



Surety Bond Presentation

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Surety

Outline

- I). Why the need for Surety Bonds
- II). First Step: Selecting an agent
- III). Reporting Requirements
- IV). Surety Submission – Successful or not?



I). Why the need for Surety Bonds

- 1) Public owners only want to pay once.
Protecting taxpayer dollars.
- 2) Contractor defaults. Not enough contract proceeds are left to pay the completion contractor and the unpaid bills of subs, suppliers and laborers.

Important note : Contractors cannot buy bonds. They must qualify for a bond through the underwriting process and the premium represents an underwriting fee. This is why it is referred to as surety credit.



II). Selecting an agent

- 1) Agent's ability to convey the qualification of a contractor = ability to obtain bonds.
- 2) Contractors should interview agents.
Contractors should take the same care in selecting an agent that they take in selecting key employees.
- 3) Contractors should ask for the agent's resume and referrals.



II). Selecting an agent (Cont.)

4) Key questions

- Surety Background
- Types of construction businesses helped
- Sureties they work with. Preferences and why?
- Appropriate surety line for the contractor
- Logical increases in the surety line for the contractor
- Referrals

Ask your outside professional team if they have any knowledge of the agent.



III). Underwriting Requirements Standard Market VS. SBA Guarantee

- 1) Year end financial statement – the same
- 2) 6 months financial statement – the same
- 3) Personal financial statement, annually – the same
- 4) Contractor's Questionnaire (editable) – the same
- 5) References and resumes – the same
- 6) Work In Progress Reports, quarterly – not the same
- 7) Bank Line of Credit – the same

The SBA does have two one page applications.



IV). The Submission (underwriting process)

The agent demonstrates qualifications.

The agent makes a recommendation, on single and aggregate.

- 1) Capital: An analysis of all financial resources at the company's disposal.
- 2) Character: References and credit reports. Keep disputes to minimum, and handle them as quickly as possible.
- 3) Capacity: All tools and non-financial resources at the contractor's disposal.



Conclusion

- 1) Have an understanding and appreciation of why bonds are important and needed.
- 2) Take the selection process of an agent seriously.
- 3) Assume some responsibility in making the surety comfortable in providing bonds to you.

shawn@pss-inc.com - for a copy of the power point slides and the narrative of the presentation.

www.shawnblume.com – for a sample copy of an in-house and CPA financial statement. As well as white papers on various contractor risk topics.

