Surety Bonds vs. Insurance

What Each One Covers and Why the Difference Matters

In most states, contractors may need both surety bonds and insurance to meet licensing requirements, fulfill contractual obligations, and protect their businesses. Understanding how each works and what they cover can help you determine what your contracting business needs.

Surety Bonds: Guaranteeing Your Obligations

A financial guarantee that a contractor will meet licensing, contractual, or payment obligations.

Three Parties Involved

- **Principal**
  The contractor required to obtain the bond
- **Obligee**
  The party requiring the bond
- **Surety**
  The company guaranteeing the contractor's obligations

Common Contractor Bonds

- Contractors License Bonds
- Bid Bonds
- Performance Bonds
- Payment Bonds
- Maintenance Bonds

Insurance: Protecting Your Business

Helps protect contractors against covered accidents, injuries, property damage, and other unexpected losses.

General Liability
Third-party injuries and property damage

Workers' Compensation
Employee work-related injuries and illnesses

Commercial Auto
Business vehicle accidents

Tools & Equipment
Covered theft or damage

Excess Liability
Additional liability protection

The Key Differences

Surety Bonds	Insurance
Guarantee specific obligations	Cover specified financial risks
Primarily protect the obligee and eligible claimants	Protect the insured against covered losses
Contractor generally reimburses the surety for paid claims	Insurer generally absorbs covered claim costs
Bond amount establishes the surety's maximum obligation	Policy limits establish available coverage

Do You Need Both?

It Depends on Your State, Trade & Project

Surety bonds may be required for licensing or construction contracts. Insurance may be required by law or contract and helps protect against business risks.

CCIS Insurance: Your Source for Contractor Bonds & Insurance

From Contractors License Bonds and other critical bonds to General Liability, Workers' Compensation, and Tools & Equipment coverage, CCIS helps contractors get the protection they need.

Contact CCIS Insurance for a Personalized Quote

(800) 432-2641

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The insuring agreement in a policy sets out the covered perils, assumed risks, and nature of coverage that the insurance company provides to its insured in exchange for the premiums paid. Thus, the terms and conditions of the policy will dictate whether coverage exists and the nature of any potential benefits.