-- Speaker 0 00:00:03 Welcome to the trade securely podcast. Oscar Wilde said to expect the unexpected shows a thoroughly modern intellect. Those in business know that the unexpected does happen and having a team of advisors and supporters

Speaker 1 00:00:18 Just to help you through the challenges is a wise idea. This is the trade security podcast, where we help Canadian businesses succeed and grow by sharing ideas to help them trade securely at home and abroad. I'm Janet Eastman, and we're calling this edition of the show. The navigator, as we're looking at the value of the specialist broker provides to Canadian business owners and the generalist insurance broker, when guiding them through the receivables insurance process, I'm joined by three react members who can provide their perspectives and stories from the trenches. Michelle Davy is the principal broker at CreditAssur. She's based in Quebec. Mark Hall is vice-president credit insurance at Elevate Global Insurance. And John Middleton is president of Global Credit Risk Management or GCRM, and both Mark and John are based in Ontario. So hello everyone. Good to talk to you. I, Janet I've archived John. So just to get things clear right from the start, uh, I think we'll start with whether to go direct or deal with a broker. So can business get a better deal on their policy if they go direct to an insurer and I'm throwing this out to anyone. So just, just jump in.

Speaker 2 00:01:37 Sure. Uh, not necessarily Janet. I, what seems to happen is when you've got a competent broker on the file, um, what tends to happen is the insurers will look at, uh, the fact that they know you're going to market, um, into consideration and they have a tendency to sharpen their pencils. Um, we can also bring forward, uh, not just the competition aspect, but a lot of insight. We, we know the underwriting guidelines. We know what they're thinking when they look at a file. Uh, so we present the file in such a way that the underwriter will understand what the business is about. Number one. Um, and then of course, uh, we get into, uh, quite a bit of detail as to why, uh, the, the policy holder is looking for this and, and, uh, a few other elements that are key and that helps the underwriter price it adequately, um, because we have experienced, we know what the, uh, um, the, the underwriter will be looking for as far as questions are concerned and why they're looking for this type of information, um, when you're going direct, what will often happen is you're dealing with an agent.

Speaker 2 00:03:03 The agent is competent as well. Um, but they're working for the insurance company and they're sourcing out certain information, um, you know, like, like the police of the company, so to speak. So they're really looking to stave off losses and, you know, we're looking to work with our policy holder uh long-term and, uh, and place it with the ensure that it's actually best for them. So in a roundabout way, are they going to get it cheaper? Not necessarily, um, with, uh, by going direct, uh, we might be able to get them a better deal. Okay. Um, go ahead, Mark.

Speaker 3 00:03:47 I think Michelle brings up a lot of great points and the real question is where's the value, it, you know, price, isn't the major issue on any policy it's really about the coverage that you can get. And then after that, it's the value that you get from all of the endorsements to the policy, um, whether you have the right underwriter, um, and, and things of that nature that really drives the value price should not be the first issue that you go. You go for. If I could press, just add to that. I think, uh, two things that a client will benefit by utilizing a broker is that we're going to reduce the administration time for the underwriter, which that can be used to convert into a cost savings as opposed to going direct to the insurer. So I think that's important to, to appreciate, and I think, I think companies that consider about going directly to the underwriter, they don't put enough weight on the relationships that specialty brokers like ourselves have developed with the underwriters. Uh, we can use those relationships to get things done with the underwriter that may not be available to a customer if they go direct to the insurer.

Speaker 2 00:05:04 Okay. Fair enough. So, um, and you guys have used two words here that I think people might have questions about. I think most people --

-- know what a broker is, but just explain the difference between an agent and a broker. So people understand this moving forward. Okay. An agent is a representative that is, um, that is captive by the insurer. They only work for that one insurer. It can be an employee or not. Um, but they work for one insurer, a broker, um, has the availability of going to all the insurers to all markets. So, uh, the, the agent knows their product for the one specific insurer, but the broker is supposed to know all of the products. So, uh, so we, we should have a broad knowledge of what's going on, uh, with all of our insurers.

