

Study on Underwriting Rules of Commercial Credit Insurance

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Abstract: Credit insurance is one of the most technical and difficult insurance types in property insurance. At present, there are not many insurance companies carrying out credit insurance in China, and the insurance rate of credit insurance is not high. Facing the high risk of credit insurance, domestic insurance companies have established strict underwriting and underwriting rules. With the development of one belt, one road and other national strategies, the credit insurance market has great potential for development. To give full play to the financing function of credit insurance, insurance companies need to improve their operation and management level to meet the new development needs, innovate the underwriting mode based on customer demand, establish professional credit insurance underwriting and claim settlement talent team, and comprehensively optimize the business management process.

1. Supply and Demand of Credit Insurance Market

1.1. Demand of Credit Insurance Market

Credit insurance is widely used by enterprises in Europe, especially in some developed countries, such as France and Germany. The coverage rate of credit insurance is as high as 30%. But in contrast, there are not many Chinese enterprises with the awareness of credit insurance. In China, only 2% of export businesses have credit insurance, while less than 5% of companies use credit insurance to protect their accounts receivable.

1.2. Supply of Credit Insurance Market

The complexity of the world economic development trend makes the credit risk of domestic and export trade increase. At this time, as one of the tools to manage and identify the bad debt risk of accounts receivable caused by credit risk, credit insurance is particularly important. Since its birth, credit insurance has provided strong guarantee and support in many aspects, such as expanding the sales market, preventing the loss of accounts receivable and ensuring the safety of working capital.

With its unique risk, credit insurance has become one of the most technical and difficult insurance in property insurance. China's credit insurance business rose from the establishment of China export credit insurance company in the early 20th century. With the influx of more and more other insurance companies, the market size is growing. The Chinese government has also adopted relevant policies and incentives to improve the utilization rate of credit insurance. Due to regulatory requirements, at present, there are not many insurance companies that can carry out short-term export credit insurance in China. Only a few insurance companies, such as SINOSURE, Ping An Property Insurance and China Taiping, can carry out short-term export credit insurance. Although China's current one belt, one road, and other countries, the insurance rate is not high, but with the development of the national strategy such as "one belt and one road", the market potential is huge. At the same time, China is a very important market for many foreign enterprises.

1.3. Imbalance of Supply and Demand in Credit Insurance Market

Credit insurance can be called the insurance product with the most prominent financing function.

It takes the credit risk of the insured as the target, directly guarantees the financing, and is an indispensable financing catalyst in the economic development. Compared with developed countries, China's credit insurance is far from meeting the huge financing risk management needs, and there is still a lot of room for development. To give full play to the financing catalytic function of credit insurance is not only the responsibility of insurance companies, but also requires the full cooperation of the government, banks and other financing institutions to lay a solid foundation in product design, system docking, credit bank construction, resource exchange, risk sharing and other aspects. Only in this way can we build an open, efficient, active and healthy social financing system and serve our country new vitality has been injected into economic development.

2. Underwriting Strategy of Credit Insurance Business

2.1 Overall Strategy of Credit Insurance Underwriting

For large insurance companies, credit insurance is a strategic development type of insurance. However, it is greatly affected by market changes at home and abroad, and the financial situation of the insured. Therefore, it is necessary to strictly classify and screen the industries, types of underwriting enterprises and business models of the insured. The following is an introduction to several major types of credit insurance.

Domestic trade credit insurance (including domestic short-term trade credit insurance and domestic trade (single buyer) credit insurance) mainly covers commercial risks in domestic credit trade, but does not cover political risks. For the industries with high current and expected prosperity, strong demand and sustained growth. The specific business should choose manufacturing enterprises with certain scale and technical advantages, stable production and marketing, and good financial status. The requirement is to follow the commercial practice of long-term stable credit trade, no disguised financing, speculation and other acts.

Export credit insurance (including short-term export trade credit insurance, export trade (single buyer) credit insurance, short-term export trade credit insurance for small and medium-sized enterprises) mainly covers political and commercial risks of overseas purchasers. For the export business in countries and regions with high degree of economic development, perfect market and legal system, and stable political and macroeconomic situation. Specific business should choose manufacturing or professional trade enterprises with strict risk control and long-term stable foreign trade business foundation. Generally, the credit of buyers is not checked one by one, and the scale of premium is realized by batch underwriting, but in principle, it is forbidden to carry out individual insurance.

