EPIC Insurance Brokers & Consultants

Understanding Bond Calculations

Continuous bond amounts are based on 10% of duty, taxes and fees paid during a trailing 12-month period. If an importer exceeds this limit, CBP declares a bond insufficient and requires a new bond with higher limit to be issued within 30 days in order to continue importing. Although CBP provides a recommended minimum bond amount, this figure is only based on the duties, taxes, and fees paid over the last 12 months. It is imperative that importers properly forecast their future 12-month volume, accounting for recent tariff changes, to avoid a bond insufficiency and potential stacking liability.

Stacking Liability

Under a continuous bond, sureties retain liability until all entries are liquidated under the period of time the bond was in place and on file with CBP. Traditional "01" consumption entries generally liquidate on a 314-day cycle, but this process can be extended due to a variety of factors (e.g. AD/CVD, suspension, CBP review). When an importer's continuous bond is declared insufficient, this means the surety's liability is "stacking" with the issuance of a new bond due to the retroactive nature of the liquidation cycle. For example, if a $50,000 bond is declared insufficient and resultantly a new $100,000 bond is filed, the surety now has $150,000 in liability. This stacking of bonds with unliquidated entries increases the surety's liability and can result in additional underwriting requirements such as financial review and even collateral.

Underwriter Requirements

When the surety is underwriting larger bonds or stacking liability, they will often request corporate financials to ensure the importer is able to fulfill their financial obligations under the bond. Importers should expect to provide audited fiscal year-end corporate financials and depending on the time of year, interim year to date financials may also be requested. Corporate financials should consist of a balance sheet, income statement, and cash flow statement. If financials do not meet underwriting guidelines, the surety may require collateral, either via cash or a letter of credit through an approved bank, before issuing a bond.

What Can Importers Do To Prepare:

- Work with your customs broker to track your bond sufficiency status so that you have more time to prepare for a potential bond insufficiency. EPIC's Client Exchange platform provides customs brokers with the tools to monitor bond sufficiency via online reporting and automated alerts.
- Check with your bank to ensure your ACH debit limits are sufficient to accommodate higher duties. Debit vouchers can affect bond sufficiency status and lead to complications securing a new bond.
- Prepare corporate year-end and interim year to date financials to expedite the underwriting process in the event of an insufficient bond.
- Forecast future 12-month volume, accounting for recent tariff changes, to limit potential insufficient bonds.

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