United Bonding of Illinois LLC

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United Bonding specializes in the surety bonding business. If your company has bid on public work in the past, you may be familiar with surety bonds. Surety bonds exist because there is frequently a need to ensure that someone will do as he or she promised.

Unlike insurance policies, which are contracts formed between two parties, surety bonds are contracts that are formed between three parties. Those three parties are:

PRINCIPAL – the party who has agreed to fulfill an obligation and is primarily liable for doing so.
OBLIGEE – the party for whose benefit the bond is written. If the principal defaults on the obligation, damages are payable to the obligee.
SURETY – the guarantor providing the bond. The surety backs up the principal in guaranteeing that the underlying obligation will be fulfilled.

Surety bonds are not insurance. Although surety bonds and insurance policies share some characteristics, there are major differences. One major difference is that losses are not anticipated and no portion of the premium is set aside for losses. Therefore, the surety business relies very heavily on careful underwriting and the existence of a general agreement of indemnity in the surety's favor from the principal and its owners and affiliates. Under a surety bond, if you are the principal and default on an obligation, the surety will pay the obligee and pursue its rights against you in accordance with the terms of the indemnity agreement.

In the construction industry, there is frequently a need to be sure that the project will be completed on time and according to detailed specifications. Because of this, several types of surety bonds are used within both the public and private contract bond fields. In each case, the most common bonds requested are Bid, Performance, and Payment bonds.

Bid Bonds – Construction projects are often awarded to the contractor that submits the lowest bid and, generally, contractors are required to submit a bid bond along with a bid. A bid bond guarantees that the principal (the bidding contractor in this case) will accept the job and will post another bond, called a "performance bond," if its bid is selected by the obligee/owner or an authorized representative thereof.

Performance Bonds – When a construction project is finalized, the chosen contractor often must post a performance bond which guarantees that the work will meet the original specifications and will be completed on time.

Payment Bonds – Frequently, the chosen contractor must also provide a payment bond which guarantees that it will pay for all labor and materials used in the project so that the completed work will be delivered free and clear of any liens or encumbrances.

Here at United Bonding, surety bonding is all we do and we try to make the process as simple for our customers as possible. We have decades of bonding experience to draw upon and are very familiar with handling even the most problematic surety situations. Please contact me at 1-800-251-1001 and I will be pleased to discuss your company's bonding program with you and provide you with more information on what services we have to offer.

Respectfully,

Peter R. Johnson, President