

# Credit Procedures Questionnaire

## Multi Buyer

Where the Insured has a written credit procedures manual and this is on file with the Company, this questionnaire will serve as a summary and together with the credit procedures manual and any additional information (oral and written) provided, will be incorporated into the Application.

In the event of any discrepancy between the Insured's credit procedures manual (together with any additional information provided) and this questionnaire, the answers given herein shall prevail unless otherwise agreed by the Company in writing.

Where no credit procedures manual exists, this questionnaire, once signed by the Insured and accepted by the Company, together with any additional information (oral and written) provided, will describe the Insured's Credit Management Procedures and shall be incorporated into the Application.

Please use supplementary sheets where required.

### 1. COMPANY DETAILS

Company Name: \_\_\_\_\_

Address: \_\_\_\_\_

### 2. SYSTEMS & PROCEDURES

a) Do you have a credit procedures manual? ☐ Yes ☐ No

b) Is credit control centralised across i. all locations ☐ Yes ☐ No ☐ N/A

ii. all additional named insureds ☐ Yes ☐ No ☐ N/A

If yes, where? \_\_\_\_\_

If no, is there any cooperation or coordination and if not, why not?

\_\_\_\_\_

\_\_\_\_\_

c) Which credit management software package do you use? \_\_\_\_\_

### 3. CREDIT DEPARTMENT

a) How many employees are there in the credit department and in what capacity?

No. \_\_\_\_ Role\_\_\_\_\_ No.\_\_\_\_ Role\_\_\_\_\_

No. \_\_\_\_ Role\_\_\_\_\_ No.\_\_\_\_ Role\_\_\_\_\_

b) Who are the senior members of the credit department?

<u>Name</u>	<u>Position</u>	<u>Qualifications</u>	<u>Years of relevant experience</u>
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

c) Can decisions made in the credit department be overruled? ☐ Yes ☐ No

If so, by whom?\_\_\_\_\_

How often has this happened in the past year?\_\_\_\_\_

d) Who is responsible for the credit control procedures adopted?

\_\_\_\_\_

e) Which main board Director is directly responsible for credit management?

<u>Name</u>	<u>Title</u>
_____	_____

f) Please give details of ongoing training provided to existing employees.

\_\_\_\_\_

\_\_\_\_\_

#### **4. CREDIT LIMIT SETTING & MONITORING PROCEDURES**

a) What are the maximum monetary credit amounts that can be approved and by whom?

<b>Name &amp; Title</b>	<b>Authority level</b>

b) Do credit limits include Federal or State Taxes? ☐ Yes ☐ No

c) Do you set credit limits on:

- i. individual buyers ☐ Yes ☐ No
- ii. a buyer's parent company/intermediate holding company(ies) ☐ Yes ☐ No
- iii. the group (ultimate parent) to which the buyer belongs ☐ Yes ☐ No

If no, please explain why not and how buyer exposures and group aggregations are monitored and controlled.

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d) How are high risks highlighted and how are they monitored?

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f) What information do you obtain to assess your buyers' creditworthiness?

Financial statements ☐ Yes ☐ No

If no, why not?

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If yes, how are these obtained and how often?

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What level of analysis, scoring or similar is carried out on the financial statements?

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If financial statements are not available, how is creditworthiness assessed?

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Credit agency reports ☐ Yes ☐ No

If yes, which agencies do you use?

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How frequently are these updated?

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Are old reports retained?

☐ Yes ☐ No If yes, how is it stored?

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Which rating on the report is used and how?

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Previous trading experience ☐ Yes ☐ No If yes, how is it stored?

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What in your company's view constitutes good trading experience?

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For established accounts is trading experience the principal assessment criteria?

☐ Yes ☐ No

Buyer visits ☐ Yes ☐ No If yes, who makes them and how often?

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Visit reports ☐ Yes ☐ No If yes, who writes them and where are they kept?

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Other sources?

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g) What is the minimum information you require in order to approve a new Credit Limit?

Credit limit amount    Minimum information

_____	_____
_____	_____
_____	_____

h) Do you have any additional procedures for new customers?

\_\_\_\_\_

\_\_\_\_\_

i) What is the minimum information you require in order to approve an increased Credit Limit?

