

Relationship

Building a Better Surety Relationship

Some contractors put themselves at a disadvantage with surety companies when they neglect to showcase their business. By highlighting their strengths, touting their accomplishments, and presenting well-prepared financials, contractors can maximize their chances of receiving the bonding they need.

The bottom line is that sureties want to minimize their own risk of loss. They will only underwrite the projects of contractors that present sufficient evidence of financial strength. You can help increase the likelihood that your business will obtain the bonding it needs to work on certain projects by implementing some or all of the following strategies.

Communicate Regularly

Make your financial statements available to your surety on a regular basis. And be sure to respond in a timely way to your surety's requests for information. You will build confidence in your firm and increase its chances of obtaining future bonding by maintaining regular and transparent lines of communication with your surety.

Emphasize Your Experience

A surety company will be more likely to offer bonding if it is confident that your firm has the experience, the equipment, the financial resources, and the personnel to do the work successfully. That's why it's important to make sure your surety is aware of any major projects your company has recently completed.

Explain Non-bonded Work

Keep your surety provider informed about non-bonded work your firm intends to bid on. From a surety's perspective, the risk on bonded contracts increases when a contractor takes on additional non-bonded contracts. While the surety may or may not restrict the number of non-bonded jobs your firm takes on, it will appreciate being kept in the loop about all aspects of your business.

Get Personal

Continuity plans, insurance policies, and the owners' personal financial strength are also important resources that your surety may wish to examine. Most sureties want owners to have a formalized continuity plan in place in the event of an owner's sudden disability or death. Having a "buy-sell agreement" in place can help reassure a surety that any change in ownership will result in minimal disruption to the firm.

Be prepared to let the surety know about any personal guarantees on loans you or other owners may have. In addition, if you or the other owners invest in real estate, the surety may request that you provide some information on the related financing arrangements, cash flow, occupancy rates, and lease details.

Partner with Us

In a market where sureties are becoming increasingly selective about the firms they'll choose to underwrite, contractors have to become more proactive about highlighting their strengths and accomplishments. As your accounting firm, we can be one of your most important strategic partners when it comes to working with sureties. We are familiar with how a surety evaluates your financial strength and can help you organize your financial information in a way that portrays your company in the best light possible.

The fact of the matter is that sureties want evidence that both your internal and external financial resources are solid. Particular attention will be paid to your firm's working capital and debt-to-equity ratio -- and we can help you analyze these items on a regular basis.

Relationship

The quality of external financial resources is indicated by your relationships with banks, subcontractors, vendors, and equipment-financing partners. We can also assist you with a comprehensive review of these relationships and suggest areas of improvement.

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