

QBE Trade Credit Insurance

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Notable Insolvencies



Notable Insolvencies



Notable Names



Insolvency Statistics



Challenging credit risk environment in 2018:

- Large listed companies going into Judicial Management
- Number of insolvencies consistently above pre GFC levels and long run average.
- Increased insolvencies across all regions.
- Increased insolvencies in construction, hard commodities, marine & offshore and O&G sectors.



Trade Credit Basics



What is trade credit insurance?

Business protection against bad debts arising from selling goods and services on credit terms to other businesses.



There is a risk of payment not being made.

Why companies buy trade credit insurance

Catastrophic cover – what happens if your largest customer falls over?

Protection – improve balance sheet and protects the business profits.

Financier Driven – the financier requires the debt to be secured.

Growth – is the client taking on new risk or increasing existing exposures?

Monitoring of Buyers – early monitoring system to help prevent bad debts.

QBE trade credit can help

Risk assessment

- **Review & analysis includes:**
 - Knowledge of the customer
 - Information agents / public information
 - Country risk
 - Industry knowledge / economic analysis

Risk monitoring

- **Early warning systems involve:**
 - Information sharing with confidentiality
 - Constant customer monitoring
 - Formal customer reviews
 - Industry knowledge / economic analysis

Risk management

- **Loss mitigation processes:**
 - Repayment negotiations
 - Debt collection services
 - Legal pursuit of unpaid debts

Claims benefit

- **Cash flow maintenance through:**
 - Payment on insured event
 - Debt recovery



*This can all managed by your client via simple **online access tools** which allow brokers complete transparency to requests and decision making.*

Minimising the risk of non-payment



**Total Credit
Management Solution**

Policy Coverage

Your credit insurance policy covers you against non-payment or debt arising from:

Commercial and Political Risk

Singapore domestic cover:

1. Protracted Default
2. Insolvency of Buyers

Additional cover for exports - Political Risk:

1. Losses resulting from War, Riots, Strikes etc.
 2. Transfer Risk (non-payment caused by government actions)
-

Policy Exclusions

Commercial Disputes

Sales to any related parties

Sales Tax, GST, Interest Charges or Penalties

Failure of the insured to meet their obligations

Foreign Exchange Fluctuations

For full details of policy exclusions and general exclusions please refer to the policy wording. It is important to read and understand the terms and conditions in your policy wording and policy schedule.

Policy Terms sample

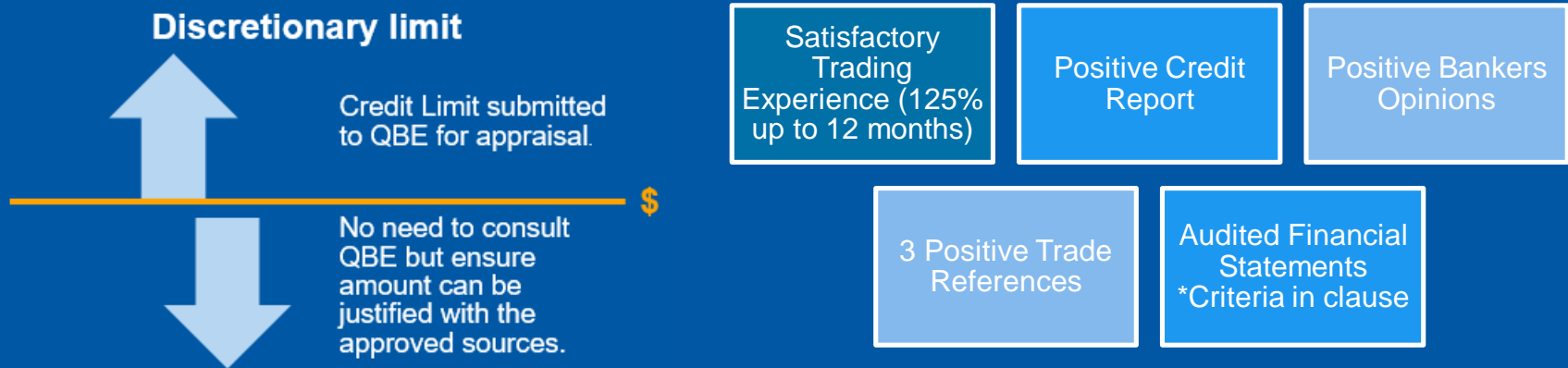
| | |
|--------------------------|---|
| Policy Period | 1 February 2018 to 31 January 2019 (23:59) |
| Trade Activities | Mobile Phone Traders |
| Causes of Loss | Protracted Default Insolvency only |
| Type of Cover | Comprehensive (AP) - Risks Attaching |
| Insured Percentage | 90% (or as varied in the Approved Countries & Conditions Table) |
| Estimated Turnover | USD 10,000,000 |
| Premium Rate | 0.08% |
| Estimated Premium | USD 35,000 |
| Minimum Premium | USD 35,000 |
| Limit Management Charge | USD 1,000 (\$100/buyer) |
| Premium Instalment | Single |
| Maximum Policy Liability | USD 1,000,000 |

