

EVERYTHING YOU NEED TO KNOW ABOUT TRADE CREDIT INSURANCE



From financial health checks to increased sales, trade credit insurance aids brokers and banks in helping their clients to grow by protecting their business' cashflow.

Trade credit insurance is more important today, arguably, than at any time since the global financial crisis over a decade ago. Trade tensions featuring the world's two biggest economies, Brexit and fears about an impending recession have created an uncertain business environment in which insolvencies are on the rise. In the UK, total company insolvencies are predicted to increase by 9% year-on-year in 2019, and the most likely scenario would see a 5% year-on-year rise in 2020 according to our Economic Research Departments forecasts.

If a business is not protected against one of its customers going bust, then the consequences can be serious. Indeed, 76% of companies whose customers become insolvent get nothing by way of reclamations, meaning potentially ruinous cashflow problems.

Trade credit insurance provides a vital financial safety net that your clients can use to mitigate this worst-case scenario. But it is also useful to protect against more run-of-the-mill late or non-payment situations. A £1.5m turnover business with a 5% net profit margin would have to increase its turnover by 30% to recoup a bad debt as little as £22,500. More widely, trade credit insurance can provide greater access to finance, improve sales and give companies the confidence to expand into new markets.

As an intermediary, you can generate good commission by selling trade credit insurance to new clients or deepening relationships with existing clients, all while getting expert advice, training and support from us.

Read our guide to starting a conversation about trade credit insurance [here](#).

THE KEY BENEFITS

At its heart, trade credit insurance is a risk management tool. It begins by tapping into our up-to-the-minute data and market-leading expertise both in the UK and export markets to assess the creditworthiness of a business.

Trade credit insurance policies, which are available to small, medium and large enterprises, as well as multinationals, both in the UK and the rest of the world, typically cover receivables due within 12 months. If a company becomes insolvent or does not pay within the contracted terms, your client will be indemnified for the cost of goods and services delivered.

This protection enables businesses to plan more confidently for the future – a real benefit when the trading environment is as uncertain as it is today. Reducing bad debt and late payments helps to release capital for growth-focused projects, such as expanding into new markets. Trade credit insurance also helps businesses to significantly increase sales by ensuring their customers are more likely to pay and by enabling them to safely expand their customer base. It is viewed positively by banks and other financial institutions, who consider the product as a strong enhancement to businesses' creditworthiness and risk management.

Take Hunt Brothers, one of the UK's leading timber agents, which has relied on trade credit insurance for over 65 years, as an example. The company, founded in 1913, says trade credit insurance has helped to secure the quality timber it requires, sell products on credit to UK customers, expand into Europe, North America and Asia, and post 20% growth over the last ten years.

Geoff Hilditch, Hardwood Timber Products Director at Hunt Brothers, explains: "Trade credit insurance has enabled us to keep our operating model the same, providing security and quick payment to suppliers and giving quality assurance to customers, while maintaining our reputation as the go-to agent in the sector."

Read 8 compelling reasons about why you need to think about trade credit insurance today **here**.

PARTNER WITH A WORLD LEADER

For you, as our partner, adding or increasing introductions to trade credit insurance will benefit your business alongside that of your clients. Bespoke commission revenues can be unlocked with relative ease by cross-selling to existing clients or new prospects.

Working with us, part of Allianz Group, means you can access a wide range of risk management and information services, such as the daily monitoring of companies' financial positions, to help your clients make quick, informed decisions about the financial health of their customers.

As the world leader in trade credit insurance with over 100 years of experience, revenues of €2.7 billion and over 5,800 employees in over 50 countries, we offer the knowledge, business support and training to enable you to offer this vital service with confidence.



If you have any questions or want to book an appointment with an Euler Hermes Consultant, please call us on +44(0)800 056 5452 or visit www.eulerhermes.co.uk.

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