E~Credit News

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LAST CHANCE 8 DAYS LEFT

PROVIDING EXCEPTIONAL CUSTOMER SERVICE

March 10, 2022

9:00 –10: 00 AM CT

Presented by: David Balovich with Holt Cat

In this fast-paced hour webinar devoted entirely to customer service; creditor, educator, author, former business owner, and occasional debtor, David Balovich will discuss the importance of customer service and skills necessary for providing exceptional customer service.

» Learn the importance of a customer service mission statement
» Learn the six common reasons customers leave
» Learn the skills necessary for providing exceptional customer service
» Learn what customers really want from their suppliers

Were you aware???
According to US News and World Report, the average American business loses 15% of its' customer base each year.

Customers who stop buying from one business and go to another will do so not because of price or shoddy product but rather because of poor or indifferent customer service.
Source: The Wall Street Journal

Meeting Details Here | Register Online

Member News

Sending our warmest congratulations to Sean Hoover at Werner Electric, & his family as they welcome a new bundle of joy, Jackson Nicholas to their family.

Congratulations to Mike, from Hein Electric, on the birth of his precious little son!. Mike and his family welcomed Felix Zander into the world on February 10th, weighing 8 lbs., 14 oz.

NEW ASSOCIATION CONTACTS:

Rick Ritter
Generac Power Systems Inc

Joe Boenzi
Graybar Electric Company

NEW GROUP REPRESENTATIVE

MILWAUKEE ELECTRICAL PRODUCT SUPPLIERS INDUSTRY CREDIT GROUP

Joe Boenzi
Graybar Electric Company

INTERNATIONAL CREDIT EXECUTIVES (ICE) GROUP

Rick Ritter
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STAYING SAFE IN THE FACE OF TRADE VOLATILITY

How Credit Insurance Can Add Value to Your Credit Management

By: Michael Koehler, Principal Solution Architect, Serrala

In times of economic uncertainty, companies can benefit from credit insurance as an additional instrument to manage credit risk and secure their accounts receivables. But there seems to be a general lack of knowledge and misconceptions around credit insurance. What does it cover and what does it not cover? What kind of benefits can it offer to companies seeking to protect themselves against AR-related losses and how can it be part of an overall credit risk strategy?

The world is still in the midst of the coronavirus pandemic and the economic crisis it has triggered. Between lockdowns, reopening economies, infection rates that drop and rise again, and the danger of secondary outbreaks, so called "second waves" being present all over the world, one thing is clear: the world economy remains in a state of critical volatility. Research by international credit insurer Euler Hermes suggests that the global lockdown measures have led to a drop in the global GDP ranging from +0.5% to -3.3% in 2020. Despite government support and vast stimuli, global insolvencies are supposed to rise by as much as 20%. The increase is even higher in the US with +25%, followed by Europe with +19% and a +15% surge in China. In this volatile economic climate, global corporate credit is among the most affected assets. Common credit management instruments, such as risk determination, scoring and portfolio analysis, might not be enough to protect you from financial losses in a crisis that is as pervasive as the current one. Against the backdrop of rising insolvencies all over the world and increasing trade volatilities, insuring your credit risk is a sensible strategy.

Credit Insurance – What It Is and What It Isn't

Selling goods and services on credit terms is a common practice for most organizations. But in fact, it enjoys little legal protection. If you break it down, every unpaid invoice is a risk to your organization's solvency and liquidity. After all, accounts receivable (AR) usually is the largest asset in the balance sheet of most firms. Even the most thorough credit management measures cannot eliminate customer-related credit risk entirely – especially in times of economic turmoil. Unexpected commercial and political risks can come up at any time. Large companies operating in a global and interconnected economy, in which events on one side of the globe can trigger immediate effects on the other, are even more impacted by these risks.

Most companies insure against unpredictable events that have a high potential for loss, such as property, liability, machinery/equipment, inventory, business interruption, compliance violations – but insurance against excessive credit write-offs is still not common. Credit insurance protects your AR against the risk of customer non-payment if you extended credit to your customers. It reimburses companies for insured receivables that cannot be collected. In addition, the "protracted default" option protects you against non-payment as well as significantly late payments. Companies can also insure their manufacturing risk, meaning the risk of customer bankruptcy during the manufacturing phase. Overall a credit insurance policy ensures that late payments do not translate into a severe shortage of cash flow, drop in revenues or even bankruptcy.

With credit insurance in place you can be more confident to extend credit to your customers. It can also have a positive effect on financing and access to funding. Lenders and business investors usually do a due diligence of the company's credit management system. If credit risk is insured, investors might be more likely to fund your business.

However, credit insurance is not a substitute for a professional credit management process. In fact, a well operating credit management system is usually a prerequisite for obtaining a credit insurance policy. It also does not protect against routine bad-debt. What is covered by a credit insurance is determined by the policy and can vary depending on the client and contract. In general, the idea of credit insurance is to protect you against unforeseen and excessive bad-debt losses, which can be financially devastating.

Credit Insurance in the Credit Management Process – where does it fit in?

As already mentioned, credit insurance is not a substitute for a strong credit management process or vice versa. Rather, they complement one another. Credit insurance is an additional safety net to your credit management process, supported by a third party. Just as you use external data from credit rating agencies in your risk scoring process, you can integrate credit insurance policies and services provided by credit insurers into your credit management process. Sometimes credit reference data and credit insurance policies are even provided by the same vendor. Credit insurance, therefore, can be seen as an additional process and instrument in your overall credit risk management. It is there to handle the risk that still remains, even after an accurate risk determination is conducted. The information provided by the credit insurer provides valuable input for the risk evaluation of your customer portfolio and should be integrated in an organization's credit scoring process:

- Credit insurance providers do a thorough investigation and background checks on the companies they insure
- Credit ratings or scores provided by credit insurance companies are more reliable than rating information provided by credit agencies, which do not have a risk exposure to the companies they provide credit reports on
- Codes and comments in the credit insurance underwriter's decision include important information on a company's creditworthiness (for example, did the insurer accept the total requested limit or did they just accept a part of the amount requested, or did the insurer withdraw coverage for a customer, etc.)

