

# Hollard Trade Credit

*Our offering*

Hollard.  
insure



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## Information and Product Overview

### What is a trade credit transaction?

When a company (the seller) delivers goods or renders a service to another legal entity like a sole proprietor, trust, partnership or company (the buyer) and the buyer is only required to pay at a later stage (a credit term).

### What is trade credit insurance?

The insurance policy a seller can take out to insure against the non-payment of a buyer (an insured debtor) for a trade credit transaction.

### What credit terms are eligible under our policy?

A credit term can range anywhere from 3 days from invoice to 300 days from statement.

### What types of transactions are not insurable under a standard trade credit transaction?

Trade credit does not cover:

- Leases,
- Rental agreements,
- Money lending transactions,
- Personal credit,
- Cash on Delivery (COD) transactions

Should your business conduct trade related financing opportunities such as supply chain finance, purchase order finance, trade finance or invoice discounting please get in touch with us directly and we can take you through the solution.

### What are the loss events under the policy?

A claim will be due for assessment when a debt is confirmed either by:

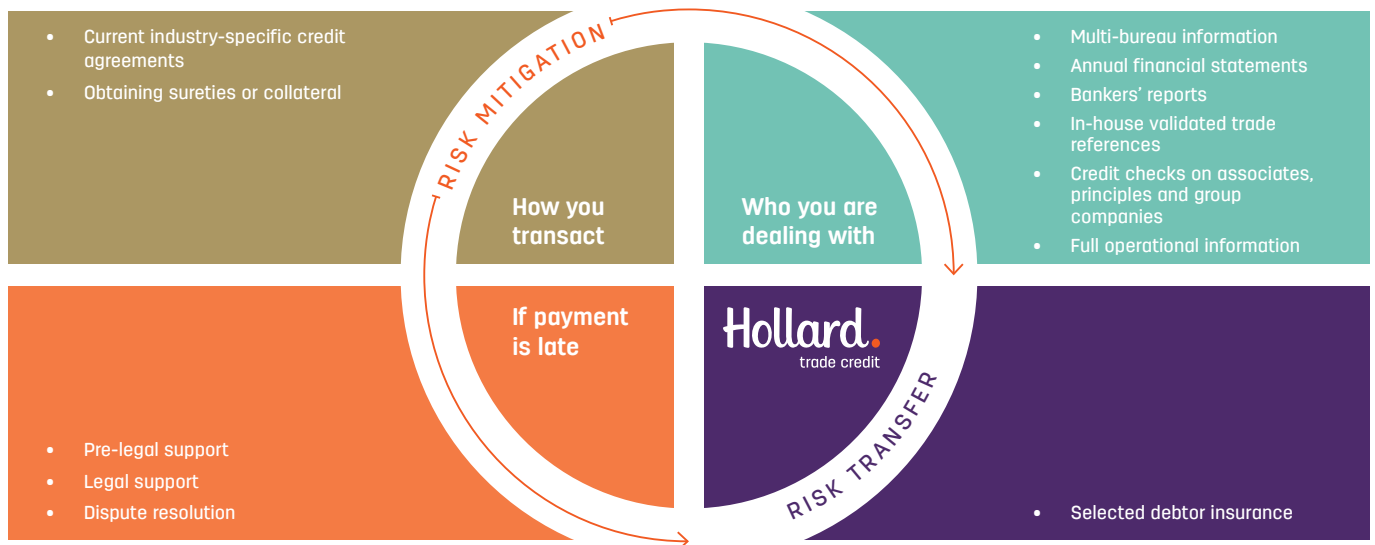
- The insured debtor themselves (acknowledgement of debt / irrefutable confirmation of account),
- A judgement,
- A business rescue practitioner, or
- By a liquidator

It is important to note that this is a credit policy and not a performance policy so any disputed trades will not be covered. The policy operates on a basis that the policyholder has delivered the correct product or rendered the right services. We will, however, assess a claim after 180 days if the insured debtor fails to confirm the debt and does not present any disputes

# Information and Product Overview

## What separates Hollard from the rest?

- We do not apply any mandatory waiting period to claims and will indemnify the policyholder as soon as the debt is confirmed.
- We allow policyholders to select which buyers they want cover on, whether it be a single transaction or one recurring buyer right through to the whole book.
- We pick up all pre-legal legal fees that we incur right up to a defended matter.
- We do not include a maximum liability under our policies (what we insure is what we are prepared to pay out).
- Our policy structures are simple, either a buyer is selected for cover or not, we do not include individual first losses, franchise losses or non-qualifying losses.
- We assess the credit application prior to issuing cover. This makes sure that our clients are trading with a binding credit agreement.
- We only charge for risk premium with no hidden costs.
- We can assist with all legal documents required to meet any special conditions for an insured debtor.
- We request a policyholder to submit their debtor ageing monthly. This is used to monitor exposure whether the buyer is insured or not.
- Our solution is based on a holistic approach to credit management.



## When does cover commence and what notice is required?

- Once a buyer has been assessed and approved we will insure the credit limit on the buyer. This is called a "limit".
- All cover will incept on the 1<sup>st</sup> of a month. We will either backdate the inception of the limit to the beginning of the current month (default) or next month on request by you.
- With single debtor policies, a new limit or an increased limit will need to remain in force for no less than 120 days. Thereafter you will be able to request us to remove / reduce the limit on that buyer.
- Should we be presented with adverse information, we have the right to remove / reduce cover without notice. You will still have cover for any goods delivered or services rendered during the cover period but will not have cover from the date that the cover was withdrawn.
- Both you and Hollard will be required to provide 31 days' notice to terminate a policy.

## Do policies have an excess?

- All trade credit policies have an excess (uninsured portion). The insured portion is noted as a percentage of the insured debt. The excess would be the difference between the total insured debt and the insured portion. Our standard is 85% meaning that the excess would be 15% of the selling price of the goods or services.
- Let us know if your business's margins are too tight and you require a higher insured percentage (lower excess).
- Once a claim has been paid and we are able to recover a loss, the policyholder shares in the recovery in the same proportion for each recovery payment received.



## How to obtain a quote

### If you are looking for cover on:

- A single transaction, or
- A single recurring buyer, or
- A handful of named buyers (no more than 5)

We will need the credit agreement (credit application form) between you and the buyer(s) you would like cover on.

We will also need the buyer's latest set of signed Annual Financial Statements and Management Accounts not older than six months.

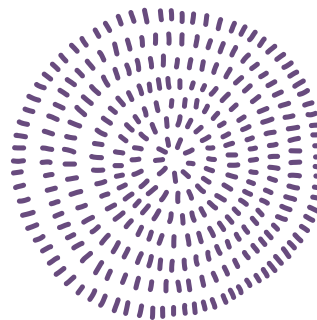
Should you not have the buyer's financials on hand we will attempt to obtain them on your behalf. We can only begin the underwriting process once we have confirmation that the buyer has been notified and is expecting our call.

Once we have all the required information it will take about 5 working days to underwrite a buyer. If you have a prospective buyer or looking to insure a once-off transaction please use the Request to Quote - Debtor Details form and indicate on the form.

If you have an existing policy with us all approved buyers will automatically be added to your policy

 [Letter to debtors for underwriting requirements](#)

 [Request to Quote - Debtor Details](#)



## How to obtain a quote

### If you are looking for cover on...

- A comprehensive selection of buyers,
- All buyers over a specific limit, or
- All approved buyers

### Then you will need to complete the Request to Quote – Comprehensive Policy form

Please note the supplementary information requirements in section 4 (Page 2 of the Request to Quote – Comprehensive Policy).

Once we have the completed form and the required information we will provide a quote within 5 working days. A quote will include some indication limits. These indication limits are based on the information that we have on hand at the time of quoting. For larger limits we will be required to obtain further information (such as Annual Financial Statements) in order to fully assess the limit.

Should you accept the quote we will then need to conduct a take on process and underwrite each of the buyers selected for cover. The time to complete a take on and underwrite is subject to the number of buyers selected for cover and will be communicated at the time of quoting. Please bear in mind that we might request additional information on the debtors on whom limit indications was given initially, as this is part of our full assessment process.

### Request to Quote - Comprehensive Policy



# Understanding your quote

Now that we have provided you with a quote, it is important for us that you to understand how to read your quote. Use the glossary below to understand each term.

Please make sure that all information is correct prior to accepting your quote.

<b>Item</b>	<b>Description</b>	<b>Examples / Comments</b>
<b>Policy</b>	This will be your policy number should you accept the quotation.  The policy number will prefixed by the type of product you have and a 6 digit number.	P for our standard domestic policy, SR for single risk, NB for named buyer, WTO for whole turnover.
<b>Quote reference</b>	This is the unique quote number you can use should you need to contact us.	
<b>Quotation date</b> <b>issue</b>	This is the date that the quote was issued. Quotes are usually valid for 30 days.	
<b>Product</b>	This is the type of policy that you have asked us to quote on. Certain policies may have specific requirements.	A Whole Turnover Policy (WTO) means that you need to offer all your debtors to us for assessment and, on approval, will be added to the policy. A Trade Finance Policy will include an endorsement that allows the insurance of invoice discounting or supply chain finance type transactions.

## Parties

### Insured

<b>Insured name</b>	This is the registered name of the policyholder.	
<b>Address</b>	This is the registered address of the policyholder.	
<b>Industry description</b>	This is the industry that the policyholder operates in. It will be noted with a 4-digit code and a description.	6081 – foreign bank/branch/agent

### Broker

<b>Managing broker</b>	This is the insurance broker noted on the policy as nominated by the policyholder.	
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# Understanding your quote

<i>Item</i>	<i>Description</i>	<i>Examples / Comments</i>
<b>Declaration page</b>		
<b>Start date</b>	This is the intended start date of the policy. While the policy operates on a true monthly evergreen basis we do conduct annual reviews of the policy.	This date is especially important for policies that may have an annual retention limit or a performance bonus.
<b>Policy currency</b>	This is the currency that the policy will be denoted in.	ZAR for South African Rands
<b>Premium instalment frequency</b>	This is the frequency that we will be invoicing you for cover. Note that all premiums are raised in arrears.	If it is "Monthly" this means that we will be invoicing monthly in arrears. "Annual" would be once a year and this would likely be in advance.
<b>Credit terms: 30 days</b>	This would be noted as the standard credit term that you offer your clients.	30 days would typically mean 30 days from statement. You would not be obliged to have all your debtors on the same credit term but we do need to know what the majority are offered.
<b>Premium rate per month</b>	This is the monthly premium rate that you will be billed on.	If you have a fixed monthly policy then this will be the adjustment premium rate that will be calculated on the anniversary of the policy.
<b>Premium computation method</b>	This is the method that your premium will be calculated on. It can either be on limit, balances, turnover or a fixed monthly.	<p>If your policy is on limit then you can calculate your premium by summing the insured limits and multiplying by the premium rate.</p> <p>If your policy is on turnover you need to sum the turnover of the insured debtors (remember to cap each turnover at the insured limit for each buyer) and multiply by the premium rate. Similarly, for balances policies you would use the total balance of each insured account (capped at the limit).</p>
<b>Premium computation option: On portfolio rate</b>	We offer two types of premium options, either portfolio or buyer rated.	In a portfolio rated policy all buyers approved will attract the same premium rate. In a buyer rated policy, buyers are assessed and categorised based on their individual risk – each category then attracts a different premium rate.
<b>Maximum extension period (mep)</b>	This is the maximum number of days, beyond their insured credit term, that you can extend a credit term with a buyer without notifying us.	If you offer 30 day credit terms you could extend a further 30 days (60 in total) to your buyer without notifying us.
<b>Maximum payment terms</b>	This is the maximum credit term that you can offer a client under this policy.	
<b>Insured percentage</b>	The insured percentage is the amount of each risk we will indemnify you at.	If the insured percentage is 85% then we would pay you 85% of the insured account. The 15% would therefore be your excess. Note that you will receive your excess on any recovery we make in same proportion of the insured percentage.
<b>Insured percentage (below dl)</b>	This is the insured percentage of any limits issued under a discretionary limit (if applicable).	
<b>Maximum liability</b>	This is the maximum that we will indemnify you for a year.	If the value is zero then there is no maximum liability and you are covered for each and every debtor insured with us up to their limit.
<b>Non-qualifying loss</b>	This would be applicable for policies where you have chosen to carry the first portion of each insured debtor.	If your non-qualifying loss is R50 000 then you would not be covered if the insured debt is less than R50 000. When declaring your premiums you will need to exclude insured debtors where the account balance is less than the non-qualifying loss.



