

CLC COVID-19 TRADE CREDIT INSURANCE GUIDANCE

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(Updated 09 July 2021)

1.0 INTRODUCTION

1.1 Trade Credit Insurance (TCI) plays a significant role in construction, giving businesses throughout the supply chain the confidence to trade with one another.

1.2 TCI provides protection for businesses when customers cannot pay debts owed for products or services. A TCI policy will reimburse the policyholder in the event of the buyer's non-payment, up to a certain credit limit set by the insurer. This form of insurance can prevent the negative impact of non-payment from having a 'domino effect' along construction supply chains.

1.3 On 4 June 2020 the Government announced the temporary [Trade Credit Reinsurance Scheme](#) to aid businesses who had seen trade credit insurance withdrawn, premiums increase significantly, or the level of cover offered reduced as a result of COVID-19. On 29 December 2020 the Scheme was extended by 6 months. As announced on [GOV.UK](#), the Scheme closed as planned on 30 June 2021.

1.4 The expectation is that the vast majority of businesses will see their insurance cover being maintained. Construction and maintenance businesses, including builder's merchants, electrical wholesalers, manufacturers and suppliers, should continue to proactively engage with brokers and insurers.

1.5 To aid those discussions, the TCI COVID-19 Working Group for the Construction Leadership Council (CLC) has further updated this summary guidance. It aims to provide practical advice and considerations for discussions with brokers and insurers when seeking TCI.

2.0 CHECKLIST

2.1 As more normal patterns of trading gradually resume there is a recognition that, in many cases, balance sheets will have weakened. Supplying underwriters with up-to-date information on the financial performance of your business will therefore be of particular importance over the coming months. Consideration should also be given to current and future business plans for recovery and growth.

2.2 The following checklist offers a useful point of reference. It is not exhaustive but may assist in the preparation and presentation of information to credit insurance underwriters:

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A. An update on the extent to which trading activity is recovering

- What do weekly turnover levels look like compared to normal trading?
- What changes have been made to business operations?
- Pipeline/order book/activity levels
- Strategy – short and medium term

B. Up-to-date management accounts

- Balance sheet
- Profit and Loss

C. Monthly Cash flow forecast

- Focus on short term liquidity and working capital/cash
- Include forecast assumptions
- Details of available facilities and headroom including high/low points

D. Extent to which coronavirus (COVID-19) government supported facilities have been utilised

- Coronavirus Business Interruption Loan Scheme¹ – value and term, security required
- Bounce Back Loan Scheme² – value and term, security required
- VAT deferral³ – positive impact on monthly overheads
- Coronavirus Job Retention Scheme⁴ – number of staff furloughed and positive impact on monthly overheads
- Business rates relief⁵ – impact on monthly overheads

E. Covenants

¹ <https://www.gov.uk/guidance/apply-for-the-coronavirus-business-interruption-loan-scheme>

² <https://www.gov.uk/guidance/apply-for-a-coronavirus-bounce-back-loan>

³ <https://www.gov.uk/guidance/deferral-of-vat-payments-due-to-coronavirus-covid-19>

⁴ <https://www.gov.uk/guidance/claim-for-wages-through-the-coronavirus-job-retention-scheme>

⁵ <https://www.gov.uk/apply-for-business-rate-relief/small-business-rate-relief>

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- Agreements with banks/lenders regarding any covenant holidays, revised agreements
- Details of both previous and forecasted compliance with covenants

F. Additional investment

- Details of any additional investment into the business – existing or third-party stakeholders

G. Identity of key suppliers/trade creditors

- Likely value of monthly supplies from each, maximum amount outstanding
- If you have credit insurance - identity of key customers - likely value of monthly sales, your credit limit requirement with each

3.0 CONCLUSION

3.1 It is hoped that this guidance, together with that from government will provide the support needed to businesses to ensure the TCI market works to support businesses.

3.2 If a policy holder is not able to get a suitable level of cover on a business, then they should consider opening dialogue with other providers.

3.3 It is recognised that the situation is continually evolving, and as such, this guidance will be revised if necessary.

3.4 This document provides general guidance. It does not guarantee reinstatement of cover and/or increase in limits, nor does it constitute legal advice. The obligations of both insurer and insured will be contained in individual credit insurance policy wordings. If in doubt, advice should be sought.

3.5 If you have any comments or feedback, please email:
construction.enquiries@beis.gov.uk

The Construction Leadership Council would like to express their thanks for the contributions made to the development of this guidance by the TCI Working Group. Specific thanks go to Mark Whiteley of Credit Risk Solutions Ltd trading as Xenia for his valuable insight and technical contribution.