
SELL WITH CONFIDENCE.

CREDIT INSURANCE

- What is it?

- What is the current state of credit insurance now vs. when the pandemic started

- If you currently have credit insurance, this is what your broker/agent should be doing

- Case Studies

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WHAT IS CREDIT INSURANCE?

- An insurance policy that guarantees your receivables
- Covers slow pay/no pay and bankruptcies
- Used for faster credit approvals, sales growth, bank financing, credit monitoring

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CURRENT STATE OF CREDIT INSURANCE

- Largest insurer paid over 5,000 claims, over $225MM – 75% up from average year of $130MM. Highest amount in 129 years
- cancelled certain industries
- Pulled coverage in bulk
- Increased rates, deductibles, coinsurance limits
- Now more aggressive and upgraded industries
- Capacity increasing
- Rates decreasing

IF YOU HAVE CREDIT INSURANCE

Especially now, pro-active policy management is so important

Your broker should be doing the following

-appealing declined/withdrawn limits

-sourcing financials from your buyers

-training your support staff on policy administrative requirements

-shopping your policy at renewal

-applying sales buffers to protect you from potential premium overpayments

-reviewing coverages quarterly

-setting up risk visits with carrier underwriters

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Case Study 1 – heads up

- A fuel distributor was selling $2,500,000 per month of fuel to Borden Dairy. They received notice from their credit insurer that coverage was to be dropped to them becoming a severe risk. They were given a 30 day notice to ship out any pending orders and were told that they would be uninsured from that date. The fuel distributor took the advice and, while didn't completely stop selling to them, they reduced their exposure to just under $850,000. 45 days later, Borden Dairy surprisingly filed for bankruptcy. The fuel distributer filed a claim and 30 days later received a check for $800,000. This covered their exposure but more importantly, saved them from taking a much larger claim of $2,500,000. This is a good example of how the credit insurance policies help monitor policyholders' customers for signs of trouble. It also shows they pay large claims, even in the event of a bankruptcy.

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Case Study 2 – fuel price decline

- A fuel distributor has used credit insurance for 6 years, zero claims with a premium of $42,000 per year. They were selling to a proppants company in the fracking industry who unexpectedly filed a reorganization bankruptcy. They received a check for $425,000 and were paid in 20 days after the bankruptcy filing.

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Case Study 3 – industry decline

- With the new administration, Biden has implemented changes in the fossil fuel arena. This policyholder has had to file claims due to not being paid due to the industry decline and closing of businesses. While no fault of their own, they couldn't control the political changes that impacted his customers inability to pay. This is an example of protecting what you can't control due to political changes.

Case Study 4 – borrow better

- A fuel distributor picked up a large government contract that increased his concentration ratios for his bank line. The bank was having concern and wanted to exclude this contract from their borrowing base, when they actually needed more funding to fulfil the contract. We leveraged the policy with their bank, naming the bank the beneficiary in event of default, and were able to help them secure additional financing. This allowed them to complete the contract and make a nice multi year profit. This is a good example of using credit insurance to obtain better financing.

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