



Trade Credit

Commonly Asked Questions

What is credit insurance commonly known as?

Bad Debt Insurance and Trade Debtor Insurance
Credit insurance protects companies against non-payment of debts due to them following the buyer's insolvency or default.

What does credit insurance cost?

Costs 0.1% to 1 % of Credit Sales excluding cash and GST, Premium Rates vary between 0.1% & 1% of annual sales depending on the market/trade sector, bad debt experience spread of risks and total amount of sales to be insured. The level of own loss excesses may be used as a mechanism to reduce the cost of premium.

Are all debts from buyers covered?

All Buyers Covered
Whole turnover cover is suitable for most businesses wishing comprehensive cover and credit management support. This means all debts from buyers are covered unless the underwriter who considers the risk unsuitable for credit insurance excludes a buyer. In some instances, blue chip risks are mutually agreed exclusions.

Is cover only provided when a buyer becomes insolvent?

Protracted Default Cover
Credit Insurance also provides cover for delayed payment (Protracted Default) ensuring cash flow disturbance is kept to a minimum.

How is it known what cover is in place?

Simple Credit Limit Notification Of Cover
The Insurer notifies the Insured of buyer credit limits covered in response to requests. Credit limit requests can be made by a secured Internet facility or by faxing a simple Limit request form. Smaller limits can also be decided by the Insureds under pre-agreed Discretionary Limit criteria.

When will notification of cover be received?

Fast Limit Service With Human Touch When Needed
The underwriter treats most applications on the same day. On average decisions vary between 1 and 5 days. Notifications are sent by emails & faxes. Specific Limit endorsements as confirmation follow electronically in a timely fashion.

How long after a loss is a claim paid?

Within 30 days of submission of all claim documents.
The aim of most Insurers is to pay the claim ASAP. With fully completed claim forms, insolvency claims are paid within 30 days after receipt of external proof of debt. In the case of protracted default claims, following the policy endorsed waiting period (usually 4 months after protracted default has occurred).

Is there a lot of paperwork?

Paperwork is kept to an absolute minimum.
All paperwork/forms are pre-designed and easy to complete.

Can difficult industries like building & textiles be covered?

Each case is considered on its merits.
The underwriters will tailor-make a policy to suit all concerned and price each risk accordingly.

What are the benefits that are offered by Credit Insurance?

Numerous benefits are available:

- Increased sales in the confidence that credit is protected. The company's major asset (usually debtors represents in excess of 40%) is secured Balance sheet and cash flow protection.
- Improves budgeting (a known cost versus unknown loss).
- Reduces bad debt reserves, thus freeing trapped capital.
- Claims can be assigned to financial institutions enhancing the business's ability to secure financing at preferential terms.
- Credit management discipline/assistance and dedicated support through an advised up to date information network.

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GSA
Eye-opening insurance.

Trade Credit

Commonly Used Abbreviations

AFL

Aggregate First Loss (The sum of all qualifying losses)

CLA

Credit Limit application

DA

A direct approach made to an Insured Buyer by the Underwriter to obtain information to establish the financial status of the buyer

DL

Discretionary Limit is the Maximum Credit an Insured may grant to an Insured Buyer without the sanction of the Insurer

EAP

The estimated annual premium

EST

Estimated Annual Insurable Turnover (Exclude GST, sales to government buyer, Inter company sales, Buyers excluded by the policy by a Nil Credit Limit or Policy endorsement)

E & E

The amount of Excess imposed on each loss prior or after applying the Insured Percentage

Ins. Service Fee

The charge made by the Insurer to write a Policy. Coface is the only Insurer imposing this fee to their clients

LA

Limit Application

LAC

The Insurer's Limit Administration Fee

LE

Ledger Experience

MAP

Minimum Annual Premium

MP

Minimum Premium for the period of Insurance (usually 12 months)

MEP

The maximum Extension period allowed for payment of Insured debts

MID

Minimum Insured Debt (also known as Threshold) is the level at which a claim is not made under the policy

MSI

Maximum Sum Insured

M L (also known as MSI)

The Maximum Limit of Indemnity which is the maximum claim amount payable under the policy for the period of insurance (12 months)

NCB

No Claim Bonus (a refund of a percentage paid premium made by the insurer at the end of 12 months of insurance provided no claim is lodged and paid for that period of insurance by the insurer)

MR

A franchise known as a Minimum Retention

NQL

Non qualifying loss (a loss above the loss threshold and also described as a franchise)

PDD

The postponed Due date

PF

A Profit Share is a portion of premium refunded to the insured by the Insurer based on the level of claims paid during the period of insurance

SD

State Stamp Duty

TH

A Threshold (an amount of loss which does not constitute a claim under the policy)

TOP

The maximum terms of payment/ Maximum Credit terms allowed to Insured buyers under the policy