

Contract Surety

Kara Skinner

kara@integritysurety.com

TheBonder.com



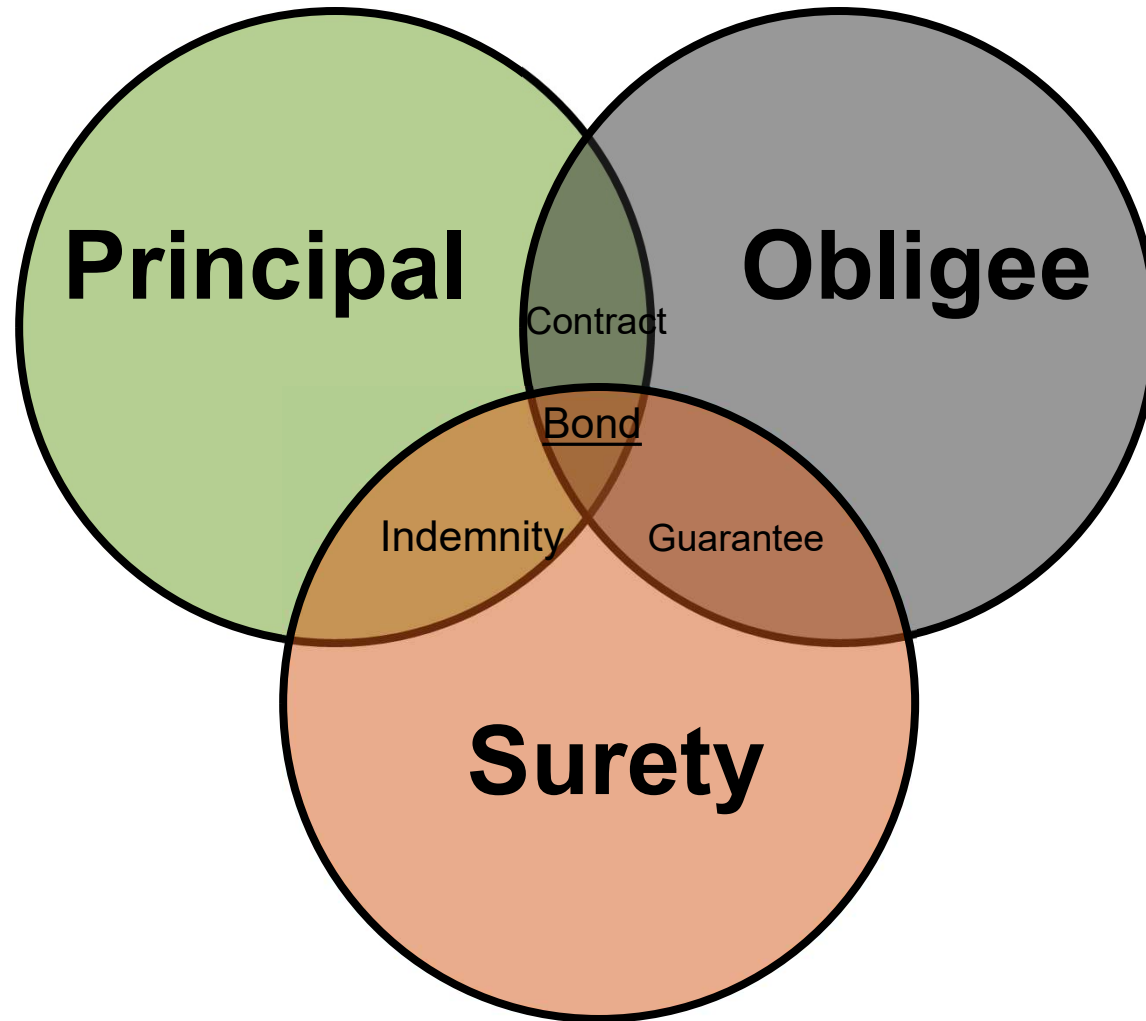
What is Suretyship

Surety is Not Insurance

Surety is Assurance

It is a Credit Relationship

Parties to a Surety Bond



Surety Bonds vs Insurance

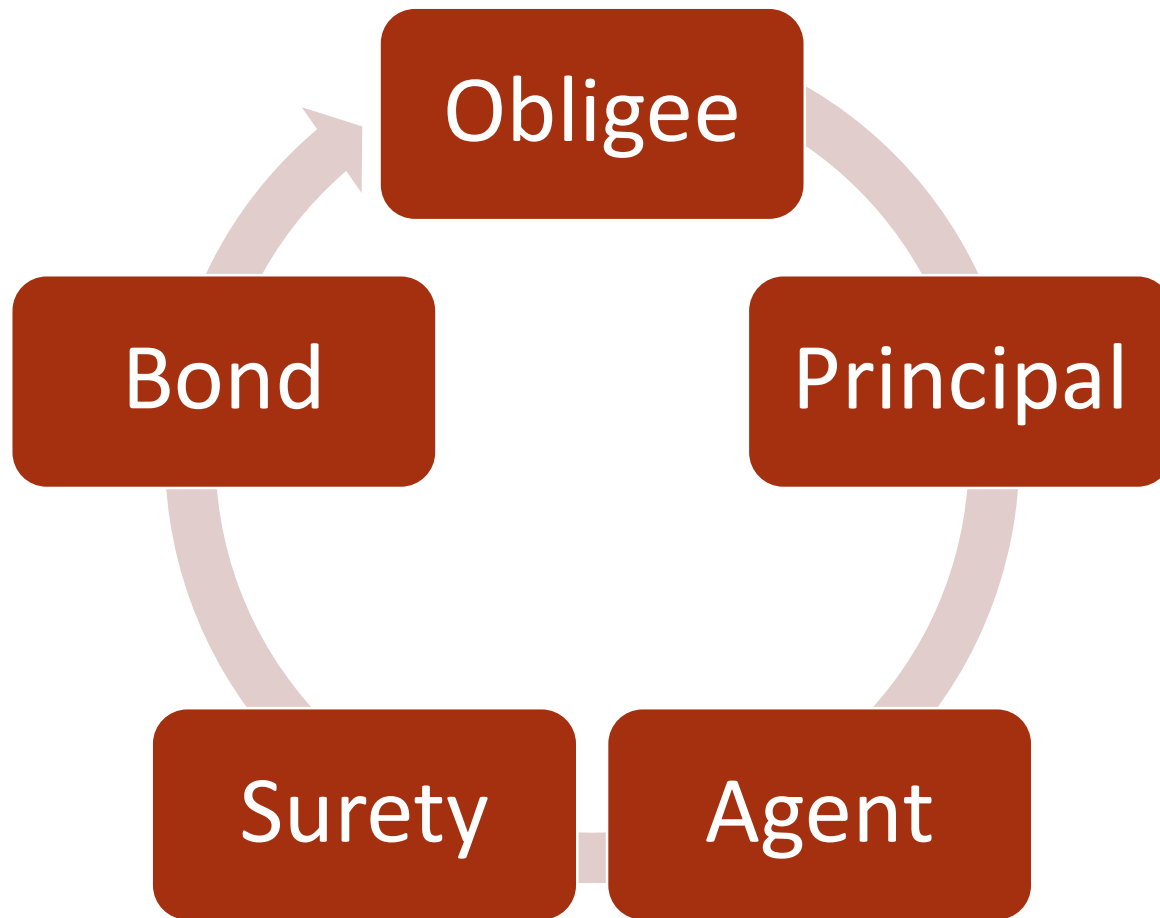
Surety

- 3 party
- Protects Obligee
- Project Specific
- Claims by Obligee
- No loss anticipated

Insurance

- 2 party
- Protects Principal
- Term Specific
- Claims by Insured
- Losses anticipated

Life of a Bond

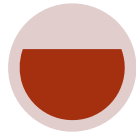


History Of Surety



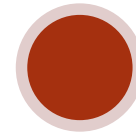
2,750 BC

The earliest known suretyship contract was written on a Mesopotamian tablet.



