



TRADE CREDIT PRODUCT OVERVIEW



Economic downturn, commodity pricing volatility and increasingly changing political situations around the world, make it even more important for companies to adapt and secure their trade receivables and better their credit management systems.

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 a type of insurance policy that provides protection to businesses against the risk of non-payment by your customers. This insurance coverage is designed to safeguard businesses from potential losses that could arise from customers failing to pay their invoices due to insolvency or protracted default.

HOW IS THE TRADE CREDIT INSURANCE IMPORTANT FOR BUSINESS?

- Helps you manage your cash flow more effectively and protects you from financial losses due to insolvency, default, or prolonged non-payment by your customers.
- Enabling you to take on new customers and expand into new markets.
- Improve your access to finance by providing lenders with added confidence in your customers' creditworthiness.

WHAT DOES TRADE CREDIT INSURANCE COVER?

The coverage provided by a Trade Credit Insurance policy typically includes:

Insolvency of Buyers

If a customer becomes insolvent and is unable to pay their debts, the trade credit insurance policy will cover the outstanding amount owed to the insured business.

Protracted Default

In cases where a customer is unable to pay within a specified period of time (e.g., 90 days past due), the policy will cover the losses incurred by the insured business.

Political Risk

Some trade credit insurance policies also offer coverage against political risks such as currency inconvertibility, transfer restrictions, expropriation, and political violence, which could impact a customer's ability to pay.

Bankruptcy

If a customer declares bankruptcy, the policy will provide coverage for the amount owed to the insured business.

FACTORS AFFECTING THE INSURANCE PREMIUM

Pricing does, however, vary depending on a number of factors, including:

The Creditworthiness of Your Customer

Customers with poor credit histories or unstable financial positions are considered higher risk, leading to higher premiums to compensate for the increased likelihood of default.

Your Industry

Industries that are inherently more volatile or prone to economic downturns may face higher premiums due to the increased risk of customer insolvency or payment delays.

The Customer Portfolio

A diverse customer base with a mix of large, established companies and smaller, growing businesses can help spread risk and reduce the overall likelihood of non-payment. Insurers may offer more favorable premiums to businesses with a well-balanced customer portfolio compared to those heavily reliant on a few key customers.

Policy Terms and Conditions

The credit limit, deductible, and payment terms can impact the premium. Businesses that opt for higher coverage limits or lower deductibles may face higher premiums to reflect the increased level of protection provided by the policy.

ABOUT AMG

We are professional insurance broker and risk consultant. We advise businesses and individuals on how to prepare for the unexpected.

We provide risk management, risk consulting, insurance broking, insurance program management and claims advocacy services related advice, brokerage and associated services for clients across a wide range of business sectors.

We work with clients of all sizes to identify risks, create risk management, benefits optimization, insurance programs management and deliver innovative solutions to better qualify and manage risk.

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