



Credit Insurance 101

How A Policy Can Instantly Augment Your Business!

Credit Insurance in Closer Detail

- Loss Mitigation
- Increased Working Capital
- The Expansion of Sales
- Improved Credit Management
- Collections Services
- Overall Peace of Mind



Credit Insurance in Closer Detail



80 : 20

With most companies, 80% of their business stems from 20% of their customers. What if one of your best customers were to unexpectedly stop paying due to bankruptcy, etc?

Improve your income

Manage your bad debt reserve and write-offs with greater certainty – bringing some reserves back to income

Improve cashflow

Improve your cash-flow with improved DSO

BAD DEBT RESERVE

DSO

Credit Insurance in Closer Detail

Loss Mitigation

- It is the protection of the accounts receivable against an insolvency (bankruptcy), protracted default (can't pay / won't pay scenario), or political risk.
- The policy holder is indemnified (or reimbursed), up to 90% of the receivable value when a credit limit is in place, and up to 95% for political risk.
- Political risk coverage protects against such things as:
 - War, Contract Frustration, Export License Cancellation, Natural Disasters, Public Buyer Default, & Transfer Delay (an event or difficulty that delays payment from the buyer)

Credit Insurance in Closer Detail

Loss Mitigation

- Basic example:



Bad Debt Loss	Gross Margin	Revenue Needed to Recoup the Loss	Amount recovered if the buyer is insured
\$100,000	10%	\$1,000,000	\$90,000

Credit Insurance in Closer Detail

A Bank Enhancement

- Credit insurance allows for increased leverage over a company's lending agreement, because it acts as additional security for the bank line.
- The bank may require a company to purchase credit insurance for this increased level of security if they are extending credit to companies in the US or overseas.
- Credit insurance will allow for an increase to the borrowing base on their accounts receivable (domestically and internationally) from a 0 to 75% level of margining up to 90% freeing up additional working capital.

Credit Insurance in Closer Detail

Increase Working Capital

- An example: Average Outstandings: \$1,000,000 – 90% Domestic – 10% USA)
- Without credit insurance -- total available cash flow is \$735,000 (675,000+60,000)
- With credit insurance -- cash flow of up to \$165,000 is made available (@90%).

% the Bank Comfortable Margining	Potentially Available Capital
75% for Domestic Accounts	\$675,000
60% for the United States	\$60,000
90% with credit insurance	\$900,000

Credit Insurance in Closer Detail

The Expansion of Sales

- Credit insurance assists in expanding sales safely to new customers and markets, by knowing those customers in closer financial detail.
- Reduce the need for Letters of Credit
- Move customers to open account
- Offer more competitive payment terms
- As there are many unknown risks trading internationally; minimizing those risks, and protecting your business against the unexpected is crucial in sustaining profits and growth.



Credit Insurance in Closer Detail



The Expansion of Sales

Example Scenario – a new client wants 100k on credit (but there's no information on this customer). You test the waters to ensure that they can pay by incrementally increasing their credit every month by 25k. By 4 months they have reached the 100k limit initially asked for by the sales department.

Sales to Customer without credit insurance	Sales to customer with credit insurance	Gross Margin	Gross Profits without credit insurance	Gross Profits with credit insurance
\$250,000	\$400,000	10%	\$25,000	\$40,000

Credit Insurance in Closer Detail

Improved Credit Management

- Credit insurers have a vast portfolio of data
- There are on-going up-to-date analyses that are done regularly
- Access to information from multiple paid-for credit agencies assists in effectively vetting new and existing buyers.
- Information is generated both internally and externally



Credit Insurance in Closer Detail

Improved Credit Management

Through utilization of an extensive database, the credit management department can have the upper-hand in the marketplace against the competition by:

- Knowing the customer in closer detail,
- Being aware of any adverse changes within their financial situation, and
- By being able to effectively offer them more competitive payment terms.

Credit Insurance in Closer Detail



Collections Services

- All policies come standard with a 90% contribution to collection costs on insured buyers, saving time and money on lagging or delinquent customers
- Atradius Collections has a presence in over 25 countries around the globe, services over 10,000 customers, and covers 96% of countries.

