

# INDEX

*(References are to section numbers in the text)*  
*(Current to Release 2014–2)*

- ACCOMMODATION SURETIES**, 2.5  
punitive damages, 13.4(f)(ii)  
U.S. context, 13.4(f)(iii)
- ADJUDICATION BONDS**, 4.18
- ADJUSTMENT** — *See* INVESTIGATION AND ADJUSTMENT
- AGREEMENT TO BOND** — *See also* BID BONDS  
general, 9.8(b)  
Quebec, 9.9(l)  
sample wording, 9.8(a)
- ARBITRATION PROVISIONS**, 7.7, 7.13(h)
- ASSIGNMENT** — *See also* SUBROGATION  
entitlement (*Mercantile Law Amendment Act*), 6.6  
formal assignment  
assignable choses, 6.7(a)  
written notice, 6.7(b)  
forms, *see* SUBROGATION AND ASSIGNMENT — FORMS  
Quebec, *see* SUBROGATION AND ASSIGNMENT — QUEBEC
- AUDIT ENGAGEMENT LETTER**, 7.7
- BAD FAITH**  
performance bonds, 10.6, 10.7(h)  
surety's duty of care  
no legal basis, 13.4(f)(i)
- BANKS**  
banker's perspective in underwriting, 4.2  
priority in competing claims, *see* SURETY v. PRINCIPAL'S BANK; PRIORITY OF SURETY OVER COMPETING CLAIMS — QUEBEC
- BID BONDS**  
agreement to bond, *see* AGREEMENT TO BOND  
exclusion clauses, 9.4(a)(iv)  
unconsonability, 9.4(a)(iv)  
extraordinary remedies  
general, 9.6(a)  
leading cases, 9.6(b)-(c)  
limitation of damages, 9.6(d)  
forms, *see* BID BONDS — FORMS  
general, 9.1, 9.3  
mistakes in tenders  
by contractors, 9.4(a)  
by owner, 9.4(b)  
privilege clause, duty of fairness and application of principles from leading case, 9.5(a)-(h)  
Quebec, *see* BID BONDS — QUEBEC  
sample wording, 9.2  
CCDC Bid Bond Form 220-2002, 9.2A  
subrogation, 6.12  
summary, 9.7

## INDEX

### **BID BONDS — FORMS**

- obligee's statement of claim, App. A Form 9-1
- surety's statement of defence, App. A Form 9-2
- surety's third party claim against principal, App. A Form 9-3

### **BID BONDS — QUEBEC**

- agreement to bond, *see* AGREEMENT TO BOND
- discrepancy between contract terms and bid document conditions, 9.9(i)
- discretionary language in tender documents, 9.9(c)
- extent of principal's liability, 9.9(f)
- failure to formally accept bid after notification of mistake in bid, 9.9(g)
- general, 9.9(a)
- irregularities, 9.9(e)
- measure of damages, 9.9(j)
- mistakes in tenders
  - by contractors, 9.9(b)(i)
  - by owner, 9.9(b)(ii)
- obligation to accept within specified delay, 9.9(m)
- obligation to issue performance and payment bonds, 9.9(h)
- obligation to mitigate damages, 9.9(k)
- Quebec Bid Depository System, 9.9(d)

### **BONDING FACILITY, 4.11**

### **BOND PENALTIES, 11.11(g)**

### **BONDS — *See* SURETY BONDS**

### **CHANGE PROVISIONS, 7.6, 7.13(g)**

### **CIVIL CODE CONCORDANCE, App. C**

### **CLAIMANTS**

- fair dealing obligation, 11.6
- qualifying requirements, 11.5(a), 11.11(c)
- second-tier, 11.5(e), 11.11(c)(iii)

- standard definition, 11.5(b)

### **COLLATERAL MONETARY OBLIGATIONS, 7.12D**

### **COMPENSATED SURETIES, 2.5**

### **COMPETING CLAIMS — *See* PRIORITY OF SURETY OVER COMPETING CLAIMS**

### **COMPLETION — *See also* FINANCING; MITIGATION AGREEMENTS**

- forms, *see* FINANCING AND COMPLETION — FORMS
- general, 14.1
- situations that may require completion
  - bond wording, 14.3(b)
  - lack of willing contractor, 14.3(b)
- situations where surety may choose to complete
  - belief in minimization of loss, 14.3(c)(iii)
  - proprietary material or equipment, 14.3(c)(ii)
  - work almost complete, 14.3(c)(i)
- why sureties do not complete, 14.3(a)

### **CONSENT OF SURETY — *See* AGREEMENT TO BOND**

### **CONSTRUCTION LIEN BONDS**

- delivery up for cancellation, 12.9(b)
- forms, *see* CONSTRUCTION LIEN BONDS — FORMS
- general, 12.1, 12.3
- intervention in lien action, 12.6
- joinder of lien and bond actions, 12.7
- liability limits
  - delivery up for cancellation where lien invalid, 12.5(a)
  - interest not payable from construction lien bond, 12.5(f)
  - leading cases, 12.5(c)-(e)
  - limits to available costs, 12.5(g)

