

DUE DATE

NEWSLETTER #7
APRIL 2019



LCI News



Letter
from the GM



Insights





Letter
from the
GM



FROM THE DESK OF THE GM

Dear partners and clients,

As 2019 unfolds, we are still faced with a multitude of challenges hindering organic growth in an uncertain climate. For businesses to thrive in such environments that prevail in the MENA region, they must turn their focus to stronger risk mitigation and innovative solutions.

Lebanon, a country where business goes on as usual despite an extended economic downturn, we were very pleased to have the government formation become a reality. The lengthy void left the country without an agenda or direction. With new faces from diverse backgrounds in the new cabinet, we hope that stability will return to the country, to allow for the economy to flourish, by investing in different industries and by attracting foreign direct investment.

The biggest impact has been felt in the small and medium sized enterprises (SMEs) segment, making up the majority of corporate profiles in the regions in which we work. Being SME specialists with operations in the Middle East, Africa and the Balkans, we understand the importance of supporting such companies in growing their businesses locally and securing their exports to new markets. With our business extending across these different regions, this allows us to track and monitor risks and help our clients to safeguard their biggest asset. To this end, we launched the innovative and specialized policy for SMEs called TAJER in 2018.

In other markets, our business has been growing steadily. Our operations in the Balkans have been progressing, with plans to expand into new markets and territories through strategic partnerships and ventures. In addition, we have identified new prospects in Africa in 2018, signing a partnership agreement with ASKIA Assurances in Senegal. This is the first step of LCI and LCI Services' expansion into Africa, with plans underway to extend trade credit insurance coverage throughout the continent.

LCI's strategic developmental plans are in full force in 2019, based on our vision facilitating international trade, with many innovative and exciting ventures to be announced soon. We are very well positioned in emerging and developing markets, being at the forefront of innovation and a key driver of trade facilitation. Our newly-devised growth strategy is based on the exceptional opportunities that exist in these markets, and will be complemented by the diversification and enhancement of LCI's product and service offerings.

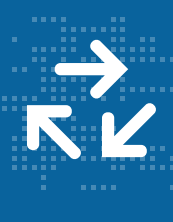
We hope you enjoy this issue of Due Date,
Yours sincerely,

Karim Nasrallah



Statistics

TURNOVER
COVERED IN
EXCESS OF USD

 **2.4**
BILLION



ACTUAL OUTSTANDING
EXPOSURE
IN EXCESS OF USD

934 
MILLION

A TEAM OF

 **30**

EXPERTS,
SPECIALIZED IN ALL ASPECTS OF
**TRADE CREDIT RECEIVABLES
MANAGEMENT**



LCI News

LCI & LCI SERVICES NEWS

Strengthening partnerships in Egypt

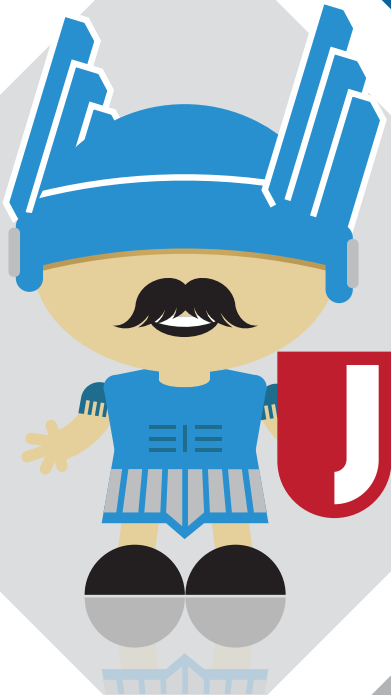
LCI took part in the official conference hosted by GIG Egypt and the Ministry of Trade and Industry, to strengthen investment and collaboration opportunities between Egypt and Syria. LCI's General Manager, Karim Nasrallah, shed light on the innovation in trade receivables management, to drive trade globally.





LCI News

LCI & LCI SERVICES NEWS



TAJER launched to support SMEs, the main drivers of the economy

In 2018, LCI launched TAJER, an innovative, simple and efficient credit insurance policy for Small and Medium-sized Enterprises (SMEs), providing cover for their trade receivables. Utilizing LCI's expansive market intelligence, including the active monitoring of 16,000 companies focusing on their payment behaviors, TAJER will aid SMEs in growing their businesses and ensuring they get paid for the goods and services they supply.

With SMEs making up the majority of MENA region, the Balkans and Africa's economy, only a small percentage of them are covered against the risks of non-payment. TAJER was launched to support them in their expansion into new markets and in growing their client portfolios.

LCI's Risk Department market analysis shows that the risk of payment defaults is increasing, impacting the trade receivables of companies across the region. The highest risks in the market are impacting SMEs, rather than by bigger corporations, especially as they expand their market coverage and export to the different parts of the world – a move needed to optimize revenues and generate profits.