1894

Heard Act



1935

Miller Act

Little Miller Acts

Major Categories of Bonds

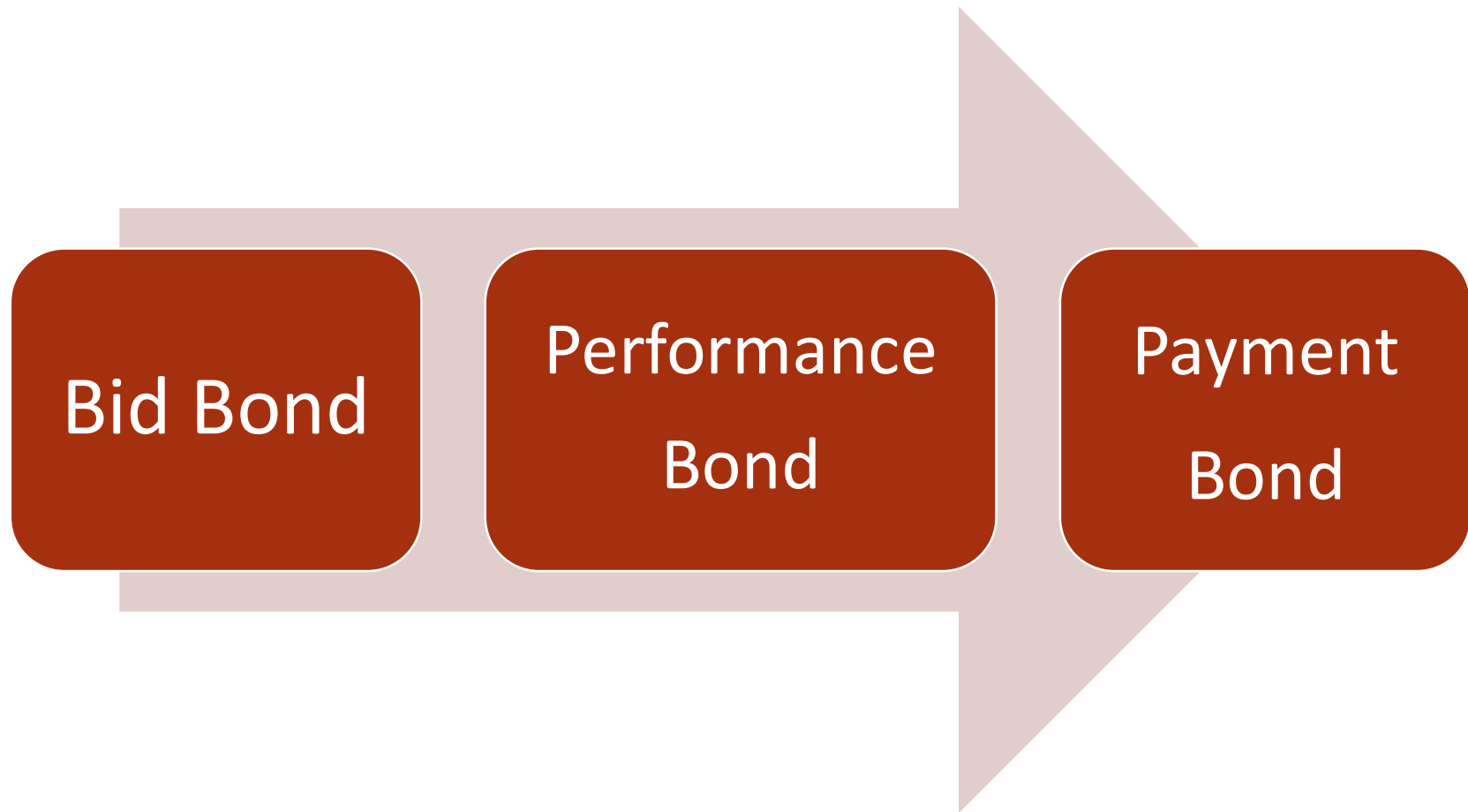
Contract

- Bid
- Performance & Payment

