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Credit Insurance – What To Watch For In Difficult Economic Times

Are you are a credit insurance user or investigating its use for your company? If so, it is important to know how the different insurers and their policies behave in this challenging environment of deteriorating credit and increased claims. Here are a few of the more important points to aware of:

1. Insurer's Financial Rating – Does the insurer have an A rating or higher from any of the major rating agencies, including A.M. Best(insurance rating specialist). Has the economic downturn resulted in a downgrade or downgrade watch?
2. Cancelable vs. Non-cancelable Coverage - Does the policy allow the underwriter to cancel coverage on your buyers? If so, under what conditions and how often has this occurred over the past 12 months?
3. Coverage Granted - Like all insurers, credit insurer's appetite for risk can vary widely from company to company and year to year. So while one insurer may not offer coverage on a buyer, another insurer may be more than willing. This can be affected by the insurer's loss experience, financial performance, concentration in an industry or buyer, policy structure, etc.
4. Specialized Endorsements – There are literally thousand's of endorsements available to modify the policy to your specific needs. If an existing endorsement is not available that meets your needs, ask that one be created.
5. What Events Trigger A Claim – Although most policies cover defaults due to insolvency and protracted default, each will define those differently. It is important to know how this affects your business specifically.
6. Claims Paying Experience – If you do not have experience with the insurer, it is important to speak with others that have.
7. Preference Claims – Does the policy cover potential future claims due to preference demand? If so, what are the conditions?

Credit insurance contracts, like most insurance policies, are complex legal documents that vary widely among the insurers. And while most policies are fundamentally sound, it is critical to know these differences and how they affect your business when deciding upon an insurer. To navigate through these complexities, companies are best served using a broker who specializes in credit insurance(Over 90% of ALL commercial insurance policies are "brokered). A reputable broker will work with you to find your specific needs, then structure and negotiate the most effective policy available among all the insurers. And since the broker is compensated by the insurer, there is no additional cost for using their service and in many cases can save you significant premiums.

Credit Insurance & Political Risk Specialty Brokers