## INDEX

- multiple liens and securities, 12.5(i)
  - neutral substitution, 12.5(b)
  - privity, 12.5(h)
  - recovery of bond premium in judgment, 12.5(m)
  - reduction of security, 12.5(j)
  - substitution for cash in court, 12.5(k)
  - timing of payment, 12.5(l)
  - payment out of court, 12.9(a)
  - Quebec, *see* CONSTRUCTION LIEN BONDS — QUEBEC
  - sample wording
    - long form wording, 12.2(a)
    - Ontario *Construction Lien Act* Form 5.1, 12.2(b)
  - standard form, 12.4
  - Subcontractor Bonding, App. E-30, 33, 38
  - subrogation, 6.11, 12.8
- CONSTRUCTION LIEN BONDS — FORMS**
- accountant's letter of demand, App. A Form 12-11
  - affidavit in support of motion to post lien bond, App. A Form 12-2
  - notice of motion to post lien bond, App. A Form 12-1
  - order allowing surety to intervene, App. A Form 12-6
  - order delivering up lien bond, App. A Form 12-8
  - order posting lien bond, App. A Form 12-3
  - release under lien bond and assignment of judgment, App. A Form 12-10
  - surety's affidavit in support of motion for leave to intervene, App. A Form 12-5
  - surety's affidavit for accountant redelivery up of lien bond, App. A Form 12-9
  - surety's notice of motion for leave to Intervene, App. A Form 12-4
  - surety's notice of motion for order delivering up lien bond, App. A Form 12-7
- CONSTRUCTION LIEN BONDS — QUEBEC**
- bond wording, 12.10(f)
  - general, 12.10(a)
  - general rule, 12.10(c)
  - general rule — exceptions, 12.10(d)
  - intervention in action on legal hypothec, 12.10(i)
  - joinder of legal hypothec and bond actions, 12.10(j)
  - legal hypothecs, 12.10(b)
  - liability to replace legal hypothec, 12.10(g)
  - new rule, 12.10(e)
  - security for release of holdbacks, 12.10(h)
- CONTRACT — See UNDERLYING CONTRACT**
- DELAY, DAMAGES FOR, 7.4**
- DUAL OBLIGEES, 4.16**
- DUTY OF CARE — SURETY — See also INVESTIGATION AND ADJUSTMENT**
- bad faith
    - legal basis, 13.4(f)(i)
    - punitive damages, 13.4(f)(ii)
    - U.S. context, 13.4(f)(iii)
  - insurer's vs. surety s, 13.4(b)
  - investigative
    - breadth of duty, 13.4(d)(iii)
    - duty to investigate, 13.4(d)(i)
    - reliance upon position of principal, 13.4(d)(iv)
    - where no duty, 13.4(d)(ii)
  - nature of, 13.4(a)
  - not fiduciary duty, 13.4(c)
  - owed to principals and indemnitors, 13.4(e)
- ESTABLISHED ACCOUNTS, 4.13**
- EXECUTION UNDER SEAL, 5.3(a)(i)**
- EXTENDED WARRANTY PROVISIONS, 7.12C**

## INDEX

- FINANCIAL GUARANTEE BONDS**, 4.12
- FINANCING** — *See also* **COMPLETION**; **MITIGATION AGREEMENTS**
- concerns
    - bond penalty issue, 14.2(e)
    - indemnitor issue, 14.2(e)
    - trust issue, 14.2(e)
    - volunteer issue, 14.2(e)
  - decision, 14.2(b)
  - form of, 14.2(d)
  - forms, *see* **FINANCING AND COMPLETION — FORMS**
  - general, 14.1
  - proposal, 14.2(a)
  - Reporting of Revenue, App. E-35
  - three C's
    - capacity, 14.2(c)(i)
    - character, 14.2(c)(ii)
    - collateral, 14.2(c)(iii)
- FINANCING AND COMPLETION — FORMS**
- agreement between surety as contractor and sub-contractor(s) performing work, App. A Form 14-4
  - agreement for surety's completion as contractor where bond requires surety to complete, App. A Form 14-3
  - financing agreement between surety, principal and indemnitor(s), App. A Form 14-1
  - surety's guarantee bond, App. A Form 14-2
- FOREIGN OR EXTRA PROVINCIAL CONTRACTS**, 4.7
- FORMS**, App. A
- GENERAL INDEMNITY AGREEMENTS**
- defences
    - benefit of available set-offs, 5.7(d)
    - duty to mitigate loss, 5.7(a)
    - failure to intervene, 5.7(b)
    - premature intervention, 5.7(c)
    - termination of indemnity obligation, 5.8
  - distinction between indemnity and guarantee contracts, 5.1(a)
  - enforcement of indemnity liability and quantum, 5.6(b)
  - Mareva injunctions, 5.6(d)
  - rights of recovery, 5.6(a)
  - summary judgment, 5.6(c)
- forms, *see* **GENERAL INDEMNITY AGREEMENTS — FORMS**
- general, 5.1
  - liability and quantum, 5.6(b)
  - obtaining indemnity, 5.3
    - execution of agreement, 5.3(a)
    - independent legal advice, 5.3(c)
    - "informal" agreements, 5.3(b)
    - partnerships, 5.3(a)ii
    - significance of a seal, 5.3(a)i
  - Public Private Partnerships, App. E-40
  - Quebec, *see* **GENERAL INDEMNITY AGREEMENTS — QUEBEC**
  - sample wordings
    - Master Surety Agreement (Aviva), 5.2(a)
    - Surety Association of Canada Consent under *Personal Information Act* (Quebec), 5.2(f)
    - Surety Association of Canada General Indemnity Agreement (1996), 5.2(b)
    - Surety Association of Canada General Indemnity Agreement (2008), 5.2(c)
    - Surety Association of Canada Table of Concordance, 5.2(d)
    - Surety Association of Canada Indemnitors Declaration (Quebec), 5.2(e)
  - summary judgment motions, 5.6(c)
  - surety's conduct as indemnity
    - duty to investigate, 5.5(a)
    - settlement of claims, 5.5(b)
  - surety's rights under indemnity
    - basic indemnity obligation, 5.4(a)
    - right to decline to issue bonds, 5.4(f)

## INDEX

- right of exoneration, 5.4(b)
- right to information, 5.4(e)
- right to settle, 5.4(c)
- unilateral settlement of claims, 5.4(d)

### **GENERAL INDEMNITY AGREEMENTS — FORMS**

- certificate of independent legal advice, App. A Form 5-2
- corporate resolution, App. A Form 5-1
- indemnitor's statement of defense, App. A Form 5-6
- surety's affidavit in support of motion for summary judgment, App. A Form 5-9
- surety's notice letter no. 2 (after payment), App. A Form 5-4
- surety's notice letter to indemnitor(s), App. A Form 5-3
- surety's notice of motion for summary judgment, App. A Form 5-8
- surety's statement of claim against indemnitor(s), App. A Form 5-5
- surety's third party claim against indemnitor(s), App. A Form 5-7

