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## So You Need a Bond?

We have had several requests recently from our insureds for BONDS.

BONDS are generally needed to guarantee your **performance** or your **honesty**.

There are several important things to remember about bonds:

1. Bonds are not insurance, they are guarantees. A bond will make it possible for a bonding company to assume the duties under a failed contract and complete the job for the failed contractor. Payment of damages is not the primary consideration of the bond agreement
2. They are written to a "\$0.00" loss ratio. Bonds are written on the basis that requires the bonded party, the "Principal" to have the ability to repay the bonding company for completing the job. So a bonding company never plans on losing money. Many times a bonding company will require the Principal to post a Letter of Credit in favor of the bonding company before issuing the bond.
3. A bond is between three parties. While insurance is between the policy holder and the insurance company, a bond includes the "Principal," the person to be guaranteed, the "Obligor," the Surety Company and "Obigee," the party requiring the work. The bond already recognizes the only potential claimant.

Knowing these three conditions should help a bond applicant understand that a bond is more difficult to obtain than insurance. In addition to complete the application, items required by the underwriter may include:

1. Company Financial Statements
2. Bank Statements
3. Biographies of the Principal(s)
4. Personal Financial Statements
5. Other Invasive Personal or Financial Questions.
6. A copy of the documents from the Obligee requiring the bond including the bond language if available.

So, when you need a BOND, small or large, call us and talk to us to help move you more quickly through the process.