Trade Credit Insurance

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By Atradius

Atradius is one of the world's leading trade credit insurance companies with a well-proven, reputable history. It provides in-depth market information, tailor-made credit insurance, debt collection services, non-standard single risk cover and political risk cover to all sizes of business. It has considerable underwriting experience in local, national, and international markets, and its highly skilled commercial team fully understand the diverse range of trade structures and business needs within the Oceania region.

*As part of an internal reorganisation Atradius Credit Insurance N.V. ("**ACI**") intends to merge with its sister company Compañía Española de Seguros y Reaseguros de Crédito y Caución, S.A. ("**CYC**"). When the merger proceeds, the merged entity will continue the New Zealand operations currently carried on by ACI with the same policy terms, claims handling procedures and other processes.*

Trade credit insurance is the insurance which covers the risk of non-payment of an undisputed debt arising from a trade transaction where goods or services are sold on credit terms to a buyer. Applicable to trade transactions only, it does not cover other business risks such as quality defects or late delivery.
The main causes of loss are:
- Insolvency.
- Protracted default.
- Political risk (export sales only).

How does it differ from other commercial insurances?

Trade credit insurance is a dynamic insurance which is actively and frequently applied or resorted to, when needed. Most other insurance policies are inactive until a claim arises.

Credit insurance is trade driven and therefore performance related (No sale = no risk, no premium save where minimum premium applies.)

It has value as collateral to financial institutions in trade finance packages. Often banks are more favourably disposed to granting working capital loans and at more favourable interest rates when the downstream risk has been properly covered.

Why give credit to a buyer?

- To be more competitive.
- To win new business.
- To protect current business from competitors.

Why do traders take out cover?

a) To prevent bad trade debt by having buyers vetted by the credit insurer to ensure the buyers are correctly identified and can pay on time each time a sale is made to them.
b) To enhance their credit control and cashflow positions. By insuring receivables against unexpected customer insolvencies and undue delays (protracted default) the trader gets relief from the risk of non-payment.
c) To be compensated for insured losses.
d) To obtain objective credit risk assessment on the buyer.
e) To sell more safely to new customers – local and export.
f) To expand sales to existing customers.
g) To develop a trusting business relationship.
h) If needed, to acquire additional working capital by using a trade credit insurance policy as collateral for its bank financing package.

What is covered?

Cover against non-payment for the supply of goods or services:
- Insolvency – Voluntary administration, liquidation, bankruptcy, receiver/manager appointed, agreed schemes and others.
- Default – Buyer fails to pay within the policy waiting period. This period starts from the due date.
- Political Risk – Covers losses in countries other than the supplier's country, foreign exchange blockage, import bans, war and civil riots, contract frustration, public buyer default, natural disasters.

General cover terms include 85-95 percent cover; $5,000 excess (common); six month waiting period; 12 to 24 month policy duration.

What is not covered?

- Disputes – where a buyer claims it has good reason to withhold partial or full payment, the insurer will defer liability until there is a court judgement or arbitration