

# Understanding your Trade Credit risk – an introduction to Trade Credit Quantified

Understanding credit risk can be complex, requiring up to date information and technical knowledge. That's why we have developed Trade Credit Quantified – a simple tool that quantifies the credit risks organisations face and informs decisions around the best way to manage them.



## Trade Credit Quantified

### What is Trade Credit Quantified?

Trade Credit Quantified is a new risk and analytics model for the trade credit market. By identifying the unique frequency and severity of potential credit risk losses within a firm's receivables portfolio, the model takes a data driven approach to help clients design and structure the most appropriate solutions to help grow sales securely and with confidence.

### Who will benefit from Trade Credit Quantified?

Trade Credit Quantified works for any industry sector. The model has been designed as a tool for both newcomers to Trade Credit Insurance as well as seasoned users including:

- Private business-to-business forms trading on open account terms
- Financial Institutions evaluating receivables connected to a borrowing base, receivables purchase program or securitization
- Merger and Acquisition activity to evaluate the risk within a target company's receivables asset

### How does it work?

The model analyses clients' trade receivables to predict potential losses over a range of statistical scenarios. It draws on 14 million historical data points, overlaid with current economic trends to provide you with a bespoke probability and loss default forecast for your business portfolio.

Trade Credit Quantified is simple to use with only four pieces of information required to run an initial analysis. A typical model run covers:

- Rating & spread of risk on an aggregate portfolio, region, sector & individual buyer basis
- Probability of Default Loss Forecasts on a portfolio basis
- Breakdown of risk exposures by sector and geography
- Return on Investment (ROI) calculations examining the cost of Premiums against potential sales growth and projected losses

### Input four pieces of information



- ✓ Buyer name
- ✓ Buyer city
- ✓ Buyer country
- ✓ Buyer credit limit

### Run the model



### Outputs



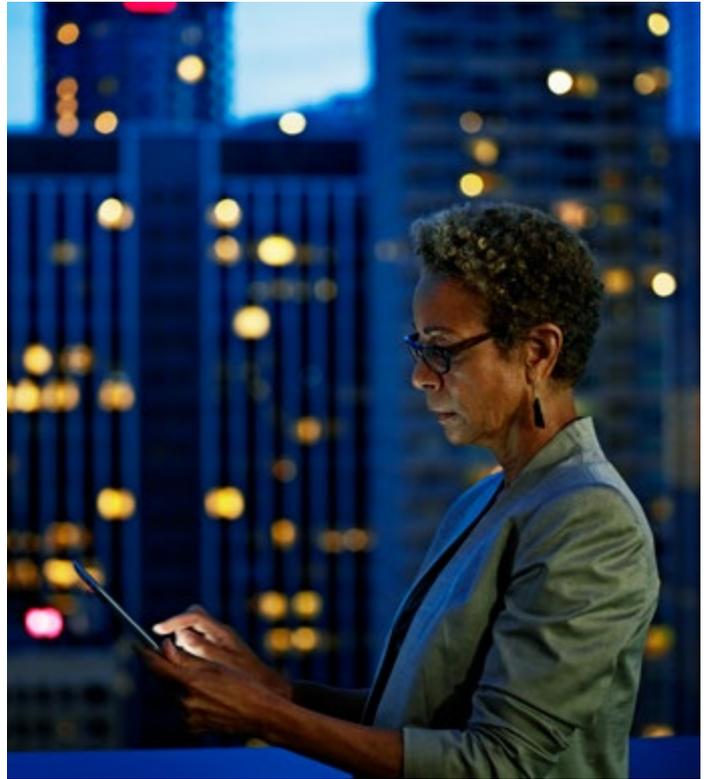
- ✓ Estimated aggregate losses across scenarios
- ✓ Sector analysis
- ✓ Estimated buyer losses

## Why WTW

Trade Credit Quantified brings together the best of WTW, combining a global team of trade and credit insurance specialists with innovative data modelling to bring a compelling solution to our clients. We build trade credit insurance programs for some of the largest banks and corporates worldwide, arranging support securitisations, receivables purchase and supplier credit/payable facilities.

Our specialists build long-term partnerships with clients built on best practice credit risk management. We work with clients to design bespoke programmes and structure and adapt insurance to match your business processes without imposing new or onerous costs or procedures.

Our global Risk and Analytics team is wholly dedicated to improving client outcomes, drawing from expertise that includes technologists, actuaries, forensic accountants, engineers, and claims experts. Our data modelling capabilities allows us to accurately quantify risk, enhancing our deep understanding of your needs. This brings a holistic analysis that adds value through a portfolio risk strategy; and automates risk quantification to deliver value to clients.



## Contacts



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Scott is Global Head of Trade Credit and Head of Financial Solutions North America, specializing in Trade Credit and Political Risk insurance solutions for Financial Institutions and corporations. He has over 30 years specialist Trade Credit Insurance experience, is a board member of The International Trade and Forfeiting Association (ITFA) and took a lead role in the foundation of The Basel III Think Tank Initiative - a group of 29 banks, insurers, brokers, law firms and industry bodies forming a standardised insurance policy wording for receivables finance.

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