Speaker 3 00:06:01 Yeah. One thing that's unique about trade credit insurance as it relates to access to the underwriters is when you're talking to a property and casualty broker about certain products, typically that property casually broker doesn't have access to all of the insurers that offer that product in the market, uh, in trade credit, the business is growing so rapidly that, um, the, all of the, uh, especially brokers in the market have access to every one of the credit insurers. That's licensed to offer credit insurance in Canada. So it truly is a one-stop shop. Uh, when you go to that broker, you will have access to the entire market and they'll be able to canvas the entire market for you.

Speaker 1 00:06:38 Okay. And I guess that from, from the business person's standpoint, if they're interested in this product and they go to a broker and they say, okay, here's, here's the landscape of my business. Here's the kind of thing I want to do. This is why I want receivables insurance as the broker. You know, the insurers that are, are probably best suited for that client. So you're not shopping to like all of them, you're saying, no, you're probably going to get the best thing that you need from these particular insurers. Am I right on that?

Speaker 3 00:07:13 Absolutely. It's, it's really a question of knowing your underwriters and talking to them on a regular basis to know what they want to see from an application. And that's how we determine who a specific policy prospective policy holder, uh, we should market, uh, where we should market that, uh, application to that's really important. And it saves everybody time and effort if, uh, you, you tear everything to where towards people that really want to write that business. Okay.

Speaker 1 00:07:53 Okay. Fair enough. So I think Michelle, we may have covered a lot of this question here already, but I want sort of a, a bullet point on why a business should consider working with a broker when considering receivable insurance, like, what are some of the things that you would say, well, consider this, this, this, and this, when you, when you're looking for a broker?

Speaker 2 00:08:17 Um, well, the, definitely the knowledge, uh, of the broker, um, how long they've been actually dealing with this product specifically. I think that's, uh, that's very important, um, because it is a specialty it's really something that you need to understand. Um, so there's the understanding and the knowledge base and all of that. Um, you know, a quick question that I, I tell people to ask their broker, um, is, uh, typical, uh, collection, uh, situation. What would do given the client is not paying, what, what is the excuse? And depending on the answer, um, you know, it, you know, does the broker really understand what credit insurance is all about and, and, you know, what would happen in a claims situation? Um, you know, there are some zones of gray when it comes to those claims situations. And, uh, and unfortunately if, if you're, you know, not in a position to, uh, properly analyze that claim situation, um, the, the underwriters know what they're doing.

Speaker 2 00:09:35 And, uh, and they can unfortunately, uh, deny a claim on, on some very, uh, basic information that, uh, that maybe the policy holder did not follow up on. Maybe they didn't do their due diligence. Maybe they didn't fall under the criteria of the policy. Um, and if that has not been explained to the policy holder upfront, um, you know, that's, that's huge, that's a big red flag. Uh, so all going back to the knowledge of that broker, if the broker knows what they're doing, um, the policy holder is in a much better place when it comes to not only the coverage, uh, on the policy, but understanding what they've bought. And, um, and when there's a claim, they're in a gr --

-- eat position to get paid. Okay. Any other comments there?

Speaker 3 00:10:29 I think one of the other things to think about as well is that most businesses buy their general liability insurance through a broker. And the reason why they do that is, is because they don't know everything there is to know about general liability insurance and the same as pretty much, uh, goes on for credit insurance as well. Then your, your prospective client doesn't know everything that we know about these products, and therefore you should be relying on a specialist who has the expertise with the product to buy it. And it doesn't cost you more to do that.

Speaker 2 00:11:14 Very good point, Mark. Yeah.

Speaker 1 00:11:17 Like I know when I go looking for insurance, I'm like, Oh man, you know, please just explain what this all means, because, uh, there's language that I know it's English, but you just don't understand what some of the terms mean. And it's great to have somebody navigate you through that process. Right.

