

CLINE  WOOD

CUSTOMIZED
INSURANCE
PROTECTION

Reducing Payment Risks For Livestock Markets

Cline Wood University
July 15th, 2014



Auction Insurance Agency

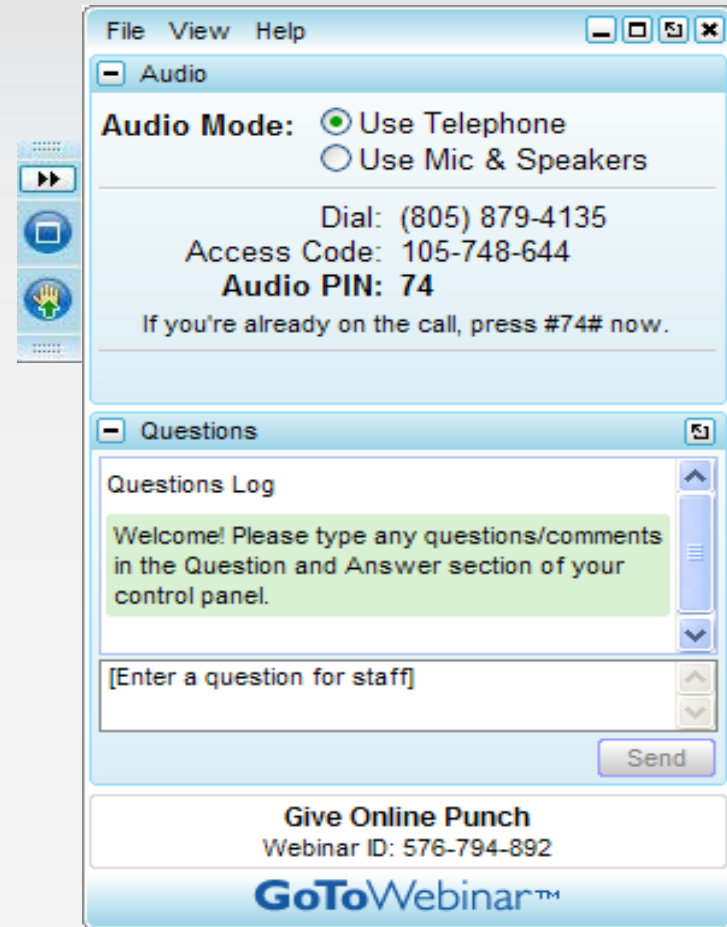
About the Technology

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- Over 30 years experience insuring auction markets
- Dedicated and experienced staff to handle all your auction market insurance needs
- Our number one goal is to consistently exceed your expectation



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 - Returned checks
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- **Livestock Markets**
 - **Currently providing coverage on more than \$550M in transactions at livestock markets**



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- **Online selling increasing**



What if you do have a problem?

- How would it affect your business if one of your largest buyers suddenly had payment problems?
- Who would handle the collection of the debt?
- How would you keep your accounts balanced to keep the business running?
- How much would you have to spend on attorney's fees?
- How long would it take to recover payment from a bond or bankruptcy proceeding?



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- **80% Coverage**
 - **All losses and recoveries split 80/20 with the auction**



Benefits of Payment Insurance

- **Protection from catastrophic losses**
 - Large auctions can't keep track of the financial situation of all their buyers
 - Smaller auctions can't float a large loss



Loss Scenario

- One of your long time buyers is basically running a one man show as a cattle dealer. He has employees but he is the main buyer and the one running the operation.
- He has a \$100K bond
- He purchases \$150,000 in cattle at your weekly sale as he normally does.
- He has also purchased \$150K each at 3 other auctions that week
- He lives out of state and while driving back home he is killed in a car wreck
- Cattle has been shipped but you have not received payment yet



Auction 1

- Auction #1 has no payment insurance
- Attempts to communicate with dealers employees and family for several weeks
- Hires an attorney to pursue estate
 - Pays \$10,000 in attorney's fees
- Files on bond
- \$160,000 - \$25,000 (prorated share of bond) = \$135,000 Final loss

Auction 2

- Auction #2 has payment insurance
- Notifies us of dealers death and submits claim
- Covered claim is paid within 1-2 business days and check is sent to the auction for \$120,000 (80%)
- Our attorneys pursue estate and we file on the bond
- \$150,000 - \$120,000 insurance payment = \$30,000 loss to the auction
- \$30,000 - \$5,000 (Auction portion of bond recovery) = \$25,000 Final loss



Benefits of Payment Insurance

- Protection from catastrophic losses
- **Provide dependability of cash flow**
 - **Payment insurance provides peace of mind that even if a loss does occur your auction will remain in good financial health.**
 - **Even small losses can cause disruption to your cash flow**



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 - **It helps to have a 3rd party involved in collections. Maintain good relationships with your buyers by allowing us to be the bad guys that are hounding them for payment**



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- **Save on attorney fees**



Payment Risk Summary

- Are you doing enough to protect your business?
- Your market protects your sellers from payment risk but what protection do you have?
- Auction markets are a key point in the livestock business so shouldn't you be provided with more protection than you currently have?
- Everyone is a risk
 - Your best buyer is always the one that burns you the worst
- Payment problems in the auction business are a fact. It is not if you will have a loss it is when will you have one and how bad will it be.
- Act now
 - Waiting until you suffer a large loss will put your business at risk and decrease the benefits of payment insurance
- Contact Cline Wood today for more information or to complete an application for specific pricing



For More Information



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