Trade credit insurance at a glance

What is trade credit insurance?

If you trade or sell goods on a credit basis, you're at risk of bad debt or non-payment by customers. This can disrupt your cashflow and leave you out of pocket.

Trade credit insurance is important for protecting your income and business assets against potential customer failure. With the right cover, you can grow your business confidently, knowing you can be protected if things go wrong.

> "Late payment times have continued to increase, this suggests that some of the weakness evident in the economy early in 2017 has impacted the time it takes firms to pay their bills."
>
> **Stephen Koukoulas, Dun & Bradstreet Economic Adviser**

Who should consider it?

All registered businesses that sell goods and services on credit terms, such as 30 days to pay, should consider trade credit insurance. This includes businesses that trade domestically and internationally.

Did you know?

Some trade credit insurance policies also offer the bonus of working with designated collection agencies to help you recover your debts – taking the pressure off this difficult and time-consuming process.

59.8%

On average, 59.8% of Australian businesses pay their bills on time, while 9.5% pay more than 60 days beyond invoice terms.

(Dun & Bradstreet, Late Payments in Australia, Dun & Bradstreet 1st Quarter Analysis, 2017)

15.3

The average late payment time for Australian businesses is 15.3 days late.

(Dun & Bradstreet, Late Payments in Australia, Dun & Bradstreet 1st Quarter Analysis 2017)

Big to small payment times showed a clear pattern of larger firms paying smaller firms at a delayed rate; big companies paid other big companies even later.

(Dun & Bradstreet, Late Payments in Australia, Dun & Bradstreet 1st Quarter Analysis 2017)

What can it cover?

Depending on your policy, trade credit insurance can cover:

Type of cover	Potential benefits
Comprehensive cover	Protecting your entire credit portfolio, including domestic and export customers.
Excess of loss	Suitable for businesses with strong internal credit management processes who want cover for exceptional loss across their entire portfolio.
Key account	Covers Key Account for clients requiring protection on their largest buyers; optional non-cancellable credit limits and deductibles.
Single buyer	Covers single buyer coverage for quality credit risks.

What usually isn't covered?

Exclusions, the excess you need to pay and limits of liability can vary greatly depending on your insurer. Policies generally won't include cover for:

- Failure to fulfil any terms and conditions of the contract or to comply with any provisions of the law.
- Failure to obtain any import or export license necessary for the performance of the contract.
- Any loss related to interest charges, penalties, legal costs, banking costs and currency exchange rate changes.

Case Study

As a small winemaker who has been exporting overseas for five years, Debra faces two challenges. Like other winemakers, she has a long working capital cycle. Secondly, there's the risk of non-payment, especially among new export clients.

Debra only exports small shipments and takes out trade credit insurance. This strategy pays off, as she sends a shipment to a new client who doesn't pay. After unsuccessful attempts at getting the payment, Debra makes a successful claim on her trade credit insurance.

The insurance payout covers her loss, which fills the gap that the non-payment made in her cash flow. This means she doesn't have to borrow money to keep her business going.

Contact us today

Insurance By Design

Bernard Malic

03 9589 4048

bernard@insbd.com.au

www.insbd.com.au

ACN: 123456 | **AR No.** 123456

Insurance By Design

united insurance group

Steadfast