Trade credit insurance at a glance

What is trade credit insurance?

If you trade or sell goods on a credit basis, you're at risk of bad debt or non-payment by customers. This can disrupt your cashflow and leave you out of pocket.

Trade credit insurance is important for protecting your income and business assets against potential customer failure. With the right cover, you can grow your business confidently, knowing you can be protected if things go wrong.

"The use of credit terms is so widespread that, if combined as a source of capital, it would create the 5th largest bank in Australia by assets."

Get Capital, Trade credit terms in Australia, 2020

Who should consider it?

All registered businesses that sell goods and services on credit terms, such as 30 days to pay, should consider trade credit insurance. This includes businesses that trade domestically and internationally.

Some trade credit insurance policies also offer the bonus of working with designated collection agencies to help you recover your debts – taking the pressure off this difficult and time-consuming process.

Did you know?

$1.3 trillion

The estimated amount of trade credit provided by SMEs in Australia per year.

(Get Capital, Trade credit terms in Australia, 2020)

10-35%

The amount of SME liabilities accounted for by trade credit in Australia.

(Get Capital, Trade credit terms in Australia, 2020)

It takes on average 22.9 days for a small business to get paid.

(Xero, Small Business Index Australia Monthly Update April 2022)

What can it cover?

Depending on your policy, trade credit insurance can cover:

Type of cover	Potential benefits
Comprehensive cover	Protecting your entire credit portfolio, including domestic and export customers.
Excess of loss	Suitable for businesses with strong internal credit management processes who want cover for exceptional loss across their entire portfolio.
Key account	Covers Key Account for clients requiring protection on their largest buyers; optional non-cancellable credit limits and deductibles.
Single buyer	Covers single buyer coverage for quality credit risks.

What usually isn't covered?

Exclusions, the excess you need to pay and limits of liability can vary greatly depending on your insurer. Policies generally won't include cover for:

- Failure to fulfil any terms and conditions of the contract or to comply with any provisions of the law. This includes failure to invoice within the time specified in the policy schedule (generally 30 days).
- Failure to obtain any import or export license necessary for the performance of the contract.
- Any loss related to interest charges, penalties, legal costs, banking costs and currency exchange rate changes.

Case Study

As a small winemaker who has been exporting overseas for five years, Debra faces two challenges. Like other winemakers, she has a long working capital cycle. Secondly, there's the risk of non-payment, especially among new export clients.

Debra only exports small shipments and takes out trade credit insurance. This strategy pays off, as she sends a shipment to a new client who doesn't pay. After unsuccessful attempts at getting the payment, Debra makes a successful claim on her trade credit insurance.

The insurance payout covers her loss, which fills the gap that the non-payment made in her cash flow. This means she doesn't have to borrow money to keep her business going.

Contact us today

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