

ELECTRONIC SURETY BONDS

IