



Building a Solid Surety Relationship

Increase your bond capacity and strengthen your bond relationship at the same time...

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Reagan Companies

Risk Management and Investment Services

Stages of a Lasting Surety Relationship

- Meeting
- Maintaining
- Maturing

Meeting

Annual Meeting

- When annual financial statement is available

Underwriting Considerations

- **Sound financial statements**
- **Committed & competent personnel**
- **Business plan**

Maintaining the Relationship

Open & Honest Communication

- Say what you mean
- Do as you say
- Show results
- No Surprises
- Meet obligations
- Be accountable



Timely and Accurate

Fiscal Year End Financial Statements

- CPA Prepared Financial Statement
 - % Complete Basis of Accounting
 - “Reviewed” Basis
 - In Compliance with Generally Accepted Accounting Principles
 - In Compliance with Most Recent FASB Pronouncements
- Includes Work In Progress and Completed Project Schedules
 - Fully Integrated into Balance Sheet and the Profit and Loss Statement
 - Underbillings / Overbillings
 - Gross Profit Recognized from Projects in Progress / Completed
- Financial Statement Includes Adequate Footnotes



Timely and Accurate

Interim Financial Statements

- Internally Prepared – Quarterly
- % Complete Basis
- Work In Progress Schedule and Completed Project Schedule Fully Integrated



Timely and Accurate

What Your Bonding Company is Looking For...

- Consistent and Conservative Profit Estimates
- Proper Recognition of Change Orders
- Underbillings
- Overbillings
- Contractor's History and Experience

Role of the Work in Progress Report

- Tracks contractor's work history
- Shows pattern & project management strategies
- Reveals how contractor communicates problems to surety

Questions the Surety Will Ask

Are there large costs & earnings in excess of billings?

- Is gross profit holding?
- Has owner failed to pay?
- Are progress billings unapproved?
- Are unapproved change orders included in the costs?
- Has completed job been fully billed?
- If overbilled, is there a corresponding cash balance?

Questions the Surety Will Ask

Are profit margins holding?

- Is there a pattern of profit fade?
- Are there adequate job cost procedures?
- Can contractor accurately reevaluate problems?
- Is the contractor withholding information?

Earning Trust

- Provide FYE and internal statements on the % of completion
- Communicate openly
- Provide accurate, detailed & consistent feedback

Keys to a Solid Surety Relationship

- Commitment
- Trust
- Communication
- Timely reporting
- Teamwork

Financial Reports

Represent a contractor's....

- Character
- Management Style
- Commitment to the Surety Relationship

For More Information...

Please contact me at

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