INSURANCE GUARANTEE

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ABSTRACT: Providing security is designed to reduce uncertainty in the credit granting, offers a service or goods entrusted to a third persoane.Acest type of financial risk insurance is different from celelelte by the person who pays the insurance premium is not entitled direct insurance.

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1. Introduction

Providing security is a special type of insurance required by companies participating in tenders for public procurement, an alternative to bank letter changing work permit public procurement legislation.

Such situations may conclude that guarantees security when administering public funds are:

- ✓ contraction of funds by public bodies on real estate arrangements in which case the two types of insurance ends, one that provides for coverage of contractual obligations by the debtor and one in which situations are covered by default by subcontractors under contracts concluded;
- ✓ taking public office, who shall insure warranty on the performance of future obligation;
- ✓ persons designated to administer funds;
- ✓ individuals who receive authorization.

Thus we can say that insurance is an insurance guarantees covering a range of financial risks occurred during the financial activity may finally result in any financial loss.

A warranty insurance in the form of a written commitment from three sides, as guarantor insurer, the insured / beneficiary bidder and contract / contracting authority. In this written commitment takes the form of an insurance policy, the insurer guarantees the fulfillment of contractual obligations by the insured to the beneficiary undertakes to indemnify the beneficiary, while the insured is guilty of secured obligations. A warranty insurance is issued after a full analysis of the company, similar to the analysis scoring on creditworthiness, solvency, ability to meet contractual obligations guaranteed and reputation of the company.

2. WARRANTY OF PARTICIPATION IN A COMPETITION

Providing security is meant to reduce the uncertainty of granting credit, offers a service or goods entrusted to a third persoane.Acest type of financial risk insurance is different from celelelte by the person who pays the insurance premium is the direct beneficiary of insurance.

Providing security is a special type of insurance required by companies participating in the public auction, an alternative to bank letter changing work permit public procurement legislation.

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- ✓ funds contracting by public bodies on real estate arrangements in which case the two types of insurance ends, one that provides for coverage of contractual obligations by the debtor and one in which situations are covered by default by subcontractors under contracts concluded;
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Security risks in insurance underwriting involves a complex and laborious risk assessment provided with an estimated value as high[1].

Subscribers are required to determine the debtors' ability to meet their obligations at maturity or payment may face claims, insurance companies specializing in such security personnel with the analysis of these types of insurance cerinţe.Prima for this type of insurance is proportional to the interest rate market.[2]

3. ADVANCED BACK GUARANTEE

Feed-back guarantee is required the contractor / contractors to protect the beneficiary against the risk of misuse and failure to return the advance paid by him in situations where the contractor fails to perform justification / use of advance granted.

[1] Romanian Journal of Insurance,, Year 2010, no. 3
[2] www.1asig.ro

Security for the advance return automatically reduces the amount of benefits / work executed by the contractor as agreed percentage deduction from signing the tender.

According to recent legislative changes[3], providing advances of public funds will be made for the establishment of the contracting authority a guarantee instrument for proper use of feed given both by a letter of guarantee and the insurance policy.

Another novelty applicable to public contracts for construction of buildings and works for investments in the field of road transport infrastructure of national, publicly funded through the advance refund guarantee should cover the following values:

- ✓ the advance granted;
- ✓ VAT on advance;
- ✓ damage that could be brought by securing public funds for non-fulfillment or improper fulfillment of contractual obligations arising from the advance.

The contractor is obliged to increase the value of the letter of guarantee for advance payment of penalties corresponding value for an additional 90 days if:

- ✓ within 90 days after the advance will be issued at least one interim payment certificate recipient can recover the advance paid, the percentage specified in the Appendix to Tender;
- ✓ for 90 consecutive days during the execution of the works will be issued at least one interim payment certificate recipient can recover the percentage specified in the Annex to offer a percentage of the advance paid.

Failure to observe the above provisions, within 10 days of notification by the contractor beneficiary, the beneficiary is entitled to enforce its security for advance payments and advances granted and to recover damages caused by immobilization of public funds

Choosing an insurance guarantee for up guarantee return of the advance is a much more advantageous in terms of cost compared to traditional letter of guarantee issued by banks advance return and help protect their cash to good use running of your business.

Performance security contracting authority / beneficiary has the right to make claims on the performance bond, at any time during the contract, to the extent of the damage caused if the manufacturer / supplier / provider fails to fulfill its obligations under the contract. Prior to issuing a performance bond claims on the contracting authority has the obligation to notify the contractor's claim, stating the obligations have not been met.

Such guarantee is established to cover possible damages suffered by the contracting authority in performance of the contract or its termination for reasons attributable to the contractor or in other cases provided by law (late works, works that do not meet quality).

If the damage is greater than the amount of the purchaser's guarantee of performance, the contractor is obliged to indemnify the purchaser fully and precisely.

According to the legal performance bond may be formed in the following ways:

- ✓ letter of guarantee issued by a bank in Romania and the European Union;
- ✓ insurance performance bond issued by an insurance company in Romania;

[3] H.G. 635/2011 on the latest legislative changes relating to procurement and work of public funds

✓ each invoice issued by the executive.Successive deductions In this case the contractor is required to open an account where you deposit the contracting authority equivalent guarantee participation.

5. Conclusions

Choosing a performance bond insurance is a much more advantageous in terms of cost compared to traditional bank letter of guarantee and helps to protect your cash to use for the smooth functioning of your business.

The economic crisis has made the following local companies and limited access to letters of guarantee, and increase the prudence of investment insurance guarantees to gain a new momentum in the past year.

Degree of reduced access to credit and Romanian companies' bank payment commitments, including letters of guarantee and caution amid increased economic and financial crisis facing Romania have made more and more insurance companies to use guarantees. Moreover, the spectacular growth of the insurance underwriting products similar guarantees broke out early in the year.

Guarantee insurance is an alternative to bank guarantees equivalent to bank payment commitments if most insurance companies issuing them. This is why the issue of securities is made only minimal risk conditions and after an equivalent analysis of credit risk analysis. The main issue is reliability conditions / solvency of the insured, or its ability to contract performance for which the letter of guarantee.

Applications for insurance guarantees are growing, driven by the decrease in market liquidity and the degree of access of Romanian companies to pay bank loans and commitments, including letters of guarantee. Increasingly more companies have found that the guarantees issued by insurers is a better alternative to letters of guarantee, because it requires lock caps available funds or use credit for working capital and for much lower total-cost .

References

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2. * * * Romanian Journal of Insurance,, Year 2010, no. 3.
3. * * * www.1asig.ro;