

TRADE CREDIT INSURANCE POLICY

PRESENTATION
BY



Accurate Risk Managers & Insurance Brokers Pvt. Ltd.



WHAT IS TRADE CREDIT INSURANCE?

Trade credit insurance provides protection of accounts receivable (sales to buyers on credit) from losses due to credit risks, such as default, insolvency and bankruptcy. Cover is up to 90% of invoices value. The buyers can be in the same country of the insured business (domestic trade) or in another country (export).



WHAT IS THE PURPOSE OF THE TRADE CREDIT INSURANCE

The main purpose of the trade credit insurance is to transfer the risk of payment default to the insurance companies so the business can be more involved in trading and marketing.

A business can either live with defaults & consider them part of the
job

OR

A business can insure its receivables and devote its attention on
what is important to grow



CHANCES OF DEFAULT ARE HIGHER THAN CHANCES OF THEFT OR FIRE.

What is the impact of the failure of customers to pay for the dealer or industrial :

- Defaults can lead to catastrophic results on businesses.
- Dependency on clients payment behaviors.
- Burden in trying to collect overdue invoices.
- Liquidity and cash flow difficulties.
- Credit Losses due to unpaid invoices.
- Difficulty to be granted loans from banks.
- Chances of default are higher than chances of theft or fire.



POLICY AND CREDIT LIMITS

- Merchant fills-in the customer application, describing the business, the sales , the buyers, etc.
- CST issues the offer to the client.
- Signature of trade credit insurance policy between the merchant, the insurer & CST
- Merchant sends buyers' applications to CST
- CST provides the “credit limit advices” per buyer



MERCHANT REPORTS SALES AND PAYMENT DELAYS ON MONTHLY BASIS

- Production and defaults
- Merchant reports sales and payment delays on monthly basis
- Merchant declares a claim two months following invoice due date (Or payment extension period)
- CST provides a claim's decision within two months following receipt of declaration and documents
- The insurance company settles the claim within two months of claim's acceptance
- Rights of insured subrogated to insurance company – CST handles the recovery process



BENEFITS OF TRADE CREDIT INSURANCE

- Protection against losses due to insolvency.
- Protection against losses due to default.
- Negotiating better rates and limits with banks.
- Investigation and assessment of the credit worthiness of new customers.
- Continuous monitoring of existing customers credit worthiness.



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WISH YOU ALL THE BEST

THANK YOU