

How specialist insurance brokers work

Xenia Director Mark Whiteley explains the deep level of analysis necessary for drawing up bespoke trade credit policies.

When a business onboards a broker to find an insurance policy, you may think they just look for the best deal, like a holiday agent may. But when it comes to complex policies like trade credit, there is a complex process involved. Brokers carry out deep analysis of a company's services, risks and industry trends. Good brokering is a skill and the skill is understanding other businesses.

So what is involved in trade credit insurance brokering?

The close relationship between insurance broker and policy buyer

First, we develop close working relationships with our clients to form detailed knowledge of the way they do business. Without this, our role would be non-viable. We then use this knowledge to approach underwriters, who are able to put together a bespoke insurance product.

This vital role could perhaps be easily overlooked - trade credit insurance policies often need a high-level of analysis to be effective, but it is not an area of insurance that is highly apparent. From the outside our clients just look like successfully operating companies, but there can be a lot of complexity and uncertainties in their sales & supply chain. I've worked in this part of the insurance world since 1991, and before then I can't say I knew trade credit insurance existed.

But while this is a subtle area of insurance, these policies reinforce companies' strength, allowing them to do what they do best, and ensuring they thrive and survive.

Absolutely key to this is the marriage between expertise and collaboration. This is because trade credit insurance is a very fluid product. It's not 'one size fits all', and never will be. Each policy is shaped by our clients and their suppliers and what they do.

Therefore brokers need a lot of training on how a client operates, the business environment in which they inhabit, and how their insurance policy can be flexible to recognise and support that.

Xenia is the largest independent credit insurance broker in the country, with over 80 people that deal with just this part of the business, and all of them are trained to a high level to be able to engage with our clients.

The importance deep trade credit analysis

In order to dovetail with our clients' expertise, it comes down to accumulating an acute understanding of what they do - whether they are selling commodities through Mombassa, selling stationery, or running a complex web of supply lines across the world.

It requires us to get in the granular detail of how they operate, and then make sure their insurance is tailored to recognise that.

Specialist underwriters provide some training, but we also train our own people from scratch for different products.

This process usually takes a couple of months for the first interactions with clients, but Xenia employees with a

portfolio of clients who are client facing will have been undergoing training for at least two years.

Clients then recognise that we are specialists in this field, so they can view us in an advisory capacity.

Once we're appointed we can not only advise them on the insurance industry, but also on what we've seen in other businesses similar to theirs. They can expect us to know who their peers are and what the marketplace is doing. This level of expertise is what they are engaging with when we're appointed.

For people like me, who have broad business interests, it is part of the motivation and professional development process to learn about our clients' business concerns.

The relationship between insurance broker and underwriter

As well as working closely with our clients, the other key relationship we have to maintain is with underwriters. Not unlike diplomats, we facilitate high-level relationships without drawing attention to ourselves. This may mean we work together with the underwriters to write specific policy wordings that recognise specific clients' ways of trading.

This is essential because in many areas the business world is changing as fast as the technology we are all using. The rise of paying for services through apps, or the increased popularity of 'buy now, pay later' options are examples of how things are evolving all the time, and insurance policies need to cater for that.

Of course, unacceptably high risks will not appeal to underwriters - due diligence is essential, but any concerns of this nature often become a positive, as they provide an opportunity for us to give advice to our clients as well.

Unlike motor insurance or employers' liability insurance, our product isn't mandatory, it's completely discretionary for the clients, so there has to be added value perceived by businesses.

Trade credit advice to private equity

We take the same collaborative approach across the business. We work closely with private equity firms to ensure they are made familiar with every insurance aspect of their client companies.

We often take the private equity firms' clients into the underwriter and explain how they are set up, their plans for the business, and give them a complete insight into the day-to-day running of the business. This means they're not relying on accounts filed to at Companies House 12-18 months after the trading period, and that gives the underwriter the confidence to support the credit lines to that business.

So this is beneficial for both the private equity house, and for the business they are investing in. Everybody wins.

A specialist insurance broker is a far cry from what you may assume is involved from searching for a consumer policy like house or car insurance. The process involves detailed statistical analysis, a high level of training, knowledge of global economic climates and the diplomatic skills to communicate between client and underwriter across a broad array of business scenarios.

Contact us

For more information on how our services can benefit your business, please get in touch.

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