With TAJER, the straightforward and flexible insurance policy covering a company's biggest asset, its trade receivables, many benefits will be offered which include:

- Increase sales, by extending credit limits to existing clients and reconciling between the sales and risk departments
- Manage risks, by accessing a large database of information and intelligence on thousands of companies
- Be more competitive, by extending payment terms for new and existing clients
- Protects against bad debt, by securing cash flow and optimizing financial planning
- Achieve better borrowing from banks, turning trade receivables into good quality collaterals, allowing companies to negotiate better borrowing terms



LCI News

LCI & LCI SERVICES NEWS

Expansion in Africa through partnership with ASKIA Assurances

LCI Services officially launched a credit insurance program with ASKIA Assurances in Senegal.

The agreement entails the establishment of a partner operation in 7 African countries, to develop local markets and assist ASKIA Assurances in extending trade credit insurance coverage.

It will also help protect businesses from growing commercial and political risks and in increase exports, to aid in the growth of the Senegalese private sector.

LCI Services offers comprehensive outsourcing solutions that include access to reinsurance, risk and commercial underwriting, debt collection, credit information, business development and IT support.

These services will be offered to the 7 African countries, which include: Senegal, Ivory Coast, Niger, Burkina Faso, Guinea Bissau, Togo and Benin.





Insights

EXPERTS SPEAK

NO COMPANY IS RISK FREE: Importance of Credit Management & the Common Misconceptions

By Bahaa Merhi, Manager
Risk Assessment & Credit Information Department

A few years ago, credit management departments were not found in the majority of Lebanese companies. In addition, credit management practices were limited to either senior managers' relations with their clients or based on what is known as 'Name Lending'. With time, companies began experiencing the challenges that resulted from the lack of proper credit management and insurance.

LCI, in its capacity as a credit insurance and management entity, conducts extensive risk visits to companies on which it has significant exposure. During these visits, the team uncovered major misconceptions about credit management, where companies consider themselves risk free or carrying very small risks, convinced by the below credit management factors. Each of the below factors are considered a major part of credit assessment, and assessing each factor separately exposed respective companies to very high risk.

Here are the common misconceptions to consider:

1- "NAME LENDING" OR "TOO BIG TO FAIL" CREDIT MISCONCEPTION

It is common to feel more secure when dealing with well-known, big companies. However, the impact of losses resulting from such companies is much higher on its suppliers, than the impact of smaller companies as higher limits are granted. These companies may be facing serious financial problems while maintaining very good payment behaviors and giving no indication of default.

Some profound examples are that of TSC / Al Sultan Center hypermarket in Lebanon, Uniceramic, Moukarzel Jewelry, Sayfco, Anastasia Travel, Al Balad Newspaper, PAC, Keeward, and several others are examples of the Lebanese companies that left a significant negative impact on their suppliers that did not have strong credit management, to exit or transfer this risk to insurance companies.

EXPERTS SPEAK



2-TRADING HISTORY WITH THEIR BUYERS

The lack of sufficient financial information on companies in Lebanon and the region, should be a determining factor for granting limits. High limits should not be granted without having a complete financial and non-financial information on any new buyer.

More than 60% of LCI's claims records in 2017 were on companies that showed a very good trading history with their suppliers (our policyholders), with no delays in payments showing, or any indication to default on their payments.

3-FINANCIAL STATEMENT ANALYSIS

Assuming that no negative information is at hand on a given company, retrieving financials will be the best indicator for identifying the probability of default, credit terms and credit limits.

At the same time, it can be the worst indicator if it is not assessed by an experienced team that is capable of identifying the blacklisted auditors and manipulated financials. The biggest example is the large number of runaway cases that occurred in the GCC, where the majority of companies showed very good financial performance.

4-GUARANTEES THAT ARE NOT 100% SECURE LIKE SECURITY CHEQUES, BILLS OF EXCHANGE, AND OTHERS

These securities or any other type of guarantees are good to have in hand as it will give one supplier an advantage over others, with normal unsecured credit terms.

However, it is not a 100% guarantee and should never be solely considered for credit decisions, especially that most of the arranged fraud cases are supported by guarantees to facilitate their fraud.

Also, it can be identified through the large number of bounced cheques registered in the Central Bank list and from the recent court cases. Both the Central Bank and the Court no longer consider bounced checks as penal cases, rather deem them civil cases.

Unexpected and significant losses that result from the lack of proper credit management were the main drivers of establishing a dedicated department to manage and monitor such risks. As per LCI's records, more than 50% of the medium and large Lebanese companies have recently established internal credit departments.

This gives real weight and importance to the role of these departments, in assessing credit requests, monitoring real exposure, reducing the Daily Sales Outstanding (DSO) and finding the right hedging method to transfer the risk.

EXPERTS SPEAK

WHY IS A CLAIM REJECTED?

Trade credit insurers can reserve the right to reject claims, due to a multitude of reasons. Here is a list:

Late notification of the claim

Continuing trading and making shipments even though 60 days have passed since the missed invoice due date and there is continuous payment default

Agreeing to any re-scheduling scheme without LCI's prior approval

Lack of delivery notes and proof of purchase orders - emails are not sufficient

Disregarding remarks in Credit Limit Endorsements (Limits are usually subject to specific conditions mentioned in those remarks)

Late or no notification of bounced cheques for buyers covered

Late or no notification of 60 days or more delays prior to policy inception



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