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National Credit Insurance (Brokers) Pty Ltd (NCI)

Exclusive for Dindas customers, NCI are happy to offer their customer monitoring service, NCI Radar (click to read), free for 3 months.

Trade Credit Insurance: An overview

Trade credit insurance is protection for a business against the possibility of non-payment. Essentially, when selling on credit terms there is a risk that customers will not be able to pay, this could be for many reasons but the most common is insolvency. The resulting bad debt can have a dramatic impact, for example, it could slow expansion, hinder cash-flow, or put the business at risk of collapse.

A business that loses $50,000 as a result of non-payment, will have to sell another $1,000,000 worth of goods at a 5% profit margin to recoup those losses. Trade credit insurance not only protects a business from the impact of a bad debt, but it gives directors and owners peace of mind that they will be protected and puts cash back in their pocket!

5 reasons why Trade Credit Insurance is important:

Preserve profit

1. Protect liquidity and cash flow
2. Grow your customer base with securely and with confidence
3. Strengthen credit management
4. Provide lenders with security and minimise collateral requirements.

Who is trade credit insurance for?

The market for trade credit insurance is wide and varied and is suitable for all businesses that trade on credit terms. Generally, it becomes cost effective when a business turns over more than $2 million per year, but there are exceptions and other options when a business is wanting to minimise their risk.

A specialist trade credit insurance broker will assess many aspects of a business before approaching the market. As this process is taking place, the specialist broker will assess different approaches to structuring a client's cover and potential policy variations to offer a solution that is the best fit for the particular client. The most common policy is Whole of Turnover, where all sales are covered for the policy period and the insured can claim in the event of non-payment. But other structures are growing in popularity, for example, where only sales to major buyers are covered, or where all sales except those to major buyers are covered – the variations available may not be endless, but there are a lot!

How to minimise the risk of a bad debt?

Trade credit insurance is the ultimate protection against a bad debt, but there are many things a business can do to reduce the risks. For example, businesses should:

- Know who they are trading with and confirm they are dealing with the correct entity
- Have up-to-date terms and conditions that their customers agree to
- Have a robust assessment criterion with a process to evaluate potential customers and stick to it
- Set specific credit limits and make sure they are justified

Get started

NCI are specialists when it comes to trade credit insurance, and they also have a complete suite of risk management products to help businesses better understand their customers' ability to pay. **Exclusive for Dindas customers, NCI are happy to offer their customer monitoring service, NCI Radar (click to read), free for 3 months.** To find out more about the offer or how trade credit insurance can help your business, please contact:

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