Typical Trade Credit Insurance Cost : Is It Worth It?

Credit insurance is the best way for companies to protect themselves against the financial consequences of unpaid invoices. No matter the credit terms you lay out for your clients, there is always the risk that they are going to pay a bill late, or worse not pay at all.

Delayed payments can compromise your cash flow at a minimum, and grind your business to a screeching halt in the worst of cases. And what happens when a debtor defaults on their bill or files for bankruptcy? As one of their suppliers or contractors, you are very likely to find yourself at the back of the queue when it comes time for the company's assets to be liquidated.

Read on to explore whether trade credit insurance is worth it for your business, and how it can help you avoid dire financial straits.

How much does trade credit insurance cost? (H1Tag)

With Coface credit insurance, your premium is calculated based on your turnover (the net sales figure you pull in as a company). Your past transaction history and the buyers with which you are trading are also taken into account. In general, the minimum premium for a standard term is approximately $16,000, though it can vary based on the above criteria.

When you apply for a quote, a two-part process will follow. First, the insurance company will assess the type of trade you are involved in and your overall business profile to determine a policy rate and terms. Then, they will analyze your trading partners and their financial strength to determine the credit limit coverage that will be available to you.

When is trade credit insurance the right choice for my company? (H2 Tag)

In most cases, insuring against unpaid invoices and your trading partners' insolvency is an essential preemptive move. However, there are specific situations in which trade credit insurance is especially valuable. These include:

1. If you are planning on growing your business or expanding into new markets

When companies begin navigating uncharted territory, several questions are likely to arise, and the endeavor can feel uncertain or risky. However, when they partner with an insurance provider like Coface, they can gain access to valuable information about potential customers, markets, and territories.

For example, Coface has 340 underwriters who make 10,000 guarantee decisions every day and in the four corners of the world associated with specific countries, sectors, and companies you may encounter as you grow and expand. This business information is continuously updated in real-time, so you can use the most recent data to make calculated, well-informed business decisions.

In these situations, knowledge is power: Coface's global database of 130 million corporates, complete with an analysis of each one's creditworthiness, can act as a guide when it comes to choosing strategic partners as you enter new markets and taking on new business.

2. If you conduct trade domestically

While international trade may sound like a riskier endeavor at first glance, there are several risks associated with domestic trading as well. Even if a company seems rocksteady and you've been working with them for years, insolvency or bankruptcy can strike at any time.

Equipping your business with a trade credit insurance policy will help preserve your cash flow in the event that one (or more) of your trade partners experiences financial trouble, even if their issues don't extend to insolvency.

3. If you conduct trade internationally

Aside from the above-mentioned benefits of purchasing trade credit insurance including valuable market intelligence and cash flow protection, a provider like Coface can help you navigate the complicated waters of cross-border debt collection.

Cultural norms and language barriers, not to mention local laws and regulations, make collecting debts outside the country exceedingly complicated in many cases. When you join forces with a specialist like Coface, you can enjoy peace of mind knowing that a team of experts will be available to support you whenever the need for cross-border debt collection arises.

Not only that, but entrusting a professional to handle the situation and the cultural context that comes with it is the best way to ensure that you do not damage your relationship with the client, should you wish to keep doing business with them once their debt has been settled.

Additional benefits of trade credit insurance

If underwriting your cash flow is not your main concern, there are many more reasons why purchasing credit insurance is worth it!

- Did you know that banks are more lenient with companies that have secured receivables? This means that credit insurance for businesses can help you get more favorable credit options and negotiate excellent borrowing terms on business loans.
- If time is money, every minute you spend chasing down partners who haven't paid an invoice is a missed earning opportunity for your company. Let your insurance company take care of collecting payments for you so you can focus on what you do best.
- When your finances are underpinned by trade credit insurance, you have the freedom to offer more flexible payment terms, which is a gesture that partners and suppliers often appreciate.

Building a policy that's right for you

At Coface, we have a wealth of experience serving a wide range of industries, each one with its own needs and concerns: from construction and manufacturing to media and recruitment, we know exactly how to protect your business and reduce your financial risk exposure. To find out how Coface can support your company's growth and success while providing you with invaluable peace of mind, contact us today.