

## Has your business lodged a bank guarantee with a third party?

- As you already know, bank guarantees ties up working capital. In this increasingly tight credit environment, ready access to working capital is important.
- The bank guarantee may have been or is required for Residential & Commercial Real Estate purchases; Development Applications; Commercial Lease agreements (both Lease Bonds, tenant side & Rental Guarantee Bonds, landlord side); Contractors & Performance contracts, mostly involved in construction/development; Maintenance Bonds, mostly post construction/development; plus other sorts of bonds, including, in the not too distant future, Carbon Bonds.
- Insurance Bonds can replace bank guarantees and free up working capital and deleverage the balance sheet.
- As Insurance Bonds are issued on a 'recourse' basis against the Applicant, in the event the Insurance Bond is called by the beneficiary, assessment for an Insurance Bond is predicated on the financial status of the Applicant.
- The application process isn't dissimilar to applying for a bank loan re required financial documents etc.
- The best approach is to complete an Enquiry Form and your insurance account executive can quickly determine the likelihood of your application being successful.
- Whilst more readily accepted by third parties during agreement or contract negotiations, some third parties will accept mid term exchange of a held bank guarantee with an Insurance Bond.
- The cost of an Insurance Bond is similar to the costs of a bank guarantee, with the upside of freed up working capital.

## What to do?

Talk to your account executive. They can obtain an initial indicative quote and discuss options.