

# Council SmartBonds

## Product Disclosure Statement (PDS)

### About SmartBonds

SmartBonds is an underwriting agency that specialises in the provision of surety bonds, also known as performance bonds, on behalf of retail and corporate clients throughout Australia.

SmartBonds is the registered trading name of Asurety Pty Ltd ABN 24 072 366 968 of Level 6, 352 Kent Street Sydney NSW 2000 ("Asurety") and was incorporated in 1995.

Asurety is a party to a managing general agency agreement with QBE Insurance (Australia) Limited.

### About QBE

QBE Insurance (Australia) Limited ABN 78 003 191 035 AFSL 239545 is a member of the QBE Insurance Group of companies. QBE Insurance Group Limited ABN 28 008 485 014 is the ultimate parent entity and is listed on the Australian Securities Exchange (ASX: QBE).

QBE is regulated by the Australian Prudential Regulatory Authority ("APRA") and is independently rated A+ Stable by Standard & Poors.

## COUNCIL BONDS (AKA DA BONDS)

### Product Description

A surety bond is an agreement between three parties being the Principal (Applicant), the Surety (Insurance Company) and the Favouree (Beneficiary). The Surety provides a written, unconditional guarantee to the Favouree that the Principal will fulfill their obligations under a contract.

A surety or performance bond is NOT insurance. Surety bonds include an indemnity agreement between the Principal (Applicant) and the Surety (Insurance Company). Under the terms of the indemnity agreement the Principal

remains liable for any losses incurred by the Surety under the bond.

Council Bonds are a form of surety, or performance bonds. They are an alternative to cash deposits and bank guarantees in building approval process.

Council Bonds provide local government with financial recourse in the event public infrastructure is damaged and or not completed by the Applicant as a condition of their building consent.

Unlike cash deposits and bank guarantees, Council Bonds do not require collateral security on behalf of the Applicant.

### How do they Work?

If a Council deems their infrastructure has been damaged or promised works as a condition of the building approval remain outstanding, the Council may demand payment under the bond and QBE must settle any demand up to the face value of the bond without reference to the Applicant.

In the event of a demand by a Council, QBE may rely on its rights under the indemnity agreement with the Applicant and seek reimbursement of all loss and costs incurred.

### Who are they for?

Both individuals and companies are eligible for Council Bonds (Conditions Apply).

They are an alternative to cash deposits and bank guarantees and do not require any up-front collateral for the life of the bond.

### Do Councils accept Council Bonds?

Federal, state and local governments recognise surety bonds from APRA licensed insurers who have a minimum credit rating of A- Standard and Poors or equivalent.

QBE Insurance (Australia) Ltd is APRA licensed and rated A+ by Standard & Poors.

# Council SmartBonds

## Premiums & Administration Fees

All bond premiums are quoted and payable in advance. Premiums are expressed as a percentage of the bond amount per annum.

No GST is applied to bond premiums.

Administration fees are quoted and payable in advance. GST applies to administration fees.

## Indemnity Agreement

An indemnity is a contractual agreement between the Surety (Insurance Company) and the Principal (Applicant) whereby the Principal agrees to indemnify the Surety for any losses or costs incurred in relation to the bond undertaking.

The indemnity agreement replaces the need for a cash deposit or collateral security on behalf of the Applicant and is compulsory.

## Claims

Where damage to public infrastructure has occurred during the construction process, or specified works remain outstanding, a Council will typically request the Applicant to repair the damage or complete the works.

If either works remains outstanding the Council may at its discretion demand payment under the bond by QBE Insurance (Australia) Ltd who will settle the amount demanded up to the face value of the bond within 7 working days.

QBE Insurance (Australia) Ltd may then exercise its rights under the indemnity and seek reimbursement of all losses suffered under the bond from the Applicant.

## Alterations, Amendments and Cancellations

Alterations and amendments to existing bond facilities are available on request.

Once a bond has been issued it can only be cancelled by either: -

- I. A Council issuing an Occupation Certificate in favour of the Applicant
- II. Confirmation in writing from the Council that the bond is no longer required,
- III. Payment to Council by the Insurer of the bond amount or such lesser sum demanded by the Council, or
- IV. the expiration of the bond period (if the bond undertaking contains an expiry date).

## Refunds

Refunds are considered on a pro-rata annual basis up to a minimum of 6 months.

No refunds are available on any bond amounts for \$50,000 or less.

## Privacy & Complaints

Our procedures in the event of any dispute, complaint and or privacy matter are outlined in our Privacy Statement available at [www.smartbonds.com.au](http://www.smartbonds.com.au)