



# BONDED GLOBAL

## SURETY BONDS FOR SMALL TO MEDIUM BUSINESS

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### *WHAT IS A SURETY BOND?*

A Surety Bond or Surety is a promise by a Surety (usually an insurance company) to pay one party (the Principal/Beneficiary) a certain amount if a second party (the Contractor) fails to meet their obligation - such as fulfilling the terms of a contract.

Businesses are often required to provide a performance bond that gives stakeholders a guarantee of financial compensation in case the business cannot complete the project as specified.

Increasingly, such Performance Bonds are a prerequisite for contracts being awarded in a wide range of fields.

Being able to provide a Performance Bond opens doors for businesses, making it far more attractive for decision makers to award contracts to them.

### *WHY CHOOSE A SURETY BOND OVER A BANK GUARANTEE?*

The key advantage of utilising a Surety Bond over a bank guarantee is that it frees up your cash / security assets that are usually pledged to the bank (and frozen) when a bank guarantee is issued. A Surety Bond on the other hand usually only requires a Deed of Indemnity to be executed, 'freeing' up the resources tied up in a conventional bank guarantee— and can be utilised in a more effective and efficient manner to grow the business instead.



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## *TYPES OF SURETY BONDS BONDED GLOBAL OFFERS*

### CONTRACT PERFORMANCE BOND

Secures the contractors' performance obligations to the sum specified in the contract.

### DEFECT LIABILITY (MAINTENANCE) BOND

Provided to secure post completion obligations during the warranty or defect liability period. This is generally for a 12 month period post practical completion.

### RETENTION BOND

At completion of a project, you may want your retained funds returned to you. Offering a Retention Bond thus provides security to the Principal in exchange for the release of the cash retention held.

### ADVANCE PAYMENT—OFFSITE MATERIAL BOND

Serves to secure the position of the contractor where funds are advanced for the purpose of purchasing equipment, staff mobilisation or site establishment etc. The amount of the Bond issued may be up to 10% of the contract value.



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## *KEY UNDERWRITING CRITERIA*

### *For the Client*

- ◇ A well established business with a track record of completed projects (usually seen within a Capability Statement presentation).
- ◇ No payment defaults, court actions or similar. If they exist it does not rule out a Bond being issued however Bonded Global will require full details of any action as part of the assessment.
- ◇ Profitable operations.
- ◇ A positive tangible net worth that would be around 3 times of the Bond value required.
- ◇ Statutory payables (income tax, GST etc.) up to date.
- ◇ Positive trade data (BGA will source this through a Credit Reporting company.)
- ◇ Directors and Shareholders that are willing to sign a Deed of Indemnity.

### *For the Beneficiary*

- ◇ A well established business that is listed, files accounts at ASIC/NZCO or willing to supply financials for Bonded Global to assess. This is to ensure the Beneficiary is financially secure to not need to call a Bond for their own cash flow purposes.
- ◇ The Beneficiary is willing to use Surety in lieu of a Bank Guarantee.
- ◇ The Bond requirement covers a period no longer than 36 months (including both the performance and maintenance periods).



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## *WHY CHOOSE US?*

- ★ Bonded Global is a specialist Surety underwriter and an arranger of Surety Bonds to both the Australian and New Zealand market
- ★ A wide range of contractors are provided for such as those engaged in construction, civil and infrastructure, manufacturing, supply, installation, maintenance and services
- ★ Bonds can be for specific contracts

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For further information please contact Bonded Global

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