



Bond, a Four Letter Word?

Bob Kollsmith, Risk Management Specialist at TrueNorth

Bond. Many people have found this to be the mother of all four letter words. “Why do I need a bond? I’ve always completed my contracts!” My answer to that comment is... because plain and simple, the contract requires it! We can debate the merits of bonding long into the night but the cold hard facts are, if you want to do certain types of work, or work for certain owners, you better be able to provide a contract bond. Typically when money from a government or “public” entity provides funding on a job, at least one contractor working on that project is required to provide a bond. Most often a general contractor stands in that unenviable position. However, if your contract is direct to a governmental entity or you are the only contractor where a governmental entity is providing some funding for the project, you better be prepared to provide a bond.

It should be noted that it does not have to be a “publically” funded project for bonding to be required. Sometimes privately funded projects require bonding too. We are seeing more and more requests where lending institutions are requiring bonds to protect borrowed funds.

To become “bondable” does not happen overnight... especially for bonds over \$250,000. For larger bonds it could take years to achieve the financial wherewithal necessary to become bondable. I suggest if you believe your bond needs will exceed \$250,000 you should seek assistance from a professional bonding agent in your local area sooner rather than later. Local is a key point because a surety underwriter will expect the bond agent will have regular interaction with you, as well as have an understanding of the economic conditions in your general area. When you talk to an agent you will hear things like CPA prepared financial statement, equity position, debt to worth ratio, bank letter of credit, D&B and indemnity. Your professional bond agent will guide you through the bonding maze and help you understand what you will need to do to become bondable at different contract sizes.

For bond needs under \$250,000 our SystemsPlus bond team may have a quick and easy solution for you. It will require you complete a short form application and in less than 24 hours you will know if you are bondable for a particular project. Generally speaking and subject to few exceptions, if you have a good credit history and the contract needing a bond is 3 years or less, you will get bond approval.

About Bob Kollsmith

Bob Kollsmith brings to you over 22 years of professional experience within the insurance industry. He spent 10 years working for United Fire & Casualty in both underwriting and claim handling capacities. The last 12 years he has been at TrueNorth® helping clients as a Risk Management Specialist. He has the insurance designations of Certified Insurance Counselor (CIC) and Chartered Property Casualty Underwriter (CPCU). He is currently on the CPCU Board. His career experience encompasses almost all aspects of commercial insurance.

In addition, Bob also brings his clients expertise to assist with their surety bond needs. Bob is part of the select group of surety professionals to earn the prestigious designation of Associate in Fidelity and Surety Bonding (AFSB). That, along with his knowledge and relationships with the surety markets, will help him serve all of your surety bond needs. For more information, or to contact Bob, call (800) 798-4080 or email him at: bkollsmith@truenorthcompanies.com.