

Accounts Receivable Insurance

YOUR SAFETY NET AGAINST UNPAID INVOICES



Why Protect Your Receivables?

In today's business landscape, offering credit terms to your clients is a common practice, but it also carries the risk of unpaid invoices. Accounts receivable (AR) insurance is your financial safeguard, protecting your business from losses due to uncollectible receivables. By partnering with People2.0, you can secure your financial stability and maintain business continuity.

How People2.0 AR Insurance Safeguards Your Business



Continuous Monitoring: We closely track the financial health of your clients, ensuring you stay informed.



Early Warning System: If potential financial instability is detected, we promptly notify you, enabling you to act swiftly.



Risk Mitigation: Take proactive steps to protect your business, such as adjusting credit terms, based on our insights.



Insurance Claim Support: Our team assists you throughout the process of filing a credit insurance claim, ensuring you maximize your recovery.



Payment Protection: Even if your client fails to pay, you still receive payment, securing your cash flow.



Business Continuity: Our support minimizes financial disruptions, allowing your operations to continue smoothly.

Accounts Receivable Insurance: Overview

Accounts receivable (AR) insurance, also known as trade credit insurance, is essential when offering credit terms to customers. This insurance protects your company from financial losses due to unpaid invoices. Trade credit insurance covers against non-payment of credit sales made to buyers by sellers in an event of insolvency and protracted default (delayed payment).

Direct Coverage: AR insurance covers losses from non-payment.

Additional Protection: Includes coverage for indirect costs like interest on loans secured by receivables.

Affordable Premium: A small premium charge applies (details to be determined).

Trusted Partner: Coverage provided by Credit Insurer, a global leader in specialty insurance.

Credit Check Process

People2.0 ensures that all new clients undergo a thorough credit check to assess their financial reliability:

For Favorable Scores (Expected Business < \$36,000): We assign a discretionary credit limit (DCL) up to \$36,000, providing flexibility and quick access to credit.

For Unfavorable Scores or Expected Business > \$36,000: We apply for an insurer-approved limit, subject to approval, ensuring that your interests are always protected.

We conduct regular reviews to keep accounts current and within limits, maintaining a secure financial environment for your business.

The best approach is to stay within assigned insured limit.

Invoicing and Claims Process

Invoicing Guidelines:

Timely Invoicing: Issue invoices within 30 days of service performance to maintain a healthy cash flow.

Rebilling: Ensure the initial invoice was raised within 30 days of service, with any re-invoicing completed within 6 months.

Claims Process:

Coverage: Claims are paid up to the policy limit, less a 10% deductible, applicable taxes, and any external resource fees. For the legal costs on submitted past due debts that are not in dispute, they are insured at 90% named and DCL cover and 70% on blind cover (\$5,000) debts (see scenarios one and two on page seven of this guide).

Placement Fee: The fees due to the Coface shall be calculated as a percentage of the debt when placed for recovery/claim, with a minimum of \$150 and a maximum of \$5,000.

Filing Deadline: File all claims within 180 days of the invoice date. Initial credit limits should not exceed a 150-day maximum credit period.

Recoveries: Recoveries before the indemnification of claim is settled 100% against your own outstanding in chronological order, after indemnification it would be settled on a pro rata basis between Coface and People2.0. Any recovery received during claim process needs to be notified within 10 days to Coface.

Legal Proceedings: In case of legal proceedings against a buyer, additional fees, the amount of which shall be previously agreed between People2.0 / you and Coface, shall be due by you via People2.0 to Coface.

Disputed Debts: Disputes are usually not covered under the trade credit insurance policy until the dispute is sorted between the two parties. In a situation where the two parties do not resolve the cover shall be suspended until the dispute is resolved in your favor by amicable settlement, arbitration, or by a final court binding decision.

Important Policy Conditions

To ensure coverage and compliance with your policy:

Insurer Approval: Obtain approval before extending due dates beyond the maximum credit period.

Adverse Information: Report any adverse buyer information to the insurer immediately.

Non-Qualifying Loss: No need to report debts under USD \$700.

Dispute Coverage: Disputes are usually not covered under trade credit insurance.

