



## Surety Bonds & Insurance

To understand the law of suretyship, one must appreciate the distinction between a surety bond and an insurance policy. A surety bond is not an insurance policy, although in some respects they are similar. The nature of the surety's obligation is strictly financial as expressed by the terms of the bond itself. Insurance is a crucial consideration in construction project planning as a means of covering losses and minimizing disputes among the parties on a project. No party involved in any aspect of the construction industry can afford to neglect or overlook the substantial impact and effects that insurance considerations may have on potential costs, fees, rights and damages. Chapters 14 and 15 of *Common Sense Construction Law* review and explain the obligations and limits of performance and payment bonds; Chapter 18 deals with construction insurance.