What are Surety Bonds, Companies & How to get them: 5 FAQS By Houston Texas Bond Agent Mark Strange

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Surety Bond Definition

Surety and bonds are one of the oldest forms of financial service. In ancient times a person might leave a family member as "surety" to another until an obligation or debt was discharged. The Bible even refers to the practice : *"He that is surety for a stranger shall smart for it"* Proverbs 11:15 KJVM. The modern **surety bond** is a three party contract where the bonding company (First Party) guarantees the performance of a service by an individual or business called the bond principal (Second Party) to the benefit of another individual or business called the bond obligee (Third Party). The major sub categories of surety bonds are: Court Bonds, Probate Bonds, Fidelity Bonds, License Bonds and Contract Bonds.

Surety Bonding Is Financial Guarantee Protection

Surety Bonds act as financial guarantees, protecting public and private interests against financial loss resulting from an individuals or companies bankruptcy or failure to perform a contracted service. Surety bond companies provide a powerful independent endorsement of the bonded entity and a solid source of recovery in the event of loss from default.

Bonds vs. Insurance

Is a surety bond, insurance? While many insurance companies provide bonding services and some bond terminology sounds the same, insurance is a risk transfer or sharing service that expects losses based on calculated probabilities. Though losses occur, bonds are structured with the expectation that no losses will occur and those losses that do occur are recoverable through the indemnity and collateral posted by the bonded person or business.

Insurance Companies Are the Largest Providers of Surety Bonding

In the United States, the First Continental Congress in 1787 records a number of laws referencing the acceptance of surety for tariffs and duties. The sureties in existence then were mostly individuals acting as personal sureties. Demand for corporate surety companies or industry was formally developed in the latter half of the 19th century with U.S. Congressional passage of the Heard Act (1894), requiring bonds on all Federal construction projects. Due to the hazardous nature of the business and the vicissitudes of economic cycles, only well capitalized, conservative businesses could afford to provide the service. Over time, insurance companies because of their unique knowledge of risk and large capital base became the predominate players. There are only a few independent surety companies out of the 300+ companies providing bonds.

Getting or Obtaining Surety Bonds

Get a bond or **bond application** from independent insurance agents that specialize in this service. A good resource is the National Association of Surety Bond Producers (NASBP), the professional organization representing the surety bond agents responsible for writing most of the surety bonds in the United States and Canada.

For More Tips, Related Links & Information about or obtaining court, probate, contract, fidelity and license bonds go to **www.suretybondservices.com**