Claims Payment Timeline: Regular claims are typically paid within 180 days (150 days + 30 days waiting period), and insolvency/bankruptcy claims are paid within 30 days if no additional information is needed.

The policy does have an option under protracted default (only) claims to reduce the waiting period by up to 60 days after notification on domestic claims at zero reduction of insured percentage. Additionally, up to 60 days (+30 days for payment) for export claims after notification with 1% insured percentage deduction for each month of reduced waiting period.

For example:

- If it is a domestic claim, the waiting period of 150 days can be reduced up to 90 days to 60 days waiting period at no deduction of insured percentage while
- If it is an export claim, the waiting period of 150 days can be reduced to 90 days to 60 days waiting period at 3% deduction of insured percentage (1% insured for each month of reduced waiting period)

Policy Grace Period: For canceled or withdrawn limits, a 60-day grace period applies before coverage ends provided there are no overdue invoices on the account exceeding 60 days from the due date, no adverse information, and the buyer is not insolvent.

Exclusions and Special Cases

Some businesses and entities are treated differently under AR insurance:

Non-Covered Businesses: Cannabis and gaming-related businesses are excluded from coverage.

Low-Risk Entities: Government entities are considered low-risk and do not require AR insurance.

Partner with People2.0

With People2.0 by your side, you can confidently offer credit terms to your clients, knowing that your receivables are protected. [Contact us](#) today to learn more about how we can help you secure your business's financial future.

Legal Disclaimer:

People2.0 facilitates accounts receivable (AR) insurance in partnership with Coface (<https://www.coface.com>). People2.0 is not an insurance carrier, agent, or broker, and any insurance-related information is intended to serve as a general guide only and does not replace the advice or services of a licensed insurance professional. This brochure is for information only and is not an insurance offer or contract. Coverage is subject to Coface's policy terms and conditions. Consult licensed insurance professionals before making decisions. Information subject to change without notice.

Scenario 1 (Within Limit) Regular Claim

Initial Debt at the time of claim		\$100,000
Credit/ Insured Limit		\$100,000
Claim Fee	4.5%	\$4,500
Insured Percentage	90%	
Recoveries before indemnification		\$0
Net Debt Indemnification	Net Debt × Insured Percentage	\$90,000
Indemnification of Collection Expenses	Placement Fee × Cover Ratio × Insured Percentage	\$4,050
Cover Ratio	Cover Ratio = Net Debt (or Credit Decision) / Debt	100%
Collection/Claim Fee borne by Customer		\$450

Scenario 2 (Overtraded Credit Decision) Regular Claim

Initial Debt at the time of claim		\$200,000
Credit/ Insured Limit		\$100,000
Claim Fee	4.5%	\$5,000
Insured Percentage	90%	
Recoveries before indemnification		\$0
Net Debt Indemnification	Net Debt × Insured Percentage	\$90,000
Indemnification of Collection Expenses	Placement Fee × Cover Ratio × Insured Percentage	\$2,250
Cover Ratio	Cover Ratio = Net Debt (or Credit Decision) / Debt	50%
Collection/Claim Fee borne by Customer		\$2,750

Notes:

1. The \$450 may be deducted at the time of claim indemnification or, if fully collected, directly billed. The amount of recovery (full or partial) will not impact the placement cost.
2. Regular claims within the limit will have a 4.5% placement fee (handling fee in the past) of total debt, borne by the customer per Insured (e.g., CoFace 90 and Customer 10). Minimum = \$150, Maximum = \$500.
3. Regular claims over the limit will have a 4.5% placement fee borne by the customer as Placement Fee × Cover Ratio × Insured Percentage.
4. Regular claims will be paid at 90%, and all disputed claims at 70% up to a maximum of \$150,000 plus placement fees per points #1 and #2.
5. Bankruptcy claims within the limit will incur a 1.5% placement fee, borne by the customer per Insured. Minimum = \$150, Maximum = \$500.
6. Bankruptcy claims over the limit will have a 1.5% placement fee, borne by the customer per coverage ratio as Placement Fee × Cover Ratio × Insured Percentage.

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