



HOUSE OF REPRESENTATIVES

April 6, 2023

Chair Taylor, Vice-Chair Bonham, and members of the Senate Committee on Labor and Business,

My office reached out to several surety bond companies and received responses from four of the. We heard similar information from these companies, and I wanted to provide you with the information from those inquiries. I have redacted the company's names but can provide that information at committee member's request.

Bonding Company A:

Residential limited contractor: Currently at \$10,000 with an increase to \$15,000

- A residential limited contractor bond at a \$10,000 annual premium would be \$100 at \$9 per million contractor bonds rate.
 - **An increase to \$15,000 for the entire year would be an additional \$35 in premium costs.**

Residential general contractor: Currently at \$20,000 with an increase to \$25,000

- A residential general contractor bond at a \$20,000 annual premium would be \$180 at \$9/million rate.
 - **An increase to \$25,000 for the entire year would be an additional \$45 in premium costs.**

Commercial specialty contractor: Currently at \$50,000 with an increase to \$55,000

- A commercial specialty contractor bond at a \$50,000 annual premium would be \$450 at \$9/million rate.
 - **An increase to \$55,000 for the entire year would be an additional \$45 in premium.**

Commercial general contractor: Currently at \$75,000 with an increase to \$80,000

- A commercial general contractor bond at \$75,000 annual premium would be \$675 at \$9/million rate.
 - **An increase to \$80,000 for the entire year would be an additional \$45 in premium.**

Bonding Company B:

Rates on surety bonds are typically expressed as a dollar per thousand measurement or as a percentage. For example, \$10 per thousand of bond penalty or 1% rate. In addition, company B primarily uses the contractor's personal credit report to price these specific bonds. Company B has three pricing tiers based on the details within the report. These range from a 1% rate to 3.5% rate. If the bond amount is increased, they would simply apply the same rate structure to the larger amount. **Therefore, the increase for each bond listed would vary between \$50 and \$175 of additional premium.**

Bonding Company C:

A representative from the company received two different responses from fellow co-workers. **Both are estimates: \$45 and \$100.**

Bonding Company D:

Company D's pricing structure differs based on the bond amount, the number of years, the experience of the contractor in question, etc. The company's representative said it would be difficult to provide completely accurate answers to our inquiry. After the representative spoke with the company's underwriting and actuarial teams, **they found that they do not anticipate that this legislation would cause them to revisit their current pricing structure although the increase in the penal sum of the bonds would result in a proportionate, though largely nominal, increase in the bond premium.**