

# Peace of Mind, Every Time: Trade Credit Insurance for Every Challenge

**Businesses face numerous risks**, from customer defaults and insolvencies to supply chain disruptions and political upheavals, all of which threaten a company's cash flow. Trade Credit Insurance (TCI) provides a vital safety net, helping businesses mitigate unpaid invoice risks and confidently extend credit or invest.

The following scenarios highlight how the lack of coverage can lead to significant financial losses, making TCI a crucial consideration for steady growth and financial stability.



## Customer Default

- **Scenario:** A customer fails to pay an invoice within the agreed-upon credit terms.
- **Covered by Trade Credit Insurance:** Up to 95% of the insured invoice value. This aligns with standard coverage for unpaid debts due to customer default or non-payment ([Trade Credit Insurance guide](#)).
- **Potential Loss without Trade Credit Insurance:** Bad debts can severely impact a company's cash flow and profitability. For instance, if a business with a 5% profit margin experiences a customer defaulting on a \$100,000 debt, it would need to generate an additional \$2 million in sales to offset the lost profit.

## Customer Insolvency

- **Scenario:** A customer files for bankruptcy or enters liquidation, leaving debts unpaid.
- **Covered by Trade Credit Insurance:** Up to 95% of the debt owed.
- **Potential Loss without Trade Credit Insurance:** The total debt defaulting of businesses in the U.S. for 2023 accounted for \$146.49 billion – a 157% jump from the 2022 figure of \$56.91 billion. ([S&P Global](#)).

## Disputed Debts

- **Scenario:** Legal disputes arise over contested invoices.
- **Covered by Trade Credit Insurance:** Trade credit insurance can cover a proportion of the debt owed should

the final judgement be awarded in your favor. This can cover up to 95%, which may include disputed debts depending on policy terms.

- **Potential Loss without Trade Credit Insurance:** Legal disputes can lead to significant financial losses, with the average cost of litigation for small U.S. businesses between \$3,000 - \$150,000 per case ([MER Legal](#)), while large companies see averages around \$200,000 per case ([Legal Drive](#)).

## Sudden Market Downturn

- **Scenario:** An economic crisis or market collapse reduces your customers' ability to pay.



- **Covered by Trade Credit Insurance:** Up to 95% of the debt owed.
- **Potential Loss without Trade Credit Insurance:** During the recent 2020 market crash, approximately 1.1 million companies suddenly went out of business ([US Federal Reserve](#)). That's 1 in every 5 paying customers in the B2B market ([US Census Bureau](#)).

#### Supply Chain Disruption

- **Scenario:** Disruptions in the supply chain can lead to revenue loss or inability to meet obligations.
- **Covered by Trade Credit Insurance:** The confidence to extend credit terms or secure financing options.
- **Potential Loss without Trade Credit Insurance:** 60% of small and mid-sized businesses reported losses of up to 15% or more in revenue during 2022 due to supply chain delays. ([Supply Chain Brain](#)).

#### Political Risk

- **Scenario:** Political instability, including trade embargoes, expropriation, or currency inconvertibility, prevents payment.
- **Covered by Trade Credit Insurance:** Any covered non-payment resulting directly from political events in your customer's country.
- **Potential Loss without Trade Credit Insurance:** Political instability disrupts investments, cash flow, and client retention, risking business collapse. Nearly a third of financial officers delayed

or reduced investments due to the 2024 U.S. election ([Reuters](#)), while 93% of multinationals faced losses from political upheaval in 2022 ([Oxford Analytica](#)), highlighting the widespread impact.

#### Credit Line Confidence

- **Scenario:** Lenders restrict credit lines due to perceived payment risks.
- **Covered by Trade Credit Insurance** Lower your perceived risk for higher confidence from lenders and stronger credit lines.
- **Potential Loss without Trade Credit Insurance:** 71% of small business ventures rely upon credit lines and loans to operate or get started. Without such credit, many businesses would not exist or have the runway to find success ([TheIntermediary](#)).

#### Economic or Industry-Specific Shocks

- **Scenario:** Industry-specific disruptions, such as tariffs or shortages, impact customer payments.
- **Covered by Trade Credit Insurance:** Covered non-payment of commercial debt.
- **Potential Loss without Trade Credit Insurance:** Many paying customers can quickly become bad debt due to circumstances outside of their control. Nearly seven in ten (69%) of companies in the U.S. say retaliatory tariffs are affecting their business ([Reuters](#)). Over the past five years, U.S. businesses and consumers have paid more than \$215 billion in higher tariffs, impacting their global competitiveness ([Retail Industry Leaders Association](#)).

## Cover your Success

The scenarios above show how easily a healthy balance sheet can turn upside down when credit risks are overlooked. While each challenge carries its own complexities, the unifying theme is clear: without a robust safety net, businesses are left vulnerable to severe financial consequences.

By investing in Trade Credit Insurance, companies can protect their cash flow, maintain smooth operations, and position themselves for sustainable growth in an unpredictable market.

Find out more about Trade Credit Insurance through Allianz Trade, and cover your success now and in the future.