



Bond Back Subs over $250k.

A phrase like this is quite common in the surety world but many General Contractors do not understand what it means or why it is used by surety companies as a condition o for approval of a performance bond.

Bonding back is defined as a General Contractor requiring certain subcontractors to post a sub contractor performance and payment bond to them, even though the GC is carrying a bond on the entire project.  Just like the performance bond the GC posted to the owner (obligee) of the project to guaranty its performance, bonding back gives the GC a performance guaranty from its subcontractor.  Sometimes bonding back is the GC’s company policy and other times it’s the GC’s surety company requiring the bonding back of subs. There are two main reasons why GCs do this and/or surety companies requires this:

* Helps to manage the risk of subcontractors; this is the main reason a surety and/or GC will require the bonds from subs.  It’s just good business practice for a General Contractor to require its subs to post a bond for large trades.  If there is an issue on the project, the GC has recourse for resolving.
* Bonding back can increase bond capacity for the GC.  If a GC is stretching its single or aggregate bond program, bonding back subs at lower levels may be required by the surety.  For example, a contractor with a bond capacity of $1 million single job size may be able to bid on that $1.5 million job with the agreement they will require subcontractors with trades over $200k to be bonded.

# **At what dollar amount should bonding back start?**

This depends on the contractor and/or surety company. Some large national or multi state GCs require bond backs regardless of amount.  Others have certain dollar thresholds like $100k, $250k, or $500k.  And other GCs have thresholds for some subcontractors but able to waive bonding back on other subs.  It’s worth noting that while bonding back increases costs on the project due to the extra premium required, there is a reason many large GCs require this regardless of the contract amount – companies go out of business from time to time.  It’s always good to error on the side of caution and require a subcontractor to bond back.