

# HOW TO VERIFY THE BONDS YOU RECEIVE & avoid fraud!

As project owners, it's important to be aware of the potential for fraud when it comes to bid, payment and performance bonds, particularly the performance bonds. Luckily, there are steps you can take to reduce the chances of your bond being fraudulent.

Implementing an internal bond verification system is the best way to protect your projects from fraudulent activities. Unfortunately, fraud is impossible to completely prevent, but with a bond verification system in place, you can rest assured that your projects are protected. Let's briefly explore what you can do to reduce bond fraud on your construction project.

When you receive a copy of the bond, there are some simple steps you can do to verify its veracity. Here are 8 steps:

1. Read the bond first. Look for a bond number, surety name, contractor name, date, contract amount, etc.
2. Match Power of Attorney paper with bond.
3. Check notary acknowledgment and stamps.
4. Make sure bond is sealed with proper surety company seal.
5. Verify company is treasury listed and licensed to do business in your state:
  - a. [http://www.fiscal.treasury.gov/fsreports/ref/suretyBnd/c570\\_a-z.htm](http://www.fiscal.treasury.gov/fsreports/ref/suretyBnd/c570_a-z.htm)
  - b. Or use a search engine to search "AM Best rating and surety company name".
6. Do **not** accept bonds from 'individual sureties'.
7. Call the agent to verify the bond number.
8. Or call the surety company to verify the bond number.

Note: It is generally acceptable to receive a scan only of the bonds. They still need to contain all these items. You just won't be able to physically feel the seal, so verification is even more important!

## Sample Bond Form

**CITY OF SACRAMENTO  
PERFORMANCE BOND**  
Department of Transportation  
Page 1 of 1

**Bond No.:** PH11511000209  
**Premium:** \$4,751.00

**WHEREAS** the City of Sacramento, State of California, hereinafter called City, has conditionally awarded to B&M Builders, Inc., 11781 Trade Center Dr. #200, Rancho Cordova, CA 95670 as principal, hereinafter called Contractor, a contract for construction of "ANTONIAS S&P ROUTES TO SCHOOLS PROJECT - RANDON CREEK ELEMENTARY SCHOOL #90: 115145009" which contract is by reference incorporated herein and made a part hereof as if the Surety named below were a party to the contract, and is hereinafter referred to as the Contract; and

**WHEREAS**, under the terms of the Contract, Contractor is required to furnish a bond for the faithful performance of the Contract.

**NOW, THEREFORE**, we the Contractor and *there insert full name and address of Surety* Prudential Surety Insurance Company, 231 St. Asselin's Rd. Suite 100, Bala Cynwyd, PA 19304 a corporation duly authorized and admitted to transact business and issue surety bonds in the State of California, hereinafter called Surety, are held and firmly bound unto the City, as obligee, in the sum of **TWO HUNDRED AND TWELVE THOUSAND FIVE HUNDRED SIXTY FIVE DOLLARS FIFTY NINE CENTS (\$212,565.59)**, for the payment of which sum well and truly to be made, we the Contractor and Surety bind ourselves, our heirs, executors, administrators, successors and assigns, jointly and severally. The condition of this obligation is such that, if the Contractor, Contractor's heirs, executors, administrators, successors or assigns, shall in all things stand to and abide by, and well and truly keep and fully perform all covenants, conditions and agreements required to be kept and performed by Contractor in the Contract and any changes, additions or alterations made thereto, to be kept and performed at the time and in the manner therein specified, and in all respects according to their true intent and meanings, and shall indemnify and save harmless the City, its officers, employees and agents, as therein provided, then the Surety's obligations under the Contract and this bond shall be null and void, otherwise they shall be and remain in full force and effect. This obligation shall remain in full force and effect through the end of the Contract warranty period, which will expire one year after the completion of work date specified in the Notice of Completion filed for the above-named project.

As part of the obligations secured hereby and in addition to the sum specified above, there shall be included all costs, expenses and fees, including attorney's fees, reasonably incurred by City in successfully enforcing such obligations, all to be taxed as costs and included in any judgment rendered.

The Surety, for value received, hereby stipulates and agrees that no change, extension of time, alteration or addition to the terms of the Contract or to the work to be performed thereunder or to the specifications accompanying the same shall in any way affect its obligations on this bond, and it does hereby waive notice of any such change, extension, alteration or addition.

**IN WITNESS WHEREOF**, this instrument has been duly executed by authorized representatives of the Contractor and Surety. SIGNED AND SEALED in July 12, 2012.

