

Protecting large supplier deposits using trade credit insurance



Guest editorial
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For work truck industry manufacturers, securing materials and components often requires more than issuing a purchase order. Suppliers may require substantial deposits — sometimes months before a product is delivered — to reserve production capacity, purchase raw materials, or begin work on specialized components.

That deposit can represent a significant amount of working capital for a manufacturer. It also creates a financial exposure that may not be covered by traditional property or casualty insurance. For example,

what happens to the deposit if the supplier becomes insolvent before delivering the goods? Trade credit insurance may provide an important risk-management solution.

The supplier deposit problem

Work truck manufacturers operate in a highly interconnected supply chain. A manufacturer of truck bodies, equipment or vehicle systems may depend on a relatively small number of specialized suppliers for steel, aluminum, hydraulic components, electrical systems, fabricated parts, castings, electronics, or other critical components.

The risk becomes more pronounced when a supplier requires a large upfront payment. Consider a manufacturer that places a \$500,000 order for specialized components and is required to pay 40% upfront. The manufacturer has immediately put \$200,000 of capital at risk before receiving the product.

If the supplier subsequently fails financially, the manufacturer could face several problems: the loss of the deposit, the cost of finding another supplier, production delays, and potentially lost revenue from customers waiting for completed work trucks. That's more than a purchasing problem — it's a credit risk embedded in the supply chain.

What trade credit insurance can do

Trade credit insurance is traditionally associated with protecting a seller against the risk that its customers will not pay their accounts receivable. However, specialized trade credit solutions can also address certain risks associated with advance payments to suppliers.

The underlying concept is straightforward — the financial strength of the trading partner matters. If a manufacturer has significant funds committed to a supplier before delivery, the manufacturer's exposure is partly dependent on that supplier remaining financially viable.

Depending on the policy structure and underwriting, coverage may respond to a supplier's insolvency or other defined failure to perform following an advance payment. The precise terms are critical.

Why this matters to the work truck industry

A standard commodity may become replaceable relatively quickly. A specialized component manufactured to a particular engineering specification may not be.

If a supplier fails after receiving a substantial deposit, finding a replacement supplier may require redesign, retooling, new engineering approvals, or another lengthy production cycle. In some cases, the manufacturer may have customer commitments that cannot simply be postponed.

Consequently, the potential loss is not necessarily limited to the deposit itself. The financial impact can extend to expedited freight, alternative sourcing, engineering costs, production interruption, and customer relationships.

Start with supplier concentration

Manufacturers should consider identifying suppliers where a financial failure would create the greatest potential disruption. Three key questions can help determine which supplier relationships warrant additional credit-risk analysis.

- How much money is currently committed? Look beyond accounts payable. Include deposits, progress payments, and prepaid purchases.
- How difficult would the supplier be to replace? A supplier with several qualified competitors presents a different risk than a highly specialized supplier with unique tooling or technology.
- How long would replacement take? The longer the replacement cycle, the greater the potential business interruption exposure.

Insurance should complement — not replace — supplier due diligence

Trade credit insurance should be viewed as one component of a broader supplier-risk strategy. Manufacturers should continue to evaluate supplier financial statements, payment history, ownership structure, capacity, geographic concentration, and operational resilience. Contract terms should also clearly address ownership of tooling, deposits, work in process, and materials purchased with advance payments.

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Tire and tire pressure changes

Although not as common today as before, upfitters may need to change tires and/or pressures as part of a particular build application. There are many implications surrounding tire and pressure changes, and vehicle safety literally begins (as the old adage states) "where the rubber meets the road."

Before considering tire changes, or even changes to the pressures specified by the chassis OEM or tire manufacturer, ensuring that the tire/rim combination and associated pressures fall within those offered by the chassis OEM for that specific model and model year are important initial steps, including review of applicable incomplete vehicle documents and body builder information.

Tires themselves must be certified by the manufacturer as equipment under applicable standards, based on their application, and OEMs will specify accordingly for their respective vehicle platforms. These include Federal and Canadian Motor Vehicle Safety Standards (F/CMVSS) 119: New Pneumatic Tires for Motor Vehicles with a GVWR of more than 4,536 Kilograms (10,000 Pounds), Specialty Tires, and Tires for Motorcycles; F/CMVSS 129: New Non-Pneumatic Tires for Passenger Cars; and F/CMVSS 139: New Pneumatic Radial Tires for Light Vehicles.

In addition to simply supporting the gross axle and vehicle weight ratings, the tire and pressure specifications can influence vehicle performance under a number of F/CMVSS, including but not limited to F/CMVSS 105: Hydraulic and Electric Brake Systems; F/CMVSS 121: Air Brake Systems; F/CMVSS 126: Electronic Stability Control (ESC) Systems for Light Vehicles; F/CMVSS 135: Light Vehicle Brake Systems; F/CMVSS 136: Electronic Stability Control (ESC) Systems for Heavy Vehicles; and F/CMVSS 138: Tire Pressure Monitoring Systems (TPMS).

