

Recovery Rates for facilities backed by insurance companies

Focused Report for ICC and ITFA

October 2023

GCD data shows 100% Recovery Rate for Loans with Insurance Guarantors

Global Credit Data and ICC and ITFA Collaboration

ITFA and ICC have approached GCD to analyse losses related to bank loans with insurance companies as guarantors in support of their Basel Accord advocacy. A summary of the ITFA position is included in the [ITFA's position paper dated 21st February 2022](#).

Findings from the GCD Loss Database

Global Credit Data has built up the world's most extensive non-retail bank loan loss database, encompassing over 300,000 defaulted facilities collected from 50+ global banks and approximately 2,700 facilities have finance or insurance sector guarantors. This comprehensive database covers all non-retail Basel Asset Classes and represents loss data for loans with a cumulative value exceeding €700bn. Among these records, GCD has identified facilities where insurance companies act as guarantors.

Remarkably, the data reveals a 100% recovery rate for the guaranteed portion of the loans based on 23 facilities predominantly originating from Large Corporates, Banks and Financial Companies and Project finance loans. These facilities encompass various types including term loans, revolvers, and overdrafts, with data spanning the period from 2008-2020 and a total defaulted amount of almost €700m.

This recovery rate surpasses the observed recovery rates for Secured Loans and Unsecured Loans in the Corporates sector as documented in [GCD's Annual Recovery Rate Report 2023](#).

Potential Data Enrichment and Future Plans

Global Credit Data's Loss Database comprises an extensive collection of facilities, holding the potential to notably enhance the statistical robustness of the findings presented in this report by adding further details to the collected data. GCD welcomes all banks, in particular GCD member banks, to provide additional facility details. An enriched version of this report based on more data is planned in early 2024.

Overview

100%

resolved loans where insurance companies are guarantors

23

Defaulted Facilities with insurance companies guarantors identified so far

Claim on insurance company made

100%

recovery rate on guaranteed portion of loans

7

out of 23 facilities with confirmed claims on the insurance company

Note on Terms Used

Defaulted Facilities are facilities where a Basel compliant default has occurred.

Recovery Rate is the simple average of the recovery rate for each Defaulted Facility. The facility recovery rate is calculated as the sum of the historical observed nominal cash flows divided by the outstanding amount at default.

Observed Recovery Rate for the Guaranteed Portion

Facility level Recovery Rates were compared against the guaranteed percentages and losses, if any, were attributed to unguaranteed portion of the loans first. This approach is considered appropriate given strong guarantors' credit rating and evidence available from other Defaulted Facilities. While current GCD data shows observed 100% recoveries in all cases, it's essential to recognize that other outcomes are possible. Reduced recoveries, such as claim rejections or a default of the insurance company, can occur in practice.

Reference Data Set identified to date consists of 23 Defaulted Facilities where guarantors exist and belong to the private sector insurance industry. There are approximately 2,700 facilities with finance or insurance sector guarantees. Only resolved loans where the ultimate recovery rate is known were used and attributes such as guarantee call indicators and sources of payments were analysed. The total defaulted amount exceeds €690m for the Reference Data Set.

ICC, International Chamber of Commerce, is the largest business organization in the world, with 45 million member companies from more than 100 countries.

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

The world's highest quality and most exhaustive data source for credit risk



More from Global Credit Data

This report draws on verified information collected from 50+ global or regional banks over 20 years. There are more than 300,000 defaulted facilities across 6 continents and more than 185 countries available.

[GCD reports](#) provide actionable insights into observed recovery rates and other key benchmarks for asset classes, industry sectors and collateral types. We cover all non-retail asset classes including Corporates, Banks and Financial Institutions, Sovereigns, Real Estate Finance, Shipping Finance and Aircraft Finance.

Data quality is vital. To meet the standards set by global regulations such as BCBS239, GCD has established a robust framework to continuously measure, monitor and improve [data quality](#).

About

At GCD, our mission since 2004 has been to empower banks and the financial industry with a deep understanding of credit. As a non-profit organisation owned by 50+ member banks, we collect valuable data directly from banks.

GCD's activities revolve around pooling credit loss data and credit risk estimates, particularly from low default portfolios. Beyond data pooling we offer a platform to exchange knowledge, facilitate research and initiate focus groups to address the banking industry's priorities.

Join GCD to access exclusive community of banks and data insights. Gain market understanding and benchmark your performance against industry peers!

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