Commercial

- License Bonds
- Court & Probate
- Financial Guarantee

Contract Bonds



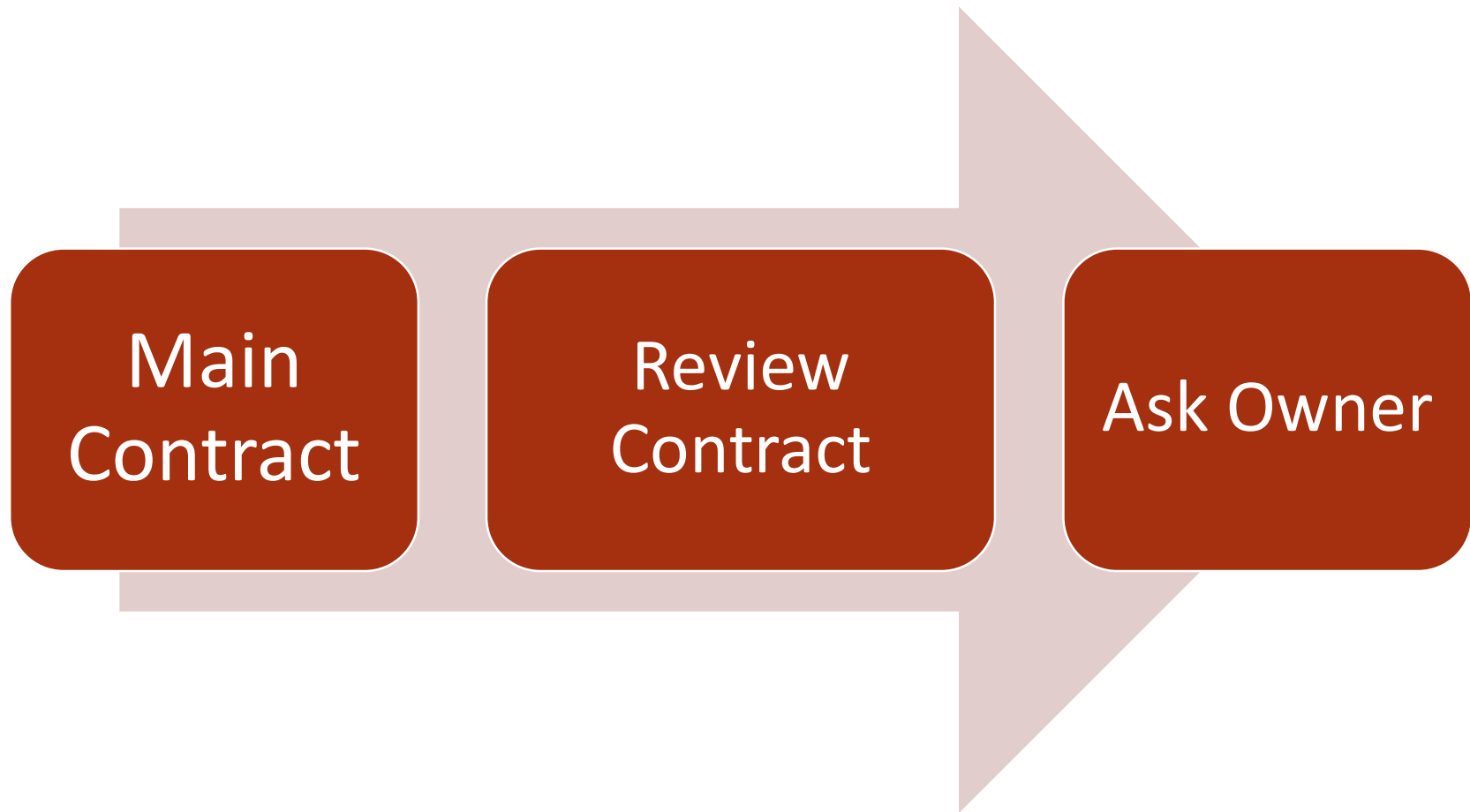
Release of Retainage Bonds

What is Retainage?

