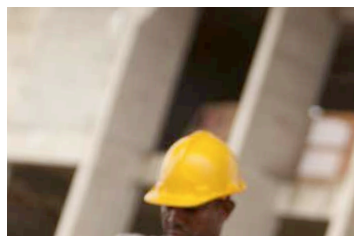


Surety



Contractual Guarantees are an integral and essential part of the world of commerce. Commonly called “bonds” they indemnify governments, semi-government and statutory bodies, companies and individuals against financial loss arising from the failure of others to fulfil their contractual obligations.

In the past, the need to post these bonds by way of cash or bank guarantee has severely limited the ability of even the largest companies to take full advantage of the commercial opportunities available to them. This problem has been overcome by the willingness of insurance companies to use their financial strength to guarantee that qualified clients will meet their contractual obligations.

The insurance company enters a three-way agreement with the contractor and their client under which it assumes the guarantee commitment, leaving the contractor's own funds and assets free for use elsewhere. This practice is known as Surety Bonding.

About Surety Bonds

A Surety bond is a contract of guarantee that has three parties:

- The Surety or Guarantor, i.e. AIG
- The person who is to perform the subject matter of the bond, i.e. the contractor
- The person in whose favour the bond is issued, i.e. the obligee or principal

Under the bond, the Surety undertakes to hold itself responsible up to the specified amount for the non-performance or mal-performance of an expressed obligation, i.e. the obligation of the contractor.

If the contractor defaults, the principal may claim the amount of their loss up to the specified amount from the Surety in accordance with the terms of the bond.

The Surety, acting as guarantor, will pay the principal's loss up to the amount of the bond, and claim the amount of such payment from the contractor.

Benefits of Surety Bonds

- Additional source of credit
- High limits of accommodation
- Access to underwriters with experience and knowledge of local labour and political conditions for overseas contracts
- Project assistance
- Progress monitoring



Types of Bonds

- Bid or tender bond
- Performance bond
- Labour and material bond
- Advance payment bond
- Maintenance bond

Types of Bonds

In consideration for making its bonding facilities available, AIG will require a Counter Indemnity or Hold Harmless Agreement in favour of AIG Australia Insurance Limited. In most instances, the Counter Indemnity of the ultimate parent company will be required.

About AIG

American International Group, Inc. (AIG) is a leading international insurance organisation serving customers in more than 130 countries and jurisdictions. AIG companies serve commercial, institutional, and individual customers through one of the most extensive worldwide property-casualty networks of any insurer. In addition, AIG companies are leading providers of life insurance and retirement services in the United States. AIG common stock is listed on the New York Stock Exchange and the Tokyo Stock Exchange.

AIG is the marketing name for the worldwide property-casualty, life and retirement, and general insurance operations of American International Group, Inc. For additional information, please visit our website at www.aig.com.au. Products and services are written or provided by subsidiaries or affiliates of American International Group, Inc. Not all products and services are available in every jurisdiction, and insurance coverage is governed by actual policy language. Certain products and services may be provided by independent third parties. Insurance products may be distributed through affiliated or unaffiliated entities. Certain property-casualty coverages may be provided by a surplus lines insurer. Surplus lines insurers do not generally participate in state guaranty funds and insureds are therefore not protected by such funds.

Important Notes:

1. Availability of coverage and the terms and conditions thereof may be subject to regulatory approval and/or underwriter's determinations.
2. The terms and conditions available may vary depending on the location of the applicant.
3. This document is for your information and the description herein is a summary only. Please refer to the actual contract documents for complete details of coverage and exclusions.
4. This brochure is general in nature and should not be treated as advice. Should you require any advice on your insurance or coverage requirements you should consult your professional insurance advisor.

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