

VÉZINA FLASH

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Credit insurance How to survive in an unstable economy!

We have all seen the deterioration of financial markets, the deepening financial crisis and the fears (now a reality) of recession. Because of these very real dangers to your company's bottom line, we think that you should consider whether Credit insurance could be a useful weapon in your insurance arsenal.

Credit insurance is a coverage which is often neglected or misunderstood. It has however, existed since the late 19th century and was developed primarily in Western Europe, between World War I and World War II. This insurance policy, which is well-known in Europe and by Import/Export companies, may also be beneficial to your company.

It is true that a bad debt is statistically more probable than a fire.

Most companies are careful to obtain insurance coverage to protect against property and related losses, including damage or destruction to buildings, inventory and business interruption. They insure for known and tangible losses, such as catastrophes or accidents, which are statistically foreseeable. However, one of the most important elements of a company is its receivables and these are rarely covered. Why? Simply stated, because companies are not very familiar with this insurance coverage, or did not even know it existed. In the current economic situation, how many companies, while financially sound at the outset, find themselves in financial trouble overnight?

How can Credit insurance benefit your company?

Credit insurance is a specific form of insurance that covers your company against a buyer's failure to pay their account. The reasons for default may vary, but they include a company's insolvency, as well as external factors such as losses related to political events in other countries.

What are the benefits of credit insurance?

- ◆ Insure your local and/or U.S. and/or international customers' receivables.
- ◆ Optimize your credit management; you can concentrate on your core business as your insurer is there to help you with the credit risks.
- ◆ Obtain reimbursement of bad debts.
- ◆ Prevention: your insurer, who has a useful database, can help by alerting you if the company or companies with whom you do business are experiencing problems; this assists you in avoiding further transactions with potential defaulters.
- ◆ Obtain quick and efficient help in recovering your receivables better collection.
- ◆ You can concentrate on your company's growth instead of struggling to collect bad debts.
- ◆ Establish a better cash flow by showing your bank that your balance sheet's main assets are covered.

The commercial Credit insurance premium is usually calculated based on a percentage of your revenues.

The insurer undertakes a credit investigation of your principal clients before issuing a Credit insurance policy that establishes credit limits for them. As soon as the insurance is in place, your company can make sales up to the allowable credit limit. Moreover, the credit insurer evaluates your customers' financial activities on a regular basis.

In an economic climate that is becoming more and more hostile, Credit insurance becomes a very useful tool for your company's financial health and growth.

Although the characteristics of this policy are universal, different insurers have coverages and requirements that vary from one to another. It is therefore important to consult and work with your Vezina account executive to determine which policy and insurer will best meet your needs and thus demystify this insurance product.

To consult "Back issues", please go to our web site www.vezinainc.com



VÉZINA

INTEGRITY

PROFESSIONALISM

Vézina assurances inc.

Vézina & associés inc.

4374 Pierre-De Coubertin Avenue
Montréal, Québec
H1V 1A6

Telephone : (514) 253-5221

1-877-253-5221

Fax : (514) 253-4453

info@vezinainc.com