

# TRADE CREDIT INSURANCE FACT SHEET



## ABOUT CREDIT INSURANCE

40% of most business assets are their debtors. Companies would not dream of not insuring their other assets - so why not insure the risk exposure your debtors present?

The risk is, that whilst you may know most of your own customers, you don't know who they are trading with. Most companies default because their customers have failed to pay them so, in turn, they cannot pay you.

£100,000 bad debt for a company with a 10% net margin requires £1m additional sales just to cover the shortfall.

Most businesses make a provision for bad debts but any unforeseen insolvencies would seriously dent reserves and the loss of a major customer could seriously impact your company. The additional benefits of credit insurance are:

- it can be used as security for finance from Banks and Invoice Finance providers.
- it allows you to assess and monitor your ledger to ensure customers remain creditworthy. Most insured companies see a marked improvement in the credit worthiness of their ledger.
- it allows you to identify and target good quality new business prospects with the confidence that you will get paid for your goods or services.
- it allows you to develop new export relationships in unknown territories. This may be especially important to you post-Brexit.



## POLICY INFORMATION

- A Trade Credit policy usually provides cover for Political Risk, War, Embargo, Currency Exchange risks for your export customers.
- Most Insurers allow the policyholder to set their own limits on smaller buyers, known as a "Discretionary Limit", to make operation of a policy easier.
- Some Credit Insurers include debt collection within their policies for overdue debts for both UK and overseas debtors.
- Most policy holders see a significant improvement in Debtor taken days and their bad debt provisions.



## WORKING WITH TYSERS

- Tysers have specialist knowledge in Trade Credit Insurance and can help and guide you through the implementation of a policy as well as helping the policy blend with your existing credit Management procedures. We are also highly experienced in dealing with Trade Credit claims and would actively guide and assist you if your customer defaults or becomes Insolvent.
- All of the Credit Insurers we use are "Investment Grade" so at least Standard & Poor's A- or equivalent. This could be important to your bank or funder if they are looking to the policy as security.
- Most of our Insurers have an interactive online link to apply for new credit limits and increases on existing buyers.