SURETY

Surety is a three-party contract/bond between the Obligee (the party who is the recipient of an obligation), the Principal (the primary party who will perform the contractual obligation) and the Surety (the company that assures the obligee that the principal can perform the work specified within the contract). Surety is truly another form of financial guarantee, which is provided by an unsecured creditor as the surety does not require collateral to issue the bonds.

Risk Overview

There are two major types of Surety Bonds:

1. *Construction Bonds*
2. *Miscellaneous Bonds*

Construction Bonds are provided to the construction project owner (Obligee) by the surety company confirming that the contractor (Principal) is able to perform the required contract and will guarantee completion of the contract should the contractor be unable to complete it.

The primary construction bonds issued are as follows:

Bid Bonds | a guarantee to the project owner that the contractor is bidding in good faith and will accept the project should the contractor be the successful bidder.

Performance Bonds | a guarantee that a specific contract will be completed as described.

Labour and Material Bonds | a guarantee that subcontractors and suppliers will be paid for their work and/or supplies.

Maintenance Bonds | a guarantee that defects found during a certain time period after completion of the project will be handled accordingly.

Other Miscellaneous Bonds

Auctioneer Bond
Licensing Bond (various types)
Prepaid Contractor's Licence Bond
Lien Bond
Bailiff Bonds
Mechanical Permit Bond
Travel Agency Bond

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