

2002 A Guide to Construction Surety Bonds

The purpose of this guide is to help the construction and business communities in Canada better understand surety bonds and the suretyship process.

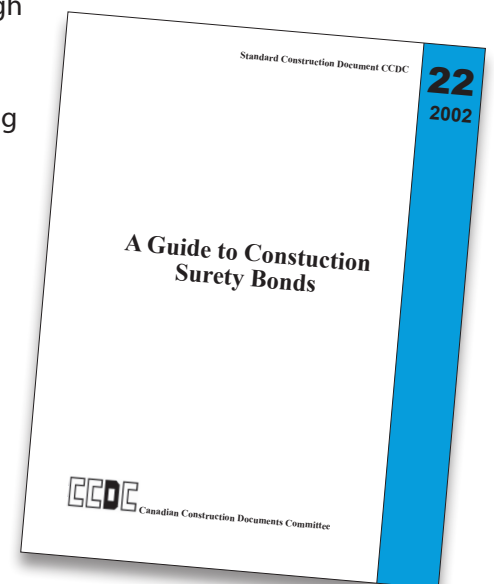
This guide was prepared by the Surety Sub-Committee of the Canadian Construction Documents Committee (CCDC) and is endorsed by the constituent organizations of the CCDC and the Surety Association of Canada.

The recommended practices in CCDC 22 reflect a broad consensus of Canadian construction industry participants, and are intended to apply to any public or private sector project.

By following these practices, the potential for costly misunderstandings, disputes, delays, and other difficulties can be minimized.

Surety bonds are by far the most common means of securing contractual obligations in the construction industry today. Bonds are unique in that they are the only contract security specifically designed to be used with construction contracts. Despite their extensive use such bonds and the suretyship process are not well understood. Those who use bonds as an integral part of their business (i.e. contractors, construction purchasers, subcontractors, suppliers, design professionals and even surety companies themselves) often have divergent ideas about and expectations of surety bonds and the suretyship process. Too often bonds are perceived as an obstacle—another document to obtain before the bid is submitted or the contract is signed. This guide attempts to fill the information gap and assist all sectors of the construction industry in using surety bonds to their advantage.

CCDC 22 describes the suretyship process and clears up some commonly held misconceptions. The guide is divided into three parts. Part 1 reviews suretyship, what a bond is and how it differs from other risk management tools. Part 2 discusses how suretyship works in practice, how bonds are obtained, the requirements of a surety company, and how the company proceeds through the prequalification process. Part 3 examines the various forms of bonds with a view to understanding the purpose of each bond and the claims process.



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