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Trade Credit Insurance

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Fundamentals of Credit Insurance

What Sales Can be Insured?

Insurance can be purchased to cover either international or domestic sales, or a combination.

What are the Coverage Options?

You can cover an entire accounts receivable portfolio or a group of (generally larger) named customers.

Can Sales to All Countries be Covered?

Coverage is generally available on the Insured's customers worldwide, but a few countries might not be insurable due to the current political or economic climate, or due to legal restrictions on trade with that country.

What Losses Are Covered?

Policies can be purchased to cover a high percentage of all losses, or only losses that in aggregate exceed a deductible. The deductible amount can protect against losses above normal bad debt levels, or against catastrophe losses only. Opting for a deductible can lead to a reduction in premium.

Are Any Losses Excluded?

Typically excluded are losses resulting from disputes between the insured and buyer; losses caused by war between any of the five major countries; and losses caused by nuclear or radiation events.

What Can't be Covered?

Commercial risk on sales to subsidiaries or affiliates might not be covered. Not all products or credit terms may be insurable.

Does the Policy Support Lending?

The policy proceeds can be assigned to a lender, and the insurance can result in reduced financing costs, a larger borrowing base and a larger advance rate.

What Are the Key Policy Terms?

Premium rate and payment method, other fees, policy and buyer coverage limits, deductible, claims waiting period and reporting requirements.