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Top Ten Reasons Claims are Denied - Trade Credit Policy

Credit Insurance is not only a tool to protect one of the most important assets of a company - its accounts receivable - but it is also an investment in a company's sales growth and expansion. A Loss is never wanted and is generally unforeseen, but when it happens, it's comforting to know that there is a backstop in place to minimize that Loss. It's also time to get a return on that investment, so there should be no surprises when your company goes to file its Claim. The following will provide some insight on the top 10 reasons why an Insurer will deny a Claim and how to best avoid having a Claim denied.

- 1. Disputed Invoices** - If the Buyer does not acknowledge that the debt is valid then the Insurer will not accept the claim, that portion of the claim being disputed, until the dispute is resolved.
- 2. Exceeding the Claim Reporting Deadline** - It is also very important to pay attention to the timeline for filing a Claim, also referred to as a Maximum Claim Filing Period, but the terminology can differ by carrier. The filing period is sometimes outlined on the Policy Declaration or can be found within the policy document.
- 3. Non-compliance of Past Due Reporting** - Some Insurers have requirements in respect to reporting past due amounts that reach a certain time period and fall above a stated amount. The Past Due Reporting period is typically outlined on the Policy Declaration.
- 4. Cease Shipment to Past Due Buyers** - There are some Insurers that require the Insured stop shipping to a Buyer once that Buyer goes past due a certain number of days, typically 60 or 90 days, or as defined in your policy.
- 5. Invoicing outside of endorsed payment terms** - An Insurer has the right to deny a Claim if the due date exceeds the terms approved. An Insurer will consider approving longer terms for specific Buyers as the need arises, if the Insured or the Insurer is not comfortable approving longer terms on a blanket basis.



- 6. Not naming the correct Buyer on the policy** - The Insurer will deny a Claim if the name or address of the Buyer the products or services are being sold to does not match the endorsement for the Buyer they agreed to insure.
- 7. No change of due date without prior approval for an extension** - Unless an extension period is approved and stated on the Policy Declaration, or by endorsement on the policy document, an Insured cannot change the due date of an invoice(s) without the Insurer's prior approval and indicated in an endorsement.

8. Payment plan agreement without prior approval from carrier - Payment plans between an Insured and a Buyer should also be approved by the Insurer prior to agreement between the two parties. Some Insurers will endorse the approved payment plan and others will simply approve by email. If the payment plan is breached by the Buyer, the Insurer should be notified right away. If the Insurer is not notified that the Buyer has not fulfilled their obligation, and you continue to sell to the Buyer, the Insurer has the right to deny the Claim.

9. Missing documentation to support the claim - In all Claim submissions, a purchase order, a bill of lading (shipping documents), and the Buyer's confirmation of debt are required

when submitting a Claim for review and processing.

10. Non-compliance with Discretionary Credit Limit (DCL) facility - If your policy includes a DCL facility that allows you to set internal credit limits based on one or more criteria; including but not limited to a credit report, a site visit report, bank and trade references, financial statements, or ledger experience, it is imperative that the criteria used to set a credit limit under the DCL facility be documented in a file. This documentation will need to be submitted with the Claim filing in order to support the decision-making process that was used to set the credit limit.

All of the above reasons for Claim denial are avoidable. Your Broker should fully explain the program to you, from the outset, so you have an appreciation for what's needed when a past due or Claim arises. The Insurers do not want to deny Claims and trying to fix a problem at the time of a Claim is not recommended, as the latitude and flexibility of the Insurer are limited at that point. We would be happy to represent your firm and help you avoid stress during a difficult time. Please click on the below link to contact one of our experienced consultants.

For additional information, please contact [Willis Financial Solutions](#).

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