

Aon Trade Credit

Unlocking the power of
Trade Credit Insurance





A growing risk in the global economy

Managing credit and counterparty exposure has become one of the top risks facing businesses in today's global economy.

Accounts receivable is often the largest uninsured asset on a company's balance sheet – even though it is the primary source of revenue. In addition, the global economic downturn and fluctuating commodity prices have affected risk levels for payables and cash flow. Many companies are also entering into new markets and extending their supply chain across multiple regions – all of which further increase the need to protect themselves from risks involving commercial trade debts.

Get ready for IFRS 9

From January 2018, companies reporting under the International Financial Reporting Standards (IFRS) are required to upgrade their current credit risk provisioning processes to comply with the IFRS 9 requirements. IFRS 9 is changing the way businesses provision for bad debts, and puts emphasis on new information requirements and adjustment of calculation models.

As a consequence of the new regulation, businesses will be faced with:

- Higher bad debt provisions
- New information requirements
- More complicated models and processes
- Increased income statement volatility

How can Aon Credit Solutions help?



Reduced provisions

- Credit insurance decreases the 'expected credit loss' (ECL) as the non-payment is covered by the insurance
- Collection services increase the efficiency of debt recovery process, thus further decreasing the 'loss given default' (LGD) and ECL
- Both solutions provide more stability to the provisioning processes and reduced P&L volatility



Relevant information at hand

- Insurer buyer ratings provide insight into the health of the buyers and the buyer portfolio and can be used by policy holders for reference in their ECL calculations
- Insurer buyer monitoring is a valuable tool which can identify and monitor relevant credit risk developments in the buyer portfolio



Traditional benefits of Trade Credit Insurance

- **Preserve your profit and protect your liquidity**
Non-payment from clients can have catastrophic effects on your cash flow, your ability to pay your creditors and your ability to meet customer demand. A bad debt provision is not the answer - it won't put cash back in your account but the proceeds of a credit insurance claim will inject liquid funds back into your business.
- **Strengthen your credit management**
No matter what credit control procedures you have in place, you can further enhance the quality of decisions made on credit limits by working closely with your insurer. Take comfort in the knowledge that significant market analysis including trend analysis, payment performance, and economic and political challenges affecting your customers supports every decision made by your insurer. You can spend less time worrying about ventures into new markets and be 'in the know' about the customers you are dealing with.
- **Efficient process**
Businesses without credit insurance can waste time and resources chasing customers for payment. Having policy coverage ensures payments are followed up promptly and efficiently so the business can focus on other strategic goals. An associated benefit of trade credit insurance is support in collecting overdue debts and rebates on collection costs.
- **Access to finance**
Because insured companies can protect their debtors' ledger, they can gain access to more efficient financing. Banks recognise trade credit insurance as collateral security when providing financing for local or export sales. When you have run out of 'bricks and mortar' to securitize bank funding, using a liquid asset such as an insured accounts receivable ledger, and providing this security to your bank, can lead to additional bank funding. Your shareholders can also appreciate that their assets are being well protected and that financial corporate obligations are being met.

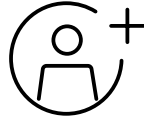


Put simply, **Trade Credit Insurance** will ensure your company is protected against any unforeseeable losses, and gives you the confidence to expand into new markets, knowing your cash flow and liquidity is secure.



490+
people

Trusted
Partner



100+
locations

Managed
Premium
\$800m

57
countries



100+
locations

Managed
Premium
\$800m

No. 1
Global
credit broker
interms of
premium
placement

About Aon Credit Solutions

Aon is the world's leading credit insurance broker providing clients with customised solutions to protection against non-payment risks and facilitate business growth. Our team of credit specialists are united and coordinated at a country, regional and global level ensuring Aon clients can benefit from the powerful combination of local knowledge and global reach.

We service a portfolio of over 200 Australian and New Zealand based customers representing some of the country's biggest business and most recognisable brands. Our clients operate in industries including construction, automotive, mining services, chemicals, explosives, food & beverages, electronics, white goods, financial services, packaging, paper, telecoms, information technology and logistics.

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About Aon

Aon plc (NYSE:AON) is a leading global provider of risk management, insurance brokerage and reinsurance brokerage, and human resources solutions and outsourcing services. Through its more than 72,000 colleagues worldwide, Aon unites to empower results for clients in over 120 countries via innovative risk and people solutions.

For further information on our capabilities and to learn how we empower results for clients, please visit: <http://aon.mediaroom.com>.

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