

# Zurich Surety: Addressing the complex needs of P3 projects

Each P3 (Public Private Partnership) project has its own complex structure and unique contractual risk transfer among multiple project stakeholders. This is reflected in the variety of contract arrangements used to deliver P3 projects, including build-finance, design-build-finance and design-build-finance-maintain-operate. Whatever the structure, there is one common element in P3 projects: **The general contractor is typically asked to assume a higher degree of risk than with traditional methods of project delivery.**



When negotiating contracts for P3 projects, general contractors should be aware of potential key risks, including:

- Contractor may be dependent on multiple project stakeholders that are not direct parties to the construction contract
- Actual damages liability for variable project financing and debt breakage costs
- Restricted ability to seek schedule relief or compensation for additional costs
- Differing site conditions and accuracy of background survey data
- Full permitting risk, including major environmental permits
- Long-term liability exposure for maintenance, structures

## **Zurich Surety: Sophisticated risk management for general contractors**

Zurich's experienced surety professionals understand the complexities and nuances of the P3 procurement process and contractual relationships between multiple project stakeholders. The involvement of Zurich's Surety team throughout each phase of the project can help ensure a successful P3 project for all stakeholders—contractors, owners, developers/concessionaires, project lenders and the taxpaying public.

Our experienced underwriting and underwriting legal support team can help contractors identify risk transfer issues inherent in P3 projects that may need to be addressed. Although P3 terms and conditions vary widely, Zurich can assist general contractors in securing fair, balanced contracts between the parties. This can help assure projects are delivered on time with a balance of risk and reward for all parties.

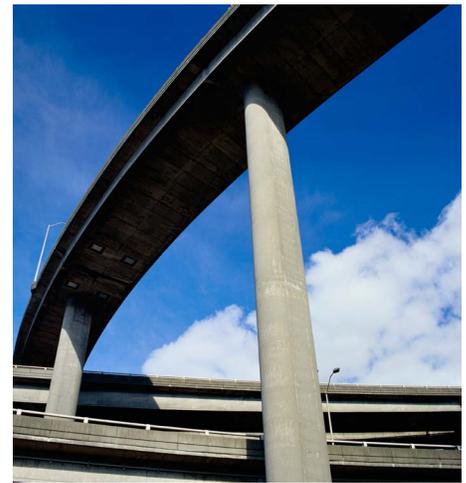
## Potential benefits of working with the Zurich Surety team:

- **Helps reduce proposal costs**  
Developing P3 project proposals can take years of effort and cost contractors millions of dollars. The cost of putting together a proposal can quickly escalate when the procuring agency has not developed standardized processes or documentation. Zurich can help contractors minimize these costs by sharing key practices and lessons learned on past project pursuits in different geographies with different procurement agencies.
- **Provide assistance in identifying project risks and risk allocation issues**  
Risk allocation amongst multiple project stakeholders and the complex interdependence of contractual relationships remain key challenges on all P3 projects. Contractors invest significant time and resources to negotiate the risks and project obligations passed down from the developer/concessionaire. Zurich's experience can supplement these efforts by assisting contractors with contract review services and access to legal resources. We can also provide market standard guidance and insights around key contract language accepted by stakeholders on past projects.

- **Tailors bond language to meet P3 project stakeholder needs**  
The surety industry continues to develop P3 bond language that further enhances the broad coverage of high-percentage performance and payment bonds by explicitly securing payment of liquidated damages, quantifying surety response timelines, establishing expedited claims processes and incorporating funding agent and public owner step-in rights. Zurich can assist in tailoring bond language to help meet the needs of various P3 project stakeholders, such as concessionaires, lenders and rating agencies.

### Zurich Surety: A solution designed for the future

There is much hope riding on the future of P3s to help rebuild and repair the aging infrastructure in North America. Surety remains a proven and time-tested method of project security for construction projects, especially P3s with their unique risk transfers for general contractors.



To learn more, visit [zurichna.com/surety](http://zurichna.com/surety) or contact your local Zurich Surety underwriter.

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A1-112008431-A (10/16) 112008431

