Trade Credit Insurance Term Sheet

What is Credit Insurance?	Credit Insurance is a financial risk management tool which covers the losses sustained by a firm because of the non-payment of a trade debt. It also allows you to; • Optimize your cash flows requirement • Reduce the cost of bad debts • Lower bad debt provision • Increase the focus on your core business • Protect the balance sheet
What are the risks covered?	Credit Insurance provide covers against **non-payment** of debt which arising from commercial risks and political risks. Under commercial risks, you are covered against; • the insolvency of your customers, and • their defaulting on payment. Under political risks, you are covered against; • government moratorium, • non-transfer risks, • cancellation of import license, • occurrence of war or revolution
Who can be covered?	Credit Insurance is for everyone involved in either domestic or overseas trade. • Trade receivable of any terms : D/P, D/A, Open Account • Short-term credit : credit terms not over 180 days • Business-to-Business transactions
Cost of Cover	Premium rate of 0.1%-0.9% will be agreed at the beginning of an insurance period, generally 1 year. The premium rate takes into account a number of factors; • the type of industry you are involved in • the turnover of your company to be insured • the countries you trade with • the number of customers that you have • any bad debt experience, etc • agreed deductibles and/or threshold Minimum Premium based on the insurable sales turnover will be collected in installments on a quarterly, semiannually, or yearly basis.
Insured Percentage	The indemnity level is usually 90% which means the insurer will pay 90% of the value of invoices in the event of a claim.
When will claim be paid?	- Within a period of 30 days in the case of an insolvency - 5 months from the date of notification of overdue account with request for intervention in the case of a non-payment of risk.