Securitas
Global Risk Solutions

Credit Insurance - safely increase sales, protect against credit losses and gain better financing terms

Credit insurance, also called accounts receivable insurance, provides your business with protection against the failure of your customer to pay its trade debts. This can arise because your customer becomes insolvent or because your customer does not pay within the set timeframe. These risks are usually described as commercial risks. Companies that export can also protect themselves against a range of political risks that may prevent or delay payment. This arises when payment is not received as a direct result of a war in the buyer's country, cancellation of a contract by the government of the buyer's country, or when a government implements regulations which either prevent the export or import of the goods - or prevent or restrict the transfer of hard currency - from the buyer's country.

Any business selling on open account terms to other businesses can benefit from credit insurance. Customers range in size from small businesses to large, multi-national companies. Firms in most sectors of the economy - including business services as well as those trading in goods - use credit insurance.

Business credit insurance is for short-term trade accounts receivable, those due in less than one year.

On average, 40% of a company's assets are in the form of trade debts. Sometimes the figure is far higher. It is very difficult for a company to predict which client will default on payment. Close to 50 percent of all payment defaults arise from vendors with whom stable and long-term trade relationships have been established. The cost to a business of non-payment can be considerable. For example, if a company's profit margin is 5 percent and one of its customer defaults on a debt of $100,000, the company will have to achieve additional sales of $2,000,000 to make up for the lost profits. More importantly, the lost cash flow could be devastating. Non-payment weakens your company and lowers its investment capacity. A credit insurance policy helps in the management of your accounts receivables and compensates you in the event of non-payment.

There are many benefits including:

- Better credit control and protection against catastrophic bad-debt losses;
- Better risk management through an -early warning system
- Better business planning through the elimination of unknown risks;
- Improved working capital from your lender because you have enhanced the quality of your accounts receivable with credit insurance;
- Better sales targeting, thanks to Trade Credit Insurer’s proprietary information that can be used to target new customers and markets and monitor existing customers;
- The benefit of the Trade Credit Insurer’s collection capabilities and network; and
- Improved cash flow, because you receive payment for unpaid invoices that are insured.

When your receivables are insured, you can also:

- Protect yourself from bad-debt losses
- Safely expand sales
- Secure better borrowing terms with lenders
- Reduce bad-debt reserves

No one can accurately predict when a company may fail. Trade Credit Insurer’s underwrite on a whole turnover basis. This provides the biggest value to its clients and supports a long-term relationship.

Credit insurance policies offer many options to meet the needs of your company.

Many insurers offer on-line policy management systems, where you can make credit requests, file a claim, and monitor your claims any time you want via the internet.

If a claim arises, a claim is usually paid within 60 days on a domestic loss. Export losses may take a bit longer because of country waiting periods. However, if the export loss is an insolvency, it will be paid within 60 days of the date of loss. Most Trade Credit Insurers also offer a debt collection service to their customers.