Payment and Performance Bonds

A payment bond is a type of surety bond that guarantees monetary compensation to labourers, suppliers, and subcontractors in the event of the contractor going out of business. Payment bonds are usually issued alongside a performance bonds, which sets out terms and conditions by which a contractor must work to.

Often, performance bonds also involve 1 year's maintenance protection. This must be written into the contract of the performance and payment bond. Charges will apply after the 1 year maintenance period expires, unless it is renewed and agreed by all parties.

A performance bond should not be mistaken with a supply bond. Where performance bonds guarantee that certain tasks will be completed, a supply bond only covers the provision of a product or materials.

Bonds carry many benefits for both the employer and the contractor. From the contractor's point of view, the existence of a bond presents a professional business approach and shows a willingness to adhere to the employers requirements. As an employer, the main benefit is that it minimises any delays in construction or additional costs.

It's important to ensure that subcontractors are covered by performance bonds. A main contractors bond will not cover loss arising from the performance of any subcontractors involved in the project.

About the Author

Finding the right carrier for your payment and performance bonds can be a daunting task. There are many agencies offering Surety Bonds which will help make this process simpler. Agents have a wide selection of bonding companies which allows them to issue bonds that are tricky to place, as well as small to large contracts. In spite of personal circumstances, most good agents will be able to find a bond that is appropriate for your needs