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*The ProSure Group, Inc., 7217 Benjamin Road, Tampa, FL 33634  
Telephone (813) 243-1110 • Fax (813) 243-1109 • Toll Free (800) 480-3883*

## *Frequently Asked Questions and Glossary*

### ***What is suretyship?***

Suretyship is a specialized guarantee provided by surety or insurance companies that is created whenever one party guarantees the performance of an obligation by another party. Generally, there are three parties to the agreement:

- The principal is the party (you/your company) that undertakes the obligation.
- The obligee is the party (government entity or private company) that requires the bond.
- The surety guarantees that the obligation will be performed.  
This is the insurance company whose name appears on the bond.

The surety agency (ProSure) links the principal (you) with the appropriate bonds offered by selected surety companies.

### ***What is the difference between suretyship and insurance?***

Insurance policies transfer the risk and liability to the insurance carrier.  
In suretyship, the risk and liability remain with the principal.

### ***Is a surety bond ... insurance?***

A surety bond is an extension of credit in the form of a guarantee.  
A surety bond is not considered insurance to the applicant.

### ***What is a surety bond?***

A surety bond is the written agreement and guarantee that usually provides for compensation in case the principal fails to perform the acts or obligation as promised.

### ***What is indemnity?***

Indemnity, in suretyship, means that in the event the surety company pays out on a valid claim, it will be fully reimbursed by the principal for all payouts and costs associated with the claim.

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### ***Who can be bonded under a surety bond?***

Any corporation, partnership or individual that meets the underwriting requirements of the surety company can be bonded.

### ***What would constitute a claim under a surety bond?***

A claim situation exists whenever the principal no longer has the ability or fails to fulfill its bonded obligation.

### ***What happens if a surety company has to pay a claim?***

A principal is legally obligated to reimburse the surety company for any loss and expense incurred by the surety. The principal's obligation to the surety can therefore be greater than the original obligation to the obligee. The surety has the same recourse against the principal as any other creditor would have in recovering a loss.

### ***What is the underwriting process?***

The underwriting process is the complete analysis of:

Capacity to perform	Financial strength
Track record & company history	Organizational structure
Business continuation plans	Trade references
Analysis of projects in progress	Credit history
Banking relationships & credit lines	Character

### ***What are the costs involved in obtaining a surety bond?***

The cost of a bond depends on several factors, including the type of bond being sought and the underwriting strength of the principal. The bond premium generally ranges from 0.5% to 3.0% of the amount of the obligation or bond amount.



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### ***What should you look for when choosing a surety company – and a surety agency?***

Not all surety companies are created equal. The underwriting process and values differ from surety company to surety company. Your surety agency should directly represent numerous surety companies in order to provide a bonding program that provides “seamlessness” and assists your company with its growth plans

### **GLOSSARY**

**A.M. Best Rating** - A. M. Best Company, Inc. provides an opinion of a company’s financial strength, operating performance and market profile based on a comprehensive quantitative and qualitative evaluation. They rate companies and use symbols such as “A++”, “A+”, “A”, “A-”, “B++”, and “B+” to represent their overall rating. Some obliges will require that a surety have a minimum rating as determined by A. M. Best.

**Bid Bond** - A bid bond is an obligation undertaken by the bidder promising that the bidder will, if awarded the contract, enter into the contract and furnish the prescribed payment and performance bond(s) within a specified period of time.

**Indemnity Agreement** - An indemnity agreement is a contract between two parties in which one party agrees to assume (indemnify) all liability and risk if a third party files a claim or other action against the protected (indemnified) party.

**License & Permit Bonds** - These bonds are required by state or federal law, municipal ordinance, or by regulating agencies as a condition preceding the granting of a license to engage in a particular business or the granting of a permit to exercise a particular privilege. These bonds generally protect the public in the case that a bonded principal fails to fulfill his statutory obligation in the operation and conduct of his business. In general, the terms “License” and “Permit” are used interchangeably. Typical bonds in this category include Contractor’s License, Motor Vehicle Dealer Bonds, Securities Dealers’ Blue Sky Bonds, Employment Agency Bonds, Health Spa Bonds, Grain Warehouse Bonds, Liquor Bonds, and Tax Bonds.



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**Obligee** - The obligee is the party who receives the benefit of the bond.

**Payment Bond** - A payment bond guarantees that the principal will pay laborers and suppliers associated with the bonded project.

**Performance Bond** - A performance bond guarantees that the principal will perform the obligation according to the terms and conditions of the contract and protects the obligee [link] from financial risk should the principal default or fail to do so.

**Premium** - The monetary amount paid to the surety as a fee in order to obtain the bond.

**Principal** - The principal is the party that undertakes the obligation to be bonded.

**Surety** - The surety guarantees the obligation will be performed.

**Surety Agency** - A surety agency is a company or organization that represents a surety company or several surety companies or bonding companies in order to make surety bonds available to the public. Surety companies generally do not provide surety bonds directly to the public but rely on independent surety agencies to make the bonds available.

*For additional information email us at [info@prosuregroup.com](mailto:info@prosuregroup.com)*

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