Requirements for obtaining a Guarantee Facility with PCBS

About PCBS

Performance and Customs Bond Services (Pty) Ltd (PCBS) is an Underwriting Management Agency, writing business on behalf of Guardrisk Insurance Company Limited and Guardrisk International Limited PCC.

Guardrisk pioneered the cell captive concept in 1993 and is today the world’s largest specialist cell captive insurance group of its kind (in US dollar terms). Guardrisk Insurance has an “AA” domestic claims paying ability rating from Global Credit Rating Co and is South Africa’s highest rated cell captive short-term insurer. Guardrisk Life holds an “AA-”financial strength rating (also from Global Credit Rating Co) and is this country’s only independently rated cell captive life insurer.

What PCBS offers through their selected specialist Brokers

Bid Bonds or Letter of Intent
Firstly bid bonds are required in connection with the submission of tenders of contracts with the public authorities and or private owners. The object is to guarantee that the Bidder (Constructor), if awarded the Contract will enter into the said agreement and furnish the prescribed Performance Bond.

Performance Guarantees
A Performance Bond is required of a Contractor to guarantee the full and due performance of the Contract according to plans and specifications.

Maintenance Guarantees
The normal coverage provided by a Maintenance Bond is a guarantee against defective workmanship or materials after completion. However, Maintenance Bonds sometimes incorporate an obligation guaranteeing “efficient or successful operation” or other obligations of like intent and purpose. These maintenance guarantees are also admitted in place of the retainer of up to 10%.

Retention Monies Guarantees
In essence this type of Bond is similar to the Maintenance Bond and basically covers the same parameters.

Advance Payment Guarantees
This type of Construction Bond is mainly utilized for construction sites outside of South Africa. This type of Construction Bond would be issued in the case where the Employer is pre-financing a Contractor by advance payment on the Contract; he may secure the repayment of the advance using this bond.

The amount guaranteed should decrease in accordance with the portions of work performed. Usually this is reflected by a fixed percentage in the monthly bills. These are only issued in connection with Performance Guarantees.

Supplier Surety (Construction industry only)
There is an increasing demand for supplier guarantees within the construction industry e.g, provision of steel and building material to contractors and other players in the industry. Credit insurance policies are currently available in the market for buyers only and not for suppliers.
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Death and Permanent Total Disablement Policy
Death and Permanent Total Disablement Policy ensures business continuity if something unforeseeable happens to the key personnel of a construction company. The claim from this policy will be used to ensure smooth business continuity when something happens to the owner or the key personnel. The cover includes Life, that is Death by Natural Causes and Personal Accident which is Death by Accident and Permanent Total Disablement following accident and / or Illness. The beneficiary is the company and the purpose of taking out the policy is to compensate the company up to the value of the sum insured, for the loss of the service of the key employee(s) in case of death, sickness or injury that may result in business disruptions.

Customs & Excise (Freight forwarding)
Custom Bonds/Warehouse Guarantees.

Requirements for application
SME’s applying for a facility with PCBS needs to fulfil certain prescribed requirements by submitting the following documents:
- Company profile (including and organogram, and copies of the current and previous contracts)
- Two years’ financial statements and three months’ bank statements
- Letter of appointment
- Contract information
- Guarantee wording requirements
- Company registration documentation
- Copies of all members’ identity documents and income tax numbers
- Copy of letterhead
- Tax clearance certificates
- CIDB certificate

All applications are subjected to a thorough analysis to establish the contractor's risk profile. PCBS also determine contractors’ financial standing and their resource capabilities to fulfil the contract obligations. Furthermore, an owners’ character assessment is carried out.

Corporate clients
- Emphasis is placed on the financial standing of the contractor
- Company structure and shareholding
- Contract information
- Guarantee wording requirements
- Securities available