### **GENERAL INDEMNITY AGREEMENTS — QUEBEC**

- allocation of claim between indemnitors, 5.9(g)
- common law vs. civil law agreement provisions, 5.9(b)
- defences, 5.9(e)
  - agreement is contract of adhesion, 5.9(e)(vii)
  - agreement not signed by bonding company, 5.9(e)(v)
  - agreement replaced by new one in which indemnitor is no longer party, 5.9(e)(vi)
  - failure to raise available defences under bond, 5.9(e)(iii)
  - failure to respect obligation to inform, 5.9(e)(ix)
  - inability to call indemnitors in warranty until resolution of third party claim, 5.9(e)(iv)

- payments made without consultation and prior to judgment, 5.9(e)(i)
- rescription, 5.9(e)(viii)
- principal not in default and surety failed to properly advance claim for extras, 5.9(e)(x)
- settlement of claim under bond by mistake, 5.9(e)(ii)
- enforcement of indemnity
  - indemnitor funded settlements, 5.9(d)(i)
  - indemnitors joint and several obligations, 5.9(d)(iii)
  - interpretation, 5.9(d)(v)
  - rights of recovery, 5.9(d)(ii)
  - summary judgment, 5.9(d)(iv)
- liability and quantum
  - attorney's fees, 5.9(f)(ii)
  - garnishment of pension plans and RRSPs, 5.9(f)(iii)
  - proof, 5.9(f)(i)
- limitation of rights to claim against indemnitors, 5.9(h)
- nature of agreements, 5.9(a)
- obtaining indemnity
  - certificate of independent legal advice, 5.9(c)(ii)
  - contracts of adhesion rules, 5.9(c)(i)
  - corporations, 5.9(c)(iv)
  - execution of agreement by individual, 5.9(c)(vi)
  - indemnities by spouses, 5.9(c)(iii)
  - partnerships, 5.9(c)(v)

### **HYPOTHECS (QUEBEC)**

- construction lien bonds, 12.10(b)
  - intervention in action on legal hypothec, 12.10(i)
  - joinder of legal hypothec and bond actions, 12.10(j)
  - liability to replace legal hypothec, 12.10(g)
- performance bonds, 10.7(f)
- priorities of surety over competing claims, 8.8(b), 8.8(d)
  - banks rights under contractor's hypothec, 8.8(e)(ii)
  - trustee in bankruptcy's rights exercised pursuant to hypothec, 8.8(f)(i)

## INDEX

trustee in bankruptcy's rights not exercised under hypothec, 8.8(f)(ii)  
priority, 4.3  
subrogation and assignment floating hypothecs on claims, 6.13(f)  
hypothecs on claims, 6.13(e)  
rights conferred by hypothec, 6.13(i)(ii)

### **IMPOSSIBILITY OF PERFORMANCE**, 7.11, 7.13(k)

### **INDEMNITIES** — *See* GENERAL INDEMNITY AGREEMENTS

**INDEPENDENT LEGAL ADVICE**, 5.3(c)  
certificate of independent legal advice, App. A Form 5-2  
Quebec, 5.9(c)(ii)  
obtaining indemnity, 5.3  
Quebec, 5.9(c)

### **“INFORMAL” INDEMNITY AGREEMENTS**, 5.3(b)

### **INSURANCE**

classes of insurance regulations, 3.2(b)  
Contractor Default Insurance, App. E-9  
federal insurance legislation, 3.2(a)  
legislative history of classes of insurance, 3.2(c)  
provincial insurance legislation  
Alberta, 3.3(a)(i)  
British Columbia, 3.3(b)(i)  
Manitoba, 3.3(c)(i)  
New Brunswick, 3.3(d)(i)  
Newfoundland and Labrador, 3.3(e)(i)  
Northwest Territories, 3.3(f)(i)  
Nova Scotia, 3.3(g)(i)  
Nunavut, 3.3(g.1)(i)  
Ontario, 3.3(h)(i)  
Prince Edward Island, 3.3(i)(i)  
Quebec, 3.4(b)  
Saskatchewan, 3.3(j)(i)  
Yukon Territory, 3.3(k)(i)  
reinsurance, 4.8

suretyship vs. insurance general, 2.2(b)(i)  
indicia of insurance obligation, 2.2(b)(ii)  
non-exclusivity of risks underwritten, 2.2(b)(iv)  
substance test, 2.2(b)(iii)  
underlying contract provisions, 7.8, 7.13(i)

### **INTERVENTION**

construction lien action, 12.6  
affidavit in support of motion for leave to intervene, App. A Form 12-5  
notice of motion for leave to intervene, App. A Form 12-4  
order allowing surety to intervene, App. A Form 12-6  
general indemnity agreements  
failure to intervene, 5.7(b)  
premature intervention, 5.7(c)  
intervention in action on legal hypothec, 12.10(i)  
performance bond options  
choose not to intervene, 10.7(b)(iii)

### **INVESTIGATION AND ADJUSTMENT**

disputed default and investigation, 13.3(c)  
duty of care, *see* DUTY OF CARE — SURETY  
general, 13.1  
investigative steps  
completing contractor's bonds, 13.3(ix)  
consideration of completion option, 13.3(vi)  
insurance, 13.3(x)  
lump sum completion contract, 13.3(viii)  
notice to indemnitors, 13.3(ii)  
obtaining bid(s) for completion, 13.3(vii)  
ongoing contract with indemnitor(s), 13.3(xi)  
original bond, 13.3(i)  
potential for recovery, 13.3(xii)  
preservation of contract funds, 13.3(v)

