



## UNDERSTANDING THE BUSINESS

One of the greatest success stories in our agency's history started after normal business hours on a Friday night. That frantic situation resulted into a 15-year client, and who has since become one of the top electrical contractors in the nation.

We received a call close to 7:00 p.m. on a Friday night in early May of 2000 from a desperate business owner. The owner had received a phone call earlier in the day from his bond agent who had informed him that an upcoming bid bond was declined by one of the largest surety companies in the nation. The agent advised the owner that the bid was declined due to a

change in financial condition unacceptable to the surety without much guidance as to what the actual problem was. To us, the issues were easily identified and explained by the fact that they had just completed a major airport job in St. Louis for over \$30,000,000 in contract value. Typical with most design/build work, there were a number of scope changes that were all approved, but unbilled as of the FYE. The value of the unbilled work was in excess of \$4,000,000 and it accounted for more



than half of the company's equity. The owner had just received his year-end statement from the accountant that day. After forwarding the statement to his agent, he got the call that the job was being denied.

The strength in the operations at Shorewest Surety Services, Inc. allowed us to fully analyze the financial statements. Because most of the concerns, in our opinion, were over underbilled change orders, we focused on securing the signed copies of the change orders that were simply not billable due to timing issues at the airport. We quickly determined that the timing on the approval was a good four or five months away, but felt that with a number of other strong underwriting factors that we could point out, we could secure a new bond program that would enable the client to continue to bid work until the changes could be billed. By Monday morning, we determined that one of our medium size sureties would be able to better serve the client, and by Monday afternoon, we were in the contractor's office with a new surety. On Tuesday morning, we had signed legal documents and the client was able to bid the job that afternoon. He became the successful bidder on a really nice fast track school project. The success of great bidding and jobs has continued to this day.

Our experts determined that although there were legitimate underwriting concerns, we were able to present the strengths of the contractor to a market that could serve them better. Personal relationships in our business are very important, and the loss ratios at Shorewest Surety Services, Inc. are exceptional, which



allows us make recommendations that our partner surety companies have faith in. In this particular situation, we stayed in close contact with the client until all of the change orders were processed and updated the new surety with monthly financials and work in process reports. Our close oversight allowed us to grow the surety program back to the previous levels in a very short time period. After about four years and continued success

by our client, we felt that a move to one of the large surety companies was better suited. Now, over 10 years later, we have one of the best bond programs in the industry for our clients.

Contact Us

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