SFAA THE SURETY & FIDELITY ASSOCIATION OF AMERICA

The Value of Public Bonding

Surety *protects.*

INDUSTRY TOOLKIT

Join our Surety Protects campaign to elevate the value of public-sector bonding, as we inform and educate key state and local officials overseeing public construction projects about the many benefits of surety bonding. More than just protection from costly defaults, surety bonds save money, improve project quality and protect taxpayers.

The content below is based on a new economic analysis of surety bonding conducted by leading global management firm EY. Use these messaging materials to help communicate the value of public bonding.

Click here to download EY's report.

WEB HUB

We've created a subsection of surety.org that puts campaign information and promotional resources at members' fingertips.

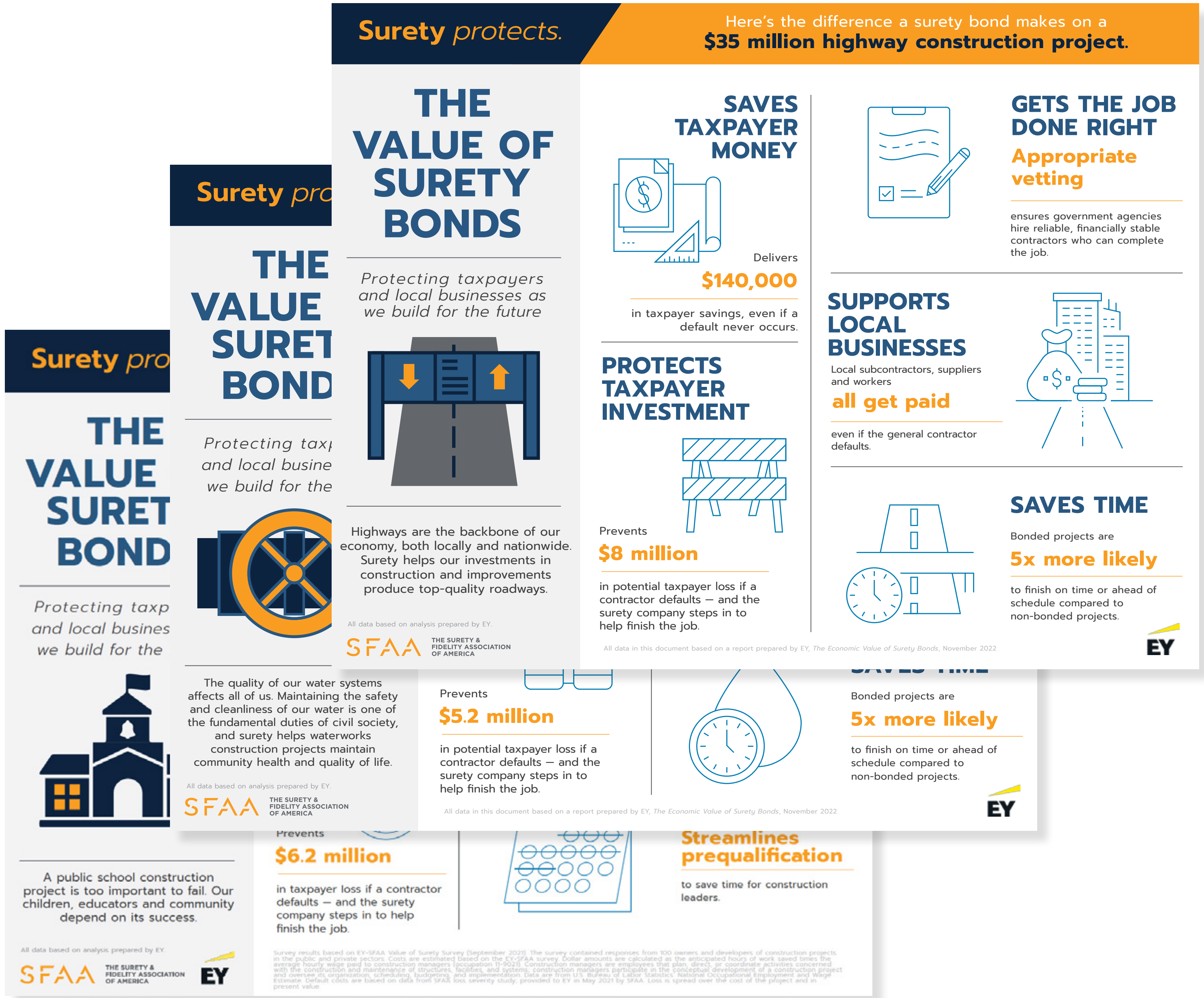
Anywhere you promote the campaign online, make sure to direct viewers to the link below, and promote the campaign with the #suretyprotects hashtag.

[Click here to access the campaign hub.]

INFOGRAPHICS

These infographics use simple visual design to break down the benefits of surety for different types of public construction. They can be printed for distribution and display, as well as shared on the web and social media.

[Click here to download infographics.]



