

TO: ALL HQ DIRECTORS
ALL REGIONAL DIRECTORS
ALL REGIONAL MANAGERS, Prof. Services, Planning & Operations
ALL DISTRICT HIGHWAY MANAGERS
VIHP MANAGEMENT TEAM

SUBJECT: IMPACT ON INSURANCE AND CONTRACT BONDS OF TIME AND DOLLAR
EXTENSIONS OF CONTRACTS

REFERENCE: Insurance & Bonds Policy and Procedure Manual
Part 3 - Section 3.6, pages 1-4
Part 4 - Contracts - all
Part 5 - Agreements & Permits - all

BACKGROUND:

Situations where either the completion date of a contract is extended or the dollar value is increased, can impact both the insurance policies and Surety bonds that are in place for the contract. If the insurance expires and there is still on-going work under the contract, then both the contractor and ministry are exposed to losses that are not insured.

In the same situations, the Surety Bond company may state that the contract being bonded has now changed significantly and therefore, the bond does not apply to the "new contract" created by the time or dollar extension.

PROCEDURE:

For Ministry contracts, agreements, permits or leases where either insurance or bonding (or both) are required to be purchased by contractors, permittees or lessees, the following steps are to be followed:

TIME EXTENSION

Insurance- designated Ministry personnel including Contract Administrators and Contract Initiators in HQ, Regions and Districts are responsible for requesting contractors extend their insurance to include the new time period.

Bonds - Ministry bond administrators to notify Surety of extension

DOLLAR EXTENSION

Insurance - no notification required by Ministry as dollar extensions may affect the contractor's premium but not the insurance coverage

Bonds - Ministry bond administrators to notify Surety of increased dollar value.

See the Insurance & Bonds Policy and Procedure Manual for descriptions of what constitutes a change to the contract and what to report to Sureties.

CONTACT: W.D. (Dan) Penman, Manager, Insurance and Bonds



E.A. Lund, P.Eng.
Chief Highway Engineer

cc A.D.M., Highway Operations
A.D.M., Planning and Major Projects
Bruce McAllister, A/Manager, Contract Administration

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