White Paper Surety Bonds

Better than a bank guarantee!

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Guarantees and Letters of Credit are important financial products for smooth economic traffic between companies. Not only for construction, manufacturing but also for trade businesses this type of guarantees cannot be missed in doing business.

Surety Bonds Issued by Insurers

Different from the practice in the US, in Europe guarantees are usually issued by banks. Up till recently there where not many other parties willing and able to issue guarantees that are comparable with Bank Guarantees in Europe. This has changed. In the last couple of years more and more insurance companies start issuing Surety Bond facilities.

No burden for credit lines

An organization’s Bank Guarantees and Letters of Credit can be a burden on credit lines reducing working capital. Surety bonds are an effective and competitive alternative, helping to free up credit lines. This helps companies to create more financial flexibility and often enables them to grow their business quicker.

International Network is better

Similar to Bank Guarantees Surety Bonds have the power to start projects and keep them moving. Companies can use them all over the world. Sometimes a local presence is needed. More even than banks, Insurance companies work globally and often can offer the local presence needed. It is not uncommon in some countries that in some cases only guarantees issued by Insurance Companies are accepted.

Instant Access

It is important that organisations have instant access to surety bonds worldwide. Insurers can provide a one-stop-shop that makes it easier for organizations to provide and manage the Surety Bonds they need. Insurers prefer to provide a facility above single bonds. In case of specific larger requirements, single bonds are possible.

Competitive Pricing

Depending on the strength of the balance sheet, profit & loss, solvency etc. of the requesting company, a single insurer may provide facilities of up to € 50 million. Syndicates with banks and other insurers are possible but not preferable due to the legal costs. Normally insurers join the information supply provided to the existing lenders, so there is no extra work for the client. Insurers that provide bonds/ guarantees are in general AA rated which means in most cases they are better rated than banks. That together with the differences in European regulation (Basel vs Solvency) and despite the lack of collateral, insurers can normally provide guaranties against a competitive price.

Managing portfolios

Insurers help clients to manage and monitor their global surety portfolio by regularly tracking and updating their customers about each surety bond. Organisations can also easily find answers to their queries and requests through just one point of contact or via a local country contact, if they prefer.

The steps towards Surety Bonds

In light of the above, every company that uses guarantees should consider Surety Bonds. Taking out these Bonds instead of Bank Guarantees can free up credit lines, you have access to an international network, issuing insurers are most of the time better rated and the bonds are competitively priced. That is why more and more companies decide to choose the Surety Bond option.

When you consider Surety Bonds, B2Bsure can help you. We have access to the issuing parties and can help you to set up the arrangement with them. The first step is to contact us.

• **www.b2bsure.nl**