

Atradius Bonding

Frequently asked questions

What is a bond?

Bonds are issued by insurance companies to guarantee the fulfillment of contractual or legal obligations.

An Atradius bond protects the recipient of the performance (the beneficiary) in case the primarily obliged party (the principal) fails to meet its obligations. In such a situation, we pay compensation to the beneficiary under the terms of the bond.

What is the difference between bonding and credit insurance?

Our customer (the principal) requests an Atradius bond to reassure the beneficiary that obligations will be fulfilled as agreed. And, if unable to do so, compensation will be paid. The insurance relationship is three-party; between the principal, the beneficiary and ourselves. Bonds usually cover a single project or contract.

Atradius credit insurance protects policyholders from the risk of non-payment by their customers (their buyers). Our credit insurance customers typically seek protection for many transactions with multiple buyers. However the insurance relationship is two-party; between our customer and ourselves.

A further major difference between bonding and credit insurance concerns the recovery of debt. In bonding, the bond issuer (insurance company) has the right to recover money –once paid to the beneficiary- from its customer. Within credit insurance, the recovery actions are put in place against the defaulting buyers.

Why do I need a bond?

Bonds can be a legal or contractual requirement in many business sectors, especially in the construction industry where we provide different types of bonds to meet the different needs and stages of projects. These stages may include: participation, award, funding, performance and maintenance. Our range of contract bonds includes: bid, advanced payment, performance, maintenance, combination, and others.

How does a bond protect the beneficiary?

A bond protects the beneficiary against the default or insolvency of the principal up to the insured amount of the bond. For example, we pay the beneficiary when a contractor fails to complete the project according to the terms and conditions of the contract. In an alternative scenario, we may pay the tax authority or the government body due to failure - by a corporate tax payer - to comply with taxes or custom obligations. As with all bonds, each payout is made according to the terms of the bonding contract.

What information do I need to provide when applying for a bond?

The information to be provided depends on the type of request. However, as a guide, we generally ask for:

1. Financial statements (at least the last three financial years)
2. Stakeholders' information
3. Business strategy (plan) for next few years
4. Information on the underlying obligation (e.g. project contract, law requirement)

How is my application assessed?

When assessing your application, we look at:

- Your underlying obligation
- Your organization's various information, including financials, detailed credit history and management experience of your leadership team
- Your capability of fulfilling your obligations towards the beneficiary
- The history of your operations

After the evaluation has been done, we will send you an offer, which sets out all terms and conditions required in connection with the underlying risk.



How quickly can a bond be issued?

Time varies and depends on the amount, complexity and nature of the case. Nevertheless, in most cases, we can issue a bond within 24 hours.

What is the duration of a bond?

Bond duration varies depending on the type of bond.

When can a bond be terminated?

A bond is terminated when it reaches its specific expiration date or when the beneficiary provides a "release letter". This is a declaration that the underlying obligations have been fulfilled and no longer need to be insured.

How much will my bond cost?

We evaluate each case individually as the premium varies according to the type and duration of the bond, the customer's financial information and the market practice.

What is a claim?

A claim is a formal request (also called a "call in payment"), made by the beneficiary to the Bonding company. Claims are made when the principal fails to meet its contractual or legal obligations.

What happens if a claim is filed against my bond?

We assess the claim for its validity and, if approved, we pay compensation to the beneficiary. If we consider the request baseless or partially grounded (such as the unfair calling of a bond), we can take legal action to protect both your business and ourselves.

Is collateral required?

Collateral might be needed in some countries and cases. Collateral is usually requested in order to strengthen the credit worthiness of a prospect/customer and enable a positive final evaluation of a bond request.

Can Atradius issue financial guarantees?

No, we are not allowed to issue financial guarantees. In fact as financial guarantees are issued to cover financial obligations and are granted by a bank or financial institution, these are products that fall outside the scope of insurance.

What is the appetite for Atradius bonds on the market?

Our bonds are widely accepted by governments as well as large publicly traded companies and private enterprises.

Where can I request an Atradius bond?

Atradius Bonding is active and can issue bonds directly in 11 European countries: Belgium, Denmark, France, Finland, Germany, Italy, the Netherlands, Norway, Luxembourg, Spain and Sweden. Bonding requests related to other countries are evaluated on a case by case basis. Our Bonding teams assess these according to relevant local legislation on insurance licensing as well as other factors, such as the nature of the underlying obligations, terms and conditions, etc.

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