FACT SHEET

This fact sheet provides key facts and data points, detailing selected EY report findings. Distribute to key stakeholders to help demonstrate the value of surety bonds.

[Click here to download factsheet.]

Surety *protects.*

All data based on analysis by EY

Surety Bonds *protect taxpayers & get the job done right*

Public construction projects like highways and transportation infrastructure, water projects and schools deploy taxpayer dollars to advance the public good – so ensuring project success is a vital responsibility for government agencies.

The benefits of surety bonds extend well beyond protection from default – reducing taxpayer costs, putting well-qualified contractors on the job, supporting local small businesses, and saving project time.

Surety bonds ensure qualified contractors are on the job.

- Surety companies lead a rigorous prequalification process that includes in-depth analysis of a contractor's finances, billing patterns, jobs-in process, timeliness, of completion and more.
- Greater experience delivers greater efficiency: by vetting and prequalifying contractors, sureties save public construction leaders time.
- Unbonded construction projects are more likely to default than bonded projects – perhaps by 10 times.

Surety bonds protect taxpayers.

- Using a surety bond on a typical $35 million construction project protects taxpayers from an $8 million loss in the event of contractor default.
- Should financial difficulties arise, a general contractor is five times more likely to prioritize finishing bonded projects than non-bonded ones.
- If a contractor defaults, surety companies intervene, saving public construction leaders time and headaches – and saving taxpayers additional costs.

Surety bonds protect small businesses and local workers.

- When a contractor defaults on an unbonded construction project, the cost of completion is 85% higher than on projects protected by surety bonds.

Surety bonds pay for themselves, saving taxpayers money.

- Analysis by global consulting firm EY finds portfolios of bonded construction projects outperform unbonded project portfolios.
- Even for projects that don't end up defaulting, the cost savings for a bonded portfolio of projects cover the cost of the bonds themselves.
- Three in four developers surveyed by EY reported surety bonding reduces contractor pricing due to greater project certainty provided by surety bonding.
- When bonds are used on a typical $35 million construction project, surety bonds deliver $141,000 in taxpayer savings even if a default never occurs.

Surety bonds get the job done.

- Surety bonds guarantee contractual obligations are met and projects are delivered.
- But when completion of a bonded project is threatened, the surety company intervenes to give a contractor technical expertise, extend financial support, and quickly get the project back on track.
- If a contractor defaults, the surety will hire a qualified replacement contractor or even handle rebidding the contract.

What's a surety bond?

A surety bond for a public construction project is a three-party written agreement under which the surety company guarantees a government agency that the principal (typically a general contractor) will execute work according to contract terms. The surety bond protects the government agency by guaranteeing performance if the contractor does not fulfill its obligation.

All data in this document based on analysis prepared by EY. Survey results based on EY-SFAA Value of Surety Survey (September 2021). The survey contained responses from 100 owners and developers of construction projects in the public and private sectors. Costs are estimated based on the EY-SFAA survey. Dollar amounts are calculated as the anticipated hours of work saved times the average hourly wage paid to construction managers (occupation 11-9021). Public construction leaders are employees that plan, direct, or coordinate activities concerned with the construction and maintenance of structures, facilities, and systems; construction leaders participate in the conceptual development of a construction project and oversee its organization, scheduling, budgeting, and implementation. Data are from U.S. Bureau of Labor Statistics' National Occupational Employment and Wage Estimate. Default costs are based on data from SFAA loss severity study; provided to EY in May 2021 by SFAA. Loss is spread over the cost of the project and in present value.

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KEY MESSAGING
for Policymakers

The following messages define the value surety delivers for taxpayers, local small businesses, government budgets, and the broad public interest.

Use these in your meetings with elected officials, policymakers, and their staff. Send the message that by using surety, they are doing right by their constituents: protecting small business owners, local workers, and taxpayer investments.

They are also ensuring public building projects are done efficiently and well to benefit current and future generations.

[Download Key Messaging documents here.]

KEY MESSAGING

for Construction Leaders

The following messages define the value surety delivers for government agencies leading public construction projects.

Help deliver these messages in your meetings with public project owners, procurement officials, construction managers, and other key government agency leaders.

Underscore that by using surety, government agencies send a clear signal they are exercising responsible project management and serving as good stewards of the public interest.

[Download Key Messaging documents here.]

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PRESENTATION DECK

This slide deck is a powerful way to communicate the EY report findings and our campaign message to a real-time audience. Use it when meeting with policymakers and stakeholders.

[Click here to download the presentation deck.]