Mobile communication consumer credit insurance and financial institution loan credit insurance mainly cover the debtor's repayment risk. Choose people with strong repayment ability and positive repayment willingness to carry out business. The applicant should have perfect business risk control mechanism and collection and recovery mechanism. Appoint a special person to audit the insurance data of individual consumers, and establish the audit and registration account system.

2.2 Credit Insurance Underwriting Strategy

(1) Approval shall be centralized by the head office

The branch's credit insurance underwriter conducts a preliminary examination on the business data, and if it meets the reporting conditions, the branch's credit insurance underwriter shall report it to the relevant departments of the head office for audit after being reviewed and approved by the relevant line departments of the branch and the general manager in charge. Credit insurance items must be reported to the head office for item by item audit at least 30 days in advance, and complete underwriting information and relevant trade background or contract information shall be provided.

(2) Other underwriting requirements

In principle, the approval of business underwriting beyond the authority of branches shall be submitted through the system. In addition to the trade information and underwriting scheme information of the business, the preliminary underwriting opinions of the branches should also be

submitted, including risk assessment opinions, business source and market situation analysis, retained reinsurance opinions, comprehensive cost situation and profit analysis, underwriting scheme and underwriting strategy opinions, etc. This paper mainly takes domestic trade credit insurance and general short-term export trade credit insurance as examples for analysis. The audit elements of credit insurance underwriting mainly include:

① Applicant review

In the audit of the applicant, it is necessary to fully grasp the key elements such as the equity information, actual controller, legal representative, etc.; the applicant should provide the latest financial statements of the latest three years' audited financial accounting reports; the trade history and its credit trading records; the credit control system, system, structure and responsible person.

② Buyer review

All buyers who sell on credit shall not be insured selectively, and high-risk buyers shall not be allowed to take out insurance. Generally, the number of buyers shall be more than or equal to 5 (except for the business of single buyer); the duration of continuous and repetitive circular trade (including service trade) with trade type shall be less than or equal to 1 year.

③ Policy Review

In the audit of insurance policies, it should be noted that the maximum insurance liability is generally less than or equal to 40-50 times of the paid in premium; the period of accounts receivable is generally less than or equal to 6 months.

3. Specific Underwriting Rules of Credit Insurance

3.1 Underwriting Rules of Domestic Trade Credit Insurance

The underwriting and underwriting of domestic trade credit insurance needs to analyze the whole economic and trade chain, especially the performance of the terminal consumer market. The upstream industries of the industry chain with sluggish terminal market should be carefully underwritten. The audit should be carried out mainly from the perspective of screening industries and screening enterprises.

(1) Screening industries

Pharmaceutical, health care, advertising, entertainment, agriculture, breeding, telecommunications, tobacco, machinery manufacturing and other industries should be encouraged to underwrite. Electronic consumer goods, toys, automobiles, freight forwarders and other industries can be selected as insurance industries. High risk industries such as furniture, jewelry and watch, luxury goods, paper industry, steel trade, textile, real estate, photovoltaic, shipbuilding, nonferrous metal smelting, bulk commodities (including coal, fuel, ore raw materials) and other high-risk industries will generally become the scope of insurance companies' cautious underwriting or even prohibited insurance.

(2) Screening Enterprises

① Target enterprise type

The branches, listed companies, large and medium-sized enterprises which are in the leading position in the industry and have perfect risk control system. The insurable turnover is generally no less than 60 million yuan RMB; for high-quality enterprises with long-term development potential (especially foreign-invested enterprises and technology intensive enterprises), it can reach 40 million yuan. The business scale of domestic trade (single buyer) credit insurance shall not be less than 30 million yuan, and the buyer shall be a listed company with good credit status or a well-known enterprise in China.

② Characteristics of target enterprises

The production-oriented enterprises should be regarded as the preferred target enterprises. The cautious underwriting enterprises refer to the situation that they do not focus on a certain type of industry and blindly expand across industries; enterprises use their own capital advantages to purchase for downstream buyers and give accounting period; most downstream buyers of enterprises are new cooperative customers; the form of credit trade is essentially loan financing; the

credit period given to buyers is obviously higher than the average level of the same industry. Underwriting trade enterprises need to meet the following conditions: the business sector should be clear, at least three years of actual business history, long-term focus on a certain industry or category, have rich industry experience and certain industry influence; perfect tax control system, can issue value-added tax invoice. All buyers who trade on credit should be insured and follow the principle of full insurance; not all of them are new buyers, and the customers have more than one year's credit sales experience; existing credit buyers or buyers with cash transaction cooperation foundation should be insured on credit. The applicant does not use its own capital advantage to purchase for downstream buyers and give the account period, and does not give the downstream buyer credit sales period which is significantly longer than the turnover period of the same industry.

