EFCIS

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Maximising the profit from your sales ledger

The compelling business case for **Trade Credit Insurance**

Trade Credit Insurance; it's unlikely to be a topic of conversation at a dinner party is it? And yet it is often the unsung saviour of many a business.

At its most basic it protects your business from the bitter blow of one or more customers being unable to pay your invoices after you have tried to recover the debt. Whether a customer's reasons for not paying are attributable to insolvency or poor cash flow is neither here nor there. The upshot is that your business takes the hit. And it can be difficult to bounce back from it, regardless of your size.

And yet with the right Trade Credit Insurance policy in place, the impact of bad debt can be significantly minimised.

If you have considered Trade Credit Insurance before we hope you find this guide helpful.

Dispelling the myth that Trade Credit Insurance is yet another insurance policy

- When you have Trade Credit Insurance you can trade with even more confidence and certainty. And your policy can reflect the needs of your business whether you require a standard policy protecting goods or services sold and delivered or something more tailored covering risks such as work in progress and binding contracts.

- By aligning your policy to your sales ledger, Trade Credit Insurance can be used as a tool to improve your debtor sales outstanding and your cash-flow. And a well managed ledger will support your business growth and result in an increased profit and improved return on investment for your shareholders.

ICBA UK

EFCIS Limited is the sole UK member of the **International Credit Brokers Alliance** *with a local presence in over 30 countries*

Key Questions & Answers

Here are the questions we are most frequently asked about **Trade Credit Insurance**. Please contact us to arrange a complimentary meeting at which we will show you the unique ARC system which underpins each one of our clients' Trade Credit Insurance policies.

What is Trade Credit Insurance?

Trade Credit Insurance protects a company from a customer's failure to pay their commercial debts. These risks are referred to as 'commercial risks'. Companies that export can also protect themselves against a range of 'political' risks, which can also prevent or delay payment. Examples of political risks include Inconvertibility, Contract Frustration, Contract Cancellation, Export/Import Restriction and Public Buyer Default.

Who Uses Trade Credit Insurance?

Companies of all sizes from SMEs to global brands.

Why Should I Consider Using Trade Credit Insurance?

Research indicates that bad debt and poor working capital are the main reasons behind 2 out of every 10 companies becoming insolvent. Ironically a business will protect tangible assets such as property and plant goods but will neglect to cover accounts receivables; usually their largest current asset.

For what is often a modest premium, Trade Credit Insurance can dramatically reduce the unnecessary cost of bad debt and can protect hard-earned business success by providing the foundation for secure and sustainable growth.

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Key Questions & Answers *continued...*

How Much Cover Is Available?

As a rule, the level of indemnity is 90% but this can vary, depending on the type of policy you choose or your specific requirements right up to the full 100% indemnity. A Trade Credit Insurance policy will only cover turnover for buyers on your ledger. It will exclude any government buyers, private individuals and inter-company trade. VAT is excluded.

How Soon Will A Claim Be Paid?

Claims can be paid in as little as 7 days after the Underwriter has received a fully completed claim form and supporting documentation.

How Much Does Trade Credit Insurance Cost?

The premium is directly linked to the risks your business is exposed to and is typically related to the percentage of turnover that you wish to insure. Premiums may be charged monthly, quarterly or in advance and are calculated as a percentage of sales for the insured period.

Other factors that influence the premium include your track record in credit management, the sector you trade in and where your customers are based. Trade Credit Insurance can also cover single transactions or trade with only one buyer.

We help our clients avoid bad debt which reduces their claims and their premiums.

Are There Any Additional Benefits?

There are many benefits to be considered when evaluating the cost of this class of cover

- Your debtor risk assessment is placed in the hands of Underwriters who base their risk decisions on the most up to date financial and trading information; information that is not typically available in the public domain.
- By analysing this information an Underwriter will make the decision to offer cover (or otherwise).You can find yourself in the position where you are now willing to trade with customers because you're protected by Trade Credit Insurance but without the cover this would not have been possible.
- It can be used to provide security to a lender for increased invoice and trade finance for UK and Overseas sales.
- It facilitates better sales targeting because risk analysis information can be used to target new customers and markets as well as provide effective ongoing monitoring of existing customers.
- By choosing a proactive and expert Broker like EFCIS you benefit from practical advice on enforcing Retention of Title rights.
- Most Underwriters will provide a risk grade at debtor level which means that your collection procedures and credit terms can be aligned to this grade.
- Notifying your customer that their debt will be passed to an Underwriter can result in an unexpected settlement. A customer is made aware that this notification can affect their grade (and their ability to be supplied with other goods and services from all insured suppliers) will often pay the debt rather than risk a loss of status.

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