BONDING
Bonding helps limit the risks of a project.

Surety bonds are three-party agreements typically between the General Contractor, Owner and Surety or between Subcontractor, General Contractor and Surety. Unlike insurance, the Surety does not anticipate suffering a loss and in such event will look to the Contractor to be reimbursed.

The Bid Bond ensures the Owner that Contractor will execute a contract at their submitted bid amount.

Performance Bonds will indemnify the Owner (or General Contractor in the case of Subcontractor bond) against loss resulting from the failure of the Contractor to complete the work in accordance with the Contract Documents.

Payment Bonds guarantee the payment of all bills incurred by the Contractor for labor and materials in connection with the project.

Bid Bonds, Performance Bonds, and Payment Bonds are required on all public projects in the State of Missouri exceeding $50,000. On private projects the Owner has the option to require Bid Bonds, Performance Bonds, and Payment Bonds. The Owner may wish to review the financial statement of the General Contractor before making that decision. The General Contractor can decide on a selective basis whether or not to require a Performance Bond and Payment Bond from Subcontractors and/or suppliers.

Factors that are usually considered by a surety when underwriting a Contractor include:

- Financial wherewithal
- Credit availability
- Experience
- Backlog of work
- Company personnel

Contact a bonding professional to help you with your questions and issues.

The Owner (or General Contractor in the case of subcontractor bond) should be cautioned that if it is necessary to invoke the performance bonding company, it likely will not be a seamless transition and there will likely be project delays.

REFERENCES:

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