<u>Credit limit amount</u>	<u>Minimum information</u>
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_____	_____
_____	_____
_____	_____

j) How often do you complete a formal review of a Credit Limit?

<u>Credit Limit amount</u>	<u>Frequency</u>	<u>What information is updated</u>
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_____	_____	_____
_____	_____	_____
_____	_____	_____

k) Do you give seasonal/temporary uplifts on Credit Limits? ☐ Yes ☐ No

If yes, how are these correlated with the underlying Credit Limit (e.g. % basis) and to what level?

\_\_\_\_\_

What information do you review at that time? \_\_\_\_\_

Who authorizes seasonal/temporary uplifts? \_\_\_\_\_

What is the standard/average duration of uplifts? \_\_\_\_\_

l) Do you keep a credit file on each buyer? ☐ Yes ☐ No

If yes, how are they stored and where? \_\_\_\_\_

\_\_\_\_\_

m) Do you keep a Credit Limit history? ☐ Yes ☐ No

n) How and where do you record Credit Limits? \_\_\_\_\_

\_\_\_\_\_

- \_\_\_\_\_
- o) Do you trade in excess of your set credit limits? ☐ Yes ☐ No

If yes, what payment terms do you use? \_\_\_\_\_

\_\_\_\_\_

**5. TERMS OF TRADE:**

- a) At what point do you make your buyers aware of your Conditions of Sale (e.g. credit application form, invoice etc.)?

- \_\_\_\_\_
- b) Who is responsible for setting payment terms?

- \_\_\_\_\_
- c) What are your standard terms of payment? \_\_\_\_\_

- d) Outline any specific arrangements and what percentage of turnover is accounted for by non-standard terms:

- \_\_\_\_\_
- \_\_\_\_\_
- e) Who may approve changes to your standard terms of payment?

Name & Title	Authority level

- f) Do you have any long-term contracts? ☐ Yes ☐ No

- g) Do you obtain any security for payment? ☐ Yes ☐ No

If yes, in what circumstances and what types of security?

- \_\_\_\_\_
- \_\_\_\_\_
- h) Do you have any factoring or invoice discounting facilities? ☐ Yes ☐ No

If yes, please give details \_\_\_\_\_

\_\_\_\_\_

**6. EXPOSURE & OVERDUE MONITORING:**

a) Are targets set for measuring and reporting on buyer figures? ☐ Yes ☐ No

If yes, what are they and how often are they monitored?

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b) What reports are produced to monitor exposure levels and overdues?

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c) How often are they reviewed?

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d) Who reviews them and how are action points implemented?

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## **7. COLLECTION PRACTICES**

a) Do you check the status of the account:

i. before orders are accepted? ☐ Yes ☐ No If yes, when?

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ii. new shipments made? ☐ Yes ☐ No If yes, when?

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b) When do you raise invoices relative to when goods are delivered or services are rendered?

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c) When do you send out statements? \_\_\_\_\_

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d) Do you set targets for collections? ☐ Yes ☐ No If yes, please give details

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e) What action do you take to ensure prompt payment? (Please indicate when you contact buyers, before and after due date)

i. By telephone ☐ Yes ☐ No Days before due date \_\_\_\_\_ Days after \_\_\_\_\_

ii. In writing ☐ Yes ☐ No Days before due date \_\_\_\_\_ Days after \_\_\_\_\_

iii. Other ☐ Yes ☐ No Days before due date \_\_\_\_\_ Days after \_\_\_\_\_

f) Who can authorise requests for payment extensions when accounts are overdue and what is their authority level?

<u>Name</u>	<u>Position</u>	<u>Authority level</u>
_____	_____	_____
_____	_____	_____
_____	_____	_____

g) On undisputed debts, how many days after due date do you:

i. Stop shipments? \_\_\_\_\_ Days

ii. Instruct a collection agent? \_\_\_\_\_ Days

iii. Commence legal proceedings? \_\_\_\_\_ Days

h) Do you make exceptions to the “stop shipments” date in i. above? ☐ Yes ☐ No

If yes, please explain in what circumstances \_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_

i) What attitude do you take towards further shipments under a contract where there are payment delays?