## INDEX

- review of bonded contracts, 13.3(iii)
  - review of work in progress and contract accounting, 13.3(iv)
  - recovery from indemnitors, 13.3(d)
  - scenarios leading to surety involvement
    - contract dispute, 13.2(b)
    - financing principal, 13.2(a)
    - formal default, 13.2(c)
    - urgency of situation, 13.3(b)
- JUDICIAL ENVIRONMENT, 1.4**
- JURISPRUDENCE, 1.3, 1.5, App. B**
- LABOUR AND MATERIAL PAYMENT BONDS**
- bond limits issues, 11.9
  - co-extensive liability
    - delay damages, 11.6.1(d)
    - general, 11.6.1(a)
    - interest, 11.6.1(c)
    - pay when paid clauses, 11.6.1(b)
  - fair dealing obligation, 11.6
  - forms, *see* LABOUR AND MATERIAL PAYMENT BONDS — FORMS
  - forms of bonds
    - federal government, 11.4(a)
    - private bonds, 11.4(b)
    - other standard forms, 11.4(c)
  - general, 11.1, 11.3
  - notice to surety, 11.7
    - form under private bond, 11.7(a)
    - timing, 11.7(b)(i)-(vi)
  - obligee's conduct, 11.8
    - as trustee, 11.8(a)
    - material variation of prime contract, 11.8(b)
  - one-year limitation period, 11.10
  - qualifying as claimant
    - allocation of supplies between contracts, 11.5(d)
    - second tier claimants, 11.5(e)
    - services and materials, 11.5(c)
    - standard definition of "claimant", 11.5(b)
    - three requirements, 11.5(a)
    - unnamed principal, 11.5(f)
  - Quebec, *see* LABOUR AND MATERIAL PAYMENT BONDS — QUEBEC
  - sample wording
    - CCDC Labour and Material Payment Bond (Trustee Form) Form 222-2002, 11.2A
    - CCDC wording, 11.2(a)
    - federal form, 11.2(b)
    - Surety Association of Canada Renewable Labour and Material Payment Bond for Multi-Year Contract, 11.2B
  - subrogation
    - to lien rights, 6.10(a)
    - to other rights, 6.10(c)
    - to trust rights, 6.10(b)
  - terms and conditions, 11.3
  - "trustee" wording, 11.3
- LABOUR AND MATERIAL PAYMENT BONDS — FORMS**
- affidavit in support of claimant's motion for summary judgment, App. A Form 11-6
  - affidavit in support of motion to clear obligee's title and pay holdback to surety, App. A Form 11-8
  - claimant's notice of motion for summary judgment, App. A Form 11-5
  - claimant's notice to surety, App. A Form 11-1
  - claimant's statement of claim, App. A Form 11-3
  - notice of motion to clear obligee's title and pay holdback to surety, App. A Form 11-7
  - order clearing obligee's title and ordering holdback to be paid to surety, App. A Form 11-9
  - surety's request for information, App. A Form 11-2
  - surety's statement of defence, App. A Form 11-4
- LABOUR AND MATERIAL PAYMENT BONDS — QUEBEC**
- benefit of discussion, 11.11(j)
  - bond forms, 11.11(b)
  - bond limits, 11.11(g)

## INDEX

- claims covered under bond, 11.11(e)
- nature under civil law, 11.11(a)
- notice to surety
  - effect of not giving, 11.11(d)(v)
  - form and content, 11.11(d)(ii)
  - notice period, 11.11(d)(iii), 11.11(d)(iv)
  - who can give, 11.11(d)(i)
- obligee's default, 11.11(f)
- prescription, 11.11(h)
- qualifying as claimant
  - assignee of subcontractor's claim, 11.11(c)(ix)
  - claimant with unfulfilled contractual obligations, 11.11(c)(x)
  - claimants accepting bankruptcy proposal, 11.11(c)(viii)
  - creditors holding legal hypothec, 11.11(c)(vi)
  - engineers and architects, 11.11(c)(vii)
  - general, 11.11(c)(i)
  - obligee, 11.11(c)(ii)
  - Quebec Construction Commission, 11.11(c)(xi)
  - second tier claimants, 11.11(c)(iii)
  - supplier of services or materials exclusively for work, 11.11(c)(iv)
  - transportation companies, 11.11(c)(v)
- release on surety, 11.11(i)
- subrogation, 6.13(m)
- LEGISLATION** — *See* STATUTORY REGULATION OF UNDERWRITING
- LIABILITY**, 5.6(b)
- LIEN BONDS** — *See* CONSTRUCTION LIEN BONDS
- LIEN CLAIMS** — *See* CONSTRUCTION LIEN BONDS; SURETY v. LIEN CLAIMANTS AND TRUST CLAIMANTS
- MAREVA INJUNCTIONS**, 5.6(d)
- MEGA PROJECTS**, 4.9
- MERCANTILE LAW AMENDMENT ACT**
  - assignment and, 6.6
  - underwriting and, *see* STATUTORY REGULATION OF UNDERWRITING
- MITIGATION AGREEMENTS** — *See also* COMPLETION; FINANCING
  - form, App. A Form 10-8
  - general, 14.1
  - with indemnitors, 14.4(b)
  - with obligee, 14.4(a)
- OWNER CONTROLLED SURETY PROGRAMS**, App. E-15
- P3 PROJECTS (PUBLIC-PRIVATE PARTNERSHIPS)**, 4.22
- PARTNERSHIPS**, 5.3(a)(ii)
- PAYMENT BONDS** — *See* LABOUR AND MATERIAL PAYMENT BONDS
- PERFORMANCE BONDS**
  - bad faith, 10.6
  - defences to claims
    - claims for payment of suppliers under bond, 10.4(i)
    - completion in fact, 10.4(g)(vii)
    - default without loss, 10.4(g)(iv)
    - estoppel, 10.4(g)(x), 10.4(j)
    - exclusory wordings, 10.4(g)(ii)
    - extent of discharge, 10.4(h)
    - failure to insure, 10.4(g)(vi)
    - failure to mitigate, 10.4(g)(iii)
    - failure to notify, 10.4(c)
    - limitation for suit, 10.4(g)(i)
    - misrepresentation, 10.4(f)
    - no-default, 10.4(b)
    - no right of action, 10.4(g)(ix)
    - obligee's default, 10.4(d)
    - release of co-surety, 10.4(g)(viii)
    - reservation of rights, 10.4(j)
    - tender of performance rejected, 10.4(g)(v)



