

Construction Law in North Carolina

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Is your Contractor's Surety Company financially strong? (Guest Post)

October 3, 2011 By Melissa Brumback

Today we have a guest post from JW Surety on how to find bonding companies, check their solvency, and see how each surety company compares to one another. As the design professional of record, the architect is often faced with reviewing the bid applications and paperwork, including bonding information. With the increasing number of failing companies, including insurance companies, over the past few years, checking the bonding company's financials makes good sense.

Much is unknown about surety bonds and, more importantly, what [bond types](#) are required in order to start your shop. The following three steps can help customers [*Ed. note: or architects conducting due diligence*] determine the best surety company for their bonding needs:



1) Are they licensed?

As required by law, surety organizations must be licensed in order to operate as per their state guidelines. These licensing requirements are strict and involve background investigations into each company's history. The benefit for customers is knowing that those surety companies which are licensed to operate are not only qualified, but they are ethically secure to practice. Those beginning the surety search can look through the [U.S. Department of Treasury's list](#) of licensed companies to get a better understanding of which companies to reach out to.

2) How are they classified?

Customers should get a firm understanding of how each surety company ranks in comparison to each other. To help make this process more manageable, consumer protection organizations do their own investigation and analysis and publicize their findings for others. Although there are several of these agencies, one of the most respected is [Dun & Bradstreet](#), who offer their findings for a nominal fee. Customers can search through thousands of [surety companies](#), gauge how long they've been

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operating, and assess which agencies they believe are most reputable for their bond needs.

3) Is a surety broker a more viable option?

Brokers are similar to surety bond companies in that they are able to produce and distribute bonds. Typically, these individuals have established relationships with several high-level surety bond organizations, and can help advise customers on what types of bonds to secure, and how much it will cost them up front and annually. Often times individuals prefer the one-on-one relationship brokers offer. Customers interested in finding a reputable surety bond broker should look through the directory of the [National Association of Surety Bond Producers](#).

Thanks JW Surety, for your guest post. Welcome to my new subscribers this week! Please contact me with any of your thoughts or concerns regarding construction law, and I'll address them in upcoming posts.

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