\_\_\_\_\_

j) How are disputes and queries identified as such in your system?

\_\_\_\_\_  
\_\_\_\_\_

## **8. ADDITIONAL INFORMATION**

Please give any other information that you consider relevant.

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_



## **9. ATTACHMENTS**

a) Credit Manual	<input type="checkbox"/> Attached	<input type="checkbox"/> N/A
b) Organisational chart of the credit department	<input type="checkbox"/> Attached	<input type="checkbox"/> N/A
c) Copies of credit agency reports used	<input type="checkbox"/> Attached	<input type="checkbox"/> N/A
d) Copies of buyer monitoring reports		
i. Used within the credit department	<input type="checkbox"/> Attached	<input type="checkbox"/> N/A
ii. At management level	<input type="checkbox"/> Attached	<input type="checkbox"/> N/A
iii. At higher board levels (if joint insured)	<input type="checkbox"/> Attached	<input type="checkbox"/> N/A
d) Examples of financial statement analyses	<input type="checkbox"/> Attached	<input type="checkbox"/> N/A
e) Examples of trading experience reports held on file	<input type="checkbox"/> Attached	<input type="checkbox"/> N/A
f) Details of buyers on non-standard terms (contra or set-off trading, forward dating of invoices, payment plans, retention monies, or other) including which buyers and countries and the value of sales.	<input type="checkbox"/> Attached	<input type="checkbox"/> N/A
g) Consignment stock questionnaire	<input type="checkbox"/> Attached	<input type="checkbox"/> N/A
h) Details of any long-term contracts	<input type="checkbox"/> Attached	<input type="checkbox"/> N/A
i) Details of any factoring or invoice discounting facilities	<input type="checkbox"/> Attached	<input type="checkbox"/> N/A

## **10. FRAUD STATEMENTS**

### **FRAUD WARNING STATEMENTS (ALL STATES)**

**NOTICE TO ARKANSAS APPLICANTS:** Any person who knowingly presents a false or fraudulent claim for payment of a loss or benefit or knowingly presents false information in an application for insurance is guilty of a crime and may be subject to fines and confinement in prison.

**NOTICE TO COLORADO APPLICANTS:** It is unlawful to knowingly provide false, incomplete, or misleading facts or information to an insurance company for the purpose of defrauding or attempting to defraud the company. Penalties may include imprisonment, fines, denial of insurance, and civil damages. Any insurance company or agent of an insurance company who knowingly provides false, incomplete, or misleading facts or information to a policyholder or claimant for the purpose of defrauding or attempting to defraud the policyholder or claimant with regard to a settlement or award payable from insurance proceeds shall be reported to the Colorado Division of Insurance within the Department of Regulatory Agencies.

**NOTICE TO DISTRICT OF COLUMBIA APPLICANTS:** WARNING: It is a crime to provide false or misleading information to an insurer for the purpose of defrauding the insurer or any other person. Penalties include imprisonment and/or fines. In addition, an insurer may deny insurance benefits if false information materially related to a claim was provided by the applicant.

**NOTICE TO FLORIDA APPLICANTS:** Any person who knowingly and with intent to injure, defraud or deceive any insurer files a statement of claim or an application containing any false, incomplete or misleading information is guilty of a felony of the third degree.

**NOTICE TO KENTUCKY APPLICANTS:** Any person who knowingly and with intent to defraud any insurance company or other person files an application for insurance containing any

materially false information or conceals, for the purpose of misleading, information concerning any fact material thereto commits a fraudulent insurance act, which is a crime.

**NOTICE TO LOUISIANA APPLICANTS:** Any person who knowingly presents a false or fraudulent claim for payment of a loss or benefit or knowingly presents false information in an application for insurance is guilty of a crime and may be subject to fines and confinement in prison.

**NOTICE TO MAINE APPLICANTS:** It is a crime to knowingly provide false, incomplete or misleading information to an insurance company for the purpose of defrauding the company.

Penalties may include imprisonment, fines or a denial of insurance benefits.

**NOTICE TO MARYLAND APPLICANTS:** Any person who knowingly and wilfully presents a false or fraudulent claim for payment of a loss or benefit or who knowingly and wilfully presents false information in an application for insurance is guilty of a crime and may be subject to fines and confinement in prison.

