



**NATIONAL ASSOCIATION OF SURETY BOND PRODUCERS**

1828 L Street, NW, Suite 720

Washington, DC 20036-5104

Tel: 202.686.3700

Fax: 202.686.3656

[www.nasbp.org](http://www.nasbp.org)

April 14, 2011

Ms. Juanita Moore  
Manager, Contracts Administration  
FL Department of Transportation (FDOT)  
605 Suwannee Street  
Tallahassee, FL 32399-0450

Re: DOT Contract and Contract Bond Form

Dear Ms. Moore:

Thank you for our phone discussion and for your consideration of our concerns. As I related on our recent call, I am the Director of Government Relations of the National Association of Surety Bond Producers (NASBP), a national trade organization of professional surety bond producers and brokers, whose membership includes licensed resident bond agents and licensed nonresident bond agents in Florida. It has come to our attention that FDOT's Contract Form (*attached*) does not include a general warranty of workmanship and materials clause or a one-year correction of work clause like those found in many industry standardized construction contracts. Rather, FDOT includes in its contracts warranties and warranty duration periods specific to the type of services being procured.

Such warranties may be problematic from a surety underwriting standpoint if the duration of the warranty extends too far into the future. For example, a warranty that specifies a duration that exceeds one year from the Date of Substantial Completion increases the uncertainty and decreases the confidence of the surety underwriter regarding projections about the contractor's future viability. Simply put, sureties cannot gauge the soundness and financial wherewithal of a company for periods extending too far into the future. Consequently, we request your consideration to adhere to a one-year warranty on the contractors workmanship and materials with any extended warranties coming from manufacturers. Given the difficult economic climate for contractors, such a policy should assist contractors and should benefit FDOT through increased competition.

In addition, we note that FDOT's Contract Bond form (*attached*) includes language that the bond will cover, "any defects which may exist, appear, occur or result in or from said work within a period of two (2) years from the date of final acceptance of the work under the Contract..." It appears that this language is not adjusted to coordinate with any specific warranty requirements in the underlying construction contracts. As a result, a situation could arise where the contractor may be subject to a one year warranty requirement while the surety underwriting the same contract would be subject to a two year requirement.

It is our belief that warranties and warranty durations that comport with standard industry practices and which are coordinated with bond terms will benefit FDOT over the long term through increased competition.

Shorter warranty durations and coordinated terms reduce risks, permitting the participation of smaller and minority contractors which otherwise may be precluded.

Again, we appreciate your consideration of these concerns. Please feel free to contact me should you need have questions or require further information.

Sincerely,

A handwritten signature in cursive script, appearing to read "Larry LeClair".

Larry LeClair