

COMMERCIAL INSIGHTS

A Moreton & Company Property Casualty Newsletter

Trade Credit Insurance

Trade Credit insurance is a financial tool that provides businesses with protection against default on payments from customers. This type of insurance helps companies manage their accounts receivable and the risk associated with extending credit to customers. It can also provide benefits such as improved credit terms, better cash flow, and increased lending capacity. The concept behind Trade Credit insurance is simple: if a business extends credit to a customer, and that customer fails to pay, the insurance policy will help cover the losses incurred by the business. This means that the business does not have to absorb the full financial impact of a customer's default. Trade Credit is often used to protect businesses from the risks associated with selling goods or services on credit, including bad debt and slow-paying customers.

"Understanding the different types of policies available and the cost associated with them is key to making an informed decision about whether Trade Credit is right for your business."



When considering a policy such as this, there are several key factors to consider. First, businesses should understand the different types of policies available and which one is most suitable for their individual needs. Second, businesses should assess the cost of the policy and determine whether the benefits provided are worth the cost. Finally, businesses should consider the creditworthiness of their customers and determine whether the premiums charged by the insurer are reasonable. There are other benefits to be gained from Trade Credit insurance in addition to these protections. For example, having this type of insurance can help businesses secure better credit terms from suppliers, resulting in improved cash flow. It can also help businesses increase their borrowing capacity, as lenders may be more willing to lend to businesses with Trade Credit insurance.

Trade Credit insurance is an important financial tool that can provide businesses with protection against customer defaults and improve their cash flow and borrowing capacity. Understanding the different types of policies available and the cost associated with them is key to making an informed decision about whether Trade Credit is right for your business.

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