



# KNOW YOUR CUSTOMER

What's in a Name? Everything

Client thought they were dealing with Company X, however the purchase order came from Company Y.

Credit Approval was on Company X which had a trade-style name similar to the name of Company Y.

## KEY POINTS

- The Insured must know who they are conducting business with.
- Credit approval must be on that company.
- Ideally the Insured should obtain a signed contract or purchase order from the Buyer showing the approved Company's name and evidencing the payment obligation, before shipping the goods or providing services.

## COVER YOUR ASSETS

Contact a Receivables Insurance Association of Canada (RIAC) member to learn how receivables insurance/trade credit insurance can protect your business from the impact of a customer bankruptcy. Find us at <https://receivablesinsurancecanada.com/our-members/>

## THE BACKGROUND

Insured required a **mid 7 figure credit limit on the buyer** that they were doing business with, **which the insured believed was Company X**. However at the time of the claim, it became apparent that **the purchase order came from Company Y**. Company Y was a related company to Company X. Company X used a trade-style and that trade-style had the name of Company Y in the trade-style.

Client was not aware of Company Y when they entered the contract and thought they were dealing with Company X. All the email correspondence was received from Company X's domain name.

## THE FALLOUT

When the claim adjuster reviewed the claim, **the claim was denied** as the credit limit was not approved on the party that issued the purchase order, being Company Y.

## CREDIT INSURANCE IMPACT

Client was going to suffer a **low seven figure loss** as uninsured.

Fortunately, **HUB International was able to successfully argue** that at the time of the credit limit being granted, **that coverage would have been also granted on Company Y**, based on the financial information provided on the group. We were able to get an underwriter to confirm to the claims department, that given the same information, they would have approved coverage on Company Y instead of Company X. As a result, **the claim was paid**.

However, afterward, **the insurer** realized that because the documentation did not align, they were **unable to successfully sue for recovery**. **This will impact the insured's loss ratio long term**, as the buyer remains in business and no recovery was obtained.