Amount To Be Collected	Collection Rate	Cost without credit insurance	Cost with credit insurance
\$1,000,000	15%	\$150,000	\$15,000

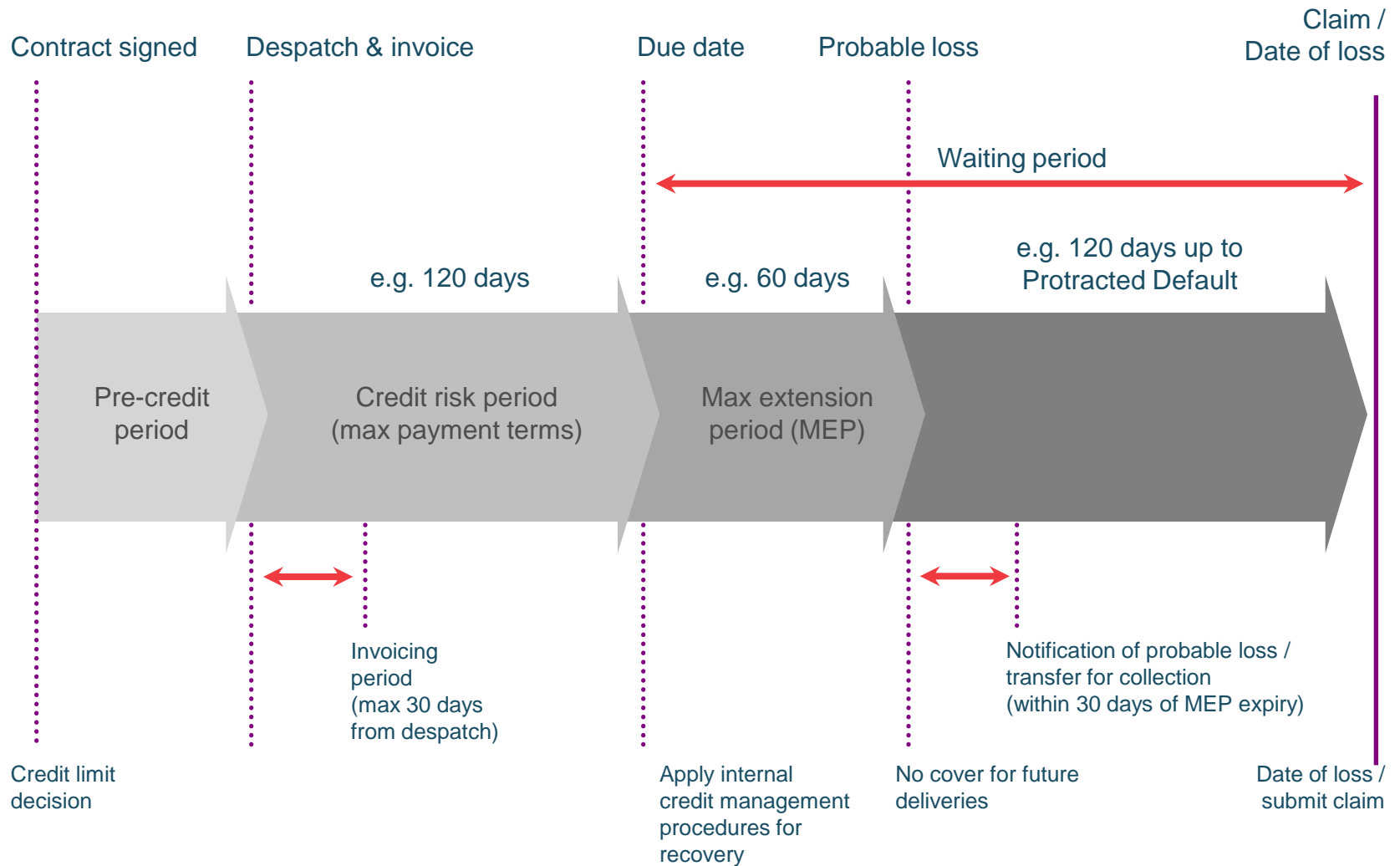
Credit Insurance in Closer Detail

Overall Peace of Mind

- Realistically it's good to have a second set of eyes on your client's buyers.
- Help them sleep well at night knowing that their business is protected.
- By reducing uncertainty, the policy will protect against unforeseen risks both from their customers and from economic and political circumstances when they look to grow abroad.



