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Construction Bonds

Financial security and construction assurance.

Choosing the correct financial option and implementing a comprehensive risk management plan are vital to the successful completion of any construction project. These elements are at the top of all Project Owners agenda when starting a project.

When planning your Project should you, the Principle, ensure that your Contractor has a Bond to cover those eventualities?

#### Project Owner:

- › Are you 100% confident that any contractor will not default before the completion of a project?
- › Do you have enough information regarding your contractors' business and previous experience to be comfortable that they will perform?
- › Can you afford to risk up to 25% of the contract cost on replacing a contractor should one default?

#### Contractor:

- › Bonds provide financial security and assurance without tying up your working capital or personal assets.
- › Bonds provide project owners with the evidence of your competence, capability and financial strength.
- › *Affinity* Bonds will give you the competitive advantage when tendering for projects and can be arranged simply and speedily.

## 5 Primary Types of Bonds

- › **Performance Bonds:** Provides the Project Owner with a guarantee that in the event of a contractor's default, funds up to the value of the Bond are still available to complete the contract.
- › **Maintenance Bonds:** Provides the Project Owner with a guarantee to the value of the Bond that the contractor will fulfil their latent defects or maintenance obligations as stated in the contract.
- › **Bid or Tender Bonds:** Provides the Project Owner with a guarantee that the contractor will honour their tender and provide a Performance Bond if successful at the Tender Stage. This type of Bond represents an important sales advantage over other contractors at the Tender Stage.
- › **Advance / Stage Payment Bonds:** This Bond allows advance payments under an awarded contract to enable initial purchase of essential materials required to perform the work. This provides significant cash flow benefits to the contractor.
- › **Payment Bonds:** Provides a guarantee up to the value of the bond that secures payment from the contractor for the subcontractors, labourers and materials. Often this is the only protection for those supplying labour or materials.

*The above mentioned Bonds represent just some of the Bonds available from Affinity. We can structure Bonds to meet your specific requirements.*



#### Why You Should Choose Bonds

- › Bonds 100% protect the original project budget, schedule and performance against the cost of contractor failure.
- › Bonds are about risk transfer where the insurance company assures the Project Owner that the Contractor will perform a contract in accordance with the contract agreement.
- › Bonds can open doors to new construction market that you may have previously thought were out of reach.
- › Alternative forms of financial security, such as loans, credit or default-insurance do not provide the 100% performance and payment protection that Bonds can provide.

#### FAQ's

Q: How long does it take to obtain a Bond?

A: *A specialist Bond provider such as Affinity can quickly process a Bond application. Even a Contractor with no track record in Bonds can qualify once we have all the relevant information outlined in our questionnaire, Bonds can be setup within 5 working days.*

Q: Are smaller projects suitable for Bonds?

A: *Yes, smaller projects are suitable for Bonds. In fact, it is often the smaller projects that run into difficulties and become more costly to complete, relative to the original contract cost.*

Q: How should you go about obtaining a Bond?

A: *Your next step is to contact Affinity and we will send you the appropriate application form for the required Bond.*

To contact simply call Daniel Murphy on 01-2801057 or email [daniel@affinityinsurance.ie](mailto:daniel@affinityinsurance.ie)

For more information or to complete a an application form, please visit our website [www.affinityinsurance.ie](http://www.affinityinsurance.ie)

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