

Credit Insurance – Accounts Receivable

What is credit insurance?

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 fails to 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.

Who uses credit insurance?

Companies of all sizes can benefit from credit insurance. Clients 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.

Must I insure all my customers and my entire sales?

Generally these policies are "whole turnover" policies, meaning an insurer underwrites based on your entire book of business, or segments of your business.

What is the level of indemnity?

On average, the level of indemnity is 90%; however, the level varies depending on the policy you select.

If I incur a loss, how soon will a claim be paid?

Claims are paid within 60 days unless there is a waiting period. The time frame of the waiting period varies depending on the country where the debtor is located. Claims on buyers in certain countries usually take longer to process than claims on domestic buyers.

Are any services available on-line?

Major insurers have on-line policy management systems, where you can make credit requests, file a claim, notify the insurer of payment extension, and monitor your claims any time you want via the internet.

Can unpaid bills be recovered on my company's behalf?

You can often buy debt collection service from some of these specialty insurers.

How much does credit insurance cost?

For the most popular policy, the premium is calculated on a percentage of your sales. This rate can vary between 0.2% and 1%, depending on the trading history and historical debt loss of your company, your trade sector and your customer base. When political risk cover is included, the premium may be higher. The majority of businesses will find credit insurance to be highly cost-effective, even before taking into account the many additional benefits in the areas of sales development, risk and credit management and bank financing.

Contact Brooke Hunter for more information.

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