

# Credit Insurance News

28 Jan 2009

## Market Review

The last few months have seen a dramatic change in attitude to risk from some of the major credit insurance companies. At a time of unprecedented demand there is a distinct lack of capacity & appetite across large sections of the economy.

From some underwriters we have seen mass cancellations of credit limits and Amlin Credit have announced that they are pulling out of the market all together and are placing their credit insurance book into orderly run off.

Fortunately not all companies have taken this approach and we have been able to place business from most sectors. We have however very quickly moved from the softest market in living memory to one of the hardest.

Whilst no one would disagree that it must be some of the most challenging global conditions in recent history some underwriters have been fair weather friends and have let their customers down when they need them most. We will need to bear this in mind when in a few years time they come calling with cheap premiums and easy credit limits.

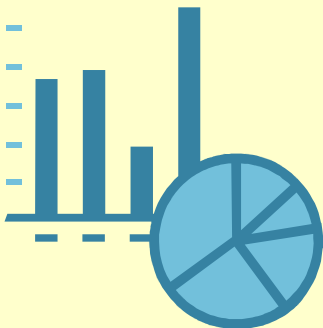
The lack of credit insurance cover can be just as big a factor in causing cash flow difficulties as a reduction in a bank overdraft and to a great extent a withdrawal of cover from one or more credit insurance companies can be a self fulfilling prophecy.

## Claims Environment

During the last recession we saw a hardening of attitude from most of the major insurance companies to claims. At the moment I haven't seen the same thing happening, but last time we moved quickly from a relaxed environment where minor breaches of policy terms were overlooked to a much more rigid approach.

It would therefore be a good idea to have a look at your sales ledger and double check that you are up to date with your reporting and notifications. Remember that larger disputes and queries still need to be notified once they go outside of the agreed policy terms. I saw a large claim recently that was restricted due to a £70,000 overdue balance that was under query and months old not being notified. Other reportable events will include unpaid cheques, repayment arrangements, issuing of court and insolvency proceedings.

When you get a claim make sure that you notify us straight away and, where applicable that you try and enforce your reservation of title claim. Don't continue to supply through the insolvency practitioner without prior approval from your insurance company.



## Cancelled Credit Limits

We are unfortunately going to see more of these over the next few months, if this happens then there are a number of things that can be done. In most cases the underwriter will tell us what information they have based their decision on and what is needed to reconsider. In a number of sectors, construction and retail particularly we are seeing requests for UTD information where the latest filled accounts pre dates the start of the crisis. An example might be where abbreviated July 07 accounts are filled and the underwriter wants a full copy of the 08 figures along with UTD management accounts

Check with us as your policy might have a binding contract clause which will allow you to continue to supply for a further period, generally 3 months. You must be sure that the contract is non cancellable and legally binding as the claims department will look hard at this.

## Policy Renewals

We are seeing a hardening of rates; I am expecting to see policies with good loss ratios costing 10%-20% more than at the last renewal. We will be in touch with you 3 months before your policy is due to renew in order to start the process. We have seen some instances where underwrites have declined renewal due to poor historic loss ratios in the most difficult sectors. It is therefore important that we start the review process as soon as possible.

We have found some good alternative terms for clients who have been forced into a move to a new underwriter. In most cases the end result was that there was more cover available under the new policy than they previously had. We have full specialist broker status with all of the leading credit insurance companies.

## Additional Top up Cover

It is possible to arrange top up cover to an existing credit limit issued by another company. The cover is expensive and can be hard to come by at the moment.

It is not available if the holding insurer has issued a nil credit limit. But if you do have an approved limit that you can not get increased by your exiting insurer we can look at top up cover for you. Generally for a maximum additional amount of £100,000 or for no more than an addition 50% on top of the existing limit.

We need the holding insurers permission to put this cover in place. Please contact me if you have any sepcific queries.

## Government Support

I read with interest in today's Times that the UK Government was launching a £5 Billion reinsurance scheme to help credit insurers cover "medium quality risks" where cover has been reduced, but not cancelled. As soon as I have the full details of the scheme I will be in touch.

## Any other Business?

If you know of anyone who might benefit from credit insurance please let me know and I will do my utmost to help.

## Thank You

I would also like to take this opportunity to thank you for your support and loyalty over the last 10 years since our MBO and especially over the last few months, it is greatly appreciated.

### London Marathon

Training is going well, but slowly, like my running really. But I am on schedule and making progress towards my target. Another very big thank you to everyone who has sponsored me so far. Have a look at [www.justgiving.com/paulhumphreys1](http://www.justgiving.com/paulhumphreys1) for more details.

