Purchase of Receivables Policy

Supply Chain Financing

Key Features

- Bank (Or Financial Institution) Is Named The Policyholder
- Financial Institution Can "Pass Back" Co-insurance To The Seller
- Premiums Payable Only On Actual Purchases
- Policies Cover One Or Multiple Buyers
- Non-cancelable Limits Or Pay-as-you-go Policy Options Available
- Up To 90% Coverage

**Great American Insurance Company’s** Purchase of Receivables Policy provides cover to a bank or financial entity against nonpayment of foreign or domestic trade receivables that are purchased from a seller of goods or services. Coverage applies on a single buyer basis or a portfolio of key accounts. Bank can pass back co-insurance to the seller.

**Benefits of Purchase of Receivables Insurance for Banks**

Banks most often use our Purchase of Receivable Insurance policy to insure transactions that might otherwise exceed existing internal country or obligor capacity limitations. A policy can also be used to mitigate nonpayment risks by foreign obligors, which the bank might have limited experience with. This enables a bank to leverage its capacity and avoid referring customers to other banks or miss opportunities to take on new business.

**Benefits to the Seller of Receivables**

Companies sell their receivables for a variety of reasons including access to financing, balance sheet enhancement, and offering longer payment terms to their buyers. The seller enters into a purchase agreement with the financial institution. The seller may act as the collection servicer. Invoicing can be in Canadian dollars or another hard currency endorsed to the policy.

**Example**

The purchase is notified to the buyer by the supplier and the buyer instructed to pay the bank.

In this structure, the seller is normally the client of the bank.