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**ICBA Advantage**  
*The newsletter for trade credit insurance solutions*  
Issue 2 – 2009

**Ian Box, Managing Director of NCI and ICBA Australia broker, offers his advice on managing the credit squeeze** (page 1)

Ian Box's opinions and views about the changes in banking practices, risk, bad debts and how to instill proactive business management practices are applicable to all businesses.

**Steps to take to assist claims and recover overdue payments** (page 2)

Current unprecedented levels of claims will continue and prompted ICBA Canada to provide its customers with guidelines to protect their policies and to assist in the claims process.

**Trends identified at the Coface Country Risk Conference** (page 2)

Insurance experts and opinion leaders discussed the effects of downgraded country credit ratings across the globe. The new global growth forecast for 2009 is 0.9%.

**ICBA fast facts** (page 2)

Find out more about the ICBA.

## Managing a credit squeeze – Ian Box says get debts down and review health of customers

Trade credit insurers are privy to customers' forecasted sales as well as to reports of actual sales – so brokers see where economic expectations are met and where they aren't across industry sectors, and gain an accurate view of the global economy. Ian Box, Managing Director of Australia-based National Credit Insurance (Brokers) Pty Ltd (NCI), has insightful opinions about the changes in banking practices, risk, bad debts and what actions to take at the business management level.

NCI serves a cross-section of smaller customers to major corporates – advertising agencies, printers and suppliers in the retail, construction, mining, steel and timber industries. For more information, see [www.nci.com.au](http://www.nci.com.au).

**Ian Box:** There's going to be a cleanout of financial markets. Bankers and financiers are going to find it harder to raise capital and therefore who they give their money to is going to be given some real review.

**Question:** Are there particular pressure points?

**Ian Box:** Yes, there are. I would say retail is still under pressure, consumer confidence is going to be really hit for a while. Certainly outside of the mining boom areas, we're seeing construction and home building under pressure, and there's a lot of trouble to come in that area. Further to that, we're going to see pressure coming from banks to every business.

**Question:** What does that mean in terms of lending practices?

**Ian Box:** Banks and financial institutions will tighten up on who they've lent money to, how much they've lent and what the asset coverage is. We're seeing entities today struggling to get new lines of credit. When that starts to wash down

and there's a shortage of capital, then everyone who may have a very solid business, but perhaps borrowed too heavily, will be under pressure to get their debt level down. And the next issue is a stronger level of bank covenants put in place.

**"Trade credit insurance is a well-respected and almost automatic financial protection mechanism for business. Corporations with strong balance sheets use credit insurance to protect the uncertainty of credit risk. It's a risk that businesses don't often understand they can insure."**

*Ian Box, Managing Director of National Credit Insurance (Brokers)*

Ask the critical questions: What will be the circumstances of your larger customers? Do they have the same liquidity to pay on time? Now do a critical review of the issues your top 25 clients might face in their businesses. Typically good credit management focuses on opening new accounts and collecting money when

it's overdue – it very rarely focuses on a proactive basis to look at who your best customers are and whether they will still be your best customers.

Now ask yourself these questions: Have I borrowed too much money? What sort of pressure might I be under when it comes to review time? Work out what you're going to do to recover money overdue to you as quickly as you possibly can – because the "excuse book" for non-payment is about to get longer.

*(Learn more from Ian Box by listening to Australia's Business Essentials podcast – from which the questions and answers above are excerpted – at [www.be.com.au](http://www.be.com.au). Read full transcript of the podcast on the ICBA blog at [www.icbamembers.com/icba-blog](http://www.icbamembers.com/icba-blog).)*

## ICBA fast facts

- ICBA is the world's largest team of independently-owned, specialist trade credit insurance brokerages
- Serving over 7000 clients, ICBA offices are found in 25 countries on five continents
- ICBA's global network of brokers with local and international credit risk expertise provide flexible, cost effective, competitive credit insurance solutions
- ICBA international partners include industry leaders Euler Hermes, Coface and Atradius
- ICBA Advantage quarterly newsletters are archived at [www.icba-online.com](http://www.icba-online.com)
- Find the ICBA online video, *Trade Credit Solutions for multinational companies*, at [www.icba-online.com](http://www.icba-online.com)
- Learn how ICBA brokers are dealing with the global credit crisis and more at ICBA's blog, [www.icbamembers.com/icba](http://www.icbamembers.com/icba). The ICBA is also inviting new bloggers to contribute content!

