



Underwriting Bulletin

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Account Receivable Management in a Credit Crisis

Receivables are major assets and in this environment, how can they be protected?

The first line of defense is good credit management.

- ◆ Ensure accounts are followed up promptly.
- ◆ Up-date the credit information on file.
- ◆ Remember, credit and financial data is historical. The financial numbers and the payment experience were generated in good economic times.
- ◆ Use industry and buyer knowledge to make some assumptions and projections as to the buyer's financial situation today and 6 months from now.
- ◆ Set credit limits within your comfort zone.
- ◆ Watch for any changes in the buyer's payment pattern.
- ◆ Be skeptical of unusual orders.

If you are currently credit insured,

- ◆ Ensure you have credit limits on the buyers.
- ◆ Report any accounts seriously overdue.
- ◆ Don't agree to any Payment Plans proposed by the buyer without obtaining the approval of the underwriter.
- ◆ File claims within the parameters set out in the policy.
- ◆ Don't extend payment terms beyond the maximum terms shown on your Policy Declaration Page.
- ◆ Stop shipping to buyers that are seriously overdue.
- ◆ Make sure your premium is paid.
- ◆ **Verify that the buyer to whom you are selling is the same legal entity approved by the underwriter. Subsidiaries must be approved separately.**
- ◆ **Document contracts well with Purchase Orders or accepted Order Confirmations, shipping documents and invoices. You must be able to prove the buyer has a legal obligation to pay.**

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