



Appendix I

Surety Bond Requirements

The requirements of a surety bond are established in section 70.3.1 of the Planning Act. Additionally, the Town and the Owner are required to enter into a Surety Bond Agreement.

Stipulation of surety bond:

Owners of land and applicants for approvals in respect of land use planning matters may stipulate that a surety bond is to be used to secure an obligation imposed by the municipality that is required to be secured as a condition to an approval in connection with land use planning.

A surety bond shall satisfy the following requirements:

1. The bond shall be of an insurer that is licensed under the Insurance Act to write surety insurance and that is rated;
 - a) By Dominion Bond Rating Service as “A” or higher;
 - b) By Fitch Ratings as “A-” or higher;
 - c) By Moody’s Investors Service Inc. as “A3” or higher;
 - d) By Standard and Poor’s as “A-” or higher; or,
 - e) By A.M. Best Company, Inc. as “A-” or higher.
2. The bond must provide the following:
 - a) The municipality is guaranteed payment if the principal defaults in performing an obligation guaranteed by the bond;
 - b) The insurer will make payments to the municipality for amounts demanded by the municipality if the municipality determines that the principal has defaulted in performing an obligation guaranteed by the bond and makes a demand for payment by declaring in writing and giving notice of the default to the principal and insurer that sets out the amount of monies demanded to be paid to the municipality pursuant to the bond;
 - c) The payment described in subparagraph iii will be made, notwithstanding any objection by the principal, and the insurer will not assert any defence or grounds of any nature or description for not making the payment; and,
 - d) The payment described in subparagraph iii will be made within 15 business days after the notice described in that subparagraph has been given.

3. In order for the insurer to terminate its obligations under the bond, the following requirements must be satisfied:
 - a) The insurer must give written notice to the municipality and to the principal of the insurer's intent to terminate its obligations under the bond;
 - b) The written notice referred to in sub-subparagraph A must be given at least 90 days before the day on which the insurer intends to terminate its obligations under the bond;
 - c) At least 30 days before the day on which the insurer intends to terminate its obligations under the bond, the principal must deliver financial security to the municipality in the amount of the bond that is acceptable to the municipality to replace the bond; and,
 - d) The amount of the bond can be reduced and the conditions that must be met in order for a reduction to be made.