

# THE LIFE-CYCLE OF A CREDIT INSURANCE CLAIM – MAXIMISING YOUR COVERAGE

Trade credit insurance is a key facilitator of successful trade. Its primary function is to protect manufacturers, traders and service providers against buyers that do not or cannot pay commercial trade debt.



## THE CURRENT ENVIRONMENT: WHAT IS THE RISK?

Last year, insurers paid out roughly £315 million to help firms cope with bad debts. In the current environment, non-payment is even more of an issue due to the combination of accrued losses and future exposure.

Covid-19 has changed the risk landscape and insurers' appetite for risk in this regard has been reduced. Exclusions for Covid-19 are almost universally being written into policies, both newly issued and existing policies - is there a Covid-19 exclusion in your proposed / existing policy?

1

2



## THE CURRENT ENVIRONMENT: WHAT IS THE RISK?

Your focus in this phase is to make sure your policy gives you the cover you need.

- Have you provided financial information to your insurer to maximise credit limit approval?
- Have you disclosed all relevant information concerning a risk, complying with your duty of fair presentation of risk?
- Your insurer will carry out a risk assessment of your buyers and assign a credit limit per buyer.
- Be aware of insurers reducing, varying or withdrawing pre- approved limits.



## YOU AND YOUR CUSTOMER: OUTSTANDING INVOICE

Your credit risk insurance cover commences when your goods and/ or services have been delivered and invoiced to your buyer.

- Is your buyer unable to pay the invoice? Has your buyer served a force majeure notice on you?
- Are you taking appropriate steps to attempt to recover from your buyer as required under the policy?
- Beware of "Automatic Stoppage of Cover" clauses in your policy.

3

4



## YOU AND YOUR INSURER: CLAIM

Notify your insurer and comply with your Policy:

- In our experience, credit insurance policies often contain complex time limits, including for the date an insurance claim can be brought, usually many months after the Date of Loss. Often, this is to allow for appropriate recovery steps to be taken by you against your buyer as required under the policy.
- Beware that accepting a force majeure event may invalidate your insurance.
- Ensure you have complied with any conditions precedent in your Policy which insurers are likely to increasingly rely upon in the current climate.
- Your insurer may initiate or take over recovery action against your buyer.

# KEY CONTACTS

Our insurance team's leading policyholder practice specialises in the resolution of insurance disputes and also advises on non-contentious insurance issues. We are experienced in all forms of credit insurance and available to advise on your policy terms and coverage.



## RICHARD WISE

Partner  
Head of Insurance Disputes  
+44 (0) 20 7160 3255  
+44 (0) 7779 663 701  
richard.wise@addleshawgoddard.com



## VICTORIA POOL

Legal Director  
+44 (0) 161 934 6501  
+44 (0) 7725 732399  
victoria.pool@addleshawgoddard.com



**DEEP SECTOR KNOWLEDGE, BORNE  
OUT OF A LONG PEDIGREE AND  
HISTORY OF INSURANCE WORK.**

Insurance Litigation for Policyholders  
Legal 500 2020



**A GREAT TEAM THAT IS A  
DELIGHT TO DEAL WITH.**

Insurance Mainly Policyholders  
Chambers & Partners 2020