

Performance Bond Requirements On The Increase For Smaller Construction Contracts

March 25, 2019

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With the economy heating up as well as the weather, bid bond and performance bond turn-around times are taking longer, warns Swiftbonds.

U.S.-leading Surety specialist Swiftbonds is noting a marked increase in the insistence for building contractors to comply with all Performance Bond underwriting requirements for projects up to $500,000 in value.

But with many building contractors unfamiliar with how to increase their bonding capacity, this is starting to cause problems across the industry and is leading to longer lead times for bond approvals.

A Performance Bond is typically for the entire contract amount, which covers losses incurred by the beneficiary following a breach of contract, including the insolvency of the contractor.

Many building contractors are still having to deal with cash flow shortages created by the recovery in the economy, which has led to a long protracted increase in the amount of overall work in the industry. This is not

through any apparent weakness in the company?s management, as many companies have their plates full with new contracts. It is because of payment lags in the system, including retainage on their contracts.

Projects taken on during the boom have typically been won on considerably reduced margins due to high competition. With many building contractors suffering from the endemic late payment practices of the sector on these legacy projects, cash is being stretched to the maximum in the fight to win new and more lucrative projects.

With building contractors potentially walking this cash tightrope, Swiftbonds is urging Principals to continue the good practice of requiring Performance Bonds to mitigate the risk of insolvency. This is not only prudent for the Principal, but also prudent for the sector in protecting against any form of a crash.

Gary Eastman, Managing Director and senior surety bond specialist, said: ?Many building contractors still need to have plenty of available cash and not overextend. The world may be more buoyant and optimistic but insolvency is still the spectre at the feast. Performance Bonds are simply best practice. Even in a boom, there can still be a bust.?

For the full story, visit: https://swiftbonds.com/articles/performance-bond-requirements-increase.

To find out more on performance bonds, visit: https://swiftbonds.com/performance-bond.

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Swiftbonds

Swiftbonds is a surety bonding agency providing businesses with all types of contract bonds and commercial bonds

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