Companies that choose to use credit insurance need to find a way to integrate their insurance providers' decisions and limits into their own credit management process and system. Although credit insurance provides strong and valuable protection, it comes with significant manual work, adding on to the already complex credit management process. Limits usually have to be requested online while the data is managed manually in the organization's credit system. It is also essential to comply with contractual obligations toward the insurer so you don't lose coverage. For instance, you are obligated to notify the insurer of any late or non-payment by a customer. Gathering the data needed for these notifications and providing them to the insurer is a whole process in itself. Organizations are also obligated to declare their balances or turnover and submit them to the insurer by a specified deadline.

They play an important role in determining insurance premiums. If you want to run a report on which receivables are insured and which are not, the workload can quickly become overwhelming, depending on the complexity and diversity of your global portfolio.

Credit Insurance Is Only Feasible with Intelligent Integration

If you are considering or using credit insurance but do not want to or cannot afford to add more manual and time-consuming tasks to your team's workload, there are ways to simplify the process. To build a well operating credit management process that incorporates credit insurance, technology is a must. Intelligent integration is the only way to effectively comply with the obligations of your credit insurance policy. A solution that integrates credit insurance into an overall credit management process needs to fulfill several best-practice requirements:

- All insurance policy terms and conditions should be integrated within your existing credit management or ERP system
- Systematically monitor and screen all your customers to alert you if any customer falls out of the discretionary credit limit (DCL)
- Use a secure online connection to send your limit requests to the insurer directly from within your system and communicate with your insurer
- Ensure your credit management system is capable of submitting requests to increase or cancel limits directly to the insurer, without requiring additional manual work.
- Automate non-payment notifications through your credit management solution
- Automate the declaration of balances or turnover process so you do not lose coverage
- Document everything and store the information in a centralized system so you can find what you need at all times and comply with audit requirements

Seamless and timely integration of credit insurance information not only reduces manual work but is vital for reducing exposure to credit risk.

For example, if the insurance provider decides to reduce or withdraw the credit limit on one of your customers, you need to have this information in your system right away. With automated, real-time or near-real-time data feed from the credit insurance provider, you can quickly translate the information into the right actions to prevent unnecessary and critical risk exposure. This would enable you to stop shipping to a customer immediately if your insurer withdraws coverage.

Integrating credit insurance information creates visibility into the insured vs. uninsured portion of your AR portfolio, giving you a clearer picture of your organization's real risk exposure.

Conclusion: Credit Insurance Make Sense but You Have to Know How to Make It Work

Credit Insurance gives you the security of knowing that your receivables are protected. This is especially important in times of economic volatility. Therefore, investing in credit insurance makes a lot of sense. However, from an organizational point of view you have to keep in mind that the additional security comes at the cost of more administrative work. Credit managers already have their hands full with credit risk assessment and scoring processes, so it's important to have the right technology in place to support your credit insurance needs. Your credit process should be designed in such a way that credit insurance complements it, protecting cash without creating additional effort. An intelligent integration approach will allow you to fulfill all contractual obligations to the insurer, create a single source of truth for all data, and benefit from greater security in times of extraordinary risk.

STAYING SAFE IN THE FACE OF TRADE VOLATILITY
(CONTINUED)

About the Author

Michael Koehler is a Principal Solution Architect with Serrala, a global B2B Fintech, creating more secure global payments capabilities for every enterprise. Michael has been working in the credit risk management field since 2009. His present and previous roles have given him unique insight into best practices in managing credit and compliance risks as well as collections operations for businesses of various sizes and industries. Michael has led and delivered a number of complex international solution implementation projects for global corporations around the world. In his current role with Serrala as a Solution Architect, Michael's main focus is on analyzing organizations' needs around credit risk, compliance, and collections management and translating them into software solutions that are both user-friendly and aligned with the trends in an ever-changing environment.

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UPCOMING INDUSTRY CREDIT GROUP MEETINGS

MARCH 8, 2022
Fine Paper/Graphic Arts Industry Credit Group
Book of Reports
Regional Paper & Packaging Industry Credit Group
Teleconference Call

MARCH 9, 2022
Plumbing & Heating Industry Credit Group
TBD
Iowa Plumbing Heating Electrical & Construction Industry Credit Group
Teleconference Call

MARCH 10, 2022
Metals & Industrial Suppliers Credit Group
Teleconference Call

MARCH 11, 2022
Electrical Suppliers Industry Credit Group
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MARCH 15, 2022
Building & Construction Materials Credit Group
Milwaukee, WI

MARCH 16, 2022
Food Service Supply Hospitality Industry Credit Group
Delafield, WI
Minnesota Electrical Suppliers Credit Group
Brooklyn MN

MARCH 17, 2022
Construction Industries Credit Group
Menasha, WI

MARCH 18, 2022
IL Fine Paper Industry Credit Group
TBD

MARCH 21, 2022
Western Electrical Suppliers Industry Credit Group
Book of Reports

No Meeting this month
Minnesota Fine Paper Credit Group

Education Events

March 10 Webinar
Providing Exceptional Customer Service

March 16 ICE Breaker
The Future of Trade Reference

April 12 Webinar
25 Ways to Resolve Customer Disputes and Deductions More Quickly

YOU CAN TRUST THE ASSOCIATION TO ASSIST IN COLLECTION RECOVERY FROM YOUR DEBTORS ANYWHERE IN THE WORLD.