MARSH

SOLUTIONS...DEFINED, DESIGNED, AND DELIVERED.

HOW TRADE CREDIT INSURANCE CAN IMPROVE WORKING CAPITAL

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MARSH & McLENNAN COMPANIES

Agenda

- What we see in the market.
- Benefits of credit insurance.
- Programme structure options.
- Risk finance optimisation.
- Questions.

What We See In The Market

- Concern around geopolitical risks.
- Exchange rate volatility.
- Brexit Impact:
  - Uncertainty.
  - Increased insolvencies?
  - Production cost rises/reduced margins.
  - Regulations.
  - Tariffs.
- Drive for sales in non-EU markets.
- New technological advancements – blockchain/artificial intelligence/fintech.
- Competitive pricing pressure – low margins

Benefits of Credit Insurance

Information on your buyers
The insurer will analyse a limit on your request, that should be based on your trading requirement.

Credit protection
Due to the analysis and due to possible claims payments, you prevent a loss.

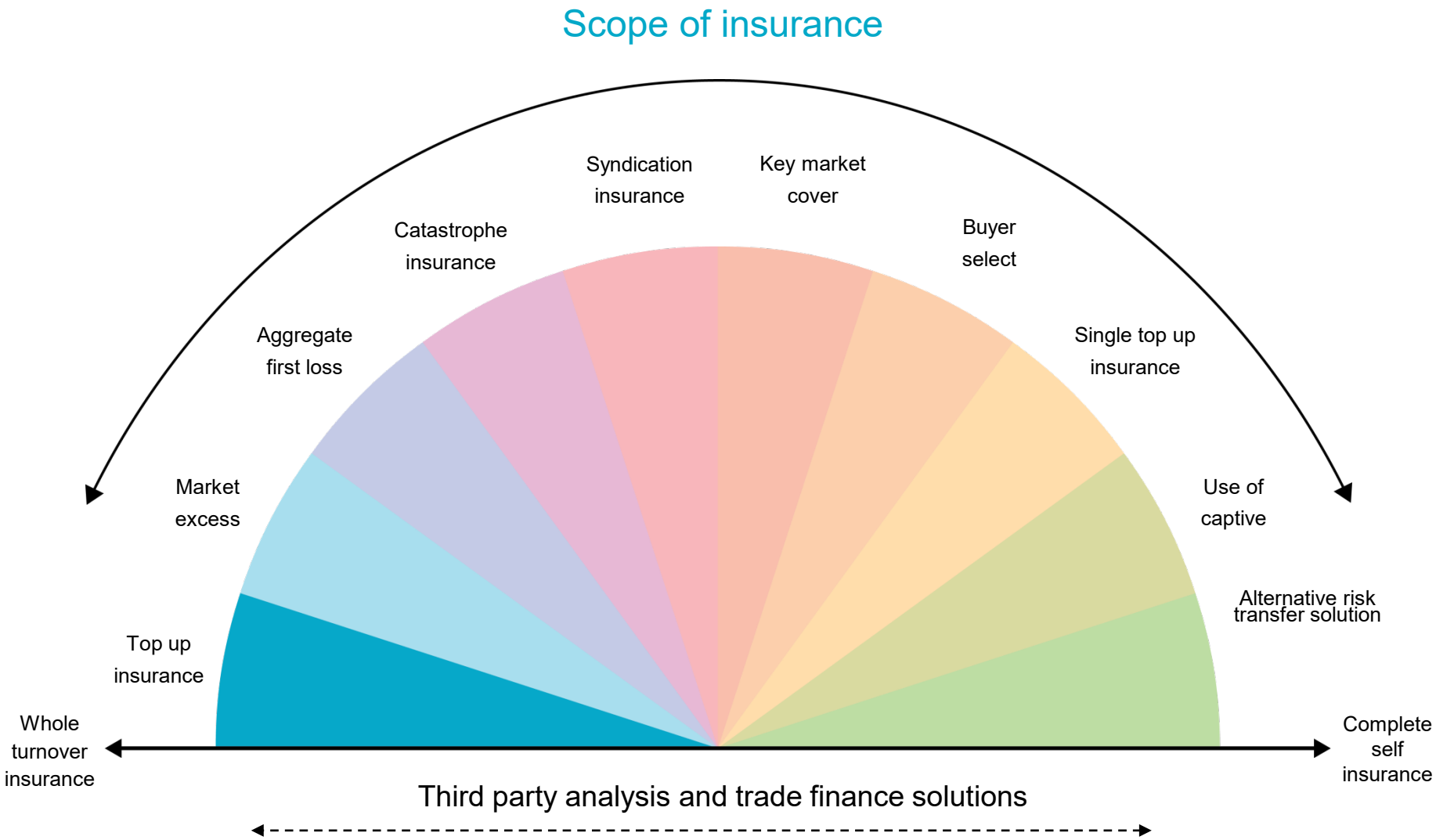
Credit management
Policy conditions enable good credit management

