

Government to Provide £10 Billion Trade Credit Reinsurance Scheme

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In welcome news for businesses, HM Treasury has just confirmed that trade credit insurance schemes will receive up to £10 billion of Government guarantees.

This follows the Government's announcement in May that it would temporarily guarantee business-to-business transactions, currently supported by trade credit insurance, which we reported on [here](#).

The Government has engaged in extensive discussions with the insurance sector in the wake of the COVID-19 crisis to establish a scheme which would protect businesses from the risk of credit insurance being withdrawn or premiums increasing to unaffordable levels. These risks could cause serious issues for liquidity and working capital across business supply chains as they try to recover from the devastating effects of the pandemic.

The Trade Credit Reinsurance scheme should see the vast majority of trade credit insurance coverage maintained across the UK and will support thousands of businesses by protecting against customer defaults or payment delays.

Alok Sharma, Business Secretary of State said *"Our £10 billion guarantee gives peace of mind to businesses, allowing them to continue to trade and maintaining liquidity in supply chains. This reinsurance scheme is an important step as we carefully set about firing up our economy as we emerge from the pandemic."*

The scheme will be delivered through a reinsurance agreement that is open to all insurers currently operating in the UK market, covering both domestic and overseas trade with payment terms of up to 2 years. Participating insurers will be required to comply with certain undertakings e.g. forgoing profits and not paying bonuses/dividends to senior staff.

The scheme is available on a temporary basis for nine months, backdated to 1 April 2020, and running until 31 December 2020, with the potential for extension if required. A review of the trade credit insurance market will follow to ensure the market can continue to support businesses in future.

National Law Review, Volume X, Number 156

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