# Understanding your quote

<b>Item</b>	<b>Description</b>	<b>Examples / Comments</b>
<b>Political risk cover</b>	This is not required for domestic only policies.  Political risk cover is typically required for export policies where your debtor is based outside of South Africa.	Cover would include currency inconvertibility and changes in legislation.
<b>Approved countries</b>	These are the countries your debtors need to be registered to qualify for cover.	For a domestic only policy it would read "South Africa". If your clients are based in countries outside of these just let us know and we can underwrite the debtor in the new country. Note that we are prohibited from insuring debtors in trade sanctioned countries.
<b>The turnover frequency of declaration is: Monthly</b>	This is the frequency that you would need to declare your turnover or balances.	

## Limit schedule

*These are buyers that you asked us to provide a non-binding indication of our risk appetite*

<b>Buyers</b>	This is the registered name and address of the buyer in question.	
<b>Requested amount</b>	This is the credit limit you asked for an indication on.	
<b>Approved amount</b>	This is the credit limit that have indicatively approved.	
<b>Expiration date</b>	The expiry date of the specific limit indication (if applicable).	
<b>Additional information</b>	Any specific comments relating to the indication.	This could be items such as latest financial statements required to consider a higher limit or if security would be available etc.





## On-boarding a policy

### Accepting a quote

Your broker will be able to log onto our online portal and accept the quote on your behalf. This will begin the on-boarding part of the process.

### Now that you have accepted our quote we will need to begin the on-boarding of the policy

This is effectively split into three sections:

- Setting up the policy details in our system
- Loading of all buyers
- Underwriting of each buyer

### Policy details

Please provide us with the following details:

- Policyholders' VAT number
- Users for the system (risk and invoicing and cessionary)

### Loading of buyers

Please provide the following sets of information, refer to table at the end of this document for explanation:

- Your debtor master listing
- List of buyers requested for cover

#### Debtors selected for cover

- Six months' debtor age analysis
- Credit application template

### Underwriting of each buyer

We have attached a letter that will inform your clients that we may be in touch. We kindly request that you drop your letterhead into the template and email each of your clients. This makes the entire process run much smoother.

#### Letter to debtors for underwriting requirements

Once we have loaded all the buyers we will begin underwriting each buyer selected for cover. Similar to the named buyer underwriting process, if a credit limit required is greater than R1 000 000 we will also need the buyer's latest set of signed Annual Financial Statements and Management Accounts not older than six months.

Should you not have the buyer's financials on hand we will attempt to obtain them on your behalf. Please note that we can only begin the underwriting process once we have confirmation that the above-mentioned letter has been

We require the credit app between you and your buyer as the beginning of the underwriting process. The credit app is an important document for us and is the actual basis that we are underwriting a credit risk on. While we can underwrite a risk without the credit app we would require confirmation that we have consent from the buyer to do so. You may also be exposed in terms of proving a claim, picking up fraudulent transactions and how we contribute to legal fees.

Our standard turnaround time to assess a credit limit is 5 working days, depending on whether we have received the required supporting documentation (financial statements, etc.) from the debtor.

You will receive an annexure confirming cover for each debtor that we have approved or declined.

# On-boarding a policy

Please make sure that you check the following details on each annexure to confirm

- Correct debtor is insured:
  - Registered company name
  - Registration number
- If approved (partially or fully):
  - Credit term
  - Credit limit
  - Expiration date (if applicable)
  - Special conditions for cover (if applicable)
    - You will need to advise us if you need assistance in drafting the legal documents required to meet the special conditions of a specific limit.
- If partially approved or declined, please refer to the reasons below:

## **Reason for decline / partial approval    What you can do about it**

<b>Insufficient trade references</b>	Request a purchase and payment history for the past 6 months, additional trade references and Audited Financial Statements. Alternatively, updated debtors and creditors age analysis from the buyer.
<b>Financials not supportive</b>	Tangible security required to consider the limit, alternatively we can reassess after 6 months once we have updated Management Accounts.  Alternatively the policyholder can supply additional information to justify the cover. I.e: Contracts on hand.
<b>Bank code not favourable</b>	Audited Financial Statements with Management Accounts not older than 6 months required.
<b>Judgement recorded</b>	Proof of payment / rescindment letter to be supplied.

## Security

On occasion we will include specific conditions for an insured debtor when granting cover. The types of security available / required would be managed on a case by case basis. Below are some examples of securities and how we view them.

