundation, with proper infrastructure, minas, airports, supporting taxation systems and flexible regulations, has become the trade hub of the Middle East and North Africa. These facilities put in place, coupled with the political instability which several Arab countries face (Libya, Lebanon, Iraq, Syria, Yemen etc.) and the long-standing sanctions on Iran, have all positively affected the economy in Dubai, and in specific their trade industry.

This trade industry is reflected by thousands of trading entities operating in small offices / shops which normally depend on a small number of buyers who either located in 'risky' countries or in Dubai and mostly selling to 'risky' countries. The receivables of these companies are normally concentrated on 5 to 10 buyers.

Currently with the low oil prices and the decision to lift the sanctions on Iran, these traders started having difficulties selling their stock. At the same time, banks in the United Arab Emirates (UAE) after several hits from this industry, panicked and started withdrawing their facilities even without cases of defaults or delays in payments. Banks are even asking debtors to settle their outstanding within 2 to 3 weeks from the given notice.

This action from the banks and the inexistence of a bankruptcy law in the UAE have instigated fear among these trading companies, where many of them decided not to jeopardize their freedom and run away from the UAE, leaving behind lots of unpaid invoices. Hence, the domino effect continues.

Receivables, which account for around 50% of the total assets and in most of the times higher than the company's equity and main source of working capital, make them one of the most sensitive financial figures in the balance sheet. Companies with very good profitability margins and high net worth lost all their efforts by missing to calculate or underestimating the credit risk.

Knowing the importance of correctly managing the cash flow and mitigating their risks, several companies started establishing the credit risk department and are working closely with the credit insurer.

Credit insurance companies not only insure a company's receivables, but also provide them with proper credit consultation through their huge data base, well experienced human resources, knowledge about industry and country performance, which are monitored consistently.

In this regard, companies who have credit insurance policies were not indemnified on defaulted cases, but were also alerted to reduce their exposure on these trading entities.

Bahaa Merhi
Risk Assessment and
Credit Information Manager
LCI

Insights

What do SMEs across the Middle East share?

Throughout our experience with SMEs in the Middle East, we find various common characteristics between them. In our line of business, namely trade credit insurance, it takes as much time to administrate a small client, as it does a multinational. Sometimes it may take more time, as the multinational has faster internal processes and reporting functions.

Local Export Credit Agencies (ECAs) in the Middle East have a mandate to support SMEs, and are involved in this field. Irrespective of costs being incurred, they are encouraged to develop products catered to SMEs. As a result, this has facilitated the access to credit insurance. In addition, ever since the products were launched, a notable evolution in technology has been witnessed. Companies are now able to purchase cover online, consequently making the industry much more proficient and easier to comprehend. However, there is still a long way to go in understanding the core competencies and needs of SMEs, in order to effectively tailor solutions to them.

Having worked and studied SMEs the past few years, there is great potential in developing SME solutions, and the bulk of a trade credit insurance firm's portfolio can be done with SMEs. This is due to the notion that working with SMEs will provide a better spread of risk as well as less volatility. Additionally, depending on the trading history of these clients, they could also be potential buyers.

In terms of Lebanon, the size of the economy is small, and thus, SME size is relatively small. However, despite the literal size of a company, SMEs across the region suffer from the same symptoms and characteristics which include:

1. Ownership structure

Traditionally SMEs in the Middle East are family owned and run as a one man show. The owner is concurrently the CEO, marketing executive, financial director etc. Thus the business is concentrated within one person.

2. Lack of discipline and organization

3. Sustainability problems

SMEs suffer from sustainability problems, and sometimes do not survive three generations, making it a volatile company.

4. Lack of transparency

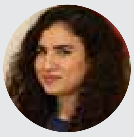
There is the risk of widespread non-publication of financials and information in the region. This makes it very difficult to underwrite SMEs, and the risk assessment team needs to focus more on qualitative and not quantitative criteria.

5. Lack of financing

There is a big mismatch between the financing of SMEs or the offer of finance, versus the demand of financing SMEs. There is a lot of liquidity in the market but it hardly reaches SMEs for numerous reasons.

SMEs are fragile by nature and therefore selling safely is key to their growth. Credit Insurance can be an important part of a solution to support SME development.

Diana Loutfy
Deputy Manager
Corporate Communications Department



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