S&S INSURANCE SERVICE

SCAN TO START



BRIDGE DECK LIFT · PHOTOGRAPH BY WOLFGANG WEISER, UNSPLASH LICENCE

SURETY BONDS FOR CONTRACTORS · BRITISH COLUMBIA

A bond is not insurance. Plan it like credit.

A bond tells the owner you will perform. If the surety pays, it looks to you to pay it back. Bonding goes best when the conversation starts early.

WRITTEN FOR	ARRANGED BY	LICENSED IN
Contractors bidding on public work or larger private projects	S&S Insurance Services Ltd. Serving the community for more than forty years	British Columbia, for general insurance

General information only, not advice about your business. What is owed is decided by the wording of the bond and the indemnity agreement actually issued. · sandsinsurance.ca

Three parties, and the promise runs to the owner.

Insurance pays your losses. A bond guarantees your performance to someone else.

Insurance is a contract between two parties. The insurer takes on a risk for a premium and pays the losses it covers. A surety bond is a guarantee between three. The surety promises the owner that you will perform. If you do not, the surety pays the owner and then seeks repayment from you.

The Surety Association of Canada puts it plainly: a loss paid under a surety bond "is fully recoverable from the principal." That is why a surety looks at your balance sheet, your work on hand and your track record. Bonding capacity works more like a line of credit than an insurance policy.

Two parties, against three

Who promises what to whom. No amounts are shown.

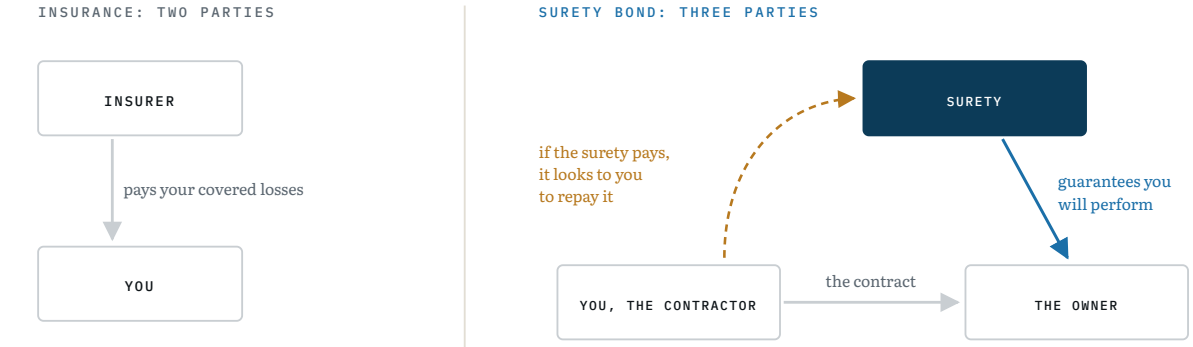


Diagram only. The terms of each bond, and any indemnity agreement behind it, decide what is owed and by whom.

2.1 The bonds a contractor meets

BID BOND

Guarantees you will enter the contract at your bid price if you win. Often needed to bid on public work.

PERFORMANCE BOND

Guarantees the project is finished if you cannot finish it. Often set as a share of the contract value.

LABOUR AND MATERIAL

Guarantees subcontractors and suppliers are paid. Often issued with the performance bond.

MAINTENANCE AND WARRANTY

Guarantees your maintenance or warranty duties for a stated period after the work is complete.

LICENCE AND PERMIT

Asked for by some authorities before a licence is issued or work starts on public property.

CONSENT OF SURETY

A letter that a surety is ready to bond the project if you win. Often needed with the bid.

Bonding is granted on the business, not the job.

A surety reads three things. Each one can grow your capacity or shrink it.

01 · FINANCIAL STATEMENTS

The balance sheet is the bond

Reviewed or audited, by an accountant who knows construction.

- Working capital and equity drive capacity
- Current statements, not last year's
- Steady equity through year end

02 · WORK ON HAND

Everything you carry at once

A surety watches the total, not only the next job.

- Every current contract and its value
- How far along each one is
- All bonded jobs reported, none left out

03 · TRACK RECORD

Work you have finished

Proof you can do the size and type of job you are bidding.