Policy Terms sample (cont.)

| | |
|-----------------------------------|--|
| Discretionary Limit | USD 20,000 |
| Deductibles – Each & Every | USD 5,000 |
| Maximum Invoicing Period | 30 days |
| Maximum Terms of Payment | 30 days Open Credit from Date of Invoice |
| Maximum Extension Period | 60 days from Due Date |
| Protracted Default Waiting Period | 120 Days |

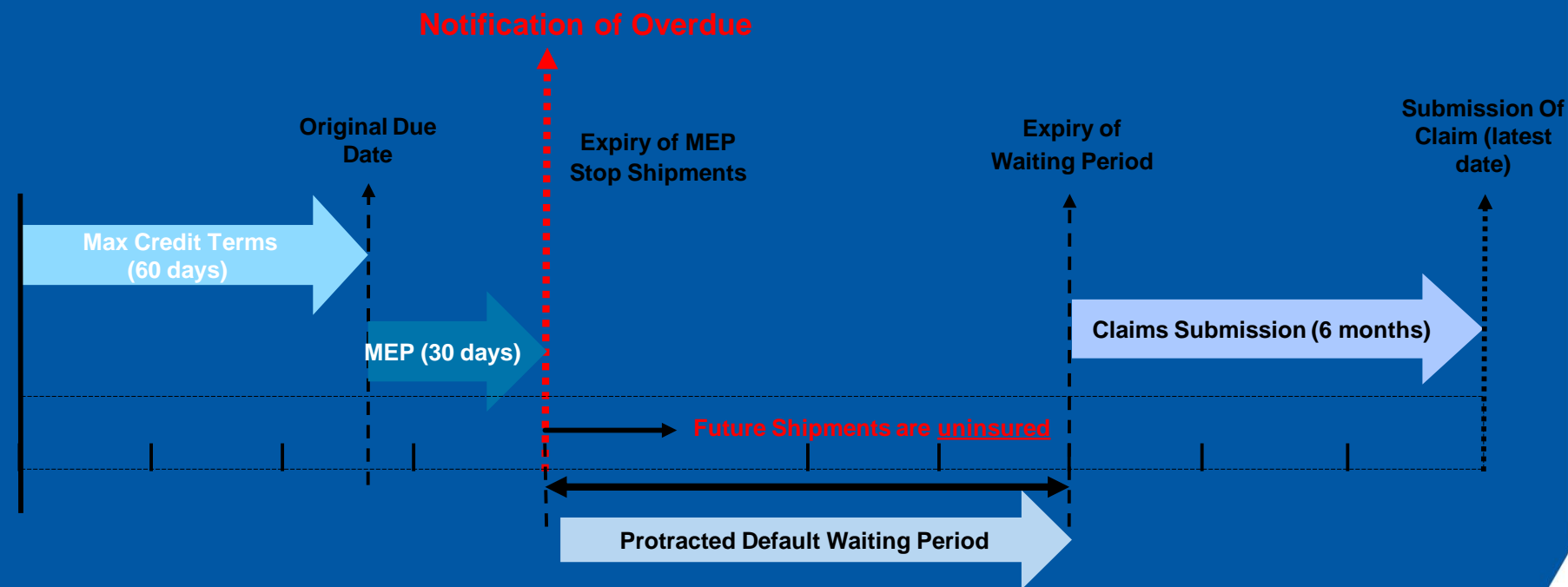
Discretionary Limit (DCL)

A Discretionary Limit is the maximum amount of business that can be transacted with any one buyer insured without the formal approval of the insurer, subject to clause JA0016-00-00-B



Coverage Timeline sample

Maximum Extension Period means the maximum number of days by which the insurer has agreed that the insured may extend the original due date of an Insured Debt.



*Any part of an insured debt that is not paid by the last day of the maximum extension period is considered a **Notifiable Event**.*

Notifiable Events

When a Notifiable Event occurs, the insured must with the least possible delay notify the insurer

A notifiable event has deemed to occur when:

1. An insured buyer is insolvent or has been appointed an insolvency practitioner or administrator;
2. Any part of an insured debt that is not paid by the last day of the maximum extension period;
3. The insured is aware of any adverse circumstances which could lead to default of payments (cash flow issues or in legal actions with other suppliers);
4. A cheque or bill of exchange is dishonoured when drawn

Claims Process

It is important to submit your claims no later than 6 months of an Insolvency or Protracted Default occurring.

