

## CHECKLIST

# Is Subcontractor Default Insurance Right for You?

Subcontractor default or non-performance is one of the costliest risks when executing a project.

A solution is to consider is Subcontractor Default Insurance (SDI). SDI can be an attractive alternative to traditional pay-for-performance bonds, however it may not be the right fit in every situation. Use this checklist to help you determine if SDI can benefit your business.

	YES	NO
<b>1. Do you have a rigorous, data-driven prequalification process for all subcontractors?</b>		
<b>Factors to consider:</b> <ul style="list-style-type: none"> <li>• Does your subcontractor prequalification include a completed Statement of Safety Qualifications form with every bid?</li> <li>• Does prequalification include a financial qualification using up-to-date information?</li> <li>• Is prequalification repeated prior to awarding projects, or at minimum is it repeated on an annual basis?</li> <li>• Are prequalification processes and results well-documented?</li> </ul>		
	YES	NO
<b>2. Do you have strong subcontract administration?</b>		
<b>Factors to consider:</b> <ul style="list-style-type: none"> <li>• Do you have documented and audited management processes?</li> <li>• Have you established tightly controlled change processes?</li> <li>• Is there an extensive quality control process in place?</li> </ul>		

	YES	NO
3. Are you concerned about budget overruns and having funds immediately available to remediate a default and any resulting re-work?		
<b>Factors to consider:</b> <ul style="list-style-type: none"> <li>• Are you concerned that a default could result in material cost overruns in an era of rising inflation?</li> <li>• Do you want protection against indirect losses incurred because of a default?</li> </ul>		
	YES	NO
4. Is on-time project delivery a top priority?		
<b>Factor to consider:</b> <ul style="list-style-type: none"> <li>• Would you prefer to manage your own claims, re-assign uncompleted work, and schedule that work yourself to reduce costly delays without being subjected to a surety carrier's timeline?</li> </ul>		
	YES	NO
5. Do you plan to work with more women-, minority- and veteran-owned subcontractors that may have increased challenges securing surety bonding?		
	YES	NO
6. Is your business financially stable?		
<b>Factors to consider:</b> <ul style="list-style-type: none"> <li>• Do you have strong operational cash flow?</li> <li>• Do you have a consistent project backlog?</li> </ul>		
	YES	NO
7. Does the project Owner require a guarantee of the subcontractor's work and any potential rework?		

If you answered **"YES"** to at least 4 of the questions above,  
SDI may be the solution for your business!

## Ready to get started?

Contact a HUB construction specialist to help build a plan  
that protects your business.