Collection
Insurers offer to take over the collection activity. This can also be undertaken by a third party of your choice.

What are the Benefits of Trade Credit Insurance?

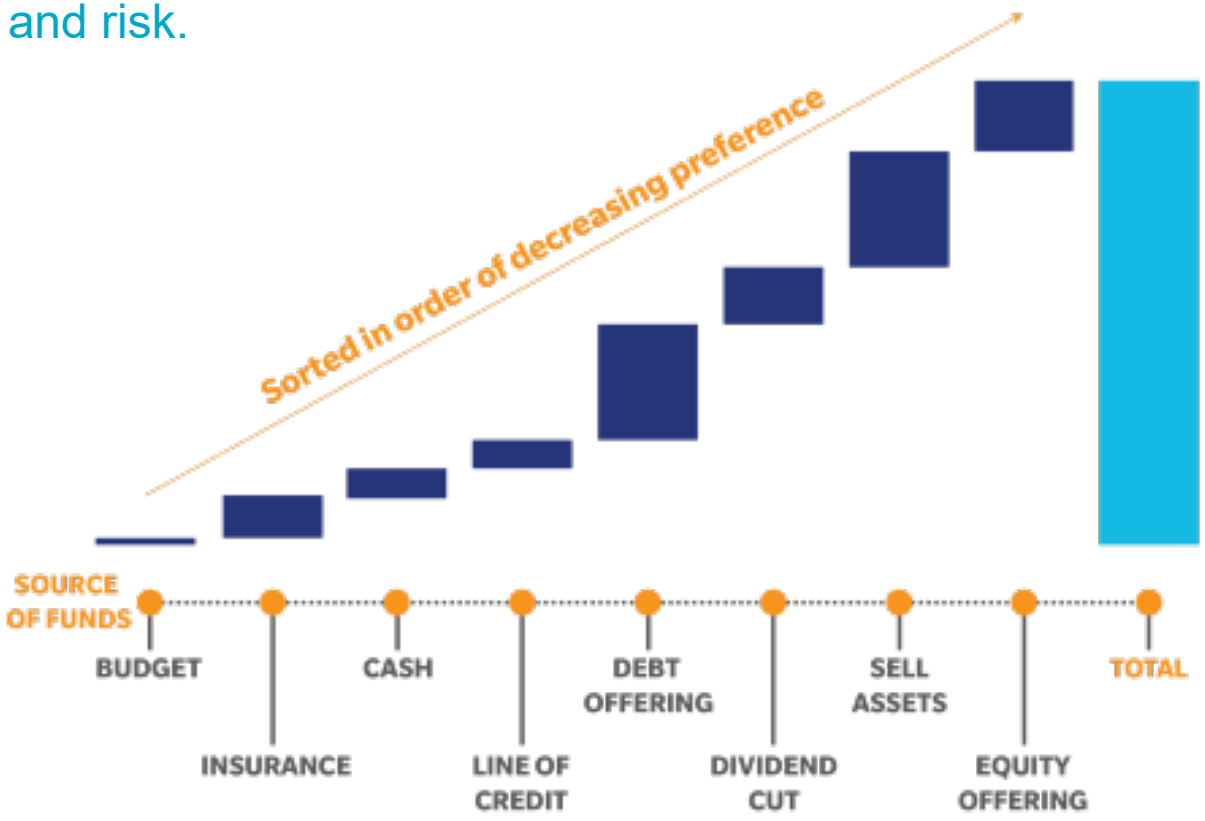
	Risk prevention	Risk transfer
Protects from bad debt	- Can help to identify and avoid high risks. - Supports efforts to reduce unexpected losses. - Greater insight into customer's likelihood to default.	- Transfer credit risk to insurer's balance sheet. - Can reduces bad debt provision.
Enhances working capital	- May facilitate access to improved financing. - Can help reduce days sales outstanding – accelerated collections. - Can free-up additional banking lines.	
Embeds credit management disciplines	- Can enable companies to extend credit terms. - Reinforces credit management. - Access to credit risk expertise and analysis.	
Helps grow your business	- May support mergers and acquisitions. - Can help promote sales growth whilst maintaining credit management controls. - Can help direct and support sales to higher margin markets.	