Additionally, tire and/or pressure changes can affect vehicle design height and stance, and in turn, affect headlight aim and calibration of ESC systems, TPMS, and advanced driver assistance systems (ADAS). These factors can also influence the outcome of dynamic tests with the vehicle's engagement to a fixed or moving barrier.

As such, changes to tires and/or pressures as part of the upfitting process should be validated with the chassis OEM. Depending on the gross vehicle weight rating (GVWR), the operative standard for the suitable tire and rim information for which the vehicle will need to be certified, including that of the certification label, are F/CMVSS 110 for vehicles with a GVWR of 10,000 pounds or less, or F/CMVSS 120 for all heavier vehicles.

Key information

- For vehicles certified in the final or altered stage, the certification label will need to include the new tire information and associated pressure values under the suitable tire and rim information portion of the label.
- Additionally, for vehicles with a GVWR of 10,000 pounds or less, a vehicle placard containing the new tire and associated pressure values is required.
- For altered vehicles with a GVWR of 10,000 pounds or less, the existing placard must be covered or replaced with a placard containing the new information (Figure 1). It's important to note that the placard is required in addition to the long form of the altered stage label (Figure 2).

Visit ntea.com/fmvssguide for more information on standards applicable to trucks, buses, trailers, and/or multipurpose vehicles.

TIRE AND LOADING INFORMATION			
SEATING CAPACITY		TOTAL 2	FRONT 2 REAR 0
The combined weight of occupants and cargo should never exceed 952 Kg or 2100 Lbs.			
TIRE	SIZE	COLD TIRE PRESSURE	
FRONT	LT 245/75R16E	552 KPA/80PSI	
REAR	LT 245/75R16E	552 KPA/80PSI	
SPARE	LT 245/75R16E	552 KPA/80PSI	

Figure 1: Tire and loading information label (vehicle placard)

THIS VEHICLE WAS ALTERED BY:
XYZ TRUCK EQUIPMENT
FARMINGTON HILLS, MI

IN: MO 09 YR 2026
AND AS ALTERED IT CONFORMS TO
ALL APPLICABLE U.S.A. FEDERAL
MOTOR VEHICLE SAFETY, BUMPER
AND THEFT PREVENTION STANDARDS
AFFECTED BY THE ALTERATION AND
EFFECT IN:

MO 09 YR 2026
COMPLETE BELOW IF GVWR, GAWR OR
VEHICLE TYPE IS CHANGED OR ALTERED

GVWR:
4,114 KG (9,070 LB)

GAWR-FRONT:
1,873 KG (4,130 LB)

GAWR-INTERMEDIATE (1):
KG (LB)

GAWR-INTERMEDIATE (2):
KG (LB)

GAWR-REAR:
2,502 KG (5,515 LB)

VEHICLE TYPE:
TRUCK

SUITABLE TIRE-RIM CHOICE

FRONT: LT 245/75R16E TRES. 360 KPA
16X8.5J RIMS @ 80 PSI COLD SINGLE
INTERMEDIATE (1): TRES. KPA
RIMS @ PSI COLD
INTERMEDIATE (2): TRES. KPA
RIMS @ PSI COLD
REAR: LT 245/75R16E TRES. 360 KPA
16X8.5J RIMS @ 80 PSI COLD SINGLE

Figure 2: Long form of the altered stage label

Protecting large supplier deposits using trade credit insurance

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An insurance broker experienced in trade credit can then evaluate whether insurance is available for a particular exposure and whether the policy's definitions, exclusions, limits, waiting periods, and reporting requirements fit the manufacturer's circumstances.

Strategic use of working capital

For manufacturers competing in a demanding commercial vehicle

market, working capital is a valuable resource. Large supplier deposits can tie up that capital while simultaneously creating an often-overlooked counterparty exposure.

Trade credit insurance may offer a way to manage that exposure and provide greater confidence when manufacturers must place substantial deposits with strategically important suppliers.

The key is to identify the risk before the money leaves the

building. Once a supplier is in financial distress, insurance may be difficult or impossible to obtain.

For work truck manufacturers, understanding the credit risk within the supply chain can be just as important as understanding the

credit risk of customers. Protecting receivables is familiar territory. Protecting substantial amounts of capital committed to suppliers deserves a place in the same conversation.

JD Fulwiler & Co. Insurance developed the Work Truck Total Protect program to provide the industry with underwriting, risk assessment, and loss prevention services. Learn more at ntea.com/partnerships.