Speaker 3 00:11:36 So

Speaker 1 00:11:36 Let's, yeah. Let's talk about the role that the receivables insurance broker plays after that policy is purchased. So presumably if you've gone out, you've found as a broker, you've got the right policy with the right insurer for your client. Um, what happens after that, John? What do you, what happens typically after that?

Speaker 4 00:11:57 Well, trade credit insurance is a little bit different than traditional property and casualty insurance in that it's not the type of product that you just throw in a drawer and you pull it out at renewal and review it again. And the company is going to be constantly using product during the year to grow their sales and enhance their financing. And so you need to be able to make sure that you set the client up, uh, with the underwriter to get credit approvals processed during the course of the policy year, some of the underwriters have online systems that we would want to make sure the client is set up to access and utilize and, and train them on how to use those systems. So we, we get involved in that. Um, not all decisions are going to come back positive, so we'll get involved in appealing decisions and trying to get more coverage for customer, uh, when decision can't be positively taken initially by the underwriter.

Speaker 4 00:12:41 Uh, so that's really important because we want to try and maximize the coverage as Mark had alluded to earlier and getting buyer coverage is most important. And then off, I think the most important element also is, uh, claims, um, if a claim arises or a past due situation arises, that looks like it's going to Mount to a claim. We want to make sure that we follow the policy parameters and communicate with the underwriter appropriately to preserve the client's rights to have that claim paid. And so it's important to make sure the underwriter has the information and that the client is a transparent in terms of what the situation is. So that in the event that this does become a bad debt, um, there will be, uh, a claim paid because if there's no claims paid at the end of the day, the policy lacks a value. So we want to make sure that the claims are paid as they arise. So there's quite a bit of activity that happens once the policy is signed. It's a, it's an ongoing thing. And, and there's also, um, in some cases with the underwriters, there's reporting on a monthly basis of past dues, it has to happen. So we want to make sure those things are occurring. So, uh, definitely the broker is going to be communicating with you on a regular basis. Uh, you won't be hearing from him just once a year.

Speaker 1 00:13:52 Yeah. It's a bit of a partnership, isn't it? Like you always have that person in your corner too, to remind you and help you through certain situations then.

Speaker 4 00:14:02 Yes, absolutely. And we, we, you know, we can become an advisor in certain situations and like, what if this happens, how do we react with the policy? So we can bounce ideas off one another to determine, you know, what precarious situations do they see out there in the market? And how can we respond to those with the underwriter?

Speaker 1 00:14:20 And Michelle, you alluded to this earlier, you had said, you know, depending on how much experience the broker has in the market and how long they've been selling receivables insurance, I mean, you have a back hist --

-- ory, you know, how things have played out in the past. That's some pretty good advice that you can sort of say, well, in the past, this kind of thing happens. So, you know, maybe we should consider doing this. So you've got your history to lean on too. Absolutely. And, and you have to understand that the market is constantly changing. So you know, what

Speaker 2 00:14:52 It was last year is different to what it is today. Um, so, you know, yes, we're constantly using our experience, uh, you know, and a lot of us, um, I have actually worked in companies, um, as credit managers. Um, so we can use that experience as well and, and leverage that knowledge, uh, as far as the collections side of it goes, so we're here really to recommend and help our policy holders and hold their hand if needed. Um, some companies don't need that. They have a sophisticated credit department and they know what they're doing, but you know, they'll still pick up a phone and call us. And one of the things I like to tell our policy holders is, um, there's no such a thing as a stupid question. All questions are good. This is my day to day. It's not your day to day. It's my day to day. So call me, ask those questions. Don't worry. You can ask me 15 times the same question I will still answer, and I will still take your call.

Speaker 1 00:15:58 Fair enough. Um, I think it's, um, the relationship side of what brokers do as well. Um, it's interesting to me, because as you say, you reach out to, uh, all of the insurance companies at any given time, depending on who the client is you're dealing with. So you've built those relationships, and I'm assuming that you can check in with them on, um, a regular basis and see how things are going. They may raise some red flags for you that they, that you can turn around and say, you know, there's some interesting things happening in the market that, uh, your clients may need to be aware of. Is that true?

