

## Accounts Receivable Insurance

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In an ideal setting, what should happen if your business suffered a loss that included your customer billing records? It would be wonderful if you could depend upon your customers or clients to do the right thing. They should, without exception, voluntarily pay what they owe you. No problem should be caused by the formality of records. However, that expectation may be both unrealistic and impractical. Often customers need billing statements as simple reminders of their obligations for purchases of goods or services. Like all businesses, you will have your share of customers who would take advantage of a lost record situation. These clients would, unfortunately, ignore any obligation to pay unless they are billed.

Billing realities being what they are, it is quite important for a business to take action and protect itself. Specifically, a business should strongly consider buying Accounts Receivable insurance. This policy can be very important, particularly for businesses that are experiencing a sales growth and that actively offer credit arrangements to its customers. Accounts Receivable Insurance features the following:

- coverage for all amounts due from your customers that you cannot collect because of the loss or destruction of your records
- reimbursement for the added collection expenses that result from a loss
- payment of interest charges on any loan to offset such impaired collections
- payment of other expenses related to replacing your accounts receivable records following loss or damage

A business should consider what is at stake. What would one stand to lose if its accounts receivable records no longer existed?

Example: Acme Plumbing and Drywall suffered a fire that destroyed their customer billing records. It was just before the end of the month, Acme's owner had payroll to meet and the small, growing company was just getting ready to bill several, larger new clients. Further, Acme's owner had to hire a collection agency to track down some of his delinquent accounts that learned of and planned to take advantage of his loss and not pay their accounts. The nervous owner decided to take out a loan to handle his payroll and other expenses. Fortunately, his accounts receivable policy reimbursed the owner for these expenses.

The ability to offer credit arrangements is critically important to your business and so is the related flow of income from your customers. A business should make certain that its ability to continue operations isn't threatened by the loss or destruction of records. Coverage should be considered under either a separate accounts receivable policy or through addition of such coverage to other policies. If you're ready to consider this protection, be sure to contact an insurance professional.

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