## INDEX

- unenforceability of bonded contract, 10.4(a)(i)-(iv)
- variation of contract, 10.4(e)(i)-(v)
- waiver, 10.4(j)
- Dual/Multiple Obligees, App. E-7
- entitlement to contract funds
  - pursuant to bond wording, 10.5(a)
  - pursuant to right of set-off, 10.5(b)
- forms, *see* PERFORMANCE BONDS — FORMS
- fundamental option, 10.3(b)
- general, 10.1
- notice of default and formal demand on surety, 10.3A
- options, 10.3(a)
  - complete contract, 10.3(a)(ii)
  - put bid for completion, 10.3(a)(iii)
  - remedy default, 10.3(a)(i)
- Performance Efficiency Guarantees, App. E-17
- Quebec, *see* PERFORMANCE BONDS — QUEBEC
- sample wordings
  - CCDC Performance Bond Form 220-1979, 10.2(a)
  - CCDC Performance Bond Form 221-2002, 10.2A
  - federal wording, 10.2(b)
  - Surety Association of Canada Renewable Performance Bond for Multi-Year Contract, 10.2B
- subrogation
  - leading cases, 6.9(a), 6.9(d)(i)-(iv), 6.9(e)
  - negligence claims, 6.9(f)
  - set-off against trust funds, 6.9(c)
  - to right of set-off against contract balances, 6.9(b)
- PERFORMANCE BONDS — FORMS**
  - completion agreement between obligee and surety, App. A Form 10-4
  - completion contract between obligee and completing contractor, App. A Form 10-3
  - mitigation agreement, App. A Form 10-8
  - obligee's letter of declaration of default and demand on surety, App. A Form 10-2
  - obligee's statement of claim, App. A Form 10-5
  - principal's letter of voluntary default, App. A Form 10-1
  - surety's statement of defence and counterclaim, App. A Form 10-6
  - surety's third party claim against indemnitor(s) and consulting engineer, App. A Form 10-7
- PERFORMANCE BONDS — QUEBEC**
  - bad faith and refusal to intervene, 10.7(h)
  - defences to claims
    - absence of liability, 10.7(d)(v)
    - bond never delivered, 10.7(d)(vii)
    - claim for unforeseen work, 10.7(d)(xii)
    - extension of time for performance, 10.7(d)(ii)
    - failure to make contract funds available, 10.7(d)(ix)
    - failure to mitigate, 10.7(d)(iv)
    - failure to notify, 10.7(d)(i)
    - failure to provide information requested under *CCQ* Art. 2345, 10.7(d)(xi)
    - impossibility of performance, 10.7(d)(vi)
    - no-default, 10.7(d)(iii)
    - obligee's insolvency, 10.7(d)(ix)
    - overpayments, 10.7(d)(ii)
    - prescription, 10.7(d)(x)
    - work suspension, 10.7(d)(viii)
    - variation of contract, 10.7(d)(ii)
  - entitlement to contract funds
    - funds earned for completion of work, 10.7(g)(iii)
    - funds earned prior to default, 10.7(g)(ii)
    - general, 10.7(g)(i)
    - obligation to produce releases from sub-trades, 10.7(g)(iv)
  - estoppel, 10.7(i)
  - extent of discharge, 10.7(e)
  - general, 10.7(a)

## INDEX

- labour and material claimants, 10.7(f)
  - legal hypothecs, 10.7(f)
  - maximum financial liability, 10.7(c)
  - options
    - bond wordings, 10.7(b)(i)
    - choose not to intervene, 10.7(b)(iii)
    - pay bond penalty, 10.7(b)(iii)
    - remedy default vs. complete contract, 10.7(b)(ii)
  - reservation of rights, 10.7(i)
  - subrogation, 6.13(l)
  - waiver, 10.7(i)
- “PENTA STOLP” DECISION**
- decision, 8.4(f)
  - post-decision — knowing assistance, 8.4(g)(i)
  - post-decision — knowing receipt, 8.4(g)(ii)
- PREMIUM, 4.10**
- GST/HST and Bond Premiums, App. E-21
  - Invoices for Supplemental Premiums, App. E-5
  - Prequalification Fees, App. E-3
- PRIORITY OF SURETY OVER COMPETING CLAIMS**
- claim to priority, 8.2
    - funds at issue, 8.2(a)(i)-(ii)
    - sources of priority, 8.2(b)
  - general, 8.1
  - lien claimants and trust claimants, *see* SURETY v. LIEN CLAIMANTS AND TRUST CLAIMANTS
  - principal’s bank, *see* SURETY v. PRINCIPAL’S BANK
  - Quebec, *see* PRIORITY OF SURETY OVER COMPETING CLAIMS — QUEBEC
  - Revenue Canada, *see* SURETY v. REVENUE CANADA
  - trustee in bankruptcy/receiver/monitor
    - restructuring under *Bankruptcy and Insolvency Act*, 8.7(a)
    - restructuring under *Company Creditors Arrangement Act*, 8.7(a)
- Workplace Safety and Insurance Board, 8.5
- PRIORITY OF SURETY OVER COMPETING CLAIMS — QUEBEC**
- CCQ and CSST, 8.8(g)
  - Department of Revenue, 8.8(h)
  - general, 8.8(a)
  - hold harmless agreement, 8.8(j)
  - judgment creditor, 8.8(i)
  - legal hypothecs, 8.8(b), 8.8(d)
  - owner-obligee, 8.8(c)
  - owner-obligee’s bank, 8.8(c.1)
  - principal’s bank or other holders of rights on principal’s debts or claims
    - banks rights under contractor’s hypothec, 8.8(e)(ii)
    - banks rights under debt assignments, 8.8(e)(i)
    - funds withheld for privileges registered by sub-trades and suppliers, 8.8(e)(vii)
    - funds withheld on account of claims by CSST and CCQ, 8.8(e)(viii)
    - payment of funds for work done after default, 8.8(e)(v)
    - payment of holdbacks under contract, 8.8(e)(vi)
    - receivables under construction contract, 8.8(e)(iii)
    - unpaid value of work done prior to default, 8.8(e)(iv)
  - statutory holdbacks, 8.8(b)
  - trust funds, 8.8(b)
  - trustee in bankruptcy, 8.8(f)
    - rights exercised pursuant to hypothec, 8.8(f)(i)
    - rights not exercised under hypothec, 8.8(f)(ii)
- QUANTUM, 5.6(b)**
- QUEBEC**
- agreement to bond, 9.9(l)

