



USEFUL TIPS FOR BROKERS SERVICING THE CONSTRUCTION GUARANTEE MARKET

Yes, we are all very conscious of the downturn in our Global Economy and the subsequent knock – on effect that we are currently experiencing in South Africa.

However, it is noted that although the Construction Industry has had its fair share of casualties, it continues to move forward and power ahead.

Caution is, however, being exercised in this sector by both insurers and re-insurers alike. It is as a result of this that brokers in the Construction Market should take heed of the following pointers when taking on New Contractors:

- Know your Contractor/ Client – Find out the history of the Company and in particular any past and current projects undertaken by them.
- Put together a detailed pack for insurers on the Company including a background history, list of share holders and assets and liabilities for the shareholders, Company Registration Documents, Past and Current Projects undertaken as well as the last 3 years Audited Financials.
- Indicate if they have an existing Guarantee Facility or is it a New or an Additional Facility that is required.
- Meet with your clients on a regular basis and obtain Progress Reports / Payment Certificates to submit to the Insurer, (if there is a problem on site, be pro-active and involve the insurer in order to find a suitable compromise rather than have a guarantee called up).
- Keep a record of any guarantees issued, particularly the anticipated Completion Dates and follow up a month before to ensure that all is well and that suitable progress has been made to complete the project on time.
- Diarize the anticipated Completion Dates of any Guarantees issued, retrieve the Original Guarantees when the project has been completed and return them to the insurer for cancellation.
- With regards to any Collateral Security that the Insurer may be holding on behalf of your contractor, always maintain this by obtaining regular confirmations from Banks/ Financial Institutions that Cessions of Policies / Accounts are still valid and give updated surrender values and submit these confirmations to the Insurers.
- Build up a good track record with your Contractor and return guarantees to the Insurer for cancellation. This, in turn, will allow the insurer to re-assess the Guarantee Facility and perhaps relax terms with regard to collateral security required as well as the Premium Rate charged.

It is always a good idea to impress insurers by giving Regular Feedback and maintaining a good working relationship. In turn you will find that the client service that you are providing is outstanding and that you are retaining your clients for the long term.

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