Quick guide to Bond insurance

This quick guide explains what a Bond insurance policy is, how it works, its benefits, its key features and how to apply for the policy from the UK Export Finance.

What is a bond insurance policy?

A Bond insurance policy is for UK exporters, where a UK bank issues a bond on their behalf to an overseas buyer, or a counter-guarantee to a bank in the buyer's country, as a condition of an export contract.

The policy protects the exporter against loss caused by:

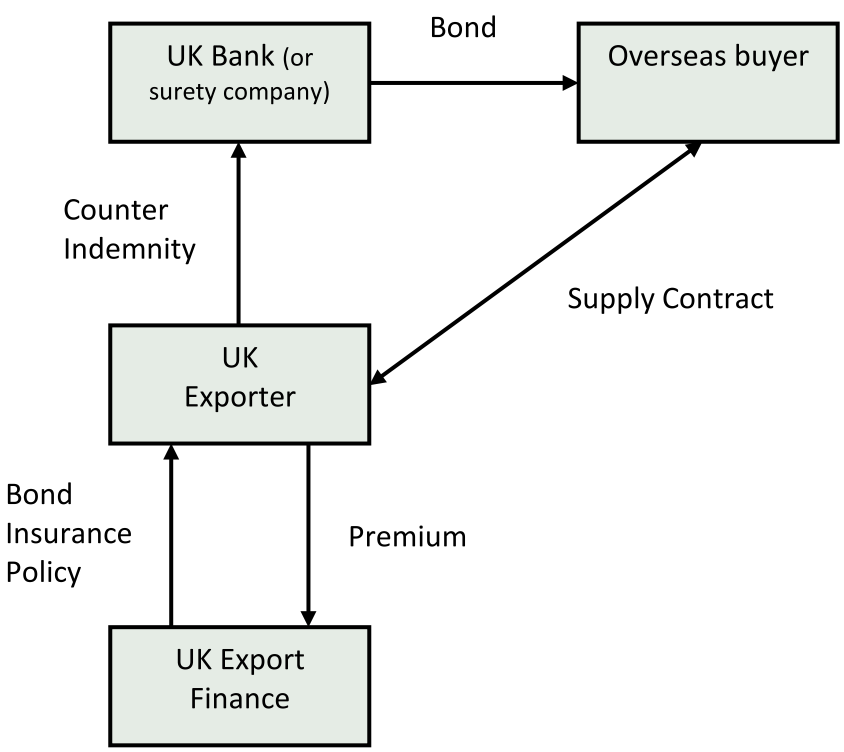
- the unfair calling of the bond (or any related counter-guarantee); and
- the fair calling of the bond (and any related counter-guarantee) due to certain political events.