Speaker 2 00:16:37 Absolutely. Absolutely. Um, you know, we, we've done a couple of videos in the past, Jen at where, you know, I brought up slim experiences and, and you know, one of them that comes to mind all the time is, um, I got information on an insolvent company and was able to start calling my clients and say, Hey, look out, they just filed. Um, this is information that you might not get anywhere else. You might get it too late. You may have already made another shipment to your point. And, um, you know, when we're talking container loads of goods, uh, it can get quite expensive. Um, you know, and, and you could have sold that merchandise to somebody else.

Speaker 3 00:17:24 It's so important these days to, to have information at, you know, at your fingertips and with us being in communication with the insurers all the time, they're seeing stuff, but our clients who are probably closer to their customers than the insurer will ever be, and also send back information to the insurers to help

Speaker 4 00:17:50 The insurers make decisions as well, whether it be good information or bad information. And, and that's, you know, you referred to the partnership we have, and that's a great partnership that we have with our customers and with our insurance. Yeah. I think also there's some capacity issues in the market right now. And so having the knowledge of what each of the underwriters is, is doing and what products are available in the market to try and bridge capacity constraints, uh, that type of thing, you won't get by going direct to an insurer. And that's where the brokers really going to shine in terms of, uh, enhancing the coverage.

Speaker 1 00:18:25 Right? So there's an information feed. That's going both ways from the customer through the broker, to the insurer, from the insurer, through the broker, to the client. So there's generally really good information that's always available. Um, if your customer may need it. Yes. So I think we've talked about this a little bit already, but I'd like to actually ask one of you, how does a broker actually help the policy holder navigate through the process, particularly when it comes to credit limits? Because it's my understanding that these can change. So, so how does this all work? John

Speaker 4 00:18:58 Tricky create insurance is a little bit different from other insurance products in that the underwriter is underwriting who your customers are, they're underwriting the credit quality of the customer. So, --

-- uh, I know under each credit insurance policy, there'll be a bunch of credit approvals, uh, for, you know, trying to maximize the amount of coverage, uh, that will equal your peak receivable during the policy year. So our goal is to try and make sure that you can just trade with that customer, knowing that as long as you stay within the credit limit, you'll be fully insured for the value of the, of, uh, of any potential loss up to your exposure. And so the underwriters, uh, many of the policies have, uh, what's called cancel coverage. So they can, uh, if they see a deterioration in the credit quality of the buyer, they can reduce or withdrawal a credit limit for future shipments.

Speaker 4 00:19:43 So we have to help clients navigate that, particularly when a credit tightens up like we've seen in the last couple of months, um, some of the insurers offer non-cancelable credit limits. And that's interesting too, because, um, that provides a different level of coverage for customers and a different level of due diligence that must be conducted on their customer base during the course of the policy periods. So there's different elements in terms of the way that coverage can be offered. The coverage can change over time. And as customers' business grows with their clients, they may need to receive request additional coverage on a particular buyer. So they may have a half a million dollar limit, uh, receive a large order and need to get that limit bumped to a million dollars. So we can do that during the policy period, and we can help our clients get that additional coverage. It may be on a temporary basis to enable those shipments to go out or maybe an ongoing, uh, coverage that's required because the business has just naturally grown. So there's all kinds of things. And these things come up on a daily basis. And so, as we were talking about earlier, um, this is the type of thing where this constant communication between the broker and the client and the underwriter as they try and meet the needs, the customer, uh,

Speaker 3 00:20:48 During the course of the policy period,

Speaker 1 00:20:50 Right? And I guess for somebody who doesn't have that broker support, they may not be aware that they can increase their credit limit if necessary. And they might just take that risk because they don't know that they can, they can increase that limit. Right?

