

# Newsletter

IGA

November 2007

Special Issue - Prague Club

## New legal status

Through successful implementation of following projects, IGA has emphasized a need for existence of state governed Export Credit Agency in Bosnia and Herzegovina.

- Leveraged Insurance Facility for Trade
- Trade insurance project
- Support to export companies

In 2004, Parliament of BiH has brought a Law on Export Credit Agency, thus creating an institutional frame for continuance of IGA's work.

As of June 04, 2007 IGA continues its existence as state institution of BiH, with core capital of 26 million EUR. In its future efforts, IGA will concentrate on development of export and domestic credit insurance products for BiH exporters.

As part of recent developments, official name of agency is IZVOZNO KREDITNA AGENCIJA BOSNE I HERCEGOVINE (Export Credit Agency of Bosnia and Herzegovina), with associated change in logo.

Legal status of IGA has changed from LLC. to BiH government agency.



## Credit information services

During the past nine months, IGA has put significant efforts in development of its credit information services. These efforts were coupled with development of state-of-art IT system, which supports all IGA's activities, as well as with increased demand for credit information due to elevated level of domestic insurance.

Today, number of requested sets of credit information increased four times compared to past period, either ordered by ECAs from countries in the region, or by BiH companies that sell domestically.

IGA is very enthusiastic about its future in regards to become leader in providing credit information for BiH companies on global market. In that direction, we engaged local marketing agency to launch a campaign aimed to educate local market about needs, benefits, and obligations related to obtaining and providing credit information.

You can read more about this issue inside the newsletter.

### Inside this issue:

IT System	2
Domestic insurance	2
2007 so far	2
Reserves	3
Reinsurance treaty issues	4
Country grading	5
Industry averages	6

### IGA's services:

- Trade insurance
- Factoring
- Guarantees (performance, advance, retention, tender)
- Credit information
- ST loans

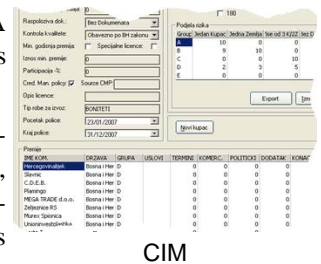
## State-of-art IT system

Recognizing a need to be able to survive digital age, IGA has decided to put significant resources in development of state-of-art IT system. The roots of its development go back to 2004, when IGA hired a software design house to design a software for then newly developed product—factoring. As this project proved extremely successful, IGA expanded its software to handle guarantees as well.

Today, aforementioned are just modules within CIM, software capable of managing all IGA's operation. CIM is robust piece of network database software, which handles all information keeping, processing, reporting, invoicing, monitoring, and other tasks such as automatic credit scoring, production of credit reports, etc. Hardware infrastructure supports VPN (Virtual Private Network), thus IGA is able to communicate its information between offices in Sarajevo and Banja Luka.

Next steps in development of our IT system include:

- Internet interface for our clients (declaration of turnover, reporting, invoicing)
- Export/import interface with our accounting system
- Internet based sales of credit reports



## Domestic insurance

During the past year, IGA has significantly increased its portfolio of domestic credit limits. Although the number of domestic credit limits is relatively low in order to bring any final conclusions and recommendations, IGA is satisfied with modest successes we had so far.

Aggregate value of all domestic limits as of the end of June 2007 is 216.000 EUR, while declared turnover is 550.000 EUR. IGA has taken very careful steps in choosing appropriate companies, which in our opinion are worthy of taking risk.

With more confidence, we enter in a new phase of domestic insurance. During past 3 months, IGA has accepted risk on 5 more domestic buyers, and we have 20 more in pipeline.

No claims were reported so far. Average declared invoice value is only 4.000 EUR, which adds to workload.

“Potential market for domestic insurance is infinite compared to limitations of IGA's capital”

## 2007 so far

IGA has made some changes in its insurance operations from the beginning of this year.

First step was to clean up our portfolio, which had number of unused credit limits, or even unused policies. Thus, in terms of number and volume of approved credit limits, our portfolio has shrunk, although declared turnover and premium invoiced is on the same level or even higher.

We issued our first policy insuring risk of end-buyers. Namely, our large client has daughter company in Serbia, whose buyers we included in policy to BiH exporter.

As of October 15 declared turnover is 11.228.223,00 EUR, and invoiced premium is 107.792,00 EUR. Average number of credit limits is 117, contained within 18 insurance policies.