3.2 Underwriting Rules of Export Credit Insurance

(1) General short term export trade credit insurance

Screening export countries and regions. The countries and regions that encourage underwriting are those mature market economies, such as Western Europe and Northern Europe countries and regions (EU Member States); the United States and Canada in North America; Japan, South Korea, Singapore, Hong Kong, Macao, Taiwan, Australia, New Zealand and other countries or regions in the Asia Pacific region. Countries and regions with underdeveloped economic level and legal system, such as Eastern Europe, the Middle East, southern Africa and Latin America, are the countries and regions that choose to underwrite.

Screening industries. The export products should have a long-term stable market in the importing country, and should not be subject to the sanctions of tariffs and trade policies that are detrimental to competitiveness.

Screening Enterprises. As for the types of enterprises, they mainly choose the branches set up in China by large and medium-sized foreign trade companies, large and medium-sized state-owned enterprises, listed companies and private enterprises with high management level and good operating efficiency; manufacturing enterprises, professional trading companies and excellent service-oriented enterprises. These enterprises should have the following characteristics: Underwriting trade has continuity and repeatability, and has a good trade record. It has a good risk control system. In the buyer's local has a certain scale of trade cooperation network. Generally, the establishment time should be more than 3 years. If the establishment is less than 3 years, unless the new enterprise has a long-term parent company and the business scope of the parent subsidiary company is similar. The annual insurable turnover, i.e. export credit trade, should generally be more than 2 million US dollars. For high-quality enterprises with long-term development potential, it may be reduced according to the situation, but generally it cannot be less than 1 million US dollars.

(2) Short term export trade credit insurance for small and medium sized enterprises

The short-term export trade credit insurance of small and medium-sized enterprises follows the enterprise type classification standard issued by the state and various regions to select the insured. The insurance coverage scheme should be drawn up according to the local government's budget and the number of export small and micro enterprises to be covered in the region. The main features are that the credit of the buyers is not checked one by one, the maximum limit and underwriting proportion of a single buyer are determined according to the choice of the insured, and the countries and regions that restrict export are excluded. We will adopt the batch underwriting system to formulate a specific underwriting scheme in combination with the policy orientation of the underwriting place, market rate, compensation status and insurance source concentration.

① Underwriting conditions

Control the limit demand of a single buyer, generally no more than 100000 U.S. dollars; control the policy underwriting proportion, in principle, no more than 70%; control the accumulated compensation limit of the insurance policy, generally within 40-50 times of the paid in premium, and the maximum should not exceed 60 times.

② Underwriting requirements

After the approval of the project, the head office will authorize the branches' specific business

underwriting authority according to the business quality and personnel allocation of the branch. Focus on reviewing the underwriting and claim settlement of local small export enterprises in recent three years, including the list of enterprises, premium, insurance amount, claim amount, compensation amount and comprehensive compensation ratio, etc.; subsidy policy of local export credit insurance, payment process of government subsidy premium and required information; whether bank financing is involved in business; if financing is involved, it is necessary to know financing bank, amount, process and required materials Related business information.

3.3 Underwriting Rules of Credit Insurance for Loans of Financial Institutions

At present, credit insurance for loans from financial institutions is one of the types of insurance developed prudently by insurance companies. It is greatly affected by the operating conditions of borrowers and personal credit, so it is necessary to strictly screen the policy holders. In principle, it is not allowed to participate in the loan guarantee insurance business of underwriting enterprises, and it is encouraged to participate in the small amount decentralized business of underwriting loans for personal consumption.

Loan guarantee insurance refers to the loan guarantee insurance business in which the applicant is the borrower and the insured is the leading financial institution. It mainly includes enterprise loan performance guarantee insurance, personal loan guarantee insurance, Internet credit platform guarantee insurance and other risks. As it belongs to guarantee insurance, it will not be introduced in detail here. The market demand of loan guarantee insurance is large and the credit risk is high. It is a kind of insurance with risk control as the premise. The basic principles of business development are overall planning, centralized management, steady promotion and follow-up tracking. On the premise of controlling systemic risks, we should focus on the cooperation between head platform and licensed financial institutions in the field of consumer finance to carry out small amount and decentralized personal consumption credit insurance business, and encourage the cooperation mode of sharing risks with financial institutions and head platforms. The main business scope includes auto finance, credit card installment, personal small consumption installment, etc. In principle, it does not participate in loan guarantee insurance for personal business and credit insurance business related to P2P Internet credit platform. We should strictly control the performance guarantee insurance business of enterprise loans, carry out the business of government, bank and insurance under the premise of controllable risks, and actively expand the business of related benefits.

