

GOVERNMENT TCI SCHEME – FREQUENTLY ASKED QUESTIONS

SEPTEMBER 2020

WHAT ARE THE OBJECTIVES OF THE SCHEME?

The objective of the scheme is to support UK business and aid economic recovery following the impact of Covid19 by enabling insurers to continue to provide cover to their clients during these unprecedented and challenging times.

It is the first scheme of its kind in the UK and is the result of close cooperation between the HM Government, the Association of British Insurers (ABI) and trade credit insurers.

HOW LONG WILL IT BE IN FORCE?

This government support will in principle cover receivables incepted from 1st April until 31st December 2020.

WHAT IS COVERED BY THE SCHEME?

This scheme covers UK domiciled policyholders (including subsidiaries of global companies) who pay UK IPT (Insurance Premium Tax), but including IPT exempt export sales.

It does not cover, for example, associates in other countries or invoice discounting clients whose sellers do not satisfy these criteria.

It covers policies in force during the scheme period:

- **All** new business incepted after 1st April 2020
- **All** existing business before 1st April 2020

WHAT SECTORS ARE COVERED?

All Sectors

MY LIMITS

HOW WILL UNDERWRITERS ASSESS MY LIMIT REQUESTS DURING THE SCHEME PERIOD?

We continue to assess credit risk based on the macro economic outlook (including the potential impact of the Brexit trade negotiations outcome), specific sector considerations, and the buyer's current financial status.

CAN I STILL APPLY FOR NEW LIMITS?

Yes, we will assess your limit requests as before.

IS THERE A REDUCTION IN INDEMNITY?

We do not foresee this.

WILL I BE REQUESTED TO SURRENDER UNUTILISED LIMITS?

It is important that if you are not fully utilising a limit, you adjust your need accordingly. The exposure can potentially be utilised elsewhere – meaning we can positively impact and support you in dealing with your suppliers.

WILL ALL COVER PRE ‘COVID-19’ BE RESURRECTED?

Our priority will be to maintain cover and we will consider reinstatement of cover with supporting information from the client/buyer.

WILL LIMITS BE REINSTATED TO THEIR PREVIOUS LEVEL?

This will be dependent on the future need of the client and the current financial condition of the buyer. Many sectors will see subdued demand and we would expect limit requests to reflect this.

WILL COVER BE APPLIED TO BUYERS WITH OUTSTANDINGS AS A DIRECT RESULT OF COVID-19?

Coface will review on a case-by-case basis to understand how current outstanding debt is to be paid. We will work with our clients to determine the best solution.

MY CLAIMS

UK INSOLVENCY LAW IS CHANGING

The UK Insolvency Laws is making an adaption called ‘Moratorium’. The aim of the Act is to limit the number of companies entering into insolvency as a result of the current global situation. The introduced moratorium intends to give companies breathing room to review options of restructuring.

UNDER THE NEW MORATORIUM ACT – SHOULD I CONTINUE TO SUPPLY?

The Act prevents suppliers from ceasing supply. However, there is a range of conditions attached to the continuation of these supplies. The crucial part, no arrears outstanding and Coface will consider, on a case-by-case basis, the position in this scenario (e.g. a waiver of the allocation of funds received on uninsured trading against the oldest debt).

If failure of the moratorium causes financial distress to you, then you can request the courts to terminate your commitment.

Coface recommends that you review your sales contracts & seek independent legal advice to ensure that you fully understand your obligations.

The moratorium is a director led process with an insolvency practitioner acting in the role of “monitor” overseeing the company’s affairs as it continues to trade for 20 days. Policyholders are expected to notify just as they would any other adverse event.

Coface treats the Moratorium as an adverse reportable event, not as an insolvency event.

MY CLAIMS

HOW MUCH INFORMATION WILL BE SHARED WITH THE GOVERNMENT?

Whilst the Government will need basic information such as : Name of the Policy and Debtor, no personal information will be disclosed.