

## Euler Hermes mobilizes alongside the French government to reactivate the support schemes for credit insurers

### CAP, CAP+ and CAP Francexport

**PARIS, 10 APRIL 2020** – Today the world is facing a new health and economic crisis. Against the backdrop of this exceptional situation that puts the financial health of numerous French companies in peril, Euler Hermes, the world leader in credit insurance, is mobilized beside the French government to reactivate the support schemes CAP, CAP+ and CAP Francexport for its clients in record time.

#### Necessary support for credit insurers

Today, all the financial players are facing a very exceptional situation with a largely stalled economy and credit insurers under pressure. **Credit insurance is an essential source of financing for French companies**, representing nearly EUR 700 billion each year. It is based on the payment terms that suppliers grant their buyers. Without trust between businesses, credit insurance is squeezed and businesses' cashflow is put under stress. Today's tension is exacerbated by the sudden drop in demand and the difficulties of some buyers, which could quickly affect suppliers and cause a massive wave of business insolvencies.

In this context, Euler Hermes is fully mobilized alongside the French government to maintain continuity of trade between companies and avoid a domino effect of insolvencies. An effective collaboration which resulted in the reactivation of CAP, CAP + and CAP Francexport schemes with a global budget of 12 billion EUR (10 billion EUR for the domestic part of the scheme and 2 billion EUR for exports). These solutions will be marketable as soon as the European Commission gives its approval to the French authorities.

*"Given the magnitude and urgency of the situation, we are fully mobilized to build this system alongside the State and be able to make it available to our customers in record time. The challenge is huge in terms of organization, management and information systems, but we are ready. This is a first signal of support to companies for their cash flow and maintain continuity of trade",* describes Eric Lenoir, Chairman of the Executive Committee of Euler Hermes France.

#### Three schemes that have already proven their value

In a few days, Euler Hermes, the French State, the credit insurers and the French Insurance Federation, with the support of CCR and BPI, co-constructed the terms of a triple scheme: CAP, CAP + and CAP Francexport. These solutions will allow French credit-insured companies to benefit from additional coverage granted by credit insurers and counter-guaranteed by the French government.

**CAP:** allows a credit-insured company to double the guarantee granted by credit insurers on some of its buyers.

**CAP+:** aimed at companies whose customers can no longer be covered by credit insurers in the current circumstances This new scheme will enable credit-insured companies to benefit from guarantees on a segment of companies deemed particularly sensitive.

**CAP Francexport:** allows French exporters to benefit from CAP and CAP + guarantees on a list of defined countries; these would have been less supported by credit insurers due to these destinations' increasing levels of risk.

These additional guarantees will help restore confidence and support trade, they will reduce chain reactions and will act on companies' cash flow at two levels: (i) for **supplier credits**, companies can grant payment terms to some of their customers again; (ii) **customer credit**, businesses are protected in the event of default by their customers. These schemes have already proven helpful during the 2008-2009 crisis, and must give oxygen to difficult cases that the private sector can no longer cover alone in the face of this crisis of unprecedented scale.

*“These guarantees were expected by French companies. They will allow them to maintain trade with their strategic customers despite the considerable increase in the risk of failures. The primary objective of this agreement is to stabilize confidence in trade and enable the continuity of supply chains. It is the backbone of the economy”*, adds Eric Lenoir.

*But this is only a first step, and, in accordance with the commitment made by Bruno Le Maire, the discussions between the French government and credit insurers continue with regards to an additional device to cover the trade already engaged. "For the French State support to bear fruit, it is essential that it be adapted to the magnitude and urgency of the current situation. Today, in addition to future trade, it is also trade that has already started that is highly at risk"*, concludes Eric Lenoir.

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