

RONALD A. CHISHOLM LIMITED: PROTECTION FOR WHEN WORLDS COLLIDE

As Ronald A. Chisholm Limited conducted its regular business of shipping meat around the world, a completely unprecedented, high-profile international situation occurred — with the potential to have major financial ramifications. Thankfully, Chisholm had the foresight to secure a political risk credit insurance policy from Euler Hermes — to protect against the unexpected and provide relief when large invoices go unpaid.

THE CHALLENGE

It's not every day that a company finds itself embroiled in a major international dispute. But when Russia unexpectedly enacted an embargo against Canada, the U.S. and several other countries, food merchant Ronald A.

Chisholm Limited suddenly faced a potentially catastrophic blow to the company. At that exact moment in time, the Toronto-based company had eight-figures worth of shipments on the high seas, stranded and unable to be delivered to its customers in Russia.

Chisholm was stunned. The company has served dozens of loyal customers in Russia for decades; no political risk event of this magnitude had ever transpired.

The cost and the logistics of moving the containers to other parts of the world was one major headache.

Chisholm also faced another looming international disaster: a market price reduction of 30 percent as it attempted to reroute the meat destined for Russia to other countries.

Years in Business: 81
Years with Euler Hermes: 4

Region:



Canada

Sector:



Food Industry

Challenge:



Mitigate risk of conducting business in countries with volatile political situations

Policy Benefits:



Enables bank financing for foreign receivables



Provides political risk protection



Resolves large claims efficiently to prevent drain on financial resources



Helps company maintain market presence across the globe

THE SOLUTION

Chisholm has always carried a political risk and credit insurance, primarily for banking purposes so the company can secure loans and lines of credit using receivables as collateral. The company generally doesn't rely on credit insurance to cover clients who don't pay their bills. Instead, Chisholm works diligently to do everything it can to collect on receivables before submitting claims.

"Our assets are our receivables and our inventory; that's how we do our banking," explained Gregg Badger, COO for Chisholm.

"We are a current asset business, so our operating line is all based on receivables and inventory. If we did not have credit insurance, we could not leverage any receivables outside of Canada and the U.S. But with credit insurance, we can borrow against all the receivables we ship to almost every country in the world."

In addition to securing trade credit insurance to secure financing, Chisholm also carries political risk coverage to mitigate the risk to food shipments that go to politically-unstable countries and those involved in disputes with countries from where food shipments originate.

Chisholm transferred its political risk and trade credit insurance coverage to Euler Hermes based on the coverage improvements and the attractive pricing Euler Hermes offered through its trade credit insurance program. After forming the new partnership, the value of the relationship paid off in a major way in the wake the Russian embargo.

"We first thought that any meat already in transit would be allowed to go through, which is usually the case when an embargo occurs," Badger said. "But we and our customers in Russia were not able to get permission from Russian officials to let us carry out the current contracts that were already in process—the border was closed."

Chisholm contacted Euler Hermes immediately and quantified the value of the products. "We were looking at a major loss," Badger said.

To mitigate that loss, Chisholm and Euler Hermes collaborated closely on how much the shipments could be sold for to other countries and the options Chisholm could consider to recover its losses. "We could have waited to see if the price would come back up, but then we would have had financing costs to deal with," Badger explains.

THE OUTCOME

"We worked with Euler Hermes and decided collectively to sell all the meat right away for 30% less than the revenue we expected from our customers in Russia."

Chisholm also worked to reduce the shipping costs for rerouting the meat in order to lower the amount of its final claim to Euler Hermes.

This demonstrates the Euler Hermes drive to do what's best for all involved in any business situation. And in the end, Euler Hermes paid out an eight-figure sum on the claim to lessen the revenue losses suffered by Chisholm.

"Euler Hermes paid the claim to the penny of what we calculated and expected," Badger said. "With insurance coverage like this, we can maintain our strong position with our banks and demonstrate how political risk trade credit insurance truly works. Euler Hermes wants us to succeed and thrive in our industry as much as we do."



"The payment we received from Euler Hermes represents a significant amount of equity that would otherwise have been wiped out. The final payout was about one-third of the total political risk coverage we carry, so we came out well ahead in what turned out to be a worst-case scenario."

– Gregg Badger, COO, Ronald A. Chisholm