Speaker 3 00:21:04 Yeah. We've actually seen that in cases where we've been appointed as a broker of record on policies that we're directing underwriter and the client had no idea that during the year they had the ability to increase the credit limits and changed the credit limits. They never, that never been made apparent to them. Uh, so this is something that's important information for a customer, particularly as they manage their sales growth. I think, uh, as well, um, a lot of clients believe that once they get a decision from an insurer, you know, whether it's positive or negative, but if it's negative, they believe that they can't do anything about it. And, um, we're there to help them gather additional information to help, uh, underwriter, uh, change their decision. And so we work with them to provide, uh, you know, trade references and bank references and

Speaker 2 00:22:02 Financial reports

Speaker 3 00:22:04 That, uh, will help change that decision and get them the coverage they need.

Speaker 1 00:22:10 Hm. Okay. Um, I'm wondering receivables insurance brokers are independent, which is my understanding. So why is this important?

Speaker 2 00:22:23 Well, I alluded to that at the beginning of the conversation, when we talked about agents and brokers, um, agents being, uh, employees of the insurer brokers being independent because, uh, why is it important while we do have very solid relationships with our insurers? Um, you know, w they can't force us to, to comply with necessarily, uh, their will, um, is so, you know, it's hugely, um, important, uh, as a broker to maintain that independence so that you, you can have, um, choices for your policy holders, um, and be able to, um, to, to seek other markets when necessary my trip, roll over my tongue on this.

Speaker 3 00:23:22 I think what you also see in the marketplace that's happening at the moment is that that large insurance companies are actually buying commercial insurance brokers.

Speaker 1 00:23:33 Yeah. I think, and this is where my confu --

-- sion lies. Right. So,
Speaker 3 00:23:37 So if, if you are owned by an insurance company, chances are, you have to try and place all of your, with your parent company.
Speaker 2 00:23:48 It's good for the client or not. And that's, that's really the point.
Speaker 3 00:23:53 And as, as an independent broker, we don't have that issue. And, you know, really it's a it's to me, it's a conflict of interest. Um, we can go, you know, we don't have to go to a insure. We can go to all insurers.
Speaker 1 00:24:10 Hmm. Okay. So I know that there are receivables insurance brokers. They are specialists in this product, this product, but they actually can work with generalist brokers because if a generalist broker is working with a business client and that business client says, what's this receivables insurance thing, they can actually get in touch with you and, and work with you. So explain how the generalist broker and the receivables insurance broker works together.
Speaker 2 00:24:40 Well, uh, we work with, uh, with generalist brokers and, uh, and it's, it's a form of partnership. What's really nice for the generalist broker is it's not something that they need to learn in depth. Um, I do offer courses, uh, uh, so they can follow them if they'd like to, but, uh, but it's not necessary. And, um, and, and in that relationship, I take care of the client. Um, and we also share in the commissions. So, uh, there is a commission split, so we're, we're there to work together. Um, and at the end of the day, because I'm working directly with the client, uh, if there were something to go sideways and it doesn't become an Eno liability for my generalist broker. Um, the other thing is, is if I messed up terribly, which hasn't happened yet, but if it did, um, then, you know, generally what would happen is the generalist broker could look, uh, very bad in, in the eyes of his client and could lose, uh, the remainder of the business. Uh, this has not happened because I'm taking care of the client. So there is that, that separation, uh, between the generalist broker and this credit insurance portion, that that could be a danger to them in a, if they were doing it to themselves. And didn't quite understand what they were getting involved in
Speaker 1 00:26:14 Anybody else. Okay.
Speaker 3 00:26:16 Janet, I think, um, you know, most good insurance brokers out there, like to be seen as a trusted advisor for their clients. So when they can answer a question related to the product that they're selling and provide them with a good solution, that's great. But when they're asked a question about something they know nothing about, or know little about, they can have a relationship with somebody like John or Michelle or myself, and, uh, get us to come in, uh, and advise their client on what they should be doing with their credit insurance needs. And that always goes back to the generalist broker, um, because they'll be seen as their client is, Hey, they referred me to that specialist broker and, you know, they treated me well. And, you know, so that's, you know, what a generalist brokers should be seen as, uh, and, you know, it's, it's a compliment to what they do.
Speaker 1 00:27:23 So the generalist broker actually can provide the best possible service to their client, including that receivables insurance by working with that specialist broker.
Speaker 3 00:27:34 Absolutely.
Speaker 1 00:27:35 Yeah. Perfect. Okay. So, um, as brokers, you stay in touch with your policy holders regularly. You're watching the market on, on their behalf, you're with them all the way through the year. Um, so there is a massive benefit for, I guess, the business client that is looking for receivables insurance. So John, you alluded to this earlier. Like most people think that, you know, um, I'm worried about not getting paid by my clients. Um, so I want to have receivables insurance coverage, but there's a lot of other ways that receivables insurance can be used. So I just, on a final note, let's just quickly talk about how you can use receivables insurance as a Canadian business client for their, your domestic and export and, uh, and just leave people with those final notes. So, uh, John actually, let's go to you first. Okay.
Speaker 4 00:28:32 Yeah. So I would say that, um, it could be as much as 50% of our clients are using trade credit insurance to also enhance their financing with t --

