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## **Willis Towers Watson and ITFA create first ever Basel III compliant trade credit insurance policy**

*Harmonised policy form launched at International Trade and Forfeiting Conference (ITFA) Conference in Bristol, UK*

**LONDON, 08 October, 2021** – After three years of effort and numerous negotiations with insurers, banks, law firms and brokage firms, ITFA has released a Basel III policy form which elevates policy wordings and enhances market efficiency based on an original policy form developed by Willis Towers Watson (NASDAQ: WLTW).

Trade Credit Insurance, which covers the risk of non-payment by borrowers and obligors in typical trade finance products and loans, has been shaped by legal change, the Basel Accords and regulatory capital relief. This new form is designed to cover receivables policies but should also be viewed as a strong platform for devising compliant policies for other situations and products.

“Banks and insurers have held tight to their own negotiated form”, states Scott Ettien, Executive Vice President at Willis Towers Watson. “All negotiated forms are confidential so comparison is difficult. Countless hours are spent negotiating forms with most of these, if not all, landing on similar wording. These protracted negotiations are expensive and time consuming and frustrate all parties, especially the bank customer seeking advantageous balance sheet treatment. Furthermore, the market is constrained as not all insurers accept a specifically negotiated bank Basel policy thus limiting the capacity levels the bank can acquire, with their form, in the credit insurance market.”

“This is the first step of many in a direction to further standardise a Basel III trade credit policy” adds Sean Edwards, ITFA Chairman and CEO. “Consistency, predictability and a reliable form is paramount to regulatory bodies further recognising Trade Credit insurance as a viable risk transfer mechanism for capital substitution. We need all banks, insurance companies, law firms and brokers moving in the same direction if we are to grow the overall industry. It is difficult, if not impossible, for individual bank users, underwriters and brokers to develop common wording making the role of a trade industry such as ITFA, that can bring all the parties under a single and impartial roof, indispensable and it is immensely satisfying that we were able to provide this forum.”

Press  
Release

The project, which was spearheaded by Scott Ettien of Willis Towers Watson, (Basel III Think Tank) has morphed into today's ITFA release which has involved well over 40 firms, hundreds of hours of policy negotiation and a collaborative industry effort. "I'm very proud of what this group accomplished as it is ground-breaking and will help lead this insurance segment forward as we continue to enhance this policy form" comments Ettien. The magnitude of many of these programs may necessitate multiple insurers allocating capacity. This will mandate a consistent policy form when syndicating an insurance placement. To be as useful as possible to banks and achieve risk weight substitution, a consistent form recognized by the industry is paramount for predictability and speed of execution.

A joint memorandum from the two law firms, Sullivan & Worcester UK LLP and Clifford Chance, provides guidance to the reader which will help streamline final policy negotiations.

Geoffrey Wynne, head of the Trade and Export Finance Group at law firm Sullivan, and together with Hannah Fearn, Managing Associate, part of the team working on the project, commented, "We are very pleased to have been involved in this significant project which, ultimately, will help market participants when negotiating trade credit insurance policies. It is a very good starting point for negotiations, but of course will need more work as the market continues to adapt and develop."

Benjamin Lee, New York associate at global law firm Clifford Chance, said "This is a time of tremendous growth and opportunity in the credit insurance market, and we're pleased to have contributed to this project alongside fellow leaders in the field. We believe that this template policy will help drive continued innovation in the market, and we look forward to what's on the horizon."

Sean Edwards, ITFA Chairman and CEO, added "We're hopeful that this project and release will spark a further push in this direction. Our ultimate goal of consistency, transparency and predictability for a Basel relief form should garner support from the regulators as we collaborate to align all parties in an effort to grow this particular segment of the insurance industry."

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Press  
Release

**About Willis Towers Watson**

Willis Towers Watson (NASDAQ: WLTW) is a leading global advisory, broking and solutions company that helps clients around the world turn risk into a path for growth. With roots dating to 1828, Willis Towers Watson has 45,000 employees serving more than 140 countries and markets. We design and deliver solutions that manage risk, optimize benefits, cultivate talent, and expand the power of capital to protect and strengthen institutions and individuals. Our unique perspective allows us to see the critical intersections between talent, assets and ideas — the dynamic formula that drives business performance. Together, we unlock potential. Learn more at [willistowerswatson.com](http://willistowerswatson.com).

**About ITFA**

The International Trade and Forfaiting Association, ITFA, is the worldwide trade association for companies, financial institutions and intermediaries engaged in global trade, forfaiting, supply chain and receivables financing.

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