



Export insurance

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Export credit insurance protects against non-payments

The majority of international trade is conducted on open credit terms. It is important to protect your company against the risk of non-payment and loss arising from a political event such as war, or natural disaster. There are banking techniques that provide similar protection, but these may be expensive for an overseas buyer.

With credit insurance you protect against non-payment and the resulting bad-debt write-off. At its simplest, you offer open account terms to your customer and if they do not pay, then you claim on your insurance. Sometimes the insurer might ask you to obtain payment security as a condition of giving cover for a certain customer or country.

It is wise to get advice from a broker on insurance issues, to ensure that the insurance meets your needs.

Insurable export risks are:

- **credit risk:** the risk of non-payment;
- **pre-delivery/work-in-progress risk:** if your goods are made to order, you can buy cover from date of contract for the risk of insolvency or contract frustration before dispatch;
- **bond unfair calling risk:** it is possible to buy cover, as an extension of your export credit insurance, against the unfair call of an on-demand contract bond or bid bond;
- **cargo risk:** insurance for goods in transit may be provided through your logistics supplier or can be separately negotiated; and
- **liability risk:** consideration should be given to both public/products liability insurance as well as overseas local statutory insurances such as employers liability/workers compensation and motor.

ICAEW services

Business Advice Service

Being aware of and understanding the necessary aspects of international trade are critical to a successful business looking to export.

ICAEW's Business Advice Service offers a free, straightforward discussion with an ICAEW Chartered Accountant. There's no obligation after your first free session, just practical thinking to help your business succeed. To find your local ICAEW firm, visit businessadviceservice.com

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