### **Tangible security required**

The following can be considered:

- Personal Surety
- Cession of debtors
- Cross/holding company guarantee
- Covering Mortgage bond
- General / Special Notarial Bond over stock
- Subordination of loan accounts

### **Offering personal surety**

Certified asset and liability statements required. Only applicable if the principal has interest in the company exceeding 10%.

### **Offering cession of debtors**

Typically we would only consider a first cession and we would then apply a value (say 30c to the rand) to the security.

### **Cross / Holding Company Guarantee**

In order to consider a cross company guarantee we would require the latest signed Annual Financial Statements of the company providing the guarantee to consider.

### **Covering Mortgage Bond**

We would require a forced sale value of the property to consider the security.

### **General Notarial Bond over stock**

To consider this security we would require the latest stock listing. Stock will also attract a calculated value (say 35c in the rand). The value will vary depending on the industry and the speed at which the stock is able to move.

### **Subordination of loan account**

The subordination would need to be formally noted in the Annual Financial Statements.

# On-boarding a policy

## Information required to onboard a policy

## The reason why we need these

**Name, surname and email addresses for annexures and invoicing**

An annexure will be provided for each debtor that we underwrite. We need to know who, in your company, we need to send these to. We also need to know who should receive premium invoices.

**VAT number**

For invoicing purposes.

**Your Debtor Master Listing of your debtors in excel with the full Legal Entity, Registration number, customer number, contact details, vat numbers, credit terms granted and limits required**

We use your master listing to make sure we have the right buyers identified in our system so that we grant cover on the right debtor. We also use this information to make sure that debtors are correctly mapped in our system so that we can monitor your debtors.

**List of insured Limits required on the template provided**

Please use the excel spreadsheet template provided. Please note that removing or adding columns will result in the upload failing. The following seven items can be used to explain each field.



**Debtors selected for cover**

National id	Registration number (format example with no "/"- 20001234507)
Source id	Can be left blank
Name	Name of the debtor
Country code	"ZA" to be used if a South African entity
Request amount	Credit limit amount (format example with no "," or spaces - 10000)
Currency	"ZAR" to be used if a South African entity
Comment	This field be used for terms (format example - 30 Days)

**6 month's Debtor Age Analysis in excel**

We use this to test for cover levels and get a feeling of the trading behaviour with each client.

**Credit application template**

We audit your credit application template to make sure it measures up to best practice and does not leave you exposed unintentionally.

**Credit application for each debtor where cover is required**

We need your credit application to ensure that we have consent to underwrite the debtor. We also run it through our fraud verification and legal departments ensuring that your agreement is valid and binding. Without this, you could unwittingly be in the donations game.

**For credit limits over R1 000 000 we require signed Annual Financial Statements of the debtor as well as Management Accounts to bring the Annual Financial Statements up to date**

We use these to appropriately underwrite each debtor and will be capped at R1 000 000 without it. Should you be unable to obtain these, let us know who to contact and we will attempt to obtain them directly from the debtor.

**Annual Financial Statements if the credit limit requested is under R1 000 000**

There are times where your requested limit is under R1 000 000 but our total exposure to that buyer is greater than this. We may require additional information if we are not comfortable with the requested limit based on the information we have on hand.

Please also see the training links on how to use the system as well as ageing and declaration submission processes and requirements going forward:

- [System overview](#)
- [Ageing and declaration submission](#)



# Monthly management and claims

## Ageing and declaration submission

We need:

- the debtor ageing to be uploaded into the system by 21<sup>st</sup> of the month
- the premium declaration to be populated in the system by 21<sup>st</sup> of the month
  - Should you want us to compile your premium declaration please submit your debtor ageing and sales report by the 10<sup>th</sup> of the month
- All debtor aging or sales reports need to be in excel

Failure to submit your ageing and declarations on time could result in claims not being assessed or premium penalties being applied.

Most comprehensive policies have a minimum monthly premium. Please note that if your declaration value multiplied by the premium rate is less than the minimum monthly premium, then you will be invoiced at the minimum monthly premium value for that month.

Please have a look at the video link below for a detailed explanation of how to declare your monthly exposure.

