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## MEDIA RELEASE

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### **Leading insurer undermines key manufacturing industry without notice**

Two National Associations in the construction supply chain, Frame & Truss Manufacturers Association of Australia and Timber & Building Materials Association of Australia, today expressed shock and dismay at the decision by major insurer, QBE, to cancel trade credit insurance policies held by Australian Fabricators and Timber Merchants.

Trade credit insurance is a vital commercial tool to enable industry to operate with confidence that third party insolvency or poor payment profiles don't unduly impact on critical and sensitive cashflows. Further, having a trade credit insurance policy in place is often a prerequisite for winning work on large construction projects.

"It's astounding to learn that, while governments and large businesses around Australia are bending over backwards to ensure that the economy keeps moving and Australian businesses stay afloat and keep their employees in jobs, that one of our largest insurers is sneaking around undermining the ability of FTMA's members to stay commercially viable," FTMA, CEO Kersten Gentle said.

"For many of our members this will mean cancelled bank finance for critical plant investments, projects which will have to be suspended and inability to continue trading. Trade credit insurance isn't just a nice-to-have protection, it's an essential business tool that is required by many of the third parties that our members do business with.

"This decision by QBE feels a bit like a situation where an insurer is tracking the progress of a bushfire through a community to see which houses are likely to burn and then contacting the home owners and cancelling the house and contents insurance when the fire is on their doorstep – it is simply unfathomable," she said.

Managing Director of Austbrokers Trade Credit, Jacqueline Rota, said she was completely taken by surprise at the announcement.

"QBE had provided notice that it was considering limits and looking at exposed industries where cover wouldn't be required in the context of the COVID-19 fallout, such as airlines and the hospitality sector. However, this decision is targeted at completely unrelated and unaffected industries, without any notice whatsoever."

Ms Rota said she had spent the weekend contacting clients to advise of QBE's confusing decision.

"This call has been made on many buyers that have an impeccable credit history and are running long term, very viable businesses. I've been doing this for twenty years and I don't understand or agree with this decision," she said.

Commenting on QBE's decision, TABMA Chief Executive, David Little, said this decision will affect the entire supply chain for Building and Construction in Australia given almost all credit insurance in the building and construction industry supply chain is underwritten by QBE.

"This decision will quite simply slam the breaks on this very essential industry at a time our Government is offering unprecedented support to ensure its continuation. This decision by QBE is clearly a preemptive move, following no consultation with industry, discussions with brokers or even the policy holders." He added, "This is a very bad decision by QBE with enormous repercussions across the economy," he said.

Ms Gentle and Mr Little appealed on behalf of FTMA and TABMA members for QBE to reconsider its rash and damaging decision and to reverse it with immediate effect.

"Removal of the frame and truss industry from the credit insurance basket is going to cause significant disruption to our members, and who knows how many other sectors. This is a time when Australians need to be working together to build economic certainty and maintain commercial activity – this decision by QBE appears to be completely at odds with the actions of the rest of the economy and has come with no notice and no explanation.

We call on QBE to immediately reverse this decision and focus on helping our members stay viable during these difficult times and urge the Federal Government to intervene in this business destroying decision."

### **What is trade credit insurance and why is it important?**

Trade credit protects businesses from bad debt by insuring the company's accounts receivables and protecting against agreed disruptions, including customer bankruptcy, default, political risks, or other reasons agreed with your insurer. Because it is such a powerful tool in keeping business cash flow protected, trade credit insurance is often a prerequisite to obtaining equipment finance, assessing and making decisions about who to trade with, and securing work on major projects. Both banks and procurers look favourably on businesses with trade credit insurance in place and will often specify it as a requirement for doing business.

### **Contacts**

<b>Kersten Gentle</b>	FTMA Australia Executive Officer	0418 226 242
<b>David Little</b>	TABMA Chief Executive Officer	0447 813 786
<b>Jacqueline Rota</b>	Austbrokers Trade Credit Managing Director	0423 683 230