Different Trade Credit Product Structures



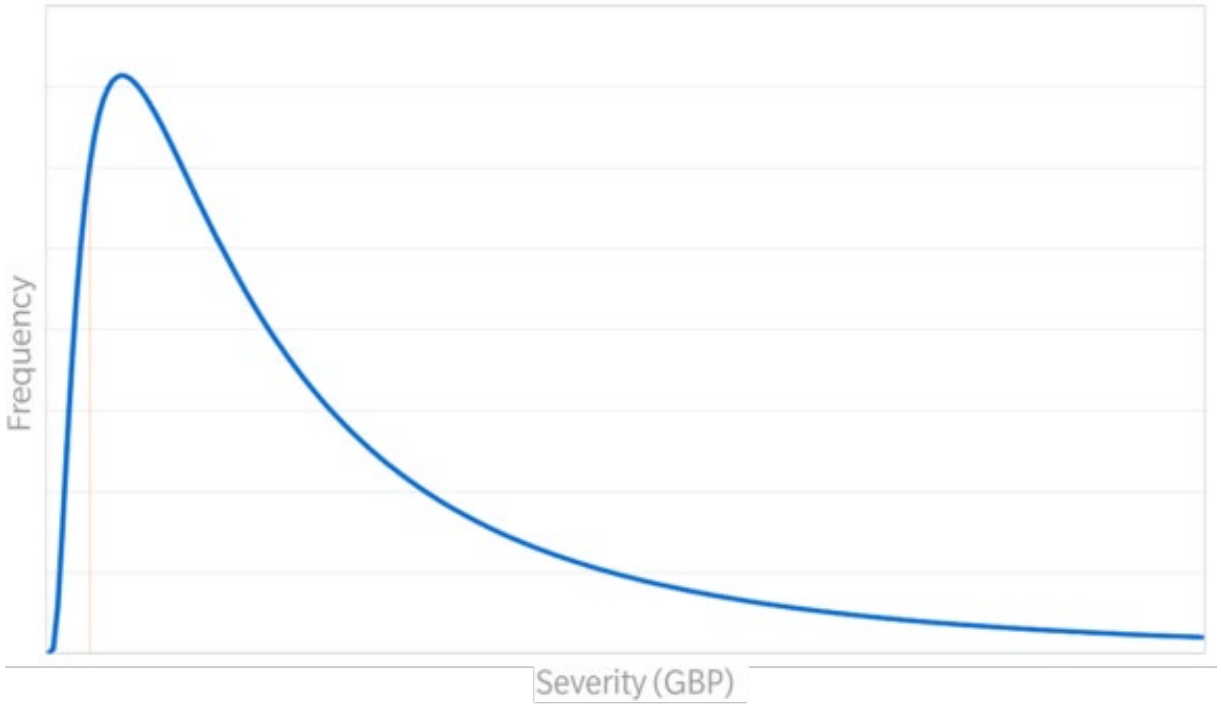
What Financial Resources are Available to Deal with Risk?

