

Why trade credit insurance is a small business necessity



How small and mid-sized businesses can safeguard their growth, assets, and client relationships with trade credit insurance.

The A-Team can help



Key takeaways

- **Trade credit insurance is essential for smaller businesses.** It safeguards receivables, which are critical for your financial stability and growth.
- **It mitigates risks and enables expansion.** Trade credit insurance protects you from financial shocks like unpaid invoices, allowing you to pursue growth and take strategic risks.
- It improves access to finance. Having trade credit insurance lets lenders know that you're proactively managing your receivables, opening doors to vital funding.
- **Proactive risk management enhances stability.** Assessing customer creditworthiness with tools like Allianz Trade Online helps you make better decisions and mitigate risks more effectively.
- **Allianz Trade provides tailored solutions.** We offer customized trade credit insurance solutions designed for your business, ensuring seamless integration and support for both domestic and international trade.

You might see trade credit insurance as overly complex or just another expense, but without it your business could be exposed to unforeseen financial pressures when invoices go unpaid. Just as property insurance safeguards your physical assets, trade credit insurance is essential for protecting another valuable resource – your receivables.

More than just protecting your cash flow, trade credit insurance provides you with a secure platform to pursue growth. It safeguards your existing assets and instills confidence, allowing you to engage with new potential clients that are the right fit.

With Allianz Trade, you get more than off-the-shelf trade credit insurance products; our "A-Team" approach ensures you'll receive tailored solutions unique to your needs, and services that are unmatched in the market.



Why smaller companies overlook trade credit insurance

Don't make the mistake of thinking trade credit insurance is only for larger corporations or those dealing with an array of international clients. You may see it as an unnecessary expense, particularly if other business costs are weighing you down. However, this misconception can leave you vulnerable to risks which can disrupt your operations if left unchecked.

If your customers default on their payments, the effects can quickly ripple through your business, delaying supplier payments or putting a strain on employee wages. Your company may be ill-equipped to cope with

these types of financial shock. Without a safety net, even a single unpaid invoice has the potential to derail your finances.

These risks are more common than many realise. From unexpected customer insolvencies to late or non-paying customers, the threats to your receivables could be constant. By viewing trade credit insurance as essential coverage rather than simply a "nice-to-have", you can navigate unforeseen disruptions and thrive in unpredictable conditions rather than just survive.

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The case for trade credit insurance as a necessity



Trade credit insurance is as vital to your business as property or liability insurance. Just as a helmet protects your workers on a construction site or a smoke alarm alerts your employees to the risk of a fire, trade credit insurance protects your business from the risk of unpaid invoices. Safeguarding your receivables is just as important as protecting your physical assets, and both are needed for your company to survive and grow.

Without trade credit insurance, you expose your business to risks that can easily destabilize day-to-day operations. Your customers' financial behaviour can be unpredictable, and even the most reliable business partner could default on a payment because of unforeseen circumstances. Trade credit insurance provides that



added layer of security. It helps identify the financial strength of your customers and assess the likelihood they'll default on payments. If your customer does default on their payments, your insurance policy will cover your receivables so your business can continue operating.

While unpaid invoices pose a threat to businesses of all sizes, if you're operating on tight margins your company could be more at risk than larger firms. Just one payment default could expedite tough financial decisions, such as decelerating your growth plans, taking out costly bridging loans, or reducing employee headcount. In addition, unpaid invoices are more likely to have knock-on effects to your supply chain and put your supplier payments at risk.

Trade credit insurance ensures your business can withstand the short-term impact of payment defaults so that fewer difficult decisions need to be made. It also acts like a financial firewall, breaking the chain reaction of payment default so that your supply chain and supplier partnerships are protected.



Enabling faster business growth

More than risk mitigation, trade credit insurance can be your growth enabler.

It provides a safety net so that you can focus on securing new customers and fulfilling orders.

For example, Bellandi, a small Italian textiles business, has a long-standing partnership with Allianz Trade. Founded in the 1960s in Tuscany, Bellandi evolved from a single-product company producing woollen fabrics to a versatile textile manufacturer with an array of fabrics for both clothing and accessories.

Over several generations Bellandi broadened its market reach, diversifying its products to include jerseys and natural

fibres like cotton and linen. Sustainability became a priority, and Bellandi adapted its processes over time to use recycled fibres in its fabrics. For instance, its primary product – wool fabric – is now made from reused garments, broken and frayed to create new, recycled fibre.

