



BOND INSURANCE



The Performance Bond Insurance Scheme enables the ECIC to work with banks and other financial institutions to increase capacity of the South African market to issue bond facilities for export contracts. There are different types of performance guarantees/bonds and ECIC may cover the following bonds: bid bonds; performance bonds; advanced payment bonds; retention bonds and reclamation bonds.

RISK PARTICIPATION AGREEMENT

This option involves insuring the bank for a portfolio of bonds issued on behalf of various contractors/ exporters.

RISK COVERED:

Calling of the bond by the foreign buyer due to failure by the SA exporter to fulfil contractual obligations due to:

- financial constraints (e.g. insolvency of the contractor); and/or
- poor /non-performance as per contract specifications.

ELIGIBILITY CRITERIA:

- Transactions to be included in the bond portfolio must relate to an export contract between a South African registered company and a foreign buyer
- Technical and financial capacity of the South African contractor must satisfy ECIC's underwriting criteria
- Export destination of transactions in the portfolio will be limited to countries where ECIC is open for cover
- Transactions to be insured can be in ZAR or USD.

LEVEL OF COVER:

- ECIC cover not to exceed 50% of the risk on each bond transaction under the Risk Participation Agreement
- The maximum tenor of each Risk Participation Agreement is 5 years on a revolving basis
- Tenor of each bond transaction is limited to an agreed maximum period, consistent with the underlying export contract

FACULTATIVE APPROACH

This option is relevant where cover is provided to the bank for a specific transaction (i.e. where the bond insurance is provided in conjunction with export credit cover or on a stand-alone basis).

RISK COVERED:

Calling of the bond by the foreign buyer due to failure by the SA exporter to fulfil contractual obligations due to:

- financial constraints (e.g. insolvency of the contractor); and/or
- poor /non-performance as per contract specifications.

ELIGIBILITY CRITERIA:

- South African (SA) registered company
- There must be an export contract between the SA company and the foreign buyer
- Technical and financial capacity of the South African contractor must satisfy ECIC's underwriting criteria
- Export destination of a transaction should be a country where ECIC is open for cover
- Transactions to be insured can be in ZAR or USD.

LEVEL OF COVER:

- The maximum indemnity for loss is 90% of the bond value.

MAXIMUM BOND VALUE:

- Maximum bond value is typically 10% of the South African contract value. An exposure beyond 10% of the contract price can be approved on a case-by-case basis depending on the merits of the project.

TENOR:

- The term of the bond is typically linked to the term of the underlying export contract and may extend further in the case of the retention bond and the reclamation bond.

SA CONTENT:

- If the application for bond insurance is accompanied by an application for export credit cover, the normal ECIC SA content requirement will apply.

YOUR EXPORT RISK PARTNER

Tel: +27 12 471 3800 | **Email:** info@ecic.co.za | **Web:** www.ecic.co.za

ECIC is a registered Financial Service Provider, regulated by the FSCA and Prudential Authority (FSP No: 30656). Currently exempted in terms of FAIS Notice 78 of 2019