



ADVICE TO BUSINESSES REGARDING INFORMATION REQUESTS FROM TRADE CREDIT INSURERS

The ability to conduct timely and informed risk assessments is central to trade credit insurers. Insurers depend on access to both historic and forward-looking financial and non-financial information in order to provide accurate advice on the health of buyers, and to provide and price insurance cover on that basis.

In uncertain economic times, trade credit insurers will need more detailed and frequent financial information in order to carry out robust and up-to-date risk assessments. Many businesses will therefore be seeing increased requests for management and financial information from trade credit insurers. Failure to comply with reasonable information requests will tend to be interpreted negatively and may result in immediate cancellation of cover, especially when coupled with adverse information.

The kind of information that companies can reasonably expect to be asked to provide to insurers include:

- Management accounts – for recent trading periods showing actual to budget performance. The quality and accuracy of the information must be to a high level.
- Business plans – with detailed underlying assumptions for key figures such as sales and margins.
- Cash flow projections – showing available headroom within existing financing facilities.
- Sensitivity analysis.
- Details of funding or banking arrangements – including term, overdraft and revolving facilities, and applicable covenants. Projected covenant headroom on future testing dates should also be provided.
- Capital expenditure plans and details of funding.

This list is not exhaustive and individual trade credit insurers will decide upon their own specific information requirements which will themselves vary on a case by case basis.

The focus for any risk-assessment is to reflect the current trading position and be forward looking, so companies will need to provide management accounts and financial projections rather relying on the most recent set of filed (at Companies House) financial accounts which could be both historic and reflect a vastly different trading environment.

Trade credit insurers will:

- Provide a full explanation of why any additional information is required and how it fits into their risk assessment and decision-making process
- Provide companies with a reasonable period of time in which to respond to any additional information requests; and to not changing the level of cover available to the firm in this intervening period, unless credit insurers become aware of additional adverse information, such as overdues or notice of county court judgements, during that period.
- Treat any financial and management information provided to them as confidential, particularly in those instances where the information supplied is over and above that required to be publicly disclosed for listed companies

April 2009