Partnering with us has been key to the company's long-term strategy. More than just trade credit insurance, Bellandi benefits from valuable market insights and help navigating complex industry regulations. With our support, and with effective insurance in place, the business is free to focus on what it does best: producing high quality fabrics for its customers using sustainable methods.





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Improving access to finance

By protecting against unpaid invoices, **trade credit insurance introduces certainty around your cash flow.** This is essential for optimizing budgeting processes and for strategic planning, but it also makes accessing finance easier.

Banks realise that businesses using trade credit insurance tend to be more stable than those that don't and are more likely to lend to those businesses as a result. With robust cash flow protection in place, you may find banks are prepared to offer you better financing terms due to perceived lower risk.

Having trade credit insurance in place shows banks that you're proactively managing your receivables and mitigating risks. This can instill confidence in lenders, potentially resulting in faster business loan approvals, higher credit limits and greater flexibility when you're negotiating financing terms. Ultimately, trade credit insurance can open doors to vital funding for your company that can help fuel its longer-term growth and stability.

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Benefits of our trade credit insurance solutions



At Allianz Trade, we stand out by offering you robust trade credit insurance solutions that are tailored to the specific needs of your business. Here are four reasons to choose us as your insurance partner.

1. Customer-first approach

We simplify trade credit insurance adoption and put you at the heart of the onboarding process. Our team guides you at every stage, minimizing disruptions and giving you more time to focus on growing your business. Our approach ensures you start to experience the benefits of trade credit insurance quickly, without interrupting your day-to-day operations.

2. Comprehensive cover

We tailor our solutions to your needs, addressing specific risks like payment default and customer insolvency. We have the knowledge and understanding to help you succeed in local markets, while our global experience makes us the right partner for expanding overseas with over 1,700 credit analysts worldwide.

3. Proactive risk management

Through platforms like Allianz Trade Online, you'll gain access to data-driven insights, helping you determine the creditworthiness of new customers and avoid any **risky deals. You'll be given the tools to help you make informed decisions, including our global database of over 80 million businesses, monitored in 160 countries. In addition, our dedicated team provides you with ongoing advice and risk management support.**

4. A-Team you can rely on

With decades of proven experience and consistently high customer satisfaction rates, Allianz Trade is a trusted leader in trade credit insurance. For four consecutive years, we've been recognized as the market loyalty leader by our customers and brokers worldwide, as reflected in our latest annual survey. We're known as the "A-Team" because of our unmatched offering to **customers. Our differentiator is our exceptional team of people with diverse expertise in areas including research, risk management, and customer services.**





Taking the next step

In today's uncertain business environment, trade credit insurance is no longer optional if you're looking to protect your cash flow, secure your assets, and stabilize your growth trajectory. It is essential protection from the financial risks and problems caused by unpaid invoices which, when left unchecked, can quickly cascade through your company, affecting every aspect of its operations.

The A-Team can help

We stand as your trusted partner, offering tailored solutions that let you integrate trade credit insurance as smoothly as possible. We'll work with you to proactively manage risks and provide industry-leading advice and guidance.

Now is the time to take the next step.

Explore your options with us and set your business up for growth, knowing trade credit insurance is protecting you at every stage.



Disclaimer

This document includes forward looking statements, such as prospects or expectations, that are based on management's current views and assumptions and subject to known and unknown risks and uncertainties. Actual results, performance figures, or events may differ significantly from those expressed or implied in such forward looking statements. Deviations may arise due to changes in factors including, but not limited to, the following (I) the general economic and competitive situation in the Allianz Group's core business and core markets, (II) the performance of financial markets (in particular market volatility, liquidity, and credit events), (III) the frequency and severity of insured loss events, including those resulting from natural catastrophes, and the development of loss expenses, (IV) mortality and morbidity levels and trends, (V) persistency levels, (VI) particularly in the banking business, the extent of credit defaults, (VII) interest rate levels, (VIII) currency exchange rates, most notably the EUR/USD exchange rate, (IX) changes in laws and regulations, including tax regulations, (X) the impact of acquisitions including and related integration issues and reorganization measures, and (XI) the general competitive conditions that, in each individual case, apply at a local, regional, national, and/or global level. Many of these changes can be exacerbated by terrorist activities.

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