**NOTICE TO NEW JERSEY APPLICANTS:** Any person who includes any false or misleading information on an application for an insurance policy is subject to criminal and civil penalties.

**NOTICE TO NEW MEXICO APPLICANTS:** Any person who knowingly presents a false or fraudulent claim for payment of a loss or benefit or knowingly presents false information in an application for insurance is guilty of a crime and may be subject to civil fines and criminal penalties.

**NOTICE TO NEW YORK APPLICANTS:** Any person who knowingly and with intent to defraud any insurance company or other person files an application for insurance or statement of claim containing any materially false information, or conceals for the purpose of misleading, information concerning any fact material thereto, commits a fraudulent insurance act, which is a crime, and shall also be subject to a civil penalty not to exceed five thousand dollars and the stated value of the claim for each such violation.

**NOTICE TO OHIO APPLICANTS:** Any person who, with intent to defraud or knowing that he is facilitating a fraud against an insurer, submits an application or files a claim containing a false or deceptive statement is guilty of insurance fraud.

**NOTICE TO OKLAHOMA APPLICANTS:** WARNING: Any person who knowingly, and with intent to injure, defraud or deceive any insurer, makes any claim for the proceeds of an insurance policy containing any false, incomplete or misleading information is guilty of a felony.

**NOTICE TO OREGON APPLICANTS:** Any person who knowingly and with intent to defraud any insurance company or another person, files an application for insurance or statement of claim containing any materially false information, or conceals information for the purpose of misleading, commits a fraudulent insurance act, which may be a crime and may subject such person to criminal and civil penalties.

**NOTICE TO PENNSYLVANIA APPLICANTS:** Any person who knowingly and with intent to defraud any insurance company or other person files an application for insurance or statement of claim containing any materially false information or conceals for the purpose of misleading, information concerning any fact material thereto commits a fraudulent insurance act, which is a crime and subjects such person to criminal and civil penalties.

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**NOTICE TO WASHINGTON APPLICANTS:** It is a crime to knowingly provide false, incomplete, or misleading information to an insurance company for the purposes of defrauding the company. Penalties include imprisonment, fines, and denial of insurance benefits.

**NOTICE TO WEST VIRGINIA APPLICANTS:** Any person who knowingly presents a false or fraudulent claim for payment of a loss or benefit or knowingly presents false information in an application for insurance is guilty of a crime and may be subject to fines and confinement in prison.

**NOTICE TO ALL OTHER APPLICANTS:**

**ANY PERSON WHO KNOWINGLY AND WITH INTENT TO DEFRAUD ANY INSURANCE COMPANY OR ANOTHER PERSON, FILES AN APPLICATION FOR INSURANCE OR STATEMENT OF CLAIM CONTAINING ANY MATERIALLY FALSE INFORMATION, OR CONCEALS INFORMATION FOR THE PURPOSE OF MISLEADING, COMMITS A FRAUDULENT INSURANCE ACT, WHICH IS A CRIME AND MAY SUBJECT SUCH PERSON TO CRIMINAL AND CIVIL PENALTIES.**

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**FRAUD WARNING STATEMENTS (WARRANTY STATES ONLY – AR, CA, CO, CT, DC, IA, IL, IN, LA, MA, MD, MI, MN, MO, MS, ND, NE, NJ, NM, NY, OH, OK, RI, SC, TN, TX, UT, VT, WA and WI)**

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## **11. DECLARATION**

I declare that the information given above is, to the best of my knowledge and belief, true and complete and that I am not aware of any circumstances that I have not disclosed to you which might influence your assessment of the risk.

I agree that, if you issue the Policy to us, this Credit Procedures Questionnaire, any credit procedures manual and any additional information (oral and written) we have provided to you, shall be incorporated into the Application and in consequence form the basis of the Policy.

Name of signatory: \_\_\_\_\_

Position in company: \_\_\_\_\_

Tel. No.: \_\_\_\_\_ Fax No.: \_\_\_\_\_ E-mail: \_\_\_\_\_

Signature: \_\_\_\_\_ Date: \_\_\_\_\_

For and on behalf of: \_\_\_\_\_