Claims Waiting Period:

| Insolvency | Protracted Default |
|---------------|--------------------|
| 0 Days | 120 Days |

During this period you need to act with the same due diligence as if you were uninsured:

- Debt Collection
- Take all reasonable steps to minimise your loss (legal action, pursuing guarantees)
- Consult QBE if a repayment plan or a settlement offer has been made

Claim Calculation sample

Outstanding Deliveries:

| | |
|----------|------------------|
| January | \$180,000 |
| February | \$120,000 |
| March | \$100,000 |
| April | <u>\$150,000</u> |
| Total | <u>\$550,000</u> |

| | |
|-------|-----------|
| Limit | \$750,000 |
|-------|-----------|

| | |
|-------------|------------------|
| Gross Debt* | \$550,000 |
| Less Tax | <u>\$ 50,000</u> |
| Balance | \$500,000 |

| | |
|-----------------|-----------|
| Indemnity (90%) | \$450,000 |
|-----------------|-----------|

Our online trade credit system (TCS)



Global operations and underwriting platform delivers

- User-friendly platform
- Broker and policyholder available access
- Submit and monitor limit applications, claims and notifiable events
- Manage exposures with ease and access to all policy documents
- Real time decisions with access available 24 hours a day, 7 days a week
- Access to policy performance data & analytics



The Trade Credit System

| Service | Definition |
|------------------|--|
| Credit Limit | Apply for credit limits on new customers |
| Increase | Apply for an increased credit limit for a customers with existing limits |
| Appeal | Appeal a credit limit decision where an approval given by QBE was less than the amount requested |
| Reduction | Apply for a reduction of a credit limit for a customer with an existing limit |
| Cancellation | Cancel (or surrender) a credit limit for a customer when the limit is no longer required |
| Notifiable event | Lodge a notifiable event for a customer with an existing limit |
| Repayment | Apply for a repayment plan approval for a delinquent debt |
| Claim | Lodge a claim – including attaching relevant documents |

Identifying Opportunities

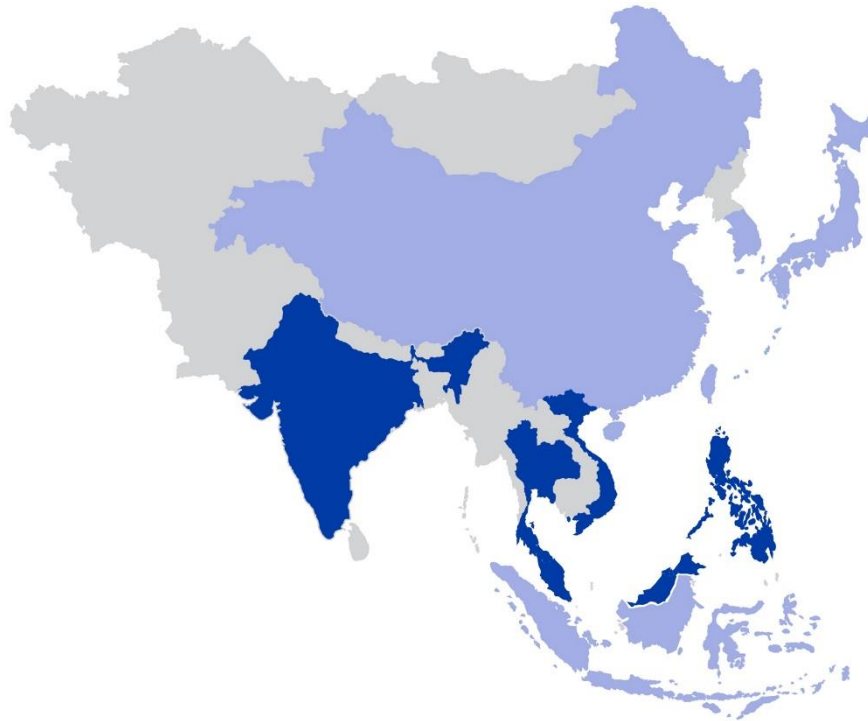
Is trade credit insurance for you?



- Do you sell goods on credit terms?
- Recently experienced a bad debt?
- Expressed concern about industry or market trends?
- Working on a large contract?
- Wish to grow your business and need security?
- Are you refinancing your bank facilities and loans?
- Have cash-flow problems and needs assistance with credit control?

