

Underwriting Bulletin

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Underwriting Bulletin – Shipping Overdue Buyers

In a recent communication we highlighted the key reporting requirements of credit insurance policies. In this bulletin we focus on the specific coverage restrictions relating to shipments to overdue buyers. We are not attempting in this document to outline the actual policy terms but to inform you that there are conditions in policies which if not followed could limit, reduce or void a claim.

One of the basic tenets of an insurance contract is the requirement of the insured to mitigate known risks that could give rise to a loss under the policy and individual credit insurers differ in how they contractually obligate the insured to do this:

- ◆ Export Development Canada has very specific language in their policy contract that deals with the issue of shipping to overdue buyers, it states that the insured must "...discontinue shipping to buyers that have been in default for more than 60 days for an amount greater than 10% of the total amount due to the insured by that buyer, unless the Insurer agreed in writing to the goods being Shipped despite the default."
- ◆ Atradius automatically withdraw the credit limit coverage when a buyer is seriously overdue but will normally re-instate the coverage when the outstanding balances have been brought back within terms as long as the policy has been properly endorsed.
- ◆ Euler Hermes does not automatically withdraw coverage on named buyers but does on buyers approved under their discretionary credit limit rules. Euler also has very tight reporting requirements with regard to overdue amounts and claims filing.
- ◆ Coface have language that requires the insured to take all measures considered necessary to prevent or minimise a claim although no specific reference is made to coverage on future shipments.
- ◆ GCNA also automatically withdraws the credit limit on buyers that are seriously overdue. GCNA may consider endorse the policy to re-instate the limit but it must be requested and added to the policy.

To summarise, our advice to clients is to ***cease shipping to buyers that are 60 days or more past due without written permission of the Insurer*** and remember that the due date is the date indicated on the invoice and not the terms permitted under the policy or the terms that may be verbally communicated to a buyer.

The above is for information purposes only, and you should refer to your policy documents for the precise policy terms and conditions.

Please contact your account manager if you have any questions on this or any other issue at (800) 763-3499.

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