- Completed projects of similar size and type
- The experience of the people running the job

04 · ALONGSIDE

Arranged as separate policies

Owners of public and larger private work usually ask for both.

- Commercial general liability
- Builders risk
- Tools and equipment
- Commercial auto and fleet

A new contractor can sometimes be bonded at smaller limits, with clean financial statements and often a personal indemnity from the owners. Capacity grows with the track record and the balance sheet.

What bonding capacity measures

Two numbers: the total a surety will support at one time, and the largest single project inside it.



Diagram only. No amounts are shown. Both numbers are reviewed as your financial statements change.

Four habits that cost contractors bids.

Capacity builds over years, not a week. These are the things that slow it down.

1

Stale statements

Capacity is extended against current statements. Using last year's numbers slows approvals at tender time.

2

Unreported work

Capacity is set against all your bonded jobs. A job the surety does not know about makes the file look wrong.

3

Draining the company

Draws and bonuses at year end that cut working capital can read as risk to a surety.

4

First bond at tender

A surety relationship takes finished work to build. Waiting until a tender asks for a bond leaves no time.

AN EXAMPLE

A tender that closes in ten days

A municipal tender closes in ten days and asks for a consent of surety with the bid. The contractor has no surety relationship, so the paperwork cannot be ready in time. The contractors who bid that job started the conversation a year earlier.

Illustration only. Not a real business, project or bond. Whether a bond is issued, and on what terms, is decided by the surety.

4.1 What we do on the file

These are services, not coverages.

- ○ Start the surety file before you need it
- ○ Present current statements and work on hand
- ○ Arrange the consent of surety with the bid
- ○ Explain a decline and what to change first
- ○ Tell you if a specialist surety broker would serve you better
- ○ Place the insurance the owner also asks for

If a specialist surety broker would serve you better, we will say so.

S&S INSURANCE SERVICES LTD.



CABLE STAYED BRIDGE UNDER CONSTRUCTION · PHOTOGRAPH BY MASON KIMBAROVSKY, UNSPLASH LICENCE

05

WHO WE WORK WITH

Contractors growing into bonded work.

Public tenders and larger private projects, anywhere in British Columbia.

5.1 Who asks us about bonding

General contractors	Firms seeking a first bond
Civil and site work	Contractors whose bond was declined
Trades bidding public work	Firms adding a larger project

Tell us what is coming, even if the answer is not yet. A winning file is a boring one: current statements, honest work in progress and steady equity.

SURETY BONDS, AT A GLANCE

3 parties
THE SURETY, THE CONTRACTOR AND THE OWNER

6 bond types
FROM THE BID BOND TO THE CONSENT OF SURETY

Repayable
A LOSS PAID BY THE SURETY IS GENERALLY RECOVERABLE FROM THE CONTRACTOR

3 things
STATEMENTS, WORK ON HAND AND TRACK RECORD

2 numbers
TOTAL CAPACITY AND THE LARGEST SINGLE JOB

Start early
BUILD THE FILE BEFORE THE TENDER, NOT DURING IT

S&S Insurance Services Ltd. · serving the community for more than forty years · 20+ insurers · 40+ people · four branches · six languages



A VIADUCT UNDER CONSTRUCTION · PHOTOGRAPH BY MICHAEL MYERS, UNSPLASH LICENCE

06

WHERE WE START

Send us the tender and the statements.

A pre-tender check of your file, in writing.

Send us the project you are bidding and your recent financial statements. We will reply in writing with what a surety is likely to look at first and what could help. It is a view on the file, not a promise of a bond. Every bond is decided by the surety. Declined before? Send the decline letter too.

1

The project you are bidding, with the tender closing date.

2

Your most recent financial statements.

3

A list of work on hand: contract values and how far along each one is.

Prefer to talk? Call or visit any branch below. Or scan the code, or start online at **sandsinsurance.ca/business-insurance/surety-bonds/**. A licensed broker reads it and replies the way you choose.

6.1 Four branches, one firm

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Delta

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Delta, BC V4C 6P7
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Surrey

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Surrey, BC V3S 7H2
604-319-1000

Richmond

165-23233 Gilley Rd
Richmond, BC V6V 1E6
604-553-6616

You do not need to live near a branch. We are licensed to arrange insurance anywhere in British Columbia.

SOURCES READ FOR THIS BROCHURE

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