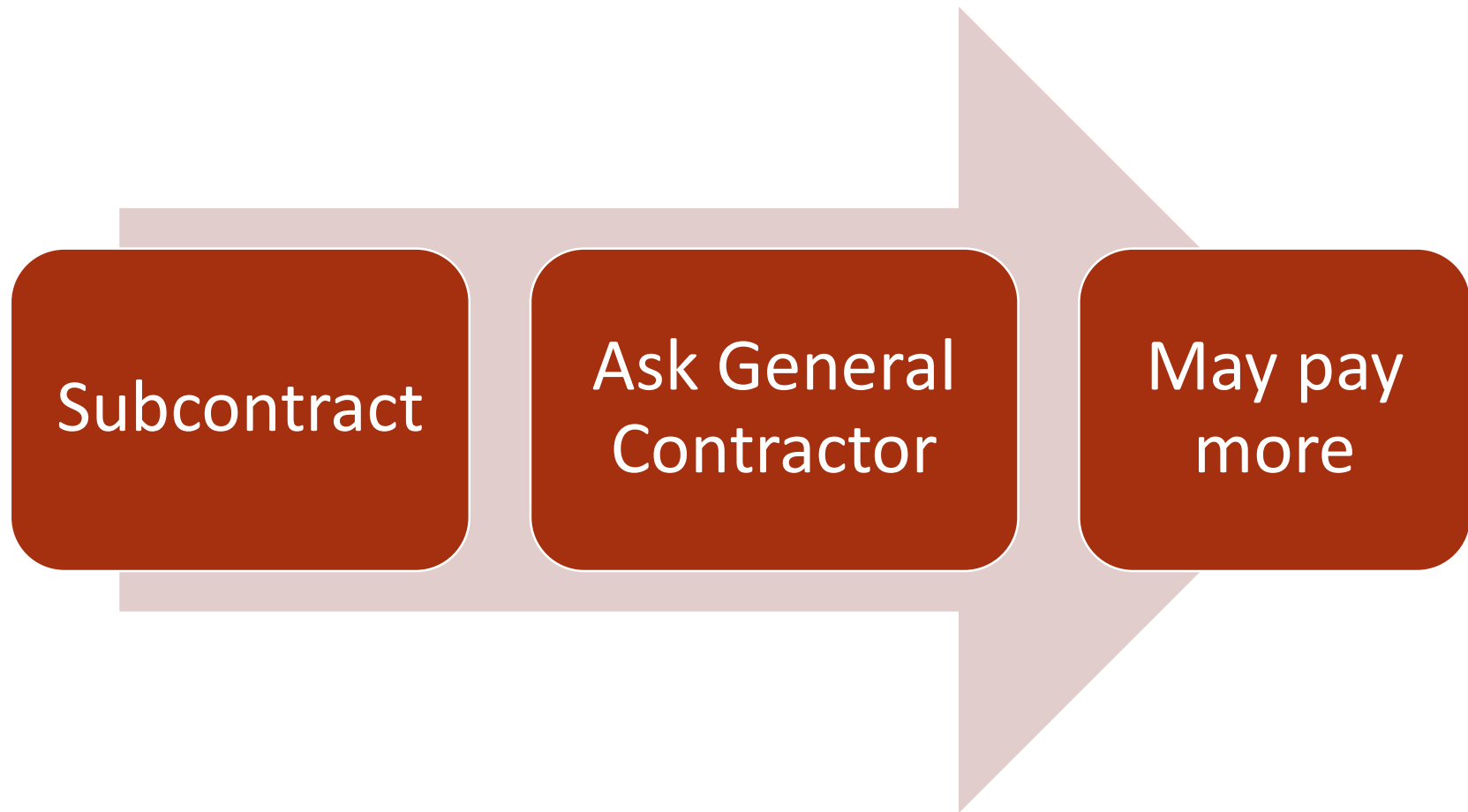
Differences from other bonds

Main Contract vs Subcontracts

Retainage Bonds



Retainage Bonds



The Three Cs of Surety

Character

Honesty

Openness

Capacity

Ability

Experience

Capital

Financial

Credit

Underwriting

Questionnaire
Application
Org Chart

3 years
Financial
Statements

Bond
Request

Agent
Write Up

Resume
References
Business Plan

Bank Line
Bank Statements

Credit Reports

Credit Reporting Agencies

Business and Personal

Fair Credit Reporting Act

Financial Statement

Balance
Sheet

Income
Statement

Opinion
Page

Schedules
AR / AP

Work in
Progress

Financial Statement Quality

Internal / In house

CPA Compilation

CPA Review

CPA Audit

Financial Statement Method

Cash Basis of Accounting

Accrual Basis of Accounting

Percentage of Completion

Completed Contract

Indemnity

Informs the principal of these common laws

Principal will reimburse surety for expenses

Allows the surety to negotiate resolution of claims, use assets to complete projects and provide funding

To Increase Bonding



- Construction CPA



- Accounting Method



- Surety Professional

Preparing for a Hard Market

Have a Plan

Build Cash
Reserves

Control
Overhead

Solidify Bank
Relationship



thank
you