By: \_\_\_\_\_ (Contractor) (Seal) \_\_\_\_\_ (Surety) (Seal)  
Title: \_\_\_\_\_  
Agent Name and Address  
Agent Phone #  
Surety Phone #  
California License #

ORIGINAL APPROVED AS TO FORM:  
City Attorney

**Verify the bond number when you call to agent/surety to verify bond**

**Confirm the principal name is correct**

**Verify the surety company on treasury list website**

**Confirm the bond amount is correct**

**Verify it's dated**

**Verify it's signed, sealed, and notarized**

Image adapted from Surety Bonds 101 presentation by Ryan Tash, Surety1

# MORE ABOUT VERIFYING BONDS...

## Sample Power of Attorney

2301

**PHILADELPHIA INDEMNITY INSURANCE COMPANY**  
One Bull Plaza, Suite 100  
Bala Cynwyd, PA 19004  
Power of Attorney

KNOW ALL PERSONS BY THESE PRESENTS, that PHILADELPHIA INDEMNITY INSURANCE COMPANY (the Company), a corporation organized and existing under the laws of the Commonwealth of Pennsylvania, does hereby create and appoint **Christine Rosacci, John T. Pace, Ryan Tash & Susan Plummer of Surety Solutions Insurance Services, Inc. City of Rancho Cordova, State of California,**

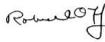
its true and lawful Attorney(s) in fact with full authority to execute on its behalf bonds, undertakings, recognizances and other contracts of indemnity and writings obligatory in the nature thereof, issued in the course of its business and to bind the Company thereby, in an amount not to exceed **\$5,000,000.00**

This Power of Attorney is granted and is signed and sealed by facsimile under and by the authority of the following Resolution adopted by the Board of Directors of PHILADELPHIA INDEMNITY INSURANCE COMPANY at a meeting duly called the 1<sup>st</sup> day of July, 2011.

**RESOLVED:** That the Board of Directors hereby authorizes the President or any Vice President of the Company to (1) Appoint Attorney(s) in fact and authorize the Attorney(s) in fact to execute on behalf of the Company bonds and undertakings, contracts of indemnity and other writings obligatory in the nature thereof and to attach the seal of the Company thereto, and (2) to remove, at any time, any such Attorney-in-fact and revoke the authority given. And, he is

**FURTHER RESOLVED:** That the signatures of such officers and the seal of the Company may be affixed to any such Power of Attorney or certificate relating thereto by facsimile, and any such Power of Attorney so executed and certified by facsimile signatures and facsimile seal shall be valid and binding upon the Company in the future with the respect to any bond or undertaking to which it is attached.

IN TESTIMONY WHEREOF, PHILADELPHIA INDEMNITY INSURANCE COMPANY HAS CAUSED THIS INSTRUMENT TO BE SIGNED AND ITS CORPORATE SEAL TO BE AFFIXED BY ITS AUTHORIZED OFFICE THIS 7<sup>th</sup> DAY OF FEBRUARY 2013.

(Seal)    
Robert D. O'Leary Jr., President & CEO  
Philadelphia Indemnity Insurance Company

On this 7<sup>th</sup> day of February 2013, before me name the individual who executed the preceding instrument, to me personally known, and being by me duly sworn said that he is the then president and authorized officer of the PHILADELPHIA INDEMNITY INSURANCE COMPANY, that the seal affixed to said instrument is the Corporate seal of said Company, that the said Corporate Seal and his signature were duly affixed.

**DANIEL LI, Notary Public**  
Notary Seal:   
Notary Public:   
residing at: Bala Cynwyd, PA  
My commission expires: March 22, 2016

I, Craig P. Keller, Executive Vice President, Chief Financial Officer and Secretary of PHILADELPHIA INDEMNITY INSURANCE COMPANY, do hereby certify that the foregoing resolution of the Board of Directors and this Power of Attorney issued pursuant thereto are true and correct and are still in full force and effect. I do further certify that Robert D. O'Leary Jr., who executed the Power of Attorney and President, was on the date of execution of the attached Power of Attorney the duly elected President of PHILADELPHIA INDEMNITY INSURANCE COMPANY.

In Testimony Whereof I have subscribed my name and affixed the facsimile seal of each Company this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_

   
Craig P. Keller, Executive Vice President, Chief Financial Officer & Secretary  
PHILADELPHIA INDEMNITY INSURANCE COMPANY

**Verify the surety is correct**

**Verify the agent is listed**

**Verify the bond is within limits stated**

**Verify the commission expiration date of the notary acknowledgment**

**Verify it's dated**

**Verify it's sealed if on copied paper**  
**Not all POA are on watermarked paper**

Image adapted from Surety Bonds 101 presentation by Ryan Tash, Surety1

## Script to Verbally Verify a Bond

"Hello, my name is [insert name] from [insert agency] and I'm calling to verify a bond. The bond number is [bond #], the contractor is [Contractor name], the amount is [bond \$] and the project is [project name]. Is this a valid bond?"

By implementing an internal bond verification system, you are taking proactive steps to protect your assets. You can feel confident that you are doing everything possible to keep your projects running smoothly.

Visit our website to contact us if you have any questions or would like more information. **We are here to help!**