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FOR TRADE

Coface
Bonding

SURETY BONDS BY COFACE, A NEW PRODUCT DEDICATED TO COMPANIES INVOLVED IN PUBLIC PROCUREMENT CONTRACTS

The development of companies depends on their financial stability and the trust they send in the market in relation to suppliers, business partners or state authorities. In this context, commercial activity may be subject to risks during commercial or financial transactions, and guarantee instruments play a key role. Protection against risks of breach of contract as well as reducing financial losses incurred by this have become an essential condition for certain economic sectors, such as the public procurement in the European Union.

As a provider of integrated risk management services, Coface supports you with guarantee instruments that help you to take part in as many public tenders as possible in safe conditions.

Backed by extensive experience as a top credit insurer, Coface specialists offer you the necessary support, through complex and customized solutions, to benefit from contracts that help develop your business.

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WHY CHOOSE COFACE FOR SURETY BONDS?

Any company that intends to conclude contracts with the state is obliged to constitute the bid bond and performance bond

The surety bonds offered by Coface represent a viable alternative to the letter of credit or the bank deposit

THE ADVANTAGES OF COFACE SURETY BONDS

- the process of obtaining the surety bonds is much faster and without any additional cost, except for the payment of the insurance premium (no cost of analysis of the issuance request is charged);
- facilitate access to public procurement contracts for SMEs that are in the period of development and consolidation of financial results and that cannot always obtain credit facilities for issuing letters of credit from the banks;
- protect the working capital and liquidity of companies as a result of the release of the amounts withheld from invoices by the beneficiaries;
- do not involve blocking sums of money or other types of assets in the company's patrimony such as (movable, immovable and/or financial guarantees established in favor of credit institutions);
- do not affect the degree of indebtedness or other financial indicators analyzed by banks if you need working capital financing;
- the exposures of the insurance companies are not seen in the balance sheet of the company that requested the issuance of the bonds;
- improve the balance sheet structure and the efficient use of the company's resources for carrying out the operational activity;
- involve lower total costs for the insured.

Who can be the Insured?

Companies registered in Romania or in other states of the European Union or associations of companies registered in Romania or in other states of the European Union.

Who are the Beneficiaries?

Contracting authorities, as defined by Law 98 on public procurement
Contracting entities, as defined by Law 99 on sectoral procurement

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1. BID BONDS

It is an instrument relating to the presentation of the tender, which aims to protect the contracting authority (Beneficiary) against the *risk of misconduct by the tenderer (Insured)* throughout his involvement in the award procedure.

Which are the insured risks?

The beneficiary of the insurance will have the right to be compensated when the Insured, having the quality of tenderer in a public/sectoral procurement procedure:

a. **withdraws its offer** during its validity period;
b. his tender being declared winner, **does not constitute the performance bond** within the term provided by law;
c. **refuses to sign the public procurement contract/framework agreement** during the period of validity of the tender

If the public/sectoral procurement procedure involves the conclusion of a framework agreement, the risk mentioned in point b) **will not be insured**, according to the public/ sectoral procurement legislation

Conditions for concluding Bid Bonds
The insured value may be a maximum of 1% of the estimated value of the procurement contract or in the case of the framework agreement of the estimated value of the largest subsequent contract
The validity period is equal to the minimum validity period of the tender, as requested by the award documentation
Bid bond must be irrevocable
The bid bond must state that the indemnification will be made unconditionally, respectively at the first request of the beneficiary, on the basis of his statement regarding the fault of the guaranteed person

Subrogation to recover from the Insured the indemnification paid to the Beneficiary

In case of the occurance of the insured risk and payment of indemnification to the Beneficiary of the bond insurance for participation in tenders, Coface subrogates to the rights of the Beneficiary and takes over the right of claim over the Insured. The Insured has the obligation to return to Coface the compensation paid to the Beneficiary according to the terms established in the insurance contract.

2. PERFORMANCE BONDS

The performance bond is constituted by the contractor (Insured) in order to ensure the contracting authority/entity (Beneficiary) the quantitative, qualitative fulfillment and within the agreed period of the sectoral contract/subsequent contract.

Which are the insured risks?

Actual, direct losses caused to the Beneficiary during the period of validity of the insurance policy and the public/sectoral procurement contract, resulting from those situations in which the Insured, through his sole fault, does not perform his contractual obligations towards Beneficiary upon signing the public/sectoral procurement contract.

Conditions for concluding Performance Bonds

The public/sectoral procurement contract contains the information regarding the establishment of the performance bond

Conditions	Performance Bonds	
	suppliers & services provider	construction companies
The insured value may be a maximum of 10% of the VAT free value of the sectoral public procurement contract or in the case of the framework agreement of the estimated value of the largest subsequent contract (excluding the value for miscellaneous and unforeseen)	✓	✓
The validity period is usually established until the date of drawing up the minutes of receipt of the products/services that are the subject of the public/sectoral procurement contract or the subsequent contract and/or from the payment of the final invoice	✓	✗
Performance bond must be irrevocable	✓	✓
The performance bond must state that the indemnification will be made unconditionally, respectively at the first request of the beneficiary, on the basis of his statement regarding the fault of the guaranteed person	✓	✓
The period of validity covers both the period of execution of the works and the defects notification period	✗	✓

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