

PP010 – CCDC Bond Wordings

Introduction

The Surety Association of Canada strongly recommends that owners and design professions specify the use of the bond forms published by the Canadian Construction Documents Committee (CCDC) in their construction and tender documents. The CCDC bond language was developed with input from all sectors of the construction and surety industries and provides construction purchasers with a document that is balanced, fair, and concise and has stood the test of time.

Background

The Surety Association of Canada strongly recommends the use of the Canadian Construction Documents Committee (CCDC) bond wordings to construction purchasers and design professionals as the best bond forms to be used by owners for guaranteeing a tender and subsequent final contract. The reasons for this recommendation are as follows:

1. Successful Track Record

The CCDC bond wordings have withstood the test of time. The language has undergone judicial review and legal precedents have been established as to the meaning of the clauses and intent of the guarantee provided by the bonds. This clarity provides comfort to all parties involved, eliminating unnecessary litigation thereby reducing costs.

2. Fairness

CCDC has made a deliberate attempt to balance the needs of all parties to the construction process. Representatives of all sectors of the construction industry ranging from design professionals, to contractors, surety companies and construction purchasers have provided their input in the drafting of the CCDC bond wordings. This makes for a balanced, fair approach, which addresses the key concerns of all parties involved in using these bond wordings.

3. Explicitness

The language of CCDC bonds is very concise and clearly states the rights and obligations of the Principal, Obligor and Surety in the event of the Principal's default. Default remedies, bond amount limitations and suit provisions are clearly outlined in the bond wording.

4. Ongoing Review

The Surety Association of Canada in concert with the CCDC and other construction industry stakeholders recognizes that the bond wordings must keep abreast of the times. CCDC reviews its bond wordings on a regular basis to incorporate any changes that may be required to comply with legal precedents established and/or amendments to statutes implemented by the federal or provincial governments.

Non CCDC bond wordings usually lack many or all of the benefits outlined above.

In summary the CCDC bond wordings have been used extensively in the construction industry for many years with great success in resolving default situations in a fair, cost effective way for all parties involved.

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Glossary of Terms

Obligee

An individual or organization in whose favour an obligation is created and to whom a bond is given.

Principal

The individual or organization that bears the primary responsibility for fulfilling the obligation under the written contract referenced in the bond and that has the duty to perform for the Obligee's benefit.

Surety

The party to a surety bond who answers to the Obligee for the Principal's default or failure to perform as required by the underlying contract, permit or law.

This paper is intended to serve as a general guideline to assist members and other readers in responding to the issues discussed. Nothing contained herein should be construed as legal advice and readers are cautioned to consult with legal counsel for such advice.

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