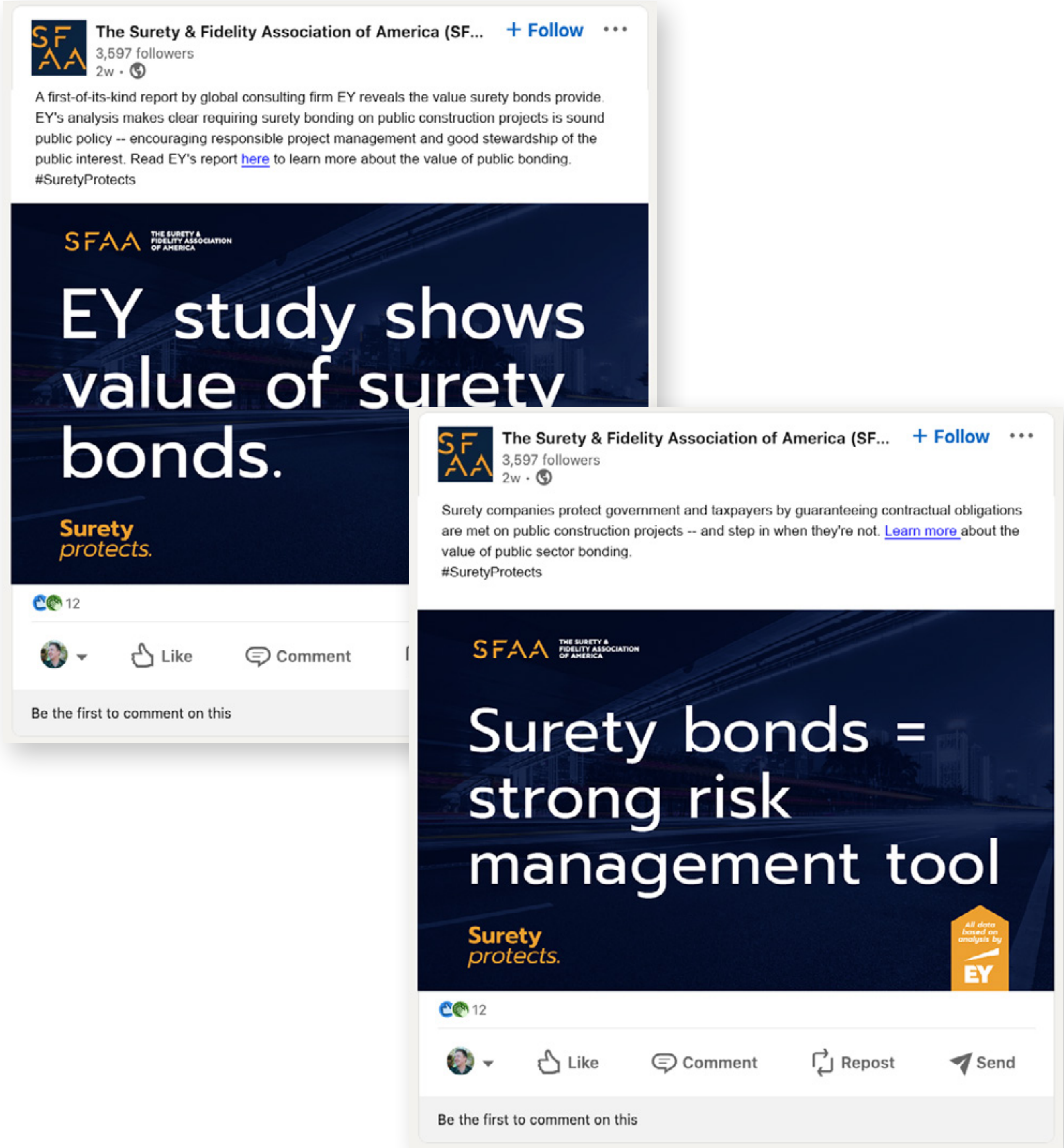
SOCIAL MEDIA MESSAGING

Encourage your colleagues to post on their personal LinkedIn timelines with one of the following messages, accompanied by a link to the campaign hub.

Remember to use the #suretyprotects hashtag on social media posts to help promote the campaign.

Feel free to tweak language to your firm's unique perspective if you'd like.

[Download social media cards here.]



SOCIAL MEDIA MESSAGING

Sample Post Content

SAMPLE POST:

What's a Surety Bond?

It's a vital risk management tool that saves taxpayer money, protects taxpayer investments and gets public construction projects done right.

Public construction projects like schools and transportation infrastructure deploy taxpayer dollars to advance the public good – so ensuring project success is a public responsibility. Surety companies ensure general contractors have the capabilities, expertise, and financial strength to complete a project, and surety provides financial security to suppliers, subcontractors, and workers – ensuring they get paid even if a general contractor defaults.

Surety is synonymous with responsible project management and good stewardship of the public interest.

#SuretyProtects

SAMPLE POST:

You may have never heard of a surety bond, but these vital risk management tools protect much of our public infrastructure: our roads, our schools, our water systems, you name it.

Public construction projects deploy taxpayer dollars to advance the public good – so it's a public responsibility to ensure projects are cost-savvy, efficient, and high-quality. Surety bonds deliver all that and more.

Click below to find out why surety bonding is synonymous with responsible project management and good stewardship of the public interest.

#SuretyProtects

Download more social media language here.

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