CREDIT INSURANCE CASE STUDY

Computer Hardware Distributor

Credit Insurance Required by Bank to Confirm Margining Accounts Receivable at 90%

BACKGROUND

Company grew rapidly in first ten years from $20million to $300million. Went public in year 3.

3000 customers in Canada

Gross Margin 3-5%

Bad Debt average between 0.35-0.55%

Bank required for extended margining

BENEFITS OF CREDIT INSURANCE

- Bank increased margining of A/R from 75% to 90%
- Policyholder received additional credit information on buyers to assist with decision making.
- Bad Debt expense (Premium plus deductible) was reduced to .31%.
- Suppliers were comforted that the company was protecting cash flow.

RESULT OF COVERAGE

WIth Credit Insurance coverage, **the Company** was able to buy more product or take early payment discounts

Access to additional credit information from the insurer allowed for **better credit decisions**

Investors appreciated the **reduction in Bad Debt volatility** resulting in greater and more stable Earnings Per Share (EPS)

Protection of cash flow was appreciated by suppliers

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