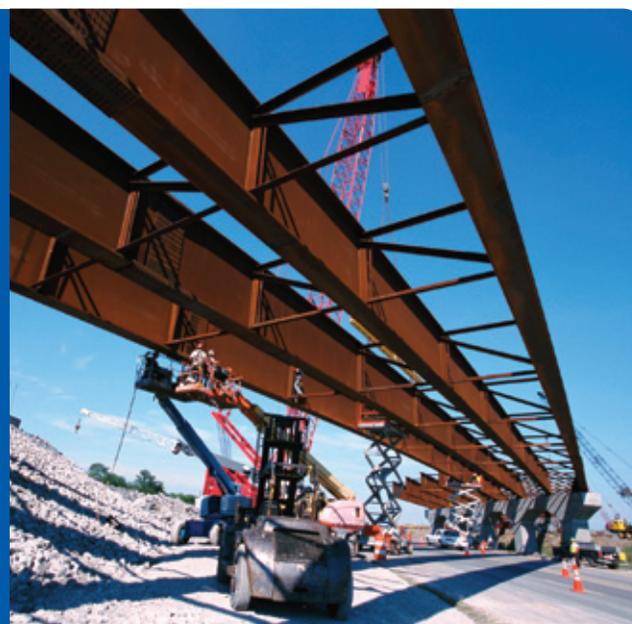


# Zurich Public-Private Partnership Performance Bond

## Public-Private Partnerships require specialized surety solutions

Public-Private Partnerships (PPPs) are fast becoming an important way to deliver large infrastructure projects in Canada and the United States. Established in other parts of the world, Canada has taken the lead in North America in recognizing the benefits of the PPP project delivery method. By their very nature, PPPs are more complex than usual project delivery systems because they often involve the financing, design, build, operation and maintenance of the project. This requires a sophisticated risk management approach by the contractor and its surety in order to successfully meet the needs of all parties involved in the PPP transactions.

Zurich, with over 120 years of continuous leadership in the surety market in North America, has developed an innovative surety approach to meet these needs and craft a more secure transaction – the **Zurich Public-Private Partnership Performance Bond**.



## Unique features of the Public-Private Partnership Performance Bond

The first challenge in the PPP process is the financing. PPP projects often require a liquidity component to secure potential delay damages. Traditionally, investors have required letters of credit to fulfill this requirement. However, due to the current economic and credit environment, reasonable terms for the requisite letter of credit may be challenging even for the most sophisticated PPP contractor.

- Zurich's approach is to incorporate an "on-demand" feature in our surety bond whereby the owner can look to the surety bond and receive a payment upon the declaration of contractor default for delay.
- Additionally, the Zurich Public-Private Partnership Performance Bond incorporates a unique dispute resolution procedure. This feature provides specific time limits for the resolution of disputes between the surety and obligee.

The result of these customized features is that the Zurich Public-Private Partnership Performance Bond can play an important role as part of the project financing package and may warrant more favorable treatment from investment analysts and agencies, thereby enabling the PPP to secure financing at more attractive terms. The Zurich Public-Private Partnership Performance Bond can provide well-qualified contractors enhanced access to the PPP marketplace and opportunities for growth and profitability.

## Traditional benefits of performance bonds

While the demand and dispute resolution features are innovative in the surety marketplace, the Zurich Public-Private Partnership Performance Bond also includes the traditional benefits of performance bonds, which provide numerous advantages for lenders, owners, contractors and the tax-paying public.

- Zurich, the only surety with more than 120 continuous years of service to the surety marketplace in North America, provides customers with the financial strength of an S&P rating of AA- coupled with an A.M. Best rating\* of A+. This strength is important to lenders and owners as they demand high financial qualification in the current volatile economic climate. In short, customers with a Zurich surety program can confidently compete for PPP projects.
- Zurich's tradition of surety excellence includes an experienced underwriting and underwriting legal support team that helps contractors navigate through the complex contractual negotiations that are inherent in PPP work. Zurich's underwriting approach helps provide project owners with proposals from contractors who are well qualified to perform the work and deliver the project according to the contractual terms and conditions. Although PPP terms and conditions vary widely, Zurich has helped clients secure fair, balanced contracts that help to assure projects are delivered on time with a balance of risk and reward for all parties.
- Zurich's claim staff is vital in helping navigate the difficult claim issues that arise during and after the start of complex construction projects. The Zurich team works to reduce the risk of default on the project and work toward timely completion.

## A material part of the overall PPP solution

At Zurich, we believe that insurance and surety products that effectively pre-qualify contractors and transfer risk can play a material role in the PPP marketplace. Zurich's suite of products including the Zurich Public-Private Partnership Performance Bond, Subguard®\*\* and other risk management solutions will help the PPP market grow and deliver much needed infrastructure projects across the globe.

## Zurich advantages

As the third largest global surety provider globally and the leading provider of construction insurance products in North America, Zurich offers customers and brokers strategic advantages:

- Unique demand and adjudication surety bond features in conjunction with traditional surety performance bond benefits
- Capacity up to \$2,000,000,000 or more in aggregate bonded capacity to PPP contractors
- A competitive suite of surety and insurance solutions for contractors including construction risk engineering and claim services
- Consistent local underwriting capabilities

**For additional information,** please contact your local Zurich Surety Account Executive or visit us online at [www.zurichna.com/surety](http://www.zurichna.com/surety).

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\* Ratings as of 9/30/2011. For more, access [www.ambest.com](http://www.ambest.com).

\*\* Subguard® is a registered mark only in the U.S.

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