

# Surety Bond Agent Mark Strange Reveals Tips For Contractors To Maintain And Expand Bond Credit

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**Contract Bonds** are credit guarantees that a contractor will perform the work contracted and pay subs and suppliers. If the contractor defaults the bonding company is obligated to finish the contract. To qualify for bonding a contractor must demonstrate good management, financial strength, profitability and a history of honesty and prompt performance of obligations.

## Four Steps To Get The Bond Capacity You Need

### 1) Assemble Your Bond Team

**Accountant-** Surety companies want independent financial verification. As job size increases, they want reviewed-even audited annual financial statements. Get a CPA familiar with construction accounting.

**Attorney-** Some contracts you just should not sign no matter how badly you need the business or how profitable you think they are. One-sided contracts and fine print can kill a business. Get an attorney to review construction contracts and liability clauses.

**Banker-** Surety companies understand and encourage contingency financing for emergencies or temporary working capital. Get a banker that understands lending and the rights of sureties in your construction field.

**Bonding and Insurance Agent-** Sometimes an insurance agent has expertise in both construction insurance and bonding however sometimes it is best to separate these functions if it means getting the bond capacity you need. As independent businessmen and through their contacts and connections **bonding**

**agents** are in a unique position to introduce you to accountants, attorneys and bankers with the experience you need.

## **2) Personally Meet The Bond Underwriter**

A good bond agent will make sure you personally meet the underwriter at least once per year. No amount of financial analysis can substitute for onsite visits and assessments of the owner and company.

## **3) Maintain The Surety Relationship**

Continual communication between contractor, agent and surety are essential. Depending on the frequency a bond is needed, expect to forward financial information semi-annually or even quarterly including a Job Status Report and Work in Process Report.

## **4) Stick To Your Business Plan**

If you and the bonding company have agreed to a bonding program (called a bond line) based on your submitted business plan, application, financials, volume and expertise, any bond requests that vary from your agreement or plan could be declined and raise questions about bonding future work. Some examples are bidding work outside your customary expertise, geographic area or bidding single jobs that equal or are greater than total annual gross contract sales.

For more information, related links, and applications visit:  
[www.suretybondservices.com](http://www.suretybondservices.com).