Local Asia Capabilities

- Singapore
- Malaysia
- Thailand*
- Vietnam
- Indonesia*
- India
- Japan*



- Hong Kong
- Macau
- Taiwan*
- China*
- South Korea*
- Philippines

* Offered via partnering Fronting Insurers or other arrangements

Local Fronting Partners





Countries

Fronting Partner

| | |
|-------------|---|
| Thailand | Bangkok Insurance Public Co. Ltd |
| Indonesia | PT Asuransi Central Asia |
| Japan | Meiji Yasuda General Insurance |
| Taiwan | Cathay Century Insurance Co Ltd |
| South Korea | Seoul Guarantee Insurance Co |
| China (PRC) | China Life Property & Casualty Insurance Taiping General Insurance Company Limited |



Trade Credit Insurance Scheme





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A A A Search

Industries Overseas Markets Quality & Standards Financial Assistance Non-Financial Assistance

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Trade Credit Insurance Scheme (TCIS)

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Trade Credit Insurance (TCI) is an insurance protection that your company can purchase to protect against non-payment by your buyers, thus allowing you to acquire new customers with greater confidence.

The Trade Credit Insurance Scheme (TCIS) defrays the cost of insurance for companies by supporting part of the minimum premium payable.

Benefits

If your company qualifies, Enterprise Singapore can support up to 50% of the minimum insurance premium for TCI policies provided commercially by Singapore-registered credit insurers. This is subject to a maximum lifetime support of S\$100,000 per qualifying Applicant Company.

Eligibility

Your company needs to fulfil the following criteria:

- Global headquarters¹ anchored in Singapore
- Turnover of Applicant Company and its subsidiaries should not exceed S\$100M
- A minimum paid-up capital of S\$50,000

Apply

Approach a Singapore-registered TCIS broker/insurer to structure and purchase your TCI policy.

Should your company qualify for support under TCIS, the broker or insurer will assist you in the submission of your application for TCIS premium support to IE Singapore.

For more info: <https://ie.enterprisesg.gov.sg/Assistance/Global-Company-Partnership/Access-to-Financing/Trade-Credit-Insurance-Scheme>

Case study – Domino Effect

All companies trading with credit terms are vulnerable to bad debts. But the risk is not only directly from their customers actions, but also from their customer's customer.

Consider the Insolvency of a medium sized construction company. A cascade effect occurred throughout the construction distribution chain:

- Over 105 suppliers and sub-contractors were impacted.
- 60% of which were not directly dealing with the construction company.
- Plumbers, electrical contractors, building supplies, advertising and printing are all directly impacted - but also consider the upstream manufacturers, paper suppliers, graphic designers, labour hire agents, etc...

You know your customers - but you don't know their customers or your full vulnerability to cascading events



Case study – Low Margins

A fuel wholesale company operates on a high volume – low margin structure. After expenses, they trade on a 2% margin.

A bad debt can have a material impact to their business:

- Customer with a debt of \$50,000 falls insolvent
- Wholesaler still needs to meet expenses: stock, wages, operating costs etc.
- Need to create an extra \$2,500,000 in sales to cover the non-payment of the \$50,000 debt

The bills keep coming irrespective of whether you get paid.



An expert in the room



- Dedicated people with in-depth knowledge available at your call
- Full service sales support which includes joint visitations with your client
- Protecting your clients interests
- Ongoing information, advice and face-to-face service for you and your client



Take advantage of having access to the underwriter, potentially giving you a differentiator to close out your competition!

Confidence in the customer experience



- Tailored trade credit solutions to meet your clients individual needs
- On call designated Client Account Manager with industry trade specialisation
- We'll come to your client – onsite face-to-face meetings
- Ongoing information and advice is all part of the QBE service

QBE Trade Credit Named Best In Asia 2016 & 2017



QBE Trade Credit further enhanced its reputation by being voted the 'Best Trade Credit Insurance Provider' in Asia the 2016 CFO Innovation Awards handed out in Singapore in December.

In winning the award, QBE was recognised for providing excellent customer support and innovative trade credit solutions in the region, beating out two major competitors – Euler Hermes (part of the Allianz Group) and Coface – which were also shortlisted.

The CFO Innovation Awards were inaugurated in 2012 and recognise Asia's leaders in all aspects of financial management. Nominated and voted on by the readers of CFO Innovation, the awards provide an opportunity to celebrate excellence and also network with hundreds of leading CFOs and their partner suppliers.

The award ceremony was held at the Marina Mandarin in Singapore, with Richard Wulff, Group General Manager, Credit & Surety, accepting the award on behalf of QBE.

Want to know more?

Speak with your local QBE representative or broker. Alternatively, go to **tradecredit.qbe.com**.

<https://www.group.qbe.com/>

<http://www.qbeap.com/>

<https://tradecredit.qbe.com/>

For more information

Please visit **tradecredit.qbe.com**



Made possible



QBE



Thank you

