Surety Bonds and Guarantees

How Chubb can improve a company’s financial flexibility.

What does Chubb offer?

Chubb has long provided conventional surety bonds in the construction and engineering sectors, permitting companies to comply with their contractual obligation to provide third party assurance that a contract will be completed satisfactorily.

Increasingly Chubb are providing bespoke solutions for clients in virtually any sector and in a variety of scenarios where often a company would previously have arranged a bank guarantee or letter of credit. Surety Bonds are often interchangeable with bank guarantees and letters of credit, so wherever there is a bank guarantee in place, we are likely to be able to replace this with a surety bond.

The primary advantage of using Chubb is that bank lines are kept free for funding purposes, improving a company’s financial flexibility.

Surety Guarantees/Bonds can replace or be used in lieu of:

- Letters of Credit in favour of fronting insurance carriers of compulsory insurance programmes (e.g. Public Liability/Motor)
- Bank Guarantees supporting pension deficits and other pension related obligations
- Letters of Credit / Bank Guarantees supporting Decommissioning, Restoration, or Closure and Abandonment obligations
- Bank guarantees provided to HMRC (Duty Deferment, Comprehensive Custom Guarantees, Tax Appeal), or other government agencies such as EA and EPA.

Example/Product

Pension Bond

- Provides an alternative source of security, reducing the level of contributions
- Strengthens the employer covenant to support a recovery plan or revised investment strategy (retain cash to invest in the business with the peace of mind of a highly rated guarantor supporting the scheme)
- Can potentially contribute to a lower PPF levy
Why choose Chubb?

Technical expertise and experience with the flexibility to structure unique solutions.

AA rated by S&P - Exceptional financial strength, managing risk conservatively in both underwriting and investing.

Substantial capacity provided of up to hundreds of millions of pounds.

Reduce risk concentration of acceptable guarantee/credit providers by diversifying range of providers (banks to insurers).

Worldwide capability to arrange the provision of bonds.

Extensive background in successfully placing bonds for large corporates.

Competitive rates combined with superior service.

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What is a surety bond or guarantee?

A surety bond (accessory to the contract) or guarantee (autonomous) is a written obligation taken by a guarantor (a bank or insurer) covering the beneficiary against the default of the bonded or guaranteed company. It secures the fulfilment of contractual, commercial or legal obligations.

A surety bond or guarantee is distinctive from a traditional insurance contract in that the guarantor holds recourse rights against the bonded or guaranteed company and can recover the disbursed funds under the instrument from the bonded or guaranteed company.

How can I obtain a surety bond or guarantee?

In order to get surety bonds or guarantees from Chubb, a credit analysis of the bonded or guaranteed company is made based on information such as the latest consolidated financial reports; business plan and forecasts; terms and conditions of the credit lines in place.