Types of bond which can be covered

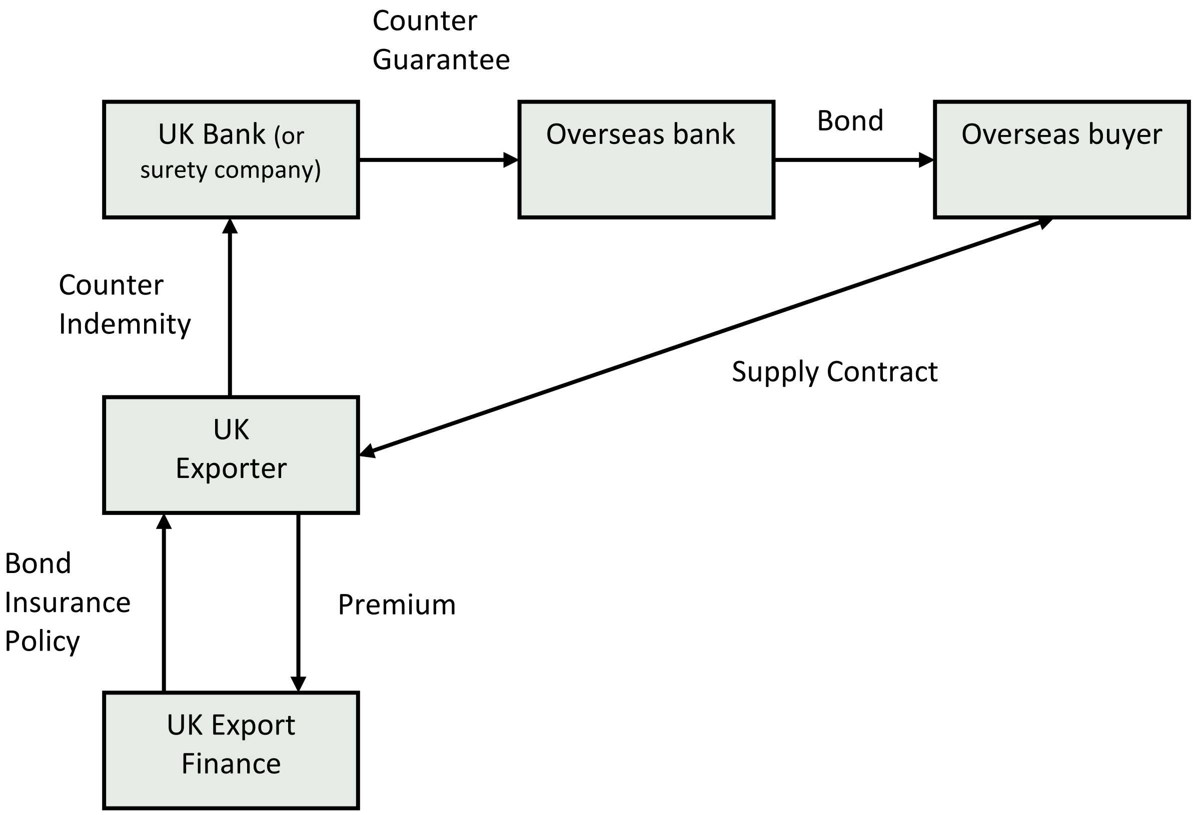
We can consider cover for all types of bonds for export contracts, except tender or bid bonds. The main types of bonds that we are asked to cover are advance payment bonds and performance bonds. We can also consider providing cover for reducing bonds, which are bonds under which the amount payable reduces over time or as goods or services are delivered.

How does it work?

Bond given by a UK bank to the overseas buyer



Bond given by the local bank to the overseas buyer



What are the benefits of a bond insurance policy?

The benefits are:

- the exporter is given up to 100 per cent cover;
- the exporter is protected against loss suffered because of unfair calls by the buyer on the bond or by the local bank on the counter-guarantee;
- the exporter is protected against fair calls caused by certain political events.

Risks covered

The exporter is protected against the risks of:

- unfair calls made on the bond by the buyer or on any related counter-guarantee by the local bank; and
- fair calls under the bond or any related counter-guarantee, which are caused by certain political events such as government actions (including the cancellation or non renewal of export licences), war, hostilities, civil disturbances and similar events outside the UK.

Eligibility

The exporter, the buyer and the bond must meet the following criteria:

- the exporter must be carrying on business in the UK;
- the buyer must be in a country outside the UK;
- the bond must not be a tender or bid bond or a bond given for contract payments that are aid funded by the UK Government.

Cost

There is no fee for the application. The premium payable for our cover is determined on a case by case basis.

How to apply

Contact our customer service team to find out what help we can provide with your export contract. Call +44 (0)20 7271 8010 or email customer.service@ukef.gsi.gov.uk

Disclaimer

The information available in this brochure is not intended to be a comprehensive description of our products and procedures, and many details which are relevant to particular circumstances may have been omitted. Exporters should read the policy to satisfy themselves that it meets their needs.

When considering applications, our underwriters will look at each case on its merits.

The brochure was last updated in March 2015.