

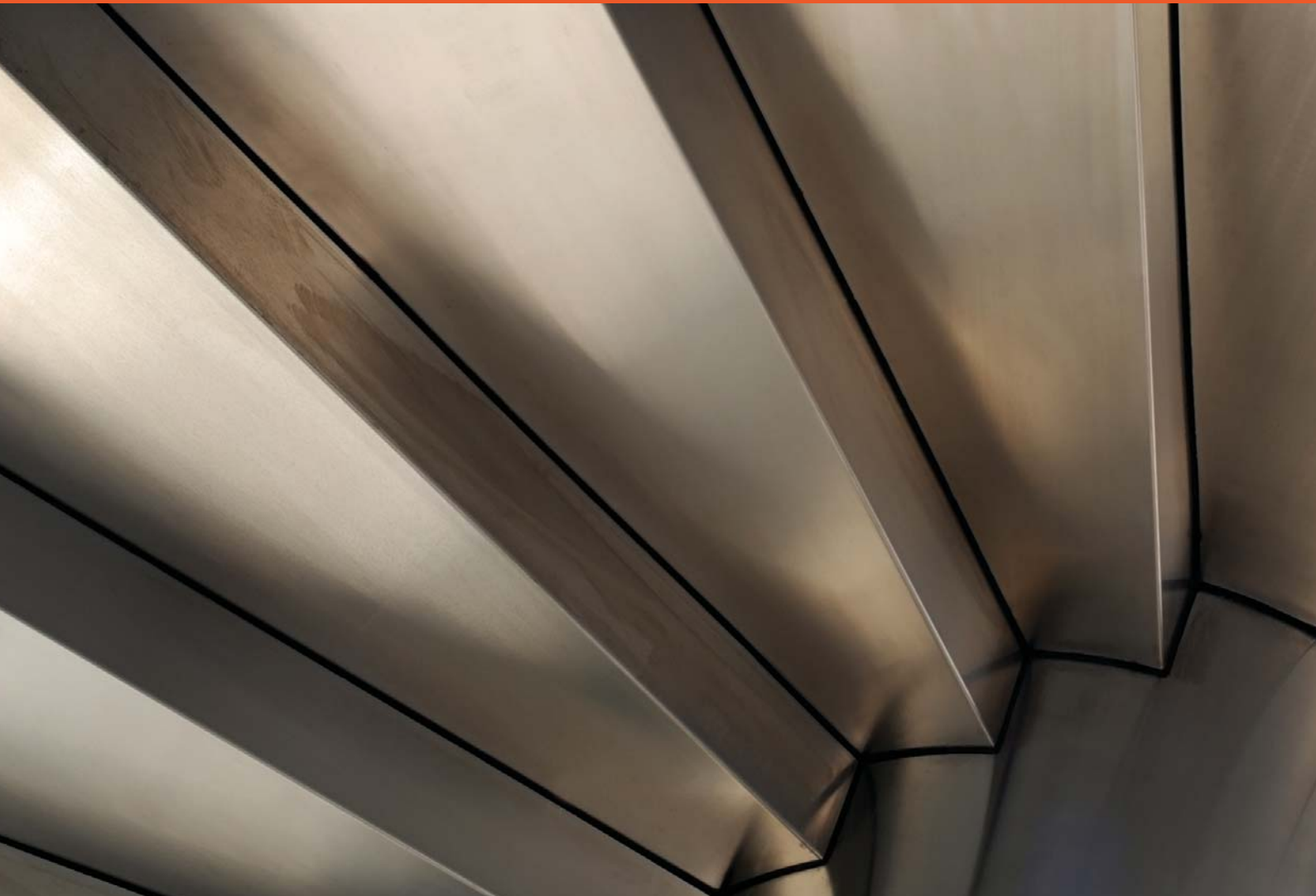
PERFORMANCE BOND ENHANCEMENT

A new approach to working capital management

Distinctive. Choice.



FINANCIAL RISKS



“

We have long been concerned that on demand bonds commit borrowing facilities, limiting a company's ability to win new contracts. An insurance policy that removes this limitation is warmly welcomed ”

Richard Hill, Chairman, British Exporters Association

Bond constraints

A regular frustration for exporters and contractors is the requirement to provide Performance or Advance Payment Bonds, which pay a fixed amount on demand to the employer in the event of non-performance, quality or delivery issues etc.

The specialist banks that issue these bonds require collateral to be pledged equivalent to the guaranteed value. This is normally achieved by treating the collateral as part of the exporter or contractor's normal credit facilities or through the opening of a standby letter of credit.

JLT is aware that this can place adverse pressure on a company's working capital and too often results in profitable contracts being declined. We have been working with leading insurers to develop a new product that removes this issue and provides substantial advantages for the exporters and contractors and their banks.

Benefits for bond issuer

- Increased ability to support customers
- Investment grade protection irrespective of customer's strength

Benefits for contractors

- Increased project participation
- Frees working capital and credit - improved ROCE
- Bond cost efficiency

A new solution

JLT is one of the world's leading credit and political risk insurance brokers. We have used our financial knowledge and insurance market influence to develop a new specialist insurance contract that will indemnify the banks issuing bonds against the risk of their customers failing to honour payment obligations under the counter indemnity following a call of a bond.

This specialist insurance policy is underwritten in the London insurance market and has been designed in cooperation with The British Exporters Association.

The policy will:

- Protect the bond issuer in the event that counter-indemnities are not honoured due to customer insolvency irrespective of whether the bond has been called fairly or unfairly.
- Provide cover for up to three years and up to 95% indemnity

- Allow the cover to be structured pro-rata to the levels of collateral/insurance relative to the overall facility, or in excess of the collateral pledged by the customer.

BASEL II COMPLIANCE

Why is Basel II Compliance important?

The Performance Bond Enhancement product has been developed with the aim of Basel II compliance. The result is a policy wording that is more precise and less conditional than a traditional credit insurance policy.

We are also able to obtain the agreement of insurers that all underwriting information provided prior to the inception of coverage constitutes a full disclosure. This provides additional confidence and removes the potential for disputes over the submission of material information.

JLT Specialty Limited

6 Crutched Friars
London EC3N 2PH

Tel +44 (0)20 7528 4000

Fax +44 (0)20 7528 4500

www.jltgroup.com

Lloyd's Broker. Authorised and Regulated by the Financial Services Authority. A member of the Jardine Lloyd Thompson Group. Registered Office: 6 Crutched Friars, London EC3N 2PH. Registered in England No. 01536540. VAT No. 244 2321 96

© January 2011 262913

contact us

Nick Ollerenshaw

Nick_Ollerenshaw@jltgroup.com

+ 44 (0) 207 558 3896