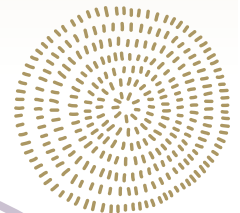
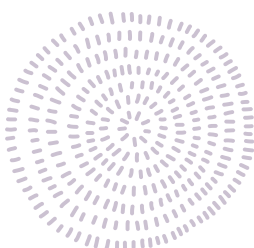
### [Ageing and declaration submission](#)

## System overview

The below video link provides an overview of the system and includes the following:

- How to request / amend cover
- How to load a claim / notifiable event

### [Policyholder front portal training video](#)



# Monthly policy management and claims

## Guide to our Claim notification and Assessment process

We aim to support your company in having a fair and positive claim experience. We therefore encourage our policyholders to ensure that all the requirements, terms and conditions of the policy are adhered to.

### **Some of the conditions include:**

1. Policyholder to send us their credit application template for vetting at inception of the policy
2. Policyholder is to ensure that each buyer is adequately covered
3. Policyholder is to ensure that all adverse information on an insured buyer is reported timeously
4. All repayment plans and extension of due dates must be requested via the online portal
5. Policyholder is to apply their own internal collection procedures to attempt recovery of the account
6. Submitting your claims before expiry of the claim submission deadlines i.e.; 75 days after the due date
7. A very important condition is that of – **Automatic Reduction of Credit Limit (ARCL)**. Cover shall not apply in respect of any loss you may sustain for deliveries after the date of the following circumstances where:  
**Payment terms less than 30 days:**  
the amount owed by the insured debtor remains unpaid for 14 days past the original due date.  
**Payment terms 30 days or more:**  
the amount owed by the insured debtor remains unpaid for 60 days past the original due date.
8. If you are aware that a loss is about to occur. In these cases we would recommend placing the account on stop supply. Should the buyer settle the account you need to re-apply for the cover as normal.

### **When must I notify Hollard of the overdue?**

For accounts with terms less than 30 days, please notify us should the account remain unpaid for 30 days past due original due date. For accounts with terms of 30 days or more, please notify us should the account remain unpaid for 75 days past the original due date. In the event you

become aware of any actual or threatening loss event for example insolvency please notify us immediately.

### **When should I send a Letter of Demand?**

Policyholders may follow their own guideline in sending Letters of Demand within the required timeframes as per their own procedures. In order to minimise delays once a claim is submitted it is preferable that the expiry of the Letter of Demand is on or before the notification date noted in the point above.

### **What happens once I notify Hollard of an overdue?**

Once notification is received we will request information to verify the overdue account such as:

- the latest statement showing the current and outstanding balance,
- the credit application form,
- the Letter of Demand (if applicable),
- any relevant correspondence relating to the overdue account that might assist us in recovering the overdue amount.

We will also provide a claim form for completion.

### **How does Hollard recover the overdue amount?**

The recovery process is largely dependent on the nature of the overdue account. It might range from negotiating and managing a repayment proposal, the debtor acknowledging the debt by completing an AOD with our pre-legal team or legal action should the pre-legal action prove to be unsuccessful.

### **Who pays for the costs of mitigation on the insured amount?**

We will cover all the costs we incur in order to prevent or minimise the insured loss or collecting an insured loss. Should a Hollard approved credit agreement not be in place at the time of submitting your claim, we will only cover pre-legal costs incurred.

## Monthly policy management and claims

### **When will the assessment of my claim begin?**

We will proceed with assessment once a loss event has occurred. Loss events are defined as either a valid signed Acknowledgement of Debt, Protracted Default, Judgement obtained in your favour or the debtor entering Business Rescue, Liquidation or Sequestration.

### **Once I have accepted a proposed indemnity when will the claim be indemnified?**

You will be indemnified within 30 days of you accepting the proposed indemnity (agreement of loss).

### **Advantages of using our online portal**

- Less paperwork – No need to fill out an acceptance form when accepting a quote on the system.
- Better tracking on the status of your application – view your quote status live on the portal.
- Brokers get a chance to review the quote before accepting.
- Saves time – annexure listings can be pulled from the system instead of waiting for the team to provide one.
- Brokers can request new quotes on the system in under 10 minutes, depending on the type of product.
- Brokers and policyholders can monitor their policies in real time on the system.
- Easy process to submit ageings and declarations, and the system will remind you when this is due each month so brokers and policyholders can know they're up to date.
- Brokers have easy access to all their policies, with an easy switch between policies.
- Our system is very user friendly.
- Requesting a new buyer or quote can happen right there and then.
- Submission of claims and claims history is available at your fingertips.

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# Hollard.