

Characteristics of a bond



the
travel
vault

For many years, travel bonds have been the backbone of financial protection in the travel industry.

They're often required by the Civil Aviation Authority (CAA) as part of an ATOL application or by membership organisations like ABTA and IATA as a condition of membership. Some suppliers even require surety bonds as a condition of doing business.

But what are they? How do they work? And how do you get one?

Read on to find out the answers to all these questions.

1

A travel bond is a non-cancellable financial guarantee issued by a provider, such as an insurer or bank, to a counterparty, such as a regulator, trade association or supplier, on behalf of a travel company. The bond provider promises to pay a fixed sum of money to the counterparty if the travel company fails or stops trading.



2

Regulators, trade associations and suppliers will typically only accept travel bonds from authorised providers, who are deemed to be sufficiently credit-worthy. Some counterparties like the CAA, ABTA and IATA publish a list of accepted bond providers.



3

The travel bond amount is normally calculated by the regulator, trade association or supplier. Their calculation would consider the travel company's riskiness and the counterparty's likely exposure if the travel company failed.



4

Bond providers charge a fee or premium. The premium is usually expressed as a percentage of the travel bond amount and will depend on the provider's credit assessment.



5

Travel bond providers may impose additional terms, such as security in the form of cash collateral or indemnities from other related people or businesses.



6

Arranging your travel bond through a regulated, independent broker like The Travel Vault will ensure you submit the correct information for assessment, you get access to the widest choice of providers, and you receive fair and consistent offer terms.



**If you'd like to discuss your travel
bond needs or your financial
protection options, get in touch with
our friendly, professional team for a
no obligation discussion.**