How The Policy Works at a Glance

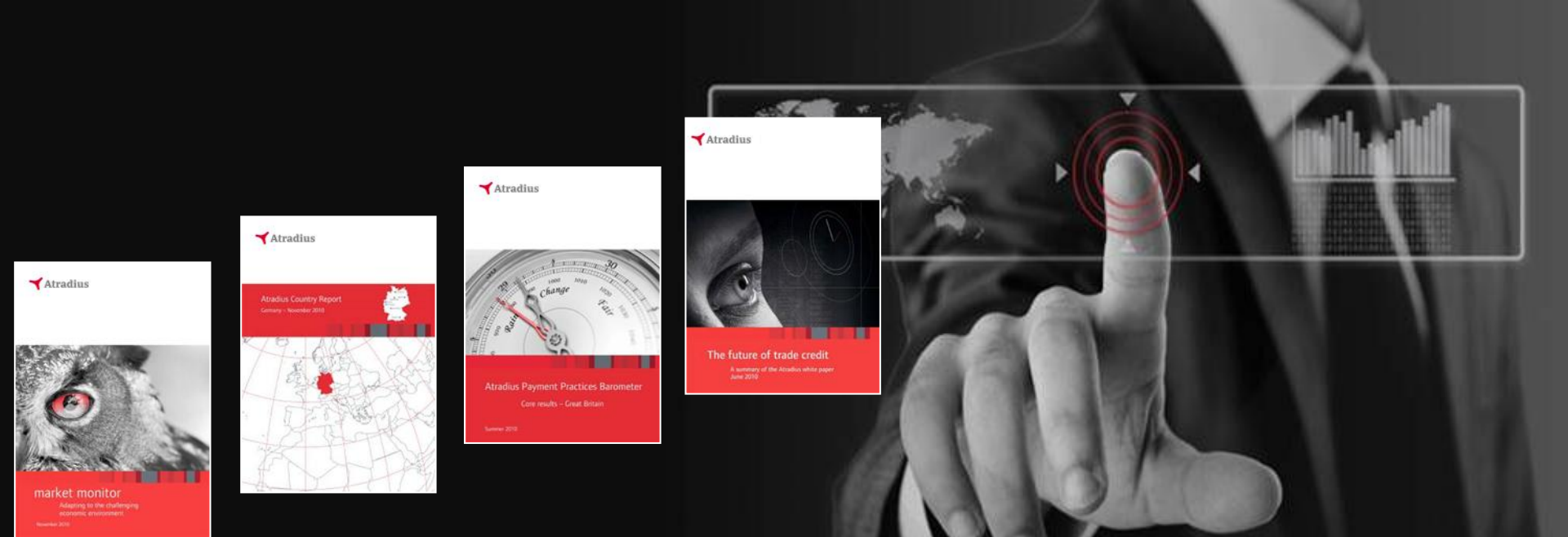




3,300 employees and a total income of more than **€ 1.6 billion**
more than **20,000** credit limit decisions daily
160 offices in **50 countries**
access to information on **200 million** companies

Who is Atradius Credit Insurance N.V. ?

- The most internationally integrated credit insurance company in the world
- Best Credit Insurer in Europe & North America for 2015 by Global Banking Finance Review
- We now have 90 years of experience in the credit insurance market
- We help companies manage risk and enable trade to new customers and markets
- Our financial strength rating by A.M. Best is 'A (excellent) outlook stable'
and 'A3 outlook stable' by Moody's



We also share our knowledge and expertise

- We publish market intelligence to keep you up-to-date with the economy
 - Country Reports – Specific to where you're doing business
 - Market Monitors – Specific to your Industry
 - Payment Practices Barometer
 - General Economic Outlooks / Updates

Helping your
business grow
and prosper



Thank you for your time and consideration



Contact: Mark Holman

**3100 Steeles Ave East, Suite 101
Markham, Ontario, L3R 8T3 Canada
Phone: +1 905-886-5630
E-mail: mark.holman@holmanins.com**