

The Carillion effect: trade credit insurers pay out a record £1 million a day to help UK firms stay afloat.

A record £1 million was paid out every day during the second quarter of the year to help firms cope with the non-payment of bad debts according to figures out today from the Association of British Insurers (ABI). This largely reflects claims from many of the firms affected by the collapse of the construction firm Carillion in January.

In the second quarter, trade credit insurers:

- Paid £92 million to help UK domestic firms cope with bad debts. This is the highest quarterly figure since the ABI started collecting this data in 2007. The previous quarterly high for UK debt pay outs was £89 million in Q3, 2009
- Received 3,639 claims, down slightly on the first quarter, but otherwise at their highest quarterly level since Q3, 2009

Mark Shepherd, ABI's Assistant Director, Head of Property, Commercial and Specialist Lines, said:

“Trade credit insurers continue to help thousands of firms navigate some hazardous and unpredictable trading conditions, covering a record £340 billion of trade. The ripple effect of high-profile insolvencies like Carillion can have a devastating impact throughout the supply chain, impacting on thousands of firms, with potentially disastrous effects for some. The commercial environment remains a challenging one for customers, suppliers and insurers.”

“Never has the importance of trade credit insurance been greater – the survival of any business could be at risk without it. Yet with 13,000 policies in force there remains a significant protection gap with too many firms operating at the mercy of non-payment of debts. This gap needs to be closed. Insurance intermediaries have a core role to play in encouraging greater take up of this cover as an essential part of every business's contingency planning”.

The ABI UK Trade Credit Data Report compiles data from nine trade credit insurers: AIG, Atradius, Coface, Euler Hermes, Markel International, QBE, Tokio Marine HCC, XL and Zurich.

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