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**August 2018**

**Collateral Release Policy and Letter of Credit Format**

A letter of credit is used in cases where a surety company requires additional underwriting support for a bond. Please find the letter of credit form for your use on page three.

Banks must be pre-approved by Roanoke Insurance Group Inc. in order to submit a letter of credit.

**Bond Principals: Please read the next page of this document titled “Collateral Release Policy”.**

Should you have any questions regarding the use of a letter of credit, please contact your Service Representative.

**Collateral Release Policy**

1. Collateral is taken to secure any and all risk outstanding at any given time. This may include multiple bonds and/or bond periods (continuous, single, or term).
2. An irrevocable letter of credit is a stand-alone contract between Roanoke and/or the sureties it represents and the issuing bank. Accordingly, if the collateral is in the form of an irrevocable letter of credit, unapplied funds (if a draw has occurred) or the original irrevocable letter of credit (if no draw has occurred) will be returned to the bank by the custodian of the collateral. If the collateral is in the form of cash or some other form acceptable to underwriters, it will be returned to the depositor by the custodian of the collateral. In all instances, such return will be effected via certified mail/return receipt requested or other means requiring signature acknowledging receipt.
3. Under no circumstances is interest payable by the Surety, Roanoke Insurance Group Inc., co-sureties, reinsurers, or any affiliates/agents/representatives of any of the foregoing to any entity whomsoever.
4. All collateral releases are subject to a complete file assessment by the Surety, regardless of bond type(s), which includes but is not limited to the following *general requirements*:
	* No past due premiums owed
	* No open claims present
	* No pending litigation
	* No unreimbursed loss activity, cost or expense
	* No claims have been reported for twelve (12) months or, if claims previously reported, twelve (12) months following the date that the last claim was resolved, whichever is later
	* The principal and indemnitors have fulfilled any/all obligations
5. The following *specific requirements by bond type* apply in addition to the foregoing. In all instances, timelines shown indicate the earliest point in time when the Surety or its representatives will consider *review* of a request to release collateral.

These timelines do not constitute a guarantee of release of collateral at the conclusion of the periods indicated.

A history that includes extended/suspended entries, demands for duties under Section 1592, or statute waiver requests will be considered in the review.  Situations where a government agency in addition to the obligee is responsible for enforcing the collection of duties, taxes, and fees will also be considered.

Surety decisions to release collateral will be based on the result of such reviews:

* + C18 & C1A: 180 days after the latest liquidation (or reliquidation) with no unliquidated transactions remaining (where tobacco product is involved the waiting period may be up to three years)
	+ C2: One year after bond termination
	+ C3 for NVOCCs: One year after bond termination
	+ C3 for air passenger carriers: Two years after bond termination
	+ C3 for vessels operators: One year after bond termination or final duty payment on any vessel repair entry, whichever is later
	+ C3 for non-vessel/non-passenger carriers (AMS filers): 6 months after bond termination
	+ C3A: One year after bond termination
	+ C4: One year after bond termination
	+ Carnet: 90 days after the carnet is closed
	+ Excise & Misc. Tax: One year after bond termination

(where tobacco product is involved the waiting period may be up to three years)

* + SDDC (MTMC): One year after bond termination
	+ OTI: One year after bond termination
	+ BMC84/Other FMCSA: One year after bond termination
	+ ISF: One year after bond termination
	+ ACS (Airport Customs Security) One year after bond termination
	+ Misc. Surety L&P: One year after bond termination or after the expiration of the contract & bond whichever is later.

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**Letter of Credit (Sample)**

(To be typed on Bank Letterhead)

 IRREVOCABLE LETTER OF CREDIT NO.: \_\_\_\_\_\_\_\_\_

 DATE: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

American Alternative Insurance Corporation

c/o Roanoke Insurance Group Inc.

1475 E. Woodfield Rd., Suite 500

Schaumburg, IL 60173-4903

Gentlemen:

At the request of **(name of person or company arranging for letter of credit)** we have opened an IRREVOCABLE LETTER OF CREDIT in your favor for $\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ U.S. DOLLARS, available by your drafts at sight.

We warrant to you that all your drafts under this IRREVOCABLE LETTER OF CREDIT will be duly honored upon presentation of your draft on us at \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ on or before the expiration date or on or before any automatically extended date as set forth below.

Except as stated herein, this IRREVOCABLE LETTER OF CREDIT is not subject to any condition or qualification and is our individual obligation, which is in no way contingent upon reimbursement.

This IRREVOCABLE LETTER OF CREDIT is effective \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_, 20 \_\_\_\_\_\_\_\_\_, and expires on \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_, but will be automatically extended without amendment for successive one year periods from the current expiration date and any future expiration dates unless at least 45 days prior to expiration date we notify you by registered letter or courier that we elect not to renew for such additional one year periods. Such notification shall be to the attention of the Surety Department at the above address. Upon receipt by you of such notice you may draw hereunder, within the then applicable expiration date and for the then available amount, by means of drafts drawn by you on us at sight, accompanied by your written certification that the bonds or undertakings executed by you on behalf of \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ are still outstanding, that the proceeds of the draft will be retained and applied by you only in discharge or reimbursement of liability, loss, cost, expense or unpaid premiums as a result of your execution of such bonds or undertakings, and that in the event your liability under your bonds or undertakings is satisfied, you will refund to us the amount paid less any amounts which may have been paid by you in the meantime under your bonds or undertakings and any unpaid premiums due you on said bonds or undertakings.

All bank charges and commissions incurred in this transaction are for the applicant's account. This credit is subject to the Uniform Customs and Practices for Documentary Credit (2007 Revision), International Chamber of Commerce Publication No. 600 (UCP600).

Notwithstanding Article 36 of the UCP600, if this Letter of Credit expires during an interruption of our business as described in Article 36 of the said UCP600, the Bank hereby specifically agrees to effect payment if this credit is drawn against within thirty (30) days after the resumption of our business.

Very truly yours,

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(Name & Title of Bank Officer)

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| By: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ |

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| --- | --- |
| Date: |  |