## Trends identified at the 2009 Coface Country Risk Conference

Corporate, governmental and financial executives, who make decisions about export and risk in new markets, discussed the effects of downgraded country credit ratings across the globe.

Coface defines a credit crisis as a significant worsening in companies' payment behaviour. A crisis may be limited to a country, region or sector – the current crisis is global. At the conference, Coface announced the downgrading of 22 country ratings and, for the first time, two of the biggest emerging countries, China and Russia, had their ratings put on negative watch. A country is placed on negative watch when its credit classification is at risk of being downgraded – this happens as the result of a turn-down in GDP growth, or any economic, financial or political factor, which in turn may have an impact on company payment defaults in the country.

On a worldwide level, Coface reports an anticipated growth differential of 3.1 GDP points from 2007 to 2009. By comparison, between 2000 and 2001 during the previous credit crisis at the collapse of the Internet bubble, the differential was 2.5 points. The new global growth forecast for 2009 is 0.9%.

Coface forecasts the credit crisis will only end at year's end.

(This article excerpted from a Coface news release, 19 January 2009.)

## Steps to assist the claims process

Ron Doyle, a founder of Millennium Credit Risk Management (ICBA Canada) provides customers with guidelines to protect their policies.

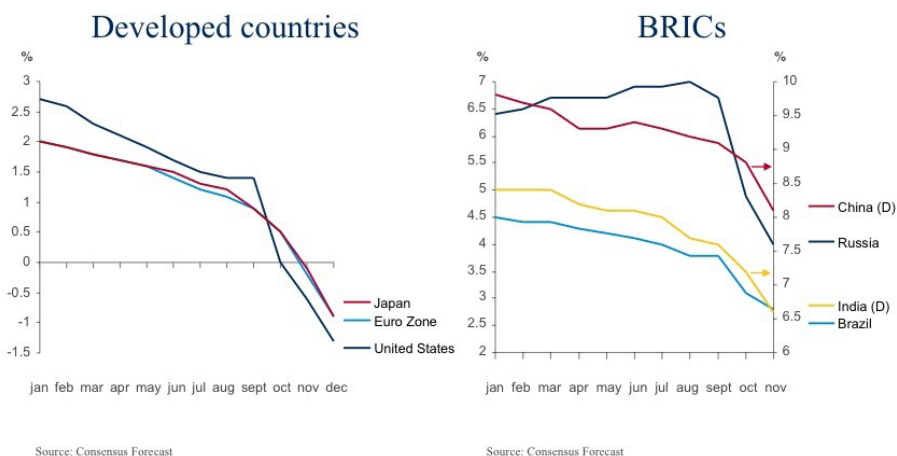
1. Your buyers will be experiencing tighter cash flows. If they do, they may request that you either extend the terms of payments or even agree to payment plans for existing receivables. Such an arrangement must be approved by the underwriter on your policy before you agree to it.
2. Overdue accounts will increase during this period; it is critical that Overdue Reports are completed each month and filed on time.
3. Claims must be filed in a timely manner as set out in each underwriter's policy. Understand the deadlines and ensure claims are filed as soon as possible.
4. If premiums are being paid in installments or by declaration, make sure they are up to date.
5. Do not release shipments to buyers that are seriously overdue or who have amounts outstanding beyond the Maximum Extension Period in your policy.
6. Regularly update the information in your buyers' credit files. Shorten your review cycles.
7. Review the criteria for approving buyers under the Discretionary Credit Limit in your policy.

**Note:** It is critical you understand the obligations of a policy and are in compliance. An underwriter has terms and conditions of coverage that vary from one policy and one country to another. The foregoing points are general and apply to most policies. However, if you are unclear as to any conditions in your policy, please contact your local ICBA broker.

(This article is an excerpt from a January 2009 ICBA blog post by Ron Doyle. Read many more insightful posts at [www.icbamembers.com/icba](http://www.icbamembers.com/icba).)

## The credit crunch affects the fundamentals

### Change in 2009 growth forecasts



This graphic is from a presentation delivered by Olivier de Boysson, Chief Economist emerging countries, Societe Generale, at the Coface Country Risk Conference, used with permission of Coface, [www.coface.com](http://www.coface.com).