Trade Credit Insurance vs. Bad Debt Protection:

A closer look at your credit protection options

When you're running a business, protecting your cash flow is essential, especially when customer non-payment can put hard-earned revenue at risk. Two solutions often come up: Bad Debt Protection (BDP), usually linked to a funding facility, and a standalone Trade Credit Insurance (TCI) policy. While both can offer peace of mind by helping you manage credit risk, TCI can provide a broader and more proactive layer of protection that helps you trade with confidence and grow securely.

Discover how the two solutions typically differ, and why TCI gives your business a stronger, more strategic advantage:

	Allianz Trade TCI	BDP
Features	**Broader protection:** Covers debtor insolvency, protracted default and political risk (for exports), with built-in collections support. Goes beyond payout by monitoring buyer creditworthiness to help prevent bad debts before they happen.	**Basic protection:** Limited to debtor insolvency and protracted default. No political risk cover, and collections support often excluded.
Cost structure	**Flexible & better value:** SMEs typically benefit from a fixed premium based on net insurable turnover. More services, more support, less cost variability.	**Often higher cost:** Charged as a percentage of gross turnover, making costs rise as turnover grows.
Risk management	**Proactive risk management:** Powered by real-time intelligence on over 289 million companies worldwide. We actively track buyer financial health, sector trends and country risks, providing early warnings, risk advice and credit limit adjustments.	**Reactive risk cover:** Relies mainly on public information. Primarily a risk-transfer tool with limited ongoing monitoring, offering less support in spotting emerging risks.
Coverage & limits	**Stronger, more flexible cover:** Fast/instant decisions on credit limits, with CAP/CAP+ top-up facilities available to boost cover when needed.	**More restrictive:** Tighter concentration rules (e.g., 25% per debtor) can cap funding and limit growth.
Limit changes	**Time to react:** A Delayed Effect notice period gives you a protected window to react before limits are reduced or withdrawn.	**Immediate exposure:** Limits can be reduced or removed without notice, leaving you suddenly at risk.
Reporting & admin	**Minimal admin:** No monthly reporting other than notification of debts that exceed the maximum extension period.	**Heavy admin load:** Can require monthly reporting and reconciliations, adding time and operational overhead.
Additional benefits	**Value-added support:** Includes debt collection services and ongoing credit management guidance to strengthen your cash flow and risk strategy.	**Limited extras:** Typically offers minimal support beyond indemnification.

Cover that supports your business and strengthens your security

Trade credit insurance gives you the flexibility to grow safely that goes far beyond a blanket, one-size-fits-all approach of BDP offered by finance providers. Our policies can be tailored to your trading model, customer base, markets, and risk profile, which may help align cover with your business needs. The result? Stronger, more dependable cover that helps you safeguard cash flow, reduce uncertainty, and trade with greater confidence.

Policies can also incorporate specialist protections such as:

- **Work in Progress / Pre-Credit Cover:** Protecting against losses incurred before the final invoice is even raised, such as for manufacturing or dedicated stock costs.
- **Contracting Cover:** Specialist cover for construction businesses that use applications for payment and have retentions, which are often excluded from standard protection.
- **CAP (Credit Assurance Protection):** Using our credit limit top-up facility, you can obtain new or additional credit coverage on higher risk buyers.
- **Consignment Stock:** Covering goods held by third parties before a sale is made.
- **Selective risks:** Single or selective debtor policy structures are available, with premium based on the specific risks insured rather than whole turnover.
- **Simplicity:** Our Simplicity policy provides a low excess of £200, meaning more debtor balances are insured.

This ability to create a bespoke policy, aligning cover with your specific risk profile, may ensure there are no gaps in your protection.

Insight and protection you can trust

Partnering with Allianz Trade means getting more than just protection – it gives you confidence in every decision. Backed by AA-rated financial strength and trusted by 75,000+ businesses worldwide, we provide cover that goes far beyond indemnity. With access to intelligence on 289 million companies globally, you can gain the insights, control, and support you need to trade boldly and grow safely.

Talk to our experts to learn how Trade Credit Insurance can protect your cash flow and help you grow with confidence: Request a call back.

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