3.4 Underwriting Rules of Mobile Communication Consumer Credit Insurance

Mobile communication consumer credit insurance is generally one of the types of insurance developed cautiously by insurance companies. Its risk points mainly come from different consumption habits and personal credit differences in different regions. Therefore, it is necessary to carry out more strict underwriting screening for the insured customers.

(1) Scope of business encouraged to be covered

Encourage to underwrite the business of the three major telecom operators of China Telecom, China Mobile and China Unicom as the insured; the main body of mobile phone consumption is the business of formal employees of group customers such as party, government and military organs, public institutions, state-owned enterprises and listed companies; sales mode business with group customers such as party, government and military organs, public institutions, state-owned enterprises and listed companies as marketing targets; signing of mobile phone consumption package Short term business within one year.

(2) Select the scope of business to be covered

Other virtual telecom operators (with sales of more than 50 million yuan) other than the three major telecom operators have operated the "0 yuan purchase" business for more than 2 years, and have established for more than 3 years and registered capital of no less than 50 million yuan for formal employee business.

(3) Business scope of prudent underwriting

The business scope of prudent underwriting mainly includes individual businesses, social public retail investors without formal units; business outlets of telecom operators under prefecture level;

sales personnel engaged in automobile, real estate and other industries; businesses with certificates issued by units that are inconsistent with the actual information of individual consumers; and businesses with a contract term of more than 30 months.

(4) Other underwriting rules

In general, the coverage ratio shall not be higher than 90%; in principle, the compensation limit for each accident shall not be higher than the minimum consumption amount agreed in the mobile phone network access agreement \times the coverage ratio; the cumulative compensation limit shall not be higher than the insured amount \times coverage ratio.

4. Conclusion

In view of the high risk of credit insurance, domestic insurance companies have generally established strict underwriting rules of credit insurance. On this basis, insurance companies need to give full play to the financing function of credit insurance according to the broad market demand.

(1) Improve the management level to meet the new development needs

We should continue to learn advanced international business management concepts, refer to advanced cases and experience, start from the market network layout, continuously improve the scale and density of service network, and make our business penetrate into new industries and regions on the basis of meeting the existing market demand, so as to make its organization closer to customers. In terms of insurance service, the business is centralized to branches for unified handling, which improves the handling efficiency and reduces the cost of insurance for customers. In the process of communication between branches and customers, it stabilizes the relationship with customers, understands the needs of customers, and makes the developed credit insurance products more targeted.

(2) Demand oriented innovative underwriting model

Through tailor-made insurance products to meet the needs of different industries and customers, and accumulate experience in product development and promotion. Enterprises can carry out electronic operation from insurance to claim settlement, which can save customers' time, improve work efficiency, and provide customers with additional value-added services such as risk tips through the network; customer resource management system carries out system management of customer information, through the collection of multi-faceted information, it can better understand customer needs and provide customers with all-round personalized services Business.

(3) Establish a professional credit insurance underwriting, claims team

At present, insurance companies attach great importance to the introduction and training of talents, especially in the operation of domestic commercial credit insurance, which is a complex insurance. Insurance companies should increase investment to introduce and cultivate expert talents in underwriting, claim settlement and recovery. Only when the employees have good professional skills, quality and experience, can they deeply analyze the market of different regions and industries in China To accurately judge and control the risks faced by enterprises in credit transactions, and help enterprises to do a good job in credit risk management.

(4) Overall optimization of business management process

At present, credit insurance has formed a buyer's market, and customers begin to pay attention to other related additional services of insurance companies while getting corresponding business services. In this situation, insurance companies should start to change their development ideas, integrate customer first into the management process, strengthen information channel management, insurance policy management and limit management, so as to make the operation process more suitable for the market-oriented business. In terms of standardizing the business mechanism and improving the system, a series of management measures and rules and regulations on business, human resources, finance, legal services and administrative management were formulated. Give branches more internal approval authority, simplify the underwriting process of innovative service mode, and close internal cooperation between front and back office. The services provided by insurance companies are not only simple risk protection, but also should be extended to many fields of credit management, such as accounts receivable management, credit information provision, credit

rating, financing support and so on.

In addition to the efforts of insurance companies, the development of credit insurance needs the cooperation of the government, banks and other institutions in product development and design, system convergence, credit bank construction, resource sharing, risk sharing and other aspects, so as to build an open, efficient, active and healthy social financing system.

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