



# Trade Credit Insurance

## Product Profile



The Trade Credit division of AIG provides protection for clients against accounts receivable losses. Companies that sell goods or services on credit terms are highly exposed to the risk of non-payment due to customer insolvency, protracted default and political risks that prevent the buyer from fulfilling its payment obligations.

### What is Trade Credit Insurance?

- Trade Credit Insurance indemnifies the policyholder for the invoice value of goods delivered to a customer but unpaid due to the customer's insolvency or default.
- Policies are written on a 12-month basis, covering goods delivered to customers during the policy period.
- Premium is charged as a rate on sales or a rate on approved limits. The policy features risk-sharing in the form of a self-insured retention and/or co-insurance.

### Who Buys Trade Credit Insurance?

- Any company that sells goods and services on credit terms (i.e., extends credit to customers rather than requiring payment up front) and is exposed to the risk of non-payment.
- Large, medium and small commercial enterprises.
- Subsidiaries or divisions of multinational companies may buy coverage for different regions or product lines locally, or under a coordinated global program.

### Questions to Consider

- Could your company benefit by safely expanding sales and extending credit to new or existing customers?
- Can your company take advantage of emerging market opportunities to compete in today's global market?
- Are your accounts receivable concentrated among a few key customers? Do your top 10 customers account for a majority of your sales?
- Has one of your key customers ever filed for bankruptcy?
- Has your company ever experienced annual bad debt losses larger than your reserve?
- Is your company considering selling its products internationally?
- Can your company benefit from enhanced accounts receivable financing?

### Top 10 Reasons to Buy Trade Credit Insurance

1. Protects against the risk of a customer default on sales made on credit terms.
2. Increases sales to new and existing customers.
3. Mitigates concentration risk when a large portion of a company's sales are concentrated among a few customers.
4. Facilitates attractive bank financing.
5. Helps establish new foreign markets to increase export sales.
6. Supports a company's accounts receivable management and validates credit protocols.
7. Provides an insured credit limit for a customer and monitors portfolio performance during the policy period.
8. Reduces your company's bad debt reserve.
9. Offers a solution for directors and officers by providing a second opinion on customer credit limit decisions and monitoring the customer portfolio.
10. Provides cost-effective collection agency services.



# Trade Credit Insurance

## Available Products

- **Domestic and Export Credit Insurance (DECI)**
  - Domestic, foreign or global accounts receivable protection is provided for any loss arising from buyer payment default due to insolvency, protracted default or the failure of the exchange authority in the buyer's country to transfer foreign currency.
- **Trade Credit Multinational Programs**
  - Global accounts receivable insurance with local policy issuance for foreign subsidiaries wrapped by a Controlled Master Program (CMP) provides integrated coverage for insolvency, protracted default and currency transfer risk on your global accounts receivable asset.
- **Top Accounts or Single Buyer Coverage**
  - Accounts receivable coverage for your top/key customer(s) domestically or globally, whether for the company as a whole or for a subsidiary/division, can be provided under our DECI policy form.
- **Bank and Financial Institutions Products**
  - A full menu of trade credit insurance options is available for financial institutions engaged in the non-recourse financing of domestic and/or foreign trade receivables.

## Coverage Features

- Endorsements available to extend coverage include:
  - Claim payment direct to the insured's lending institution.
  - Pre-shipment cover on a case-by-case basis.
  - Debts falling due in the policy period.
  - Coverage for inventory on consignment.
- Minimum premium of \$20,000.
  - Premium is available on a flat or adjusted basis.
- Integrated coverage for Preference Claims, a growing factor in bankruptcy cases.
- Coverage can be provided for a client's entire accounts receivable asset, top customers, or divisions within a larger company.
- Coverage includes cost effective limit assessment and collection services.

## Competitive Advantages

### Benefits of purchasing trade credit insurance from AIG:

- Our experienced local underwriting teams and policy servicing capabilities are supported by our owned network of operations serving customers in over 100 countries and jurisdictions.
- We provide clients with flexible program structures to allow a high level of autonomy when granting credit to customers.
- We have almost 30 years of experience in Canada underwriting trade credit insurance with over \$1 billion in claims paid worldwide during that time.
- We provide non-cancellable trade credit insurance where limits approved by us cannot be reduced or cancelled in Canada.
- Clients can apply for credit limits, review coverage, and access macroeconomic data via our Global Limits online policy management system, any time and from anywhere.
- We offer discounted debt collection services through a third-party agency.



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