ProfitGuard
Know The Risk *Before* You Ship

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 positive 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

Contact Us

For more information, please visit **eprofitguard.com** or call us at **866.990.1099.**

ProfitGuard In Action

Generate additional sales with PG's Credit limits

In March of 2017 PG began alerting clients to Real Alloy's refinancing risk related to its $305 million notes which had a specific window to refinance due to their complex structure. PG again detailed specifics of this risk in May 2017, over 9 months prior to the company's Chapter 11 filing.

Beginning in May 2017 and again later in October, several actions were taken by credit insurance carriers to reduce or cancel coverage. As a result, a lot of speculation and noise in the market ensued about Real Alloy's financial condition. Insurance coverage decisions can be confusing and take shape for many reasons, some of which, are not purely credit risk related. PG knows how these decisions are made and can provide you guidance on to proceed.

PG continued to support limited open trade credit during this period based on available financial data. PG offered clients an independent "pure credit" assessment, providing clarity and comfort, so they could continue generating sales and ship to the company during an uncertain period.

Once Real Alloy released its results, it included a "Going Concern" statement which was required due to the status of its debt maturity. What transpired in the following week demonstrated the power and swiftness in which information, misinformation, and speculation within the trade community can create a self-fulfilling prophecy. In this case, many trade suppliers stopped providing credit at the worst possible time which facilitated a liquidity crunch too big to overcome while struggling to refinance its debt.

In this situation, PG kept its clients apprised of the situation, advised not taking on additional exposure, and overall helped them navigate what was a very complex and difficult trade credit situation. In the end, it resulted in significant recoveries post-bankruptcy.

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.