- Review financial metrics to calculate risk tolerance, i.e. your financials ability to withstand risk.
- Your risk appetite, or willingness to take risk, is derived from discussions with your leadership.
- Linking capital and risk.



What is the Potential Risk and Volatility and How Much Could it Cost You?

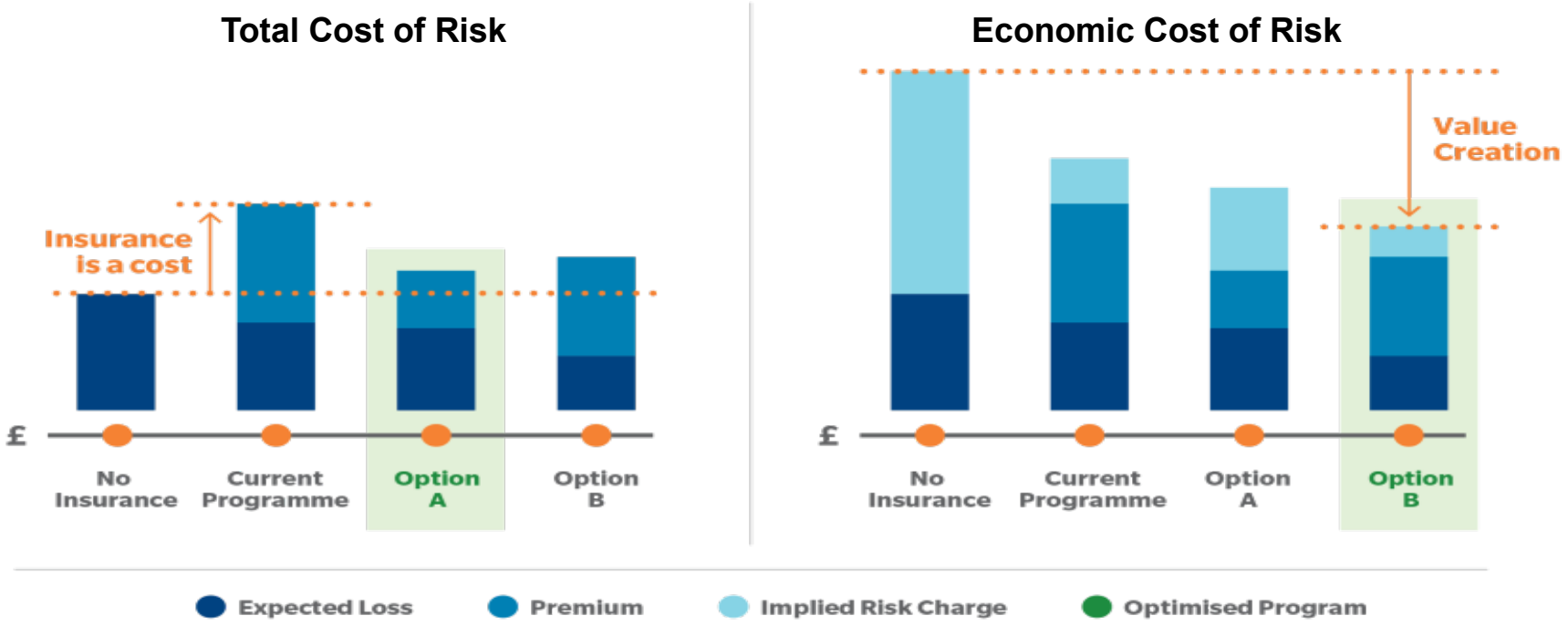
- Actuarial techniques are used to model your trade credit risk providing a robust view of the cost of claims and the potential volatility of this risk.
- Highlight loss potential.



Illustrative: loss distribution curve not to scale

Do You Have the Optimal Programme in Place?

- By comparing insurance to other forms of capital we can then show where buying protection adds real economic value.
- Overlaying different program designs enables you to compare the true value of each and identify the optimum programme.
- Optimum programme.



Questions?

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