Credit Insurance Covers the Loss. It Does Not Collect the Money.

Credit insurance can protect an exporter or domestic seller against defined covered losses. It does not replace invoice control, collections, dispute resolution or compliance with the policy's limits and reporting requirements.

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In brief

Credit insurance and receivables management solve different problems. Insurance responds only when the insured exposure, covered cause of loss, policy conditions, reporting requirements and claim process align. Receivables management works the invoice before, during and after delay so that avoidable operating failures do not become losses.

Domestic and export credit insurance share a risk-transfer principle, but their covered events, credit-limit rules, waiting periods, notification requirements, recovery duties and claim procedures can differ materially. The individual policy schedule and wording govern.

What export and domestic credit insurance can cover

Export credit insurance may cover specified commercial risks such as insolvency or protracted default and specified political risks such as transfer restrictions or conflict, subject to the policy. Domestic credit insurance can cover specified losses on Indian trade receivables. Cover percentage, buyer limits, exclusions and claims conditions vary by product and insurer.

ECGC literature includes products with differing indemnity percentages and procedures. References to 80%, 90% or a 90-day period are therefore policy illustrations—not universal rules.

The five clocks that decide whether protection works

1. **Shipment or invoice clock:** when the insured transaction arises and whether it falls within the policy period.
2. **Due-date clock:** when contractual payment becomes due.
3. **Overdue-reporting clock:** when the exposure must be reported or placed on an overdue declaration.
4. **Waiting-period clock:** when a covered protracted-default loss may be ascertained under the relevant policy.
5. **Claim-filing clock:** the final date and evidence requirements for submitting the claim.

A sixth operating clock often runs alongside them: limitation and any contractual or legal deadline affecting recovery. GGA maps the applicable clocks from the actual policy, transaction and recovery record rather than assuming one timetable.

The gates between an unpaid invoice and a claim

The buyer or transaction may need to sit within an approved or permitted credit limit. The cause of non-payment must be covered. A genuine commercial dispute can delay or defeat a claim until the payable liability is established. The insured must also comply with reporting, loss-minimisation, recovery and document requirements.

Some ECGC domestic-policy literature illustrates discretionary-limit conditions and a 90-day ascertainment period for protracted default. Those terms should not be applied to an export policy—or even another domestic policy—without checking the operative wording.

Insurance requires continuing recovery action

Policyholders may be required to take reasonable or specified recovery steps, preserve rights and follow insurer instructions. Following claim payment, rights may be assigned or subrogated to the extent provided by the policy and law.

Credit insurance therefore does not replace a collections function. It assumes that credit limits, overdue reporting, documentation and recovery activity are being managed competently.

What insurance normally cannot repair

Missing purchase orders, incomplete proof of delivery, unconfirmed service acceptance, unresolved deductions, pricing differences and seller-owned documentation gaps are operating blockers. Until the payable amount and supporting file are clear, the issue may not be an insured loss at all.

Across selected GGA mandates, material parts of blocked value required action inside the seller. These engagement observations are not an insurance-industry benchmark; they illustrate why assurance, collections and insurance must operate together.

When credit insurance deserves serious consideration

- One buyer failure would create a material balance-sheet or liquidity shock.
- The business is entering a new export market or customer segment without trading history.
- Political or transfer risk is material.
- A lender may recognise the policy within a receivables-finance structure.
- Management wants an external credit-limit discipline alongside internal credit assessment.

Insurance is generally designed for future covered risk. It should not be purchased on the assumption that it will absorb an already-overdue or known-problem book.

Where GGA steps in

GGA can review the export receivables process, map policy and regulatory clocks, test document readiness, identify uninsured or disputed exposures, support recovery activity and organise claim-support evidence. GGA does not sell insurance, receive insurance commission or determine whether an insurer must admit a claim.

Frequently asked questions

Does credit insurance collect unpaid invoices?

No. It may indemnify a defined covered loss, but the policyholder normally remains responsible for credit control, reporting, loss minimisation and recovery activity.

Is every overdue invoice insured?

No. The exposure, buyer limit, cause of loss, absence or resolution of dispute, reporting, documents and claim timing must satisfy the applicable policy.

Are 80%, 90% and 90 days universal ECGC terms?

No. They are examples found in selected product literature. The operative policy and schedule govern each case.

Related GGA services and research

- ECGC and Credit Insurance Advisory
- Credit Insurance and ECGC Claims
- Export Recovery Advisory
- Global Receivables Desk

Methodology, sources and boundary

This article combines GGA operating experience with the statutory or policy materials identified in the text. Engagement observations are aggregated and anonymised and should not be interpreted as an industry recovery probability. Public law, policy terms and procedures can change; the current instrument and case facts govern.

GGA provides receivables management and advisory services. It is not a law firm, tax adviser, insurer or insurance broker. This material is general information and not legal, tax, accounting, insurance, credit or investment advice.