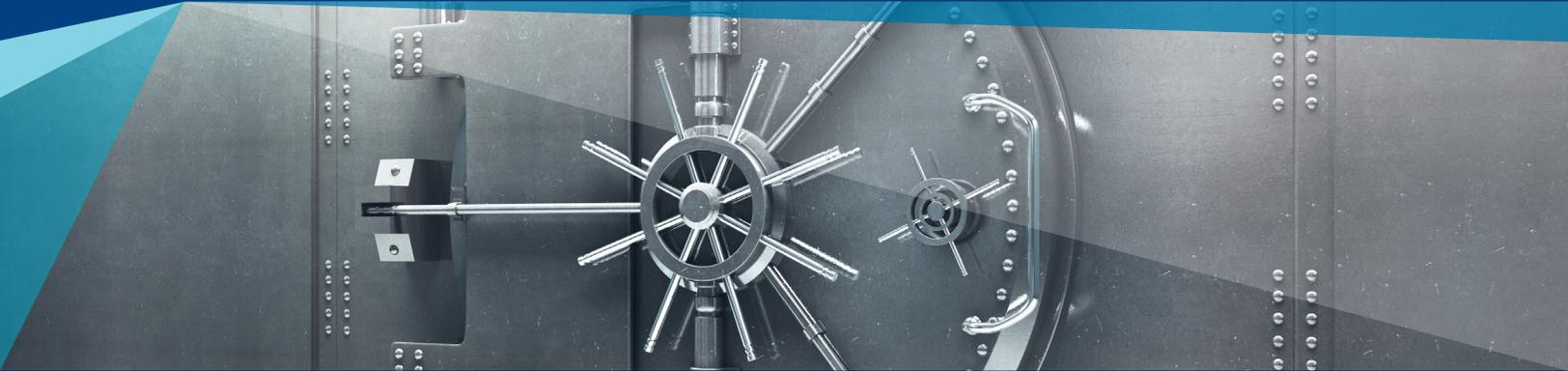


# USING SURETY TO REPLACE LETTERS OF CREDIT



Companies today are faced with a variety of challenges. One of these is the need to post security for financial obligations. This security can take a variety of forms such as cash escrow, letters of credit (LC), or surety bonds.

Surety bonds can typically be used to guarantee a variety of obligations where letters of credit or cash escrow are currently utilized. Types of obligations include, but are not limited to:

- Collateral tied to insurance programs.
- Self-insured worker's compensation obligations.
- Lease agreements.
- Environmental or other types of obligations.

There are several advantages of utilizing surety bonds over letters of credit, including:

- Potential cost savings.
- Surety bonds are typically classified as "off balance sheet" or "contingent liabilities."

- Surety bonds offer better protection for the issuing company.

## RECENT CASES USING SURETY IN LIEU OF AN LC

- An \$84 million letter of credit (LC) for self-insured workers' compensation for a single B rated company was replaced with a combination of LC and Surety, that allowed the client to free up \$19 million in LC capacity. This provided the client with additional cushion to the minimum availability covenant on their revolver. In addition to securing the surety credit in the market, Marsh worked closely with representatives of the state's self-insurance office to ensure a smooth and efficient transition of the security package.
- Marsh conducted a review of the LC portfolio of a BB+ rated company, identifying several LC's supporting

### Who it's for

- Any business or company that has large deposits and must post security for financial obligations, such as utility deposits or environmental financial assurances.
- Any business or company that needs to post counter-party security for financial obligations tied to insurance programs.
- Treasurers.
- CFO's.
- Risk managers.
- Legal counsel.

### What you get

- Cost effective alternative to traditional security such as cash escrows or letters of credit.
- Financial strength of top rated financial institutions.

environmental, utility payment and deductible insurance obligations that were candidates to be replaced with surety bonds. After a more detailed review of the obligations, Marsh facilitated the replacement of \$35 million in LC's with surety bonds. The surety bond pricing was very competitive, saving the company over \$100,000 in annual security costs.

around the globe, supporting a variety of industries. Our specialists have unique backgrounds in banking, broking and underwriting, giving them a depth of understanding unparalleled in the industry.

- We maintain strong relationships with the top surety bond markets built on our market knowledge, technical acumen, professional esteem, trust, and experience.
- Marsh helps clients succeed by defining, designing, and delivering innovative industry-specific solutions that help them effectively manage risk.

## ABOUT OUR SURETY PRACTICE

- The Surety practice at Marsh is organized in a way that provides seamless service through local experts and corporate resources across North America and



For more information on these and other solutions from Marsh, visit [marsh.com](http://marsh.com), or contact your local Marsh representative.

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