-- heir bank. Uh, the banks will lend more money against insured receivables, typically up to 90% of the insured receivable. And that's a big benefit to companies in Canada as they try to grow. So, um, many of our customers are looking to that, uh, for helping them, you know, just finance their businesses. And secondly, uh, sales expansion is also a real benefit of this. You can typically generate some additional gross margin by just partnering within an insurance company and identifying potential new customers or existing customers in your portfolio that are highly credit worthy. And, uh, and then you can try and develop more sales programs with those particular customers and grow your business with those customers create more gross profit before your, for your business, which will offset the cost of the insurance.
Speaker 4 00:29:26 So I think that's quite important. And I think we're seeing a lot of mergers and acquisitions in the market right now. And so, uh, that's also creating concentration risks for companies, uh, as those mergers happen. And, um, and some companies looking to trade credit insurance, uh, you know, on a named buyer basis just to try and make sure that they ensure that concentration risk. Cause when they look at the receivables, they may have a couple of customers that represent a large percentage of their receivable base and they want to make sure that they've got that covered off. So we're seeing those types of inquiries also coming into our shop, um, as it relates to, um, protecting the balance sheet and income statement. Um,
Speaker 1 00:30:05 Um, Mark very quickly. Do you have some comments we're almost out of time?
Speaker 3 00:30:09 Um, you know, I think the benefit of having the product, uh, you know, is one of them is, is that you basically have a credit manager looking over your work for you. Uh, for most small to medium-sized businesses, they don't have an established credit department. And so with this product, you get a credit management process that helps guide you through, you know, what a good risk is and what a bad risk is. It's, it's really bad to have a situation where the only way you're granting credit is because they've never hurt you in the past.
Speaker 1 00:30:51 And Michelle final comments,
Speaker 2 00:30:52 Um, great product to help you reduce bad debts. In fact, that when I was a credit manager, um, that's what sold me on the product itself and why I got into this business. Um, it can actually help you be proactive, um, as an extension to that credit department, um, and mitigate those losses. So, uh, it's a great help that way.
Speaker 1 00:31:19 You guys have presented some really good information. I think for people to understand that that balance between the agent and the broker and how the broker can help you navigate through the entire receivables insurance process and keep your business trading securely. So I really appreciate your time. Thanks for joining us today. Thank you, Gianna. Michelle Davey is a principal broker at credit usher. Mark Hall is vice-president credit insurance at elevate global insurance. And John Middleton is president of global credit risk management. The trade securely podcast is brought to you by the receivables insurance association of Canada who's member brokers and insurers are helping Canadian businesses succeed and grow by enabling them to trade securely at home and abroad. You can find information to help you grow your business for a Twitter and LinkedIn feeds and more trade securely podcasts are at receivables insurance, Canada, or an iTunes and Spotify until next time. I'm Janet Eastman. Thanks for listening to the trade securely podcast.
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