## INDEX

- assignment, *see* SUBROGATION AND ASSIGNMENT — QUEBEC
  - bid bonds, *see* BID BONDS — QUEBEC
  - construction lien bonds, *see* CONSTRUCTION LIEN BONDS — QUEBEC
  - general indemnity agreements, *see* GENERAL INDEMNITY AGREEMENTS — QUEBEC
  - hypothecs, *see* HYPOTHECS (QUEBEC)
  - labour and material payment bonds, *see* LABOUR AND MATERIAL PAYMENT BONDS — QUEBEC
  - performance bonds, *see* PERFORMANCE BONDS — QUEBEC
  - priority of surety over competing claims, *see* PRIORITY OF SURETY OVER COMPETING CLAIMS — QUEBEC
  - statutory regulation of underwriting
    - Act Respecting Insurance*, 3.4(b)
    - Civil Code* Art. 2337 and unlicensed sureties, 3.4(e)
    - electronic commerce legislation, 3.4(d)
    - federal law, 3.4(a)
    - Guarantee Companies Act*, 3.4(c)
  - subrogation, *see* SUBROGATION AND ASSIGNMENT — QUEBEC
  - suretyship at civil law, *see* SURETYSHIP AT CIVIL LAW
  - underlying contract, *see* UNDERLYING CONTRACT — QUEBEC
- REVENUE CANADA**
- priority in competing claims, *see* SURETY v. REVENUE CANADA
- STATUTE OF FRAUDS**
- suretyship and, 2.2(a)(i)
  - underwriting and, *see* STATUTORY REGULATION OF UNDERWRITING
- STATUTORY REGULATION OF UNDERWRITING** — *See also* UNDERWRITING
- Alberta
- electronic commerce legislation, 3.3(a)(iv)
  - insurance legislation, 3.3(a)(i)
  - Mercantile Law Amendment Act*, 3.3(a)(ii)
  - Statute of Frauds*, 3.3(a)(iii)
- British Columbia
- Contaminated Sites Regulation*, 3.3(b)(v)
  - electronic commerce legislation, 3.3(b)(vi)
  - insurance legislation, 3.3(b)(i)
  - Law and Equity Act*, 3.3(b)(iv)
  - Mercantile Law Amendment Act*, 3.3(b)(ii)
  - Statute of Frauds*, 3.3(b)(iii)
- classes of insurance regulations, 3.2(b)
- federal insurance legislation, 3.2(a)
- Financial Administration Act*, 3.2(d)
- introduction, 3.1
- jurisdictional consistency, 3.5
- legislative history of classes of insurance, 3.2(c)
- Manitoba
- electronic commerce legislation, 3.3(c)(iv)
  - insurance legislation, 3.3(c)(i)
  - Mercantile Law Amendment Act*, 3.3(c)(ii)
  - Statute of Frauds*, 3.3(c)(iii)
- New Brunswick
- electronic commerce legislation, 3.3(d)(iv)
  - insurance legislation, 3.3(d)(i)
  - Mercantile Law Amendment Act*, 3.3(d)(ii)
  - Statute of Frauds*, 3.3(d)(iii)
- Newfoundland and Labrador
- electronic commerce legislation, 3.3(e)(iv)
  - insurance legislation, 3.3(e)(i)
  - Mercantile Law Amendment Act*, 3.3(e)(ii)
  - Statute of Frauds*, 3.3(e)(iii)
- Northwest Territories
- electronic commerce legislation, 3.3(f)(iv)

