

## CREDIT INSURANCE

U.S.A.

NON-U.S.A.

GLOBAL

CREDIT INSURANCE  
THE BEST KEPT SECRET IN TRADE FINANCING



### CREDIT INSURANCE COVERS

- Commercial Risk (Buyer's Insolvency and Slow-Pay)
- Political Risk (War, Insurrection, Rebellion, Etc.)
- Non-Payment of Non-Confirmed Letters of Credit
- Contract Frustration Coverage
- Non-Transfer of Currency Out of a Foreign Country
- Repossession of Lessor's Equipment By a Foreign Government
- Expropriation of Goods and Investments Insurance In a Foreign Country

### WHY DO I NEED CREDIT INSURANCE?

A seller may need to sell on an "OPEN-ACCOUNT" basis for any of the following reasons:

- Competitors offer open-account terms
- Open-account terms make the transaction smoother and more efficient, eliminating the costly and time-consuming letter of credit
- Open-account terms strengthen the relationship between buyer and seller

By so doing, the seller accumulates their most valuable asset - their **ACCOUNT RECEIVABLES**. This is also their largest **RISK**. The seller depends on the integrity and financial stability of the buyer.

However, the seller is often unaware of meaningful changes in the buyer's organization and does not have access to current financial information about the buyer. A blanket automatic Credit Insurance Policy is a reliable and flexible tool to **PROTECT** the seller's receivables.

### 3 TYPES OF CREDIT INSURANCE POLICIES FOR U.S. SELLERS

- **DOMESTIC CREDIT POLICY** COVERS OPEN ACCOUNT TERMS GIVEN TO U.S. BUYERS
- **EXPORT CREDIT POLICY** COVERS OPEN ACCOUNT TERMS GIVEN TO FOREIGN BUYERS
- **GLOBAL CREDIT POLICY** COVERS BOTH U.S. BUYERS AND FOREIGN BUYERS

## COVERED RISKS

- **DOMESTIC CREDIT POLICY** protects the seller's receivables from non-payment resulting from:
  1. Insolvency
  2. Slow-pay situations
- **EXPORT CREDIT POLICY** protects the exporter's receivables from non-payment resulting from:
  1. Commercial Risk (Buyer's Insolvency and Slow-Pay)
  2. Political Risk (War, Insurrection, Rebellion, Etc.)

For receivables covered, the policy can include:

- Names and locations of specific buyers
- A "catch-all" limit for smaller buyers up to a stated limit

**Situations not covered** include disputes between the seller and the buyer regarding the product itself or other contractual details and lack of necessary measures by the seller to try to collect the receivables.

## ADVANTAGES OF CREDIT INSURANCE

1. Allows increased sales -- Credit Insurance may enable you to sell more goods on credit terms while substantially reducing the overall risk of exposure to nonpayment. It also may enable you to take advantage of peak and cyclical selling periods and safely expand into new product lines or territories.
2. Provides Catastrophic Loss Protection -- Generally it is recognized that 20% of a firm's buyers account for 80% of sales. Credit Insurance protects against the catastrophic loss resulting from the insolvency of one of those key accounts.
3. Facilitates financing of accounts receivable -- Lenders recognize that the insolvency of a company's key customer may jeopardize repayment of a loan. Credit Insurance reduces this risk and may result in more favorable lending terms.

## PREMIUMS

Usually cost less than one percent of sales. Rates are based primarily on type of business and annual sales. The premium rate is reduced as the volume of covered sales increases.

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