

## BONDS FREQUENTLY ASKED QUESTIONS

### CAN YOU PROVIDE A BOND TO ANYONE?

The bond is an irrevocable guarantee by the Surety so they will undertake credit and other checks before agreeing to provide a bond.

### WHAT DOES IT COST?

The price depends on the bond wording, the period until release, and the principals credit rating and/or financial strength.

### CAN THE BOND BE EASILY CANCELLED?

Not easily as it is an irrevocable guarantee with a prescribed release date set in the wording, so the beneficiary would have to agree to release the Bond.

### WHAT IS A CORPORATE COUNTER INDEMNITY?

It is legal agreement that entitles the Surety who is proving the bond to obtain reimbursement from the Principal should the bond be called by the Beneficiary.

### WHAT HAPPENS IF THE BOND IS CALLED?

As a bonded principal, you must take every action possible to avoid claims. Claim activity may happen in the process of conducting business, whether valid or invalid, but it is ultimately the responsibility of the principal to make sure the disputes are resolved prior to the surety paying out on a claim. Should a claim be made on your Bond, the Surety Company will investigate the matter to determine its legitimacy and may make a claim under the counter guarantee. In most cases, the Principal will be contacted to supply an explanation of the dispute or situation.

### WHO CAN MAKE A CLAIM ON MY BOND?

The beneficiary but only according to the terms within the bond wording, usually due to insolvency.

### HOW LONG IS MY BOND IN FORCE?

Generally speaking, Construction Bonds are issued for a particular contract period, plus a maintenance period if required by the Beneficiary. HMRC and other bonds tend not to have a fixed expiry date but they are reviewed on an annual basis.

### WHAT PAPERWORK DO WE NEED TO PROVIDE?

1. To get a rough indication (NBI) we need: Draft Bond Wording, Latest Annual Accounts & completed application form.
2. To get a formal offer we need:
  - As above, plus Year To Date Management Accounts
  - Completed bank form
  - Current work in progress plus order book
  - Satisfactory Corporate Counter Indemnities in place usually including Group companies
  - Other relevant information or questions that the Surety may require