

## Credit Insurance + ProfitGuard = Comprehensive Risk Strategy

Working together to better manage credit risk

Insurance is not just about coverage and protection. It's also about reducing and better managing risk to avoid losses. Credit insurance underwriters place a high value on clients who take steps to strengthen their credit practices, knowing that it will come back to them in the form of lower losses over time. In return, your premium rates will reflect your commitment to better managing risk and the lower losses that result. When it comes to proactively managing credit, there is no better partner than **ProfitGuard (PG)** to further strengthen your overall strategy with metals specific credit reporting and risk monitoring.

### How Does PG Add Value to your Insurance Program?

- PG's Alert Service provides timely key account updates that help you get coverage on new opportunities, as well as indicate that potential coverage changes may be forthcoming where new developments are negative
- Where negative risk items are discovered, you can proactively solicit coverage to support increased sales
- PG's Credit Limit Guidelines and Alerts can help you make better and more informed decisions regarding appropriate sales terms and credit limits to maintain when your credit insurer cancels coverage, partially approves coverage, or denies coverage due to capacity constraints
- In situations where you are intentionally overselling insured limits, PG's information can help you stay on top of risk-related developments and the changing credit risk profile of your customer
- Ability to speak directly with the PG analyst that monitors your buyer under a Credit Alert to ask any questions or gain a better understanding of our view of the risk
- Access to PG's Metal's Edge newsletter that contains commentary on high risk companies, bankruptcy news and creditors lists, industry trends and outlooks, and credit risk management tools

## ProfitGuard In Action

### Generate additional sales with PG's Credit limits

In May 2017, one of the largest credit insurance carriers significantly reduced its overall exposure to Real Alloy Holdings. As a result of this action, a lot of speculation and noise in the market ensued about the financial condition of Real Alloy. It's important to note, insurance coverage decisions can take shape for a number of reasons, some of which, are not purely or solely credit risk related.

PG understands these actions and has closely followed Real Alloy since its transitions from Aleris. Based on available financial information at the time, PG continued to support the company and was recommending open trade credit. PG's recommended credit limits and credit rationale offered clients an independent "pure credit" assessment of the risk. This information provided clarity and comfort to clients, allowing them to continue to ship to the company and generate sales during an uncertain period.

### Mitigate credit loss with PG Credit Alert Monitoring

With the credit environment rapidly changing, many suppliers were caught off guard by Essar Algoma's second insolvency (CCAA) in October 2015. Less than a year earlier, Essar Algoma completed a restructuring of its debt through the CBCA insolvency process in Canada. During this restructuring, Essar stated that they secured a capital infusion, were significantly deleveraging their balance sheet, and were positioned well for the future. Moreover, trade creditors did not take losses in the 2014 restructuring which gave suppliers a further false sense of security going forward.

Most insurance carriers were not offering coverage on Essar Algoma after their 2014 restructuring while PG was recommending limited open trade credit based on current financial information. Due to a deteriorating credit profile and weak industry conditions, PG moved to advising short credit extension; within six months, PG was no longer approving open credit. PG clients that had Essar Algoma on Credit Alert were alerted to increasing risk and given ample time to work their credit exposures down.

### Contact Us

For more information, please visit [eprofitguard.com](http://eprofitguard.com) or call us at **866.990.1099**.