

Surety

Product Summary

Surety Bonds provide protection to clients, both public and private, against contractors' and service providers' inability to fulfill contractual obligations, usually as the result of financial failure or technical problems. At AIG Surety we work with those contractors and service providers to mitigate those risks and concerns and guarantee performance.



East London line extension



Strata Tower - Elephant & Castle

Benefits

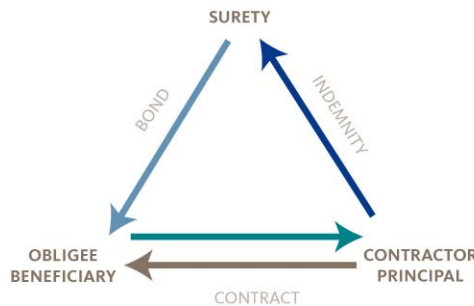
Viable alternative to bank bonds / letters of credit

Improves the contractor's liquidity by freeing up bank lines for working capital needs and possible acquisition financing

Opens up job tender opportunities supporting order book grants and cash-flow

Transfers employer's risk of a contractor's default to a surety

Support through AIG's global network at home and abroad. Surety centres of excellence in London, New York, Toronto, São Paulo, Hong Kong, Shanghai, Singapore.



Cover & Bond Types

Contract

- Performance, Advance Payment, Release of Retention and Maintenance bonds, and in the US, Labour & Material Payment, Supply and Bid bonds
- PFI/ PPP bonding, a specialist area where AIG have driven the development of standard wordings

Commercial

- Customs / Duty Deferment, Travel (ABTA & IATA) and in the US, License and Permit bonds

Limits

Unless special arrangements have been made:

- Individual bond limit: USD70m / GBP45m
- Aggregate facility limits: USD500m/ GBP340m
- Duration: Not in excess of 84 months (7 years) anticipated duration

Target Companies

- Investment grade, blue chip companies and industry leaders with a regular bonding requirement of not less than USD25m / GBP15m.
- Turnover in excess of USD545m / GBP350m
- Well capitalised balance sheet and a tangible net worth of not less than USD47m / GBP30m
- AIG will also work with banks looking to re-allocate/ share risk
- Market sectors: Construction, Infrastructure, Support Services, Transport, Telecoms and Renewable Energy risks.
- UK & European companies with international operations, particularly in North America and Latin America

(where not GBP or USD, then equivalent currency)

Documentation

We require:

- Three years of audited financial statements
- Details of bonding requirement which may include a request to review the contract and associated documentation
- Bond wording
- Indemnity Agreement in support of an approved facility to hold the surety harmless and indemnify for losses that may arise under bonds issued by the surety at the request of the company/ client. The principal indemnitor is typically the parent/ holding company and those subsidiaries requiring bonds and is required on a joint and several basis
- Standard AIG indemnity provisions include: cash cover, cross default, change of control, negative pledge, place in funds, pari passu in common with standard bank facility terms.
- Collateral may be requested in support of certain risks

AIG Surety Exclusions

The key exclusions under our Reinsurance Treaty, for example, include:

- Financial guarantees (in particular we do not guarantee the repayment of capital under loan agreements or rental payments)
- Environmental risks
- Inward reinsurance (unless pre-agreed)
- Appeal bonds over \$10m (unless collateralised)

A full list of exclusions can be supplied on request

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