

MINUTE OF MANAGEMENT BOARD MEETING – 24 JUNE 2009

Present:	Mr Pimlott (Chair)	Mr Welsh	Item 2
	Mr Harrison	Mr Croall	Items 2 and 3
	Mr Haslehurst	Mr Allwood	Item 2
	Ms Letsinger	Mr Roe	Items 3 and 7
	Mr Godfrey	Mr Nichols	Item 4
	Mr Crawford	Ms Johnson	Item 7
	Mr Addison Smith		
	Mr Dodgson		
	Mr Havelock		
	Mr Ridley		

Secretary: Dr Phillips

1. Draft Minute of 28 May meeting and Matters Arising

1.1. MB agreed the draft minute of the 28 May meeting.

2. Airline Sector Review

2.1. MB received an update on the airline sector and ECGD's airline portfolio and discussed the state of the industry and its implications for ECGD.

2.2. MB noted that ECGD exposure to the sector had increased in 2008-09 due to increased business volumes and a strengthening of the US Dollar.

2.3. MB was informed that ECGD had carried out a comprehensive review of the entire airline book and downgrades had been made where necessary which had been reflected in Expected Loss estimates at 31 March 2009. The current global economic slowdown had materially affected the industry, and this was noted; MB noted the response to it by airlines, including instances where airlines had grounded aircraft, particularly older, less fuel-efficient, ones and/or had cut marginal routes. New aircraft were replacing older models rather than adding to capacity.

2.4. MB noted that ECGD was using April 2009 Aircraft Value Analysis Company (AVAC) data on aircraft values. The portfolio had good geographical diversity and risk profile. MB noted an expectation that a considerable increase in new business requests would come through over the next 18 months. Where appropriate, risk mitigants, such as offering cover at lower loan to value ratios,

- 2.5. MB was taken through an example of how Operating Lessor deals are structured and the associated double-default risk exposure before ECGD would face a claim.
- 2.6. MB was informed that reinsurance arrangements with the French and German ECAs for Airbus business were working well. A revised questionnaire for airlines had been developed by ECGD and agreed with the other ECAs for new business enquiries.
- 2.7. Whilst some claims are inevitable given the unprecedented severity of the global economic downturn, MB took comfort from the approach being adopted to risk assessment, structuring, and risk management. ECGD had sufficient experienced staff, but they could be stretched in the event of multiple case default.

3. International Update

- 3.1. MB was given an update on current international issues and noted several developments in response to the financial crisis.
- 3.2. MB noted that negotiations had concluded on both the Nuclear Sector and Renewable Energies and Water Power Sector Understandings of the OECD Arrangement.
- 3.3. MB was informed that in 2010 the OECD Recommendation on Common Approaches would be reviewed. Executive Committee would consider ECGD's objectives and strategy in September 2009.
- 3.4. MB was updated on progress towards an improved risk-based premium regime that would apply to both sovereign and corporate risk. Discussions were ongoing within the OECD and the merits of two separate proposals were being considered.
- 3.5. On supply chain issues, MB was informed that ECGD had recently attended two international meetings and chaired a third. There had been no major issues

4. IT Strategy Update

4.1. MB was given an update on progress towards the goals set in the 2007 IT Strategy. MB was informed that the strategy was being updated and the 2009 IT Strategy would be presented to MB in November.

5. Audit Committee Annual Review

5.1. MB considered the Audit Committee (AC) Annual Review.

6. Audit Committee report back

6.1. MB was provided with an oral update following the AC meeting held on 3 June.

7. Medium-term review discussion

7.1. MB discussed how best to advise Ministers in relation to the Medium-Term Review of ECGD, which had been announced in the Budget in April.

Dr Phillips

Chief Executive's Office