INDEX

- insurance legislation, 3.3(f)(i)  
*Mercantile Law Amendment Act*,  
3.3(f)(ii)  
*Statute of Frauds*, 3.3(f)(iii)
  - Nova Scotia
    - electronic commerce legislation,  
3.3(g)(iv)
    - insurance legislation, 3.3(g)(i)  
*Mercantile Law Amendment Act*,  
3.3(g)(ii)  
*Statute of Frauds*, 3.3(g)(iii)
  - Nunavut
    - electronic commerce legislation,  
3.3(g.1)(iv)
    - insurance legislation, 3.3(g.1)(i)  
*Mercantile Law Amendment Act*,  
3.3(g.1)(ii)  
*Statute of Frauds*, 3.3(g.1)(iii)
  - Ontario
    - Construction Lien Act*, 3.3(h)(iv)
    - electronic commerce legislation,  
3.3(h)(v)
    - insurance legislation, 3.3(h)(i)  
*Mercantile Law Amendment Act*,  
3.3(h)(ii)  
*Statute of Frauds*, 3.3(h)(iii)
  - Prince Edward Island
    - electronic commerce legislation,  
3.3(i)(iv)
    - insurance legislation, 3.3(i)(i)  
*Mercantile Law Amendment Act*,  
3.3(i)(ii)  
*Statute of Frauds*, 3.3(i)(iii)
  - Quebec
    - Act Respecting Insurance*, 3.4(b)
    - Civil Code* Art. 2337 and un-  
licensed sureties, 3.4(e)
    - electronic commerce legislation,  
3.4(d)
    - federal law, 3.4(a)
    - Guarantee Companies Act*, 3.4(c)
  - Saskatchewan
    - Builders' Lien Act*, 3.3(j)(iv)
    - electronic commerce legislation,  
3.3(j)(vi)
    - insurance legislation, 3.3(j)(i)  
*Mercantile Law Amendment Act*,  
3.3(j)(ii)  
*Queen's Bench Act*, 3.3(j)(v)  
*Statute of Frauds*, 3.3(j)(iii)
  - Yukon Territory
    - electronic commerce legislation,  
3.3(k)(iv)
    - insurance legislation, 3.3(k)(i)  
*Mercantile Law Amendment Act*,  
3.3(k)(ii)  
*Statute of Frauds*, 3.3(k)(iii)
- SUBROGATION** — *See also* AS-  
SIGNMENT
- bid bonds, 6.12
  - conditions precedent to right, 6.4
  - construction lien bonds, 6.11, 12.8
  - defined, 6.2
  - equitable remedy, 6.3
  - forms, *see* SUBROGATION AND  
ASSIGNMENT — FORMS
  - general, 6.1
  - labour and material payment bonds
    - subrogation to lien rights,  
6.10(a)
    - subrogation to other rights,  
6.10(c)
    - subrogation to trust rights,  
6.10(b)
  - order to continue, 6.8
  - performance bonds
    - leading cases, 6.9(a), 6.9(d)(i)-  
(iv), 6.9(e)
    - negligence claims, 6.9(f)
    - set-off against trust funds, 6.9(c)
    - subrogation to right of set-off  
against contract balances,  
6.9(b)
  - priorities
    - subrogation to lien and trust  
claims, 8.6(a)(i)
    - subrogation to obligee's right of  
set-off, 8.6(a)(ii)
    - subrogation to owner's set-off  
right, 8.4(b)
  - Quebec, *see* SUBROGATION  
AND ASSIGNMENT — QUE-  
BEC
  - right of obligee to set off costs,  
6.13(n)
  - rights conferred
    - all rights and remedies, 6.5(a)
    - recovery, 6.5(b)
    - suings in name of person in-  
demnified, 6.5(c)

## INDEX

### **SUBROGATION AND ASSIGNMENT — FORMS**

long form deed of release, assignment, undertaking and grant, App. A Form 6-2  
notice of assignment of debts, App. A Form 6-3  
short form deed of release, assignment, undertaking and grant, App. A Form 6-1  
surety's statement of claim for breach of trust re subrogated trust claim(s), App. A Form 6-4

### **SUBROGATION AND ASSIGNMENT — QUEBEC**

assignment of debts and rights, 6.13(d)  
conditions precedent  
to assignment of debts, 6.13(h)(ii)  
to hypothecs on claims, 6.13(h)(iii)  
to right of subrogation, 6.13(h)(i)  
contractual subrogation, 6.13(c)  
floating hypothecs on claims, 6.13(f)  
general, 6.13(a)  
hypothecs on claims, 6.13(e)  
labour and material payment bonds, 6.13(m)  
legal subrogation, 6.13(b)  
performance bonds, 6.13(l)  
right to pursue proceedings started by person paid by surety, 6.13(k)  
right to sue in name of indemnified person  
by assignment, 6.13(j)(ii)  
by subrogation, 6.13(j)(i)  
rights conferred  
by assignment, 6.13(i)(ii)  
by hypothec, 6.13(i)(ii)  
by subrogation, 6.13(i)(i)  
when surety can no longer be subrogated in claimant's rights, 6.13(g)

### **SUBSURFACE SOIL CONDITIONS**

builder's risk clauses, 7.10(a)  
general, 7.10  
owner's risk clauses, 7.10(b)

### **SUMMARY JUDGMENT**

affidavit in support of motion for summary judgment, App. A Form 5-9, 11-6  
enforcement of indemnity, 5.6, 5.9(d)(iv)  
motion, 5.6(c)  
notice of motion for summary judgment, App. A Form 5-8, 11-5

### **SURETY ASSOCIATION OF CANADA**

Consent under *Personal Information Act* (Quebec), 5.2(f)  
general, 15.2  
General Indemnity Agreement, 5.2(b), 5.2(c)  
Indemnitors' Declaration (Quebec), 5.2(e)  
Renewable Labour and Material Payment Bond for Multi-Year Contract, 11.2B  
Renewable Performance Bond for Multi-Year Contract, 10.2B  
Unlicensed Surety Companies, App. E-23

### **SURETY BONDS**

accommodation vs. compensated suretyship, 2.5  
bond interpretation, 2.3(d)  
execution and delivery  
delivery, 2.3(c)(iii)  
execution, 2.3(c)(ii)  
historical background, 2.3(c)(i)  
historical context, 2.3(a)  
joint and several obligation, 2.3(b)  
modern context, 2.1  
nature of action under, 2.3(e)  
on default instrument  
default and damages — preconditions to liability, 2.4(b)  
on default vs. on demand, 2.4(a)(i)-(iv)  
Surety Bonds vs. Letters of Credit, E-27  
suretyship at civil law (Quebec), *see* SURETYSHIP AT CIVIL LAW  
suretyship at common law, *see* SURETYSHIP AT COMMON LAW

