



POINDEXTER

Surety Services

Member of The Poindexter Group of Companies



P.O. Box 37284 • Raleigh, NC 27627
NC (919) 859-5294
VA (804) 750-9005
TX (713) 227-BAIL
(800) 373-2804
Fax (919) 834-7039

"Se habla Castellano"

UNDERSTANDING CONTRACT SURETY

ADVISORY: Bear in mind that obtaining surety bonds is NOT like obtaining a standard property/casualty insurance policy. Qualifying for a bond is more like obtaining a bank line of credit than purchasing insurance. 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/Collateral. Contract surety places special emphasis on the first two, which are more fully defined below. 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 of you free of regulatory action against you? Do you have industry-specific references that attest to your honesty and professionalism in your area of work?

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? Do you have the FINANCIAL STRENGTH (financial capacity) 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 attest to your enterprise being 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 ALWAYS 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 each key employee and 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 your death or incapacity.**
- 4.) References - Supplier and subcontractor references.**
- 5.) Lines of Credit - Bank letter or other evidence of unsecured line(s) of credit.**
- 6.) Bid/Contract Spec.s - A complete copy or summary of the proposed bonded project.**

FINANCIAL DOCUMENTATION

- 7.) Financial Statements - A MINIMUM of three (3) financial statements, ending with the most recent year. For projects in excess of \$150,000, financial statements must be reviewed or CPA-Audited and attested. A 'compilation' is NEVER sufficient for large contract surety bonds! Your PERSONAL financial statements should also be provided CONCURRENT with the business financials.**
- 8.) Accountant's Letter - Statement from your CPA certifying the accounting method by which financial statements are prepared, i.e., compilation, review or CPA-audited.**

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 a GUIDELINE for you to follow when preparing a contractor application package to us. 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!