



Bankruptcy Season; In like a lion...

Last year's insolvency files saw a higher than normal volume of claims activity which reflected in higher than normal year end loss ratios for some Insurers. Naming a few insolvency cases as a refresher; Target Canada, Bikini Village, Mexx, Jacob, Rhino Freedom, Bowring & Benix, US Steel, Norcan Flexible Packaging, and others.

In March 2015, we discussed "With the Oil price war and declining Canadian currency; Some Credit Insurers have awaited the fallout of a seemingly inevitable economic slowdown. The potential fallout spans across several industries and is not limited to any one unfavorable element..."

With 2015 year-end loss ratios hovering in the 80% or more, conservative insurers have stayed the course, while more aggressive ones appear to be retrenching in recent times, scaling back on riskier coverages and painting a watchful eye on claims. In spite of coverage reductions, it's important to note that most insurers want to support their policyholders for as long as possible. Often, the question to ask; Is the debtor on an irreversible collision course with Insolvency?

As economic trends continue into 2016 please find below, some information that might prove invaluable to some, useful to others. Protecting your claim before it occurs, is worth a pound of cure.

- ✚ Buyer's exact legal name: Know who you are selling to and make sure to invoice the correct legal entity. Furthermore, make sure that you request coverage on the correct buyer with your insurer, and request a credit limit that

adequately covers your outstanding receivable before you ship. The insurer won't pay if they can't sue the debtor due to inaccuracies on the invoice.

- ✚ Slow pay. A buyer whose cash flow is seasonal may not trigger immediate alarms (because he always does this, each and every year). It is however a situation that merits serious monitoring. Talk to your agent or broker; make sure you don't lose out on your future claim because the debtor charmed you into believing he might pull through this time.
- ✚ In claims situations, involve your Insurance broker or agent: Consult your market intermediary can help you understand the process or intervene on your behalf in difficult or complex situations. Don't be shy to ask questions.
- ✚ Delays: all credit insurance policies build in time constraints in which the policyholder must submit their claim. Make sure you respect the delays outlined in your policy be it for an insolvency or protracted default (past due account).
- ✚ Respond: When the insurer asks for additional information respond as quickly and as accurately as possible. Failure to respond or delayed response could prompt the insurer's clock to start ticking down from the date you reply.
- ✚ Document: Make sure when you submit your claim that all documents required by the insurance company are attached to the claim, such as: Invoice copies, packing slips, proof of delivery, statement of account, notification from the Trustee (if available), etc. Missing paperwork will prompt the insurer to request additional information.
- ✚ Submitting the claim: Send your documents to the insurer using their on-line service. If they don't have one, then by either registered mail or courier and keep proof that documents have been received with your claims file. Suggestion: after sending your claim, you can double check with the claims department that they have in fact received your documents. If your claim becomes misplaced this could unnecessarily delay any claim payment.
- ✚ Preferential Payments: If your debtor has become insolvent (bankruptcy, bankruptcy protection, receivership, etc.) and you receive a payment from them, let the insurer know how much you have received and when. Do not withdraw your claim. The insurer should simply put a note on the claim file and will re-activate the claim in the event the Trustee demands a refund.

When all is said and done, we hope your bankruptcy season will go out like a lamb...
Take precautions to ensure you get paid.