## INDEX

- SURETY v. LIEN CLAIMANTS AND TRUST CLAIMANTS** — See also **PRIORITY OF SURETY OVER COMPETING CLAIMS**  
general, 8.3(a)  
lien and trust actions, 8.3(e)  
lien claim  
entitlement to, 8.3(b)(i)  
holdback fund, 8.3(b)(iii)  
perfecting, 8.3(b)(iv)  
preserving, 8.3(b)(ii)  
priorities, 8.3(b)(vii)  
requirements to maintain, 8.3(b)(v)  
sheltering, 8.3(b)(vi)  
other rights, 8.3(f)  
priorities, 8.3(g)  
trust claims, 8.3(d)  
waiver of rights, 8.3(c)
- SURETY v. PRINCIPAL'S BANK** — See also **PRIORITY OF SURETY OVER COMPETING CLAIMS**  
bank's position, 8.4(a)  
breach of trust, 8.4(c)  
degree of knowledge required by bank (case law), 8.4(h)  
ordinary course of business defence, 8.4(e)  
"Penta Stolp"  
decision, 8.4(f)  
post-decision — knowing assistance, 8.4(g)(i)  
post-decision — knowing receipt, 8.4(g)(ii)  
subrogation to owner's set-off right, 8.4(b)  
test, 8.4(d)  
bank's knowledge of and participation in breach of trust, 8.4(d)(iii)  
bank's knowledge of statutory trust, 8.4(d)(ii)  
deposited funds subject to statutory trust, 8.4(d)(i)
- SURETY v. REVENUE CANADA** — See also **PRIORITY OF SURETY OVER COMPETING CLAIMS**  
excise taxation (GST), 8.6(b)  
garnishment, 8.6(b)(ii)  
input tax credit, 8.6(b)(i)(A)-(C)  
super priority claim, 8.6(a)  
owner's position, 8.6(a)(iii)  
subrogation to lien and trust claims, 8.6(a)(i)  
subrogation to obligee's right of set-off, 8.6(a)(ii)  
trusts, 8.8(h)
- SURETYSHIP AT CIVIL LAW** — See also **SURETY BONDS**  
bond wordings, 2.6(b)  
construction bonds — nature vs. suretyship, 2.6(c)  
influence of common law precedents, 2.6(e)  
interpretation of bonds, 2.6(d)  
source of law, 2.6(a)
- SURETYSHIP AT COMMON LAW** — See also **SURETY BONDS**  
indicia of obligation, 2.2(a)  
"interest", 2.2(a)(iii)  
object vs. motive, 2.2(a)(iv)  
*Statute of Frauds*, 2.2(a)(i)  
"totally unconnected" requirement, 2.2(a)(ii)  
suretyship vs. insurance  
general, 2.2(b)(i)  
indicia of insurance obligation, 2.2(b)(ii)  
non-exclusivity of risks underwritten, 2.2(b)(iv)  
substance test, 2.2(b)(iii)
- TENDERING** — See **BID BONDS-THREE C's**  
financing, 14.2(c)  
Reverse Auctions, App. E-13  
Surety Undertakings in Advance of Tender, App. E-25  
underwriting, 4.5
- TRUST CLAIMS** — See **SURETY v. LIEN CLAIMANTS AND TRUST CLAIMANTS**
- UNDERLYING CONTRACT**  
bond limits, 7.9  
bonding requirement, 7.12A  
collateral monetary obligations, 7.12D

## INDEX

- consultant's determination for damages, 7.12B
  - contractor's equipment to complete, 7.12
  - damages for delay, 7.4
    - general, 7.1
  - impossibility of performance, 7.11
  - obligee's default, 7.3
  - principal must be in default, 7.2
  - provisions
    - arbitration, 7.7
    - extended warranty, 7.12C
    - for changes, 7.6
    - requiring insurance, 7.8
    - requiring payment of labour and material suppliers, 7.5
  - Quebec, *see* UNDERLYING CONTRACT — QUEBEC
  - subsurface soil conditions, 7.10
    - builder's risk clauses, 7.10(a)
    - owner's risk clauses, 7.10(b)
  - UNDERLYING CONTRACT — QUEBEC**
    - bond limits, 7.13(j)
    - contractor's equipment to complete, 7.13(l)
    - damages for delay, 7.13(e)
    - general, 7.13(a)
    - impossibility of performance, 7.13(k)
    - interpretation, 7.13(b)
    - obligee's default, 7.13(d)
    - principal must be in default, 7.13(c)
    - provisions
      - arbitration, 7.13(h)
      - for changes, 7.13(g)
      - requiring insurance, 7.13(i)
      - requiring payment of labour and material suppliers, 7.13(f)
  - UNDERWRITING**
    - process, *see* UNDERWRITING PROCESS
    - statutory regulation of, *see* STATUTORY REGULATION OF UNDERWRITING
  - UNDERWRITING PROCESS — See also UNDERWRITING**
    - accountants' liability, 4.20
  - adjudication bonds, 4.18
  - art and science, 4.19
  - banker's perspective, 4.2
  - bonding facility, 4.11
  - dual obligees, 4.16
  - early warning signs of trouble, 4.15
  - electronic underwriting, 4.17
    - contract issues, 4.17(a)
    - e-commerce laws, 4.17(b)
    - technical standards, 4.17(c)
  - errors, 4.21
  - established accounts, 4.13
  - financial guarantee bonds, 4.12
  - foreign or extra provincial contracts, 4.7
    - general, 4.1
  - improvident underwriting, 4.15A
  - mega projects, 4.9
  - P3 projects (public-private partnerships), 4.22
  - premium, 4.10
  - principal's perspective, 4.4
  - register of personal and movable real rights, 4.3
  - reinsurance, 4.8
  - special cases
    - efficiency guarantees, 4.14(c)
    - manufacturers, 4.14(a)
    - turnkey (design-built) contracts, 4.14(b)
    - unusual payment schedules, 4.14(d)
  - surety's perspective, 4.3
  - surety's requirements, 4.6
  - three C's, 4.5
    - capacity, 4.5(c)
    - capital, 4.5(a)
    - character, 4.5(b)
- UNREPORTED DECISIONS AND REFERENCE MATERIALS**, 1.5, App. B
- WORDING OF BONDS**
  - agreement to bond, 9.8(a)
  - bid bonds, 9.2, 9.2A
  - CCDC Bond Wording, App. E-19
  - construction lien bonds, 12.2(a)-(b)
    - general, 1.2
  - general indemnity agreements, 5.2(a)-(f)

INDEX

labour and material payment bonds, 11.2(a)-(b), 11.2A, 11.2B	<b>WORKPLACE SAFETY AND IN- SURANCE BOARD</b>
lien bonds, 12.2	priority in competing claims, 8.5
performance bonds, 10.2(a)-(b), 10.2A, 10.2B	
Warranties, App. E-1	