DELMARVA SURETY **FAX (410)561-3727**

Surety Bond Specialists

Date ________________ Submitted By ________________________

BOND REQUEST FORM

TO ENSURE TIMELY DELIVERY AND OUR ABILITY TO MAIL YOUR BOND, PLEASE SUBMIT YOUR BOND REQUESTS AS EARLY AS POSSIBLE.

Contractor's Name and Address ____

____

Obligee Name and Address ____

____

Job Description, Location, Job Number, Solicitation Number ______________________

____

Completion Time ________________ Start Date ____________________________

Bond Forms Provided by Owner: (Y/N)________ Bid Letter: (Y/N)__________

Penalties ______________________ % Being Subcontracted ________________

% of Performance Bond __________ % of Payment Bond ____________________

Warranty Period_________________ Current Work on Hand _________________

Retainage ______________________ Design Build (Y/N) ___________________

IF INCLUDED IN THE SPECIFICATIONS, PLEASE PROVIDE BOND FORMS, INSURANCE REQUIREMENTS & A.M. BEST RATING OR OTHER REQUIREMENTS FOR THE SURETY

AS PERTAINS TO BID BOND

Bid Date & Time ________________

Estimate Amount ________________

% of Bid Bond ________________

# of Originals ________________

AS PERTAINS TO FINAL BOND

Contract Date ____________________

Contract Price ____________________

Bid or Negotiate ____________________

2nd Bidder ____________________

3rd Bidder ____________________

Highest Bidder ____________________

Delivery Instructions:

_____ Will pick up on ________________ at ______am __________ pm

_____ Send via First Class Mail ____

______ Express Mail via ________________ Charge Account # ________________

CONTRACTOR ____

PROJECT NAME ____

JOB COST BREAKDOWN

1. Labor $________________
2. Material $________________
   a. Who are your suppliers?
   b. What is the dollar amount?
3. Subcontractors $________________
   a. Who are they?
   b. What are the dollar amounts?
4. Overhead $________________
5. Profit $________________
6. Miscellaneous $________________

TOTAL $________________

2. a. ____________________	2. b. ____________________
____________________	____________________
____________________	____________________
____________________	____________________
3. a. ____________________	3. b. ____________________
____________________	____________________
____________________	____________________
____________________	____________________

WHAT TO AVOID IF YOU WANT TO GET AND KEEP YOUR CONSTRUCTION COMPANY BONDED

This list of contractor problems includes those areas of concern for bonding companies that will inhibit your chances of getting and keeping bonding:

- *Jobs with losses and a history of declining profits on jobs over time.*
- *A declining or inadequate construction value to cover overhead, which may create an impetus to bid lower-margin jobs to get work.*
- *Rapid expansion and too much volume, which spreads management and supervisory personnel too thin and can cause a loss of job control and inadequate financial resources to carry the increased volume of work.*
- *Overhead which is too high as a percentage of work performed.*
- *A poor collection record on receivable creating excessive bad debts.*
- *Over-investment in fixed assets such as construction equipment or real estate and investment in non-productive fixed assets such as company cars and leasehold improvements.*
- *Outside activities such as real estate development or other startup companies and ventures that spread resources too thin.*
- *New lines of construction work not previously performed by the company.*
- *Financial problems such as inadequate working capital and equity for the volume of work being performed.*
- *A lack of unsecured lines of credit to cover short-term working capital shortages.*
- *Extensive litigation on jobs or numerous claims which take a long time to resolve or which are resolved unfavorably.*
- *Using a CPA with little or no contractor experience.*
- *Poor job profit-history where the profit spreads from the beginning to the end of jobs are greater than 10%.*
- *A history of jobs which drag on and cannot get final releases from owners.*
- *Complaints by owners and subcontractors regarding job performance or the payment of subcontractors or suppliers.*
- *A widespread territory of operations.*
- *Extensive borrowing from the company by officers and stockholders.*

If this sounds like your company, maybe it’s time you thought about getting some outside help, or perhaps you should get out of the construction business.

WHAT IS YOUR BONDABILITY?

THE NON-FINANCIAL CONSIDERATIONS IN OBTAINING SURETY BONDING

One of the great misconceptions about surety bonding is that it is a form of insurance because it is provided by insurance companies. A surety is in fact much more similar to a credit grantor like a bank than to an insurance underwriter. Why is a surety bond different from insurance? There are many reasons, some of which include:

- *The surety has the right to recover its losses incurred in completing contracts from the contractor or other indemnitors on the bonds.*
- *Sureties do not write bonds with an anticipation of incurring losses, unlike casualty underwriters who anticipate losses will occur.*
- *The contractor's bond is based on a separate third party construction contract which, unlike insurance, cannot be canceled during the period of the contract.*
- *Because of these differences, the surety underwriting process involves gathering a great deal of detailed financial and non-financial information on the contractor, from which the surety determines the strength of the contractor.*

The 3 C's of Bondability

Sureties qualify contractors based on their qualifications in three major areas, which are often referred to as the "3 C's":

CAPITAL: *The contractor's financial capacity.*

CAPACITY: *The contractor's experience, personnel, and capability to perform the actual contract work*

CHARACTER: *The contractor's reputation within the industry*

Evaluating these criteria comes ultimately down to reducing the risk for the surety. Many contractors believe that risk is the sureties' problem, but it should be the contractor's primary concern if he expects to obtain surety bonding and establish a long-term relationship with a surety. On the other hand, bonding *agents and bonding companies are in business to make money and the only way they can do that is to write bonds. Bonding companies do want your business as much as it sometimes appears otherwise.*

Contractors should not forget that there are also non-financial considerations in acquiring and maintaining the bonding needed to stay in business. We will now look at some of these non-financial characteristics that affect the contracting company's ability to obtain payment and performance bonds.

Many of the non-financial considerations are subjective in nature and will be supported through outside sources such as references from owners, suppliers, architects and other associated professionals. Behind all of these requirements, one basic consideration does not change: Is the contractor qualified to perform on the job and successfully complete the job?

Below is a list of typical questions most sureties will ask prior to considering a new contractor for bonding. As you can see, most are non-objective and most cannot be answered through analysis of financial data.

- *Does the contractor have a business plan?*
- *Does the company have a stable banking relationship with sufficient borrowing capability?*
- *Is the company using qualified professional advisors?*
- *What sort of relationships does the company maintain with their creditors?*
- *What are the qualifications of the company's personnel to perform a particular type of construction contract?*
- *How much depth does the company have?*
- *How well is the company managed and is it an efficient organization?*
- *Does the company have a reputation for honesty and integrity?*
- *Is the company involved in excessive litigation and disputes with owners or others?*
- *Does the contractor have a business continuity plan in place should the owner die prematurely?*
- *Does the company have accurate and current financial and job status information available?*

If after reviewing this list, you find that many of these items are lacking in your company, it is more than likely you will face problems in establishing or maintaining a long-term relationship with a bonding company.

It is the contractor's responsibility to be able to demonstrate that he is qualified and fulfills all the requirements of surety. If the contractor can demonstrate to the surety his capabilities and willingness to work with the surety, he can then establish a successful long-term relationship.