Credit Insurance: The Enabler

WHY YOU MAY NEED CREDIT INSURANCE?

Funding/Invoice Discounting

Many funders will only move forward with funding when you have Credit Insurance in place, so it is important to get your submission right the first time. Funders will usually want to be Loss Payee which means they are offered the claim payment by insurers first to repay the funding. Usually, funders will only provide funds up to the limit agreed with insurers.

Deteriorating Economy/Energy Crisis etc.

We are facing a worldwide downturn with rising inflation and increased energy costs and this will inevitably affect many company's cashflow. Whilst you may know your customers well, you may not know who they trade with and if your customer does not get paid, will they be able to pay you? A good analogy is that you have a $200,000 bad debt and your margin is 5%, you will need to find new sales of $4m just to break even. Credit Insurance can be seen as a budgetable bad debt reserve with added protection against the most unforeseenevents- remember OW Bunker?...

Corporate Governance

Company Directors are increasingly looking at their personal and corporate liabilities in an ever-litigious world with shareholders, and compliance regimes seeking the very best behaviour and practice. Few Boards of Directors would leave their physical assets uninsured these days, but many companies do not insure their largest balance sheet asset, their Debtor Receivables. For best practice every Board should look closely at their Credit Risk profile and if there are concerns investigate the possibility of Trade Credit Insurance as a risk mitigant and asset protection.

Credit Insurance FAQs

What are the key considerations?

- Insurers are very selective with bunker enquiries whether a physical supplier or trader.
- Insurers will want to see a robust Credit Management system with good customer insights well as well as a good track record with bad debts.
- Be prepared. With a limited number of insurers open for bunker and maritime business, the bar is high and having your proposal declined is not a good place to start.

Why you should speak to a specialist credit insurance broker?

Trade Credit Insurance is a very niche insurance product. You may already have a relationship with an Insurance Broker for your physical asset risks and liabilities, but your broker may not have expertise or experience in Credit Insurance. With so few Insurer options available it is important to work with an experienced specialist broker. Xenia Broking is the leading independent specialist in Trade Credit Insurance and Political Risk. We know the insurance market extremely well and have close relationships with underwriters. We work with clients in various sectors including Marine Fuel, both MFA and non-MFA members.

What do insurers look for in an enquiry?

The Credit Insurance market is small and several Insurers have been "burnt" in the past with poor quality risk selection and bad Credit Management. A number of them will not venture back to provide cover, so we have to present a compelling case as to why they should take on a new client in this sector. In addition to standard Credit Management practice, insurers will want to know which information source is used, the Sanction Checking regime, KYC procedures, the aggregation mechanics for larger groups, and for companies with multiple SPVs they want to ensure that aggregate exposure is monitored and that the company has a sound knowledge of their customer base.

What options can you expect from insurers?

We will approach all of the market on your behalf and revert with quotations. We will also get credit limit indications from insurers for your largest buyers, normally say the Top 20. This way you can compare the premium costs with the cover offered, and decide what is best for your company. There are different types of cover, and. we can take you through the options to find the best solution for you. All of the insurers that we use are "Investment Grade" so acceptable to funders (usually S&P A- or better) and the more cover you can get from insurers usually means more funding.

What happens after policy is set up?

Insurers will need to know if a buyer fails to pay, or if they go into insolvency, in which case the insurer will start a process to mitigate the potential claim with you. If the buyer just fails to pay, a collection action would still need to be initiated, possibly using the maritime lien and arresting the ship in port could be the best way to secure payment. We will run through the operation of the policy with you and will be constantly available if you have any credit limit or operational issues. We also assist our clients throughout any claims process. Policies are usually for a 12- or 24-month period so we would also co-ordinate the renewal process with you.

What next?

Contact **Martyn Locke** of **Xenia Broking** (MFA member) on 07585793216 or mlocke@xeniabroking.com who can guide you through the whole credit insurance buying process.