



# SURETY ONE

SURETY BONDS · FIDELITY BONDS & FINANCIAL GUARANTEE

A MEMBER OF THE POINDEXTER GROUP OF COMPANIES

5 W. HARGETT STREET, 4TH FLOOR  
RALEIGH, NC 27601

TELEPHONE  
(919) 859-5294  
(800) 373-2804

FACSIMILE  
(919) 834-7039

WEBSITE  
[WWW.SURETYONE.ORG](http://WWW.SURETYONE.ORG)

## UNDERSTANDING CONTRACT SURETY

Bear in mind that obtaining surety bonds is NOT like obtaining a standard property/casualty insurance policy. Qualifying for a bond is much like obtaining a bank line of credit. We EXPECT you to expend time and effort developing your relationship with us, organizing and providing us the appropriate information about you, your project, and your company's past performance. Understand that it takes TIME for us to build your contractor file, verify the information provided, and address any further questions that the carrier may have. Be prepared to work at building your personal relationship with us!

## QUALIFICATIONS

Surety bond underwriting depends on three factors. These factors are referred to as 'The Three 'C's'; Character, Capacity and Capital (sometimes 'Collateral'). Contract surety places special emphasis on these. When organizing the information that we need to complete your contractor file, keep this end in mind.

- Character - The carrier MUST be convinced that YOU are of good character! Do you DO what you SAY you are going to do? Does your personal credit history, civil judgment history, and past contract performance evidence that you keep your promises? Does the regulatory agency that extends you contracting privileges have a record free of regulatory action against you? Do you have industry-specific references that will attest to your honesty and professionalism?
- Capacity - The carrier must be convinced that you and your key personnel have the EXPERIENCE and 'KNOW HOW' to bring your project(s) to completion. Does your experience match the requirements of your proposed job? Do you own or can you obtain the appropriate equipment?
- Capital - Working capital is absolutely required. Do you have the FINANCIAL STRENGTH (liquid) to support your goals? Do your personal and business credit

files reflect a history of paying subcontractors, suppliers and associated third parties PROMPTLY? Do you have unsecured credit lines to cover short term cash requirements?

In summary, ALL carriers that engage in the contract surety business WANT to write bonds! ANY information that you can provide which will evidence that your enterprise is well-managed, profitable, fair and honest, will greatly improve your chances of obtaining the needed bonding facility.

### SUPPORTING DOCUMENTATION

In addition to a basic contractor questionnaire, you will be asked to provide the following:

- 1.) Company Organizational Chart - Identify and define the function of each key employee of your firm.
- 2.) Contractor Resumé - Resumés/C.V.s of you and each key employee/managing associate of your firm.
- 3.) Key Man Life Insurance - Life insurance policy information and continuity plan explaining how your company will continue to operate in case of you or your key personnel's death(s) or incapacity.
- 4.) References - Supplier and subcontractor references.
- 5.) Lines of Credit - Bank letter or other evidence of unsecured line(s) of credit and cash..
- 6.) Contract, project specifications and bond forms - A complete copy or summary of the proposed bonded project, and the bond forms if provided by the Obligee

### FINANCIAL DOCUMENTATION

- 7.) Financial Statements - A MINIMUM of three (3) financial statements, ending with the most recent year. For projects in excess of \$400,000, financial statements must be reviewed or audited and attested by a Certified Public Accountant. A 'compilation' is NEVER sufficient for large contract surety bonds! Your PERSONAL financial statements should also be provided concurrent with the business financial statements.
- 8.) Credit & Background Release - All owners/shareholders must submit a signed release in order for us to access personal consumer credit reports and background information.

NOTE 1: Business financial statements should include a balance sheet, income statement, statement of changes in financial position, schedule of administrative expenses, and a schedule of 'Work in Progress/Contracts'.

NOTE 2: Certain carriers will execute contract surety bonds up to \$300 - \$400,000 based on financial statements which have been 'CPA reviewed' rather than to full audit standards.

The list above is provided as an informal 'punch list' for you to follow when preparing a contractor application package. We may request further documentation from you when assessing your particular contract. Feel free to provide any and all other information that you feel is important in support of your application!

### PERSONAL INDEMNITY

Surety bonds are NOT traditional insurance products! A carrier anticipates NO loss in the surety business. YOU are DIRECTLY responsible for any forfeiture, loss, vicarious liabilities created by your project, and legal fees incurred by the carrier in seeking to mitigate a bond loss. You and your spouse should be prepared to sign a general indemnity agreement evidencing your understanding of being a guarantor(s).