

HOW TO INCREASE YOUR BOND LINES

Tips from ASA-Member Experts



Jase Hamilton, Surety Account Executive, Cavnignac & Associates



Ron Ballard, Vice President, SureTec Indemnity Co.

In good economic times, with the construction industry booming and opportunities to win new projects seemingly everywhere, temptation can be strong to bid on a number of construction projects at once. However, doing this can stretch your construction surety bond lines to the limit, which can prevent you from bidding or performing on any further projects until you increase them.

There's no big secret to increasing your bond lines, our ASA-member experts say, and there are several practical steps you can take to allow you to raise your limit and continue taking up new projects.

"It all starts with surrounding yourself with high-level business partners," says Jase Hamilton of Cavnignac & Associates. "If you want best-in-class results, you must surround yourself with best-in-class business partners. This should include not only a surety broker / risk advisor, but a construction-oriented CPA, banker, and attorney. Each of these partners will uniquely impact your business and influence the amount of surety credit you can obtain."

Jase also advises a taking a yearly look at your situation, employing a systematic approach to uncover factors you may be unaware of but that may lead to inadequate bonding capacity as well as lost opportunities.

"Often businesses establish and renew their surety bond program every year without giving much thought to their maximum bonding parameters or terms and conditions," Jase notes. "Their industry might change, their operations might change, but their surety bond program stays the same.

"It's important that contractors manage their surety bond program effectively and create better credit and business solutions that will have both an immediate and a sustaining impact on their business and surety bond program."

Credit scores are important, too. As a business owner, you have the opportunity to build up a business credit profile in addition to your personal credit score. What's more, increasing your net worth and liquid assets can help you increase your bond lines, as sureties consider applicants with greater net worth and liquidity more reliable, and they pay greater attention to liquid assets or those that can be liquidated faster if a bond claim should occur.

Ron Ballard, of SureTec Indemnity Co., notes that sureties look for several qualities in contractors, including their level of expertise in their trade, contracting experience (size, type and value of jobs), profitability, history of the company, and background checks of the company and owners.

“Profitability can only be displayed through properly prepared financial statements,” Ron cautions, “and this is what many contractors fail to adequately address. Without proper financial statements, an underwriter will not be able to fully understand the contractor and will therefore be in no position to issue any bonds. The one common aspect of all successful contractors is that they produce good financial information. Emulate the successful!”