SECOND EDITION

Managing Cashflow Guides

5. Credit Insurance

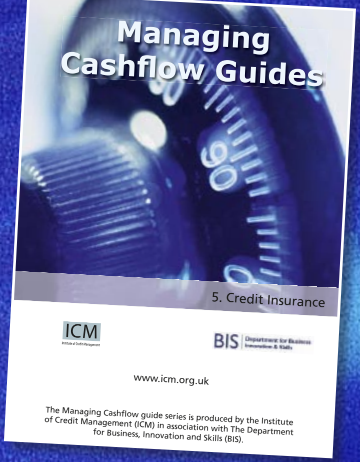
The fact that a business is here today and is creditworthy does not mean that it will be tomorrow, next week or next year – or in fact that it will still be in business. If a customer becomes insolvent and cannot pay money that is due to your business it can be catastrophic, especially if the amount involved is large. Insurance companies and brokers offer credit insurance to meet the specific needs of clients, industry sectors and specific transactions to protect against non-payment by your customers and their insolvency. Good credit insurers can often provide detailed information on prospective customers, and can sometimes provide access to cheaper business financing.

Can you answer yes to all these questions?

- Are you confident that your most important customers are not at risk of failure?
- If the 'riskiness' of a customer rises, do you have sufficient controls and monitoring in place to ensure you see it happening?
- Can your business take on all the risk itself and still achieve the level of turnover you want with each of your customers?
- Are you happy with the amount of detailed information you can gather on your potential and existing customers?
- Can your business afford the risk of expanding into new and unknown markets?
- Can your business achieve sufficient and profitable growth while taking all the risk itself?
- Does your business have all the necessary credit management expertise in-house?
- Have you worked out the impact of late or non-payment by major customers on your business, and how you would survive it?

Five Top Tips

1. If your business would be more comfortable trading with protection against bad debts or, in certain circumstances, late or non-payment; then credit insurance is worth considering.
2. Credit insurance can give you a stronger balance sheet and (because the risk of bad debts is reduced) it can make finance through traditional overdraft, factoring, or invoice discounting more readily available (possibly at a cheaper rate).
3. Credit insurers have access to more up-to-date and detailed information than is readily and publicly available. This can open up larger credit lines or more flexible payment terms allowing your business to grow its profitable sales.
4. There are a number of credit insurers and insurance brokers, who offer a variety of insurance products. It's always worth shopping around for the most suitable type of policy and best rates, just as it is for any other insurance product.
5. Credit insurers can be a real asset in helping you introduce good credit management practice into your business.



The Managing Cashflow guide series is produced by the Institute of Credit Management (ICM) in association with The Department for Business, Innovation and Skills (BIS).

Contacts and suppliers

NEW! Credit Services Providers – Your details could appear here – Email cashflowguides@icm.org.uk for further details

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The Guides in this series:

1. **Knowing your customer**
2. **Payment terms**
3. **Invoicing**
4. **Treating suppliers fairly**
5. **Credit insurance**
6. **Factoring and financing options**
7. **Chasing payment**
8. **When cash runs short**
9. **When all else fails**
10. **When your customer goes bust**

BIS Department for Business Innovation & Skills

For tips on getting paid and advice on best practice in credit management, call the Institute of Credit Management on **01780 722912** email **tech@icm.org.uk** or **visit www.creditmanagement.org.uk**

For further information and advice on starting up, running and growing a business, call Business Link on **01845 600 9006** or visit **www.businesslink.gov.uk**

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