One large claim from 2006 was paid in first and second quarter of 2007, totalling to 135.000 EUR.



2007

## Reserves

As a part of follow up on recommendation by international auditors, IGA has hired actuarial consultants to help us with establishing reserving method for unearned premium, non expired risks, and potential claims. After several drafts, IGA was presented with final recommendation in September 2007. Recommendation also contains a part on structure of technical accounts for future reporting, a chapter on control procedures and liability adequacy testing, and a portion on reinsurance share in reserves.

Since new methodology employs many new methods, and implies unforeseen consequences to structure of our balance sheet, we will carefully implement aforementioned recommendations as our business develops.

Also, we will be writing many new procedures so our operations are in harmony with newly acquired methodologies.

Since new methodologies involve large number of variables and mathematical scenarios, IGA will update our software CIM, to handle most of operations in that regard.



RESERVES

## Reinsurance treaty issues

IGA is looking forward to simplify its operations in expectance of increased business. A part of this effort is rewriting some treaty issues.

Our main goal for 2008 is to switch risk attachment from policies attaching to shipments attaching. By doing so, we believe that our everyday work will simplify, since we now have a solid client base, and we are certain that it will only expand in future.

Also, IGA is looking to make special arrangements for clients that we were not able to serve before. An example of this is credit limit request of 1+ million EUR. A portion of 35% (that IGA is bearing) is too high for our capital, specially having in mind new reserving methodology. Thus, we are looking for special reinsurance arrangements for such cases, where IGA's risk bearing would be more acceptable, while client satisfaction would be preserved.

“ Switching from policies attaching to shipments attaching ”

## Industry averages and country reports

As a part of its efforts to increase its credit report services, IGA is preparing to install a new module in CIM (IGA software), which would continually process financial information from all companies within IGA's database and would calculate industry averages.

In order to successfully implement this task, IGA needs to expand number of samples in its database, so that calculated numbers really represent industry averages, categorized by size of company (assets, capital, income) within given industry. We are negotiating with BiH tax authorities to obtain their database of BiH companies, that we would import into our database.

We believe that soon we will have solid averages for some industries that have most samples, such as different wood processing and large trade companies. Next step is to publish such information as useful underwriting tool.



INDUSTRY AVERAGES



IZVOZNO KREDITNA AGENCIJA BiH

IGA

Fra Andjela Zvizdovica 1  
Tower B  
71000 Sarajevo  
Bosnia and Herzegovina  
Phone: +387 33 252 340  
Fax: +387 33 252 352  
Web: www.igabih.com

[www.igabih.com](http://www.igabih.com)

EXPORT CREDIT AGENCY  
OF BOSNIA AND  
HERZEGOVINA

To contact a member of IGA's staff, please use following information.

GENERAL MANAGER

Lamija Kozaric

Tel: +387 33 252 341

[lamijakozaric@igabih.com](mailto:lamijakozaric@igabih.com)

OFFICE MANAGER

Anamarija Murgic

Tel: +387 33 252 340

[anamarija@igabih.com](mailto:anamarija@igabih.com)

INSURANCE

Hasa Music

Tel: +387 33 252 347

[hasamusic@igabih.com](mailto:hasamusic@igabih.com)

FACTORING

Edin Hadzimusic

Tel: +387 33 252 350

[edin.hadzimusic@igabih.com](mailto:edin.hadzimusic@igabih.com)

GUARANTEES

Tarik Cabaravdic

Tel: +387 33 252 348

[tarikcabaravdic@igabih.com](mailto:tarikcabaravdic@igabih.com)

CREDIT REPORTS

Sandra Dobrovic

Tel: +387 33 252 344

[sandra.dobrovic@igabih.com](mailto:sandra.dobrovic@igabih.com)

## SINERGY INSURANCE—FACTORING

During the past years, IGA has noticed that synergy between factoring and insurance is winning combination. Although it sometimes may become a conflict of interest between two organs of the same body, factoring and insurance are complementary products.

In our experience, increase in factoring volumes has significantly contributed to increase of insurance portfolio and vice versa. Insurance is security for factoring, while factoring becomes natural extension of insurance policy.

So far, IGA has insured most of its factoring transactions. In some cases, where insurance is not possible due to various reasons, we have secured factoring transactions with other means. Largest obstacle in our experience were exports to affiliated entities in other countries.



FACTORING AND INSURANCE