
BONDS

A bond is a tripartite instrument issued by a third party, usually used to provide a guarantee to one company against another company defaulting on their contractual obligations.



Principal

This is the party who have been requested to provide the bond. For example, in a construction project, the Principal is usually the Contractor who is required to provide a bond to guarantee the completion of their work.



Bondsman

This is either the bank, building society or surety who provide the bond. At Reich, we work with a number of A rated Surety providers who can provide the security, both individually or combined.



Beneficiary

Often referred to as the Obligee, this is the party requiring the bond. For example, in construction project, the Beneficiary could be the developer, local council or highways agency.

Bonds provide financial protection for the Beneficiary against loss incurred as a result of the Principal failing to discharge damages for breach of contract. Ultimately, the bond is in place for the protection of the Beneficiary, not the Principal.

SURETY v INSURANCE

Whilst there may be an ultimate insurer who provides the surety bond, it is key to understand that a surety bond is not a contract of insurance. The first point to consider is that an insurance policy is a two-party contract between 'the Insured' and 'the Insurer.'

Subject to the terms, conditions and warranties within a policy schedule, a standard insurance policy assumes a guaranteed promise that the insured will be compensated by the insurer following an event that has resulted in a loss of or damage caused by an insured peril.

Whereas, a Surety Bond guarantees the Beneficiary protection in the event the Principal fails to meet their obligations. However, the Bond is issued on recourse terms, so if the Surety has to pay the Beneficiary, they are entitled to seek reimbursement from the Principal.

SURETY BONDS v BANK BONDS

Obtaining a bond through your bank can have an impact on your business, as bank bonds form part of your overall facility with your bank and will often require both fixed and floating charges. Banks will also often charge arrangement fees up front in addition to the cost of the bond.

A surety bond will not affect working capital or bank borrowing facilities and only the performance risk lies with the surety. Furthermore, the security provided by a surety insurer has enabled many enterprises to set up separate lines of credit and bonds with surety or insurance companies.

In doing so, they protect their lines of credit with banks, which might otherwise be blocked at such time when this working capital was needed. In the long run, surety bonds usually end up being more cost effective and they allow applicants more flexibility with their assets.

BONDS AVAILABLE AT REICH

Surety bonds can be utilised across a wide variety of trade sectors and international markets. Our bonds can provide capital efficient solutions and assist with working capital management and we can assist with almost any bond, some of which include:

- ▶ Performance bonds
- ▶ Bid bonds
- ▶ Road & sewer (highway bonds)
- ▶ Retention bonds
- ▶ Advance payment guarantees
- ▶ Duty deferment bonds
- ▶ Supplier payment guarantees
- ▶ Deposit bonds
- ▶ Deferred payment guarantees

UNDERWRITING CRITERIA

In order to obtain a quotation, we require the following information:

- ▶ Fully completed application form (available upon request)
- ▶ Work in progress report (where applicable)
- ▶ A minimum asset value relative to the required bond amount (if this is not available, we will require either cross company guarantee, a personal guarantee, a cash deposit or a combination of these options as security)
- ▶ Two year audited financial accounts showing a trading history (latest management accounts where the above is not available)
- ▶ Copy of the required bond wording where available.

HOW WE ADD VALUE



Simplified process

We only require one simple form for numerous quotes. Obtaining a number of quotes usually requires several forms to be completed.



Competitive rates

We have access to all of the UK's surety providers and always aim to obtain the most cost effective terms.



Expert advice

We are specialists in this field and we always provide expert advice, which is tailored around your specific requirements.



Rate improvement

We fully understand the underwriting structures and over time, we can work with you to improve the rates you receive.



Bespoke solutions

Whilst we can obtain most standard bonds, we can work with you to source unique, specialist bonds.



Unrivalled customer service

As a business, we pride ourselves on our customer service and we aim to meet all of your expectations.

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