



Export New Zealand Go Global Series

Managing Your Export Risks

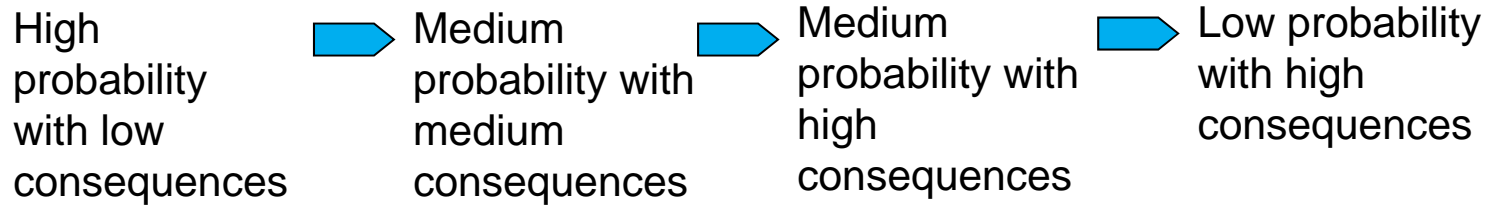
Managing risk

A simple five step process

1. Identify the risks
2. Quantify them by likelihood they will happen and consequences if they do
3. Prioritise them
4. Develop an action plan
5. Review activities and changes to risks regularly

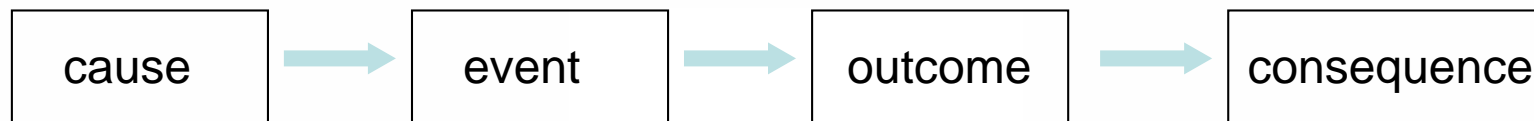
Relevance of insurance

The higher up the scale, the more relevant insurance is to managing the risk.



Managing risk

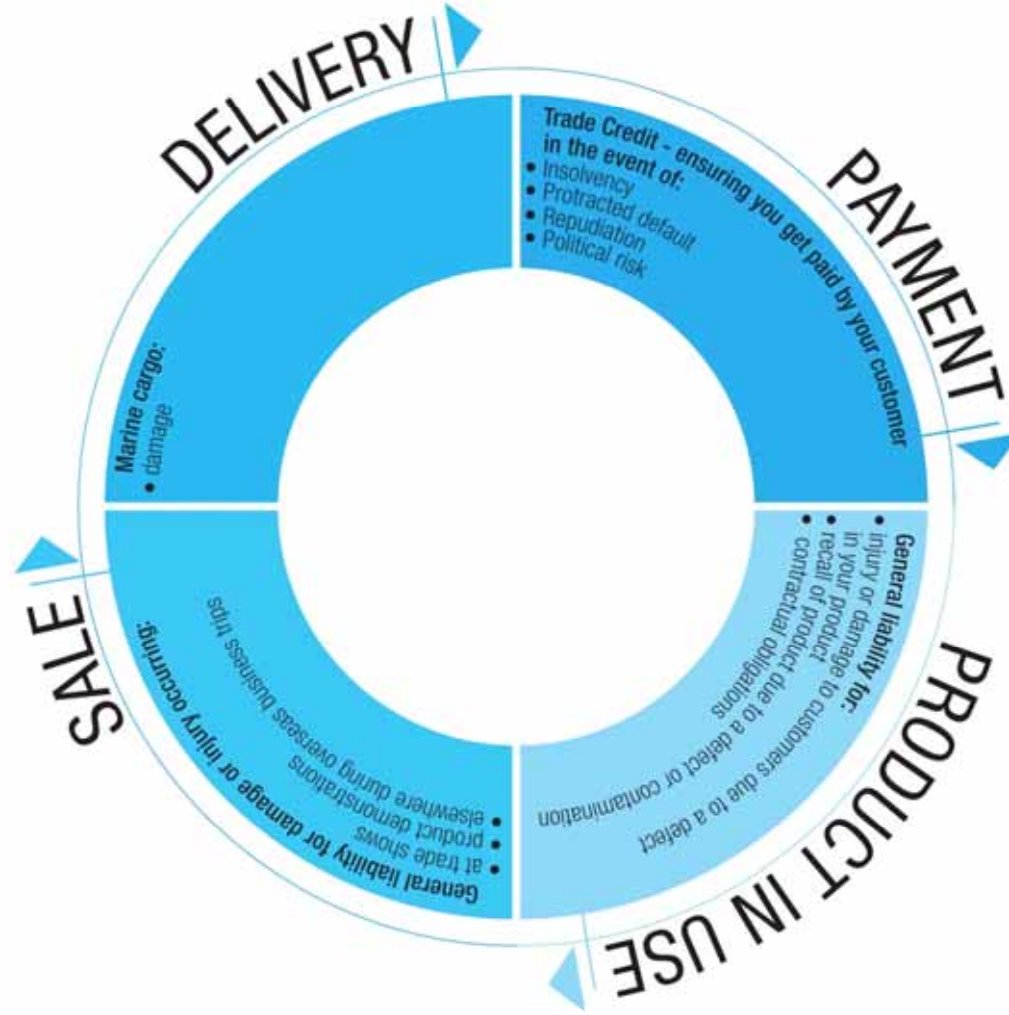
The goal is to break the chain



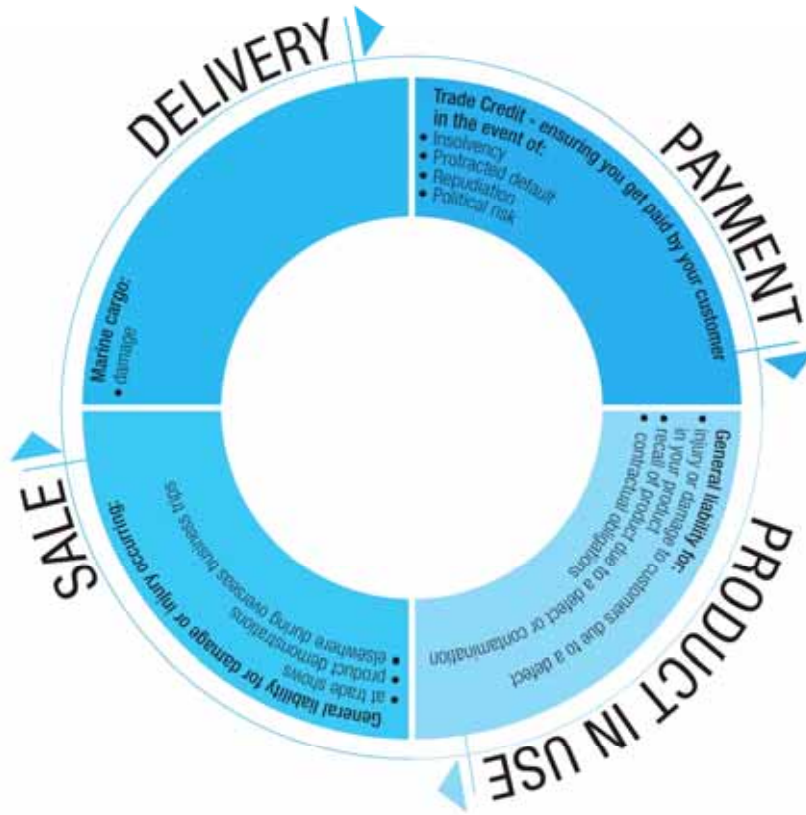
Possible ways to break the chain:

- Avoid (only sell on cash terms)
- Reduce (improve packaging, safety standards, training)
- Transfer (contractually or to an insurer)

The sales cycle



Payment



Trade Credit

Ensuring you get paid by your customer in the event of: -

- Insolvency
- Protracted default
- Repudiation
- Political risk

Credit Insurance as an aid to finance

Short term benefits for policyholders

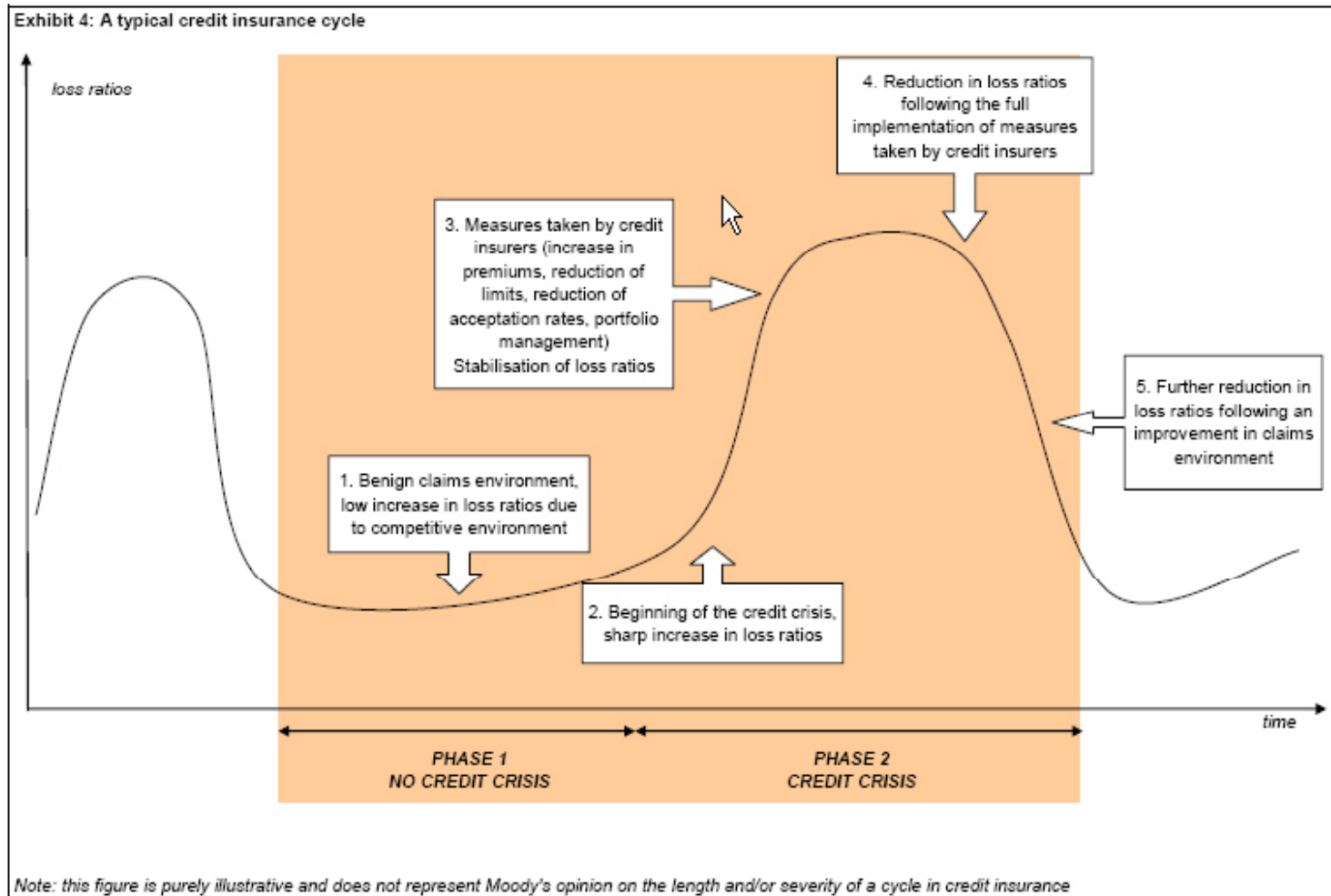
- Quick replacement of working capital should a loss occur
- Protection of cash flow and profits
- Credit management assistance
- Early warning system for bad payers
- Discipline to improve collections

Long term benefits for policyholders

- Reduction in bad debts
- Ability to grow sales to new clients and markets
- Provide enhanced payment terms to valued clients
- Discuss the restructure of banking facilities with your bank

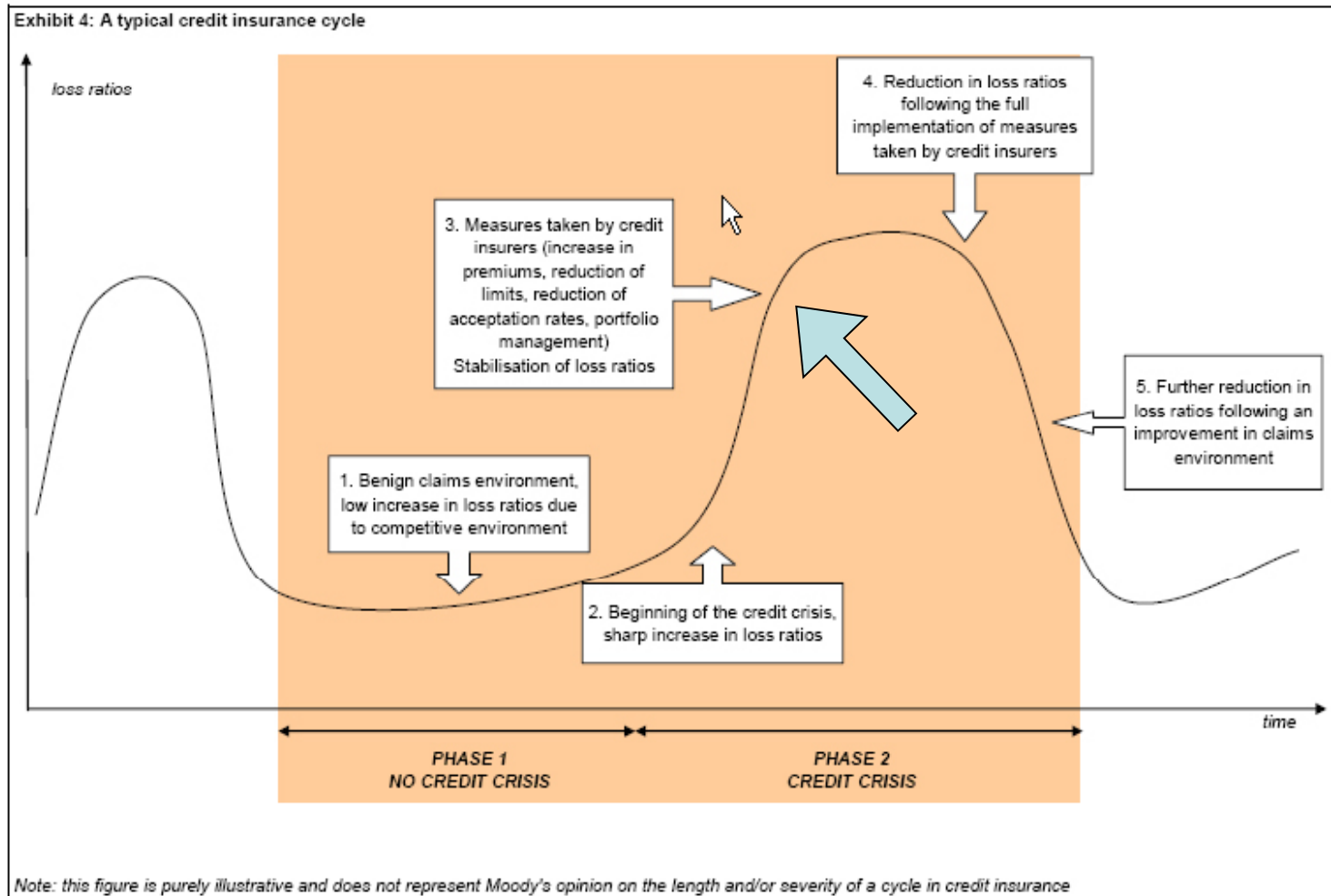
THIS ALL LEADS TO A BETTER RELATIONSHIP WITH YOUR FINANCIER

The trade credit insurance cycle



Source: Moody's Investor Service Inc.

The trade credit insurance cycle



Source: Moody's Investor Service Inc.

Why offshore buyers are different

- Legislative
- Political
- Country risk of the buyer
- The tyranny of distance
- Credit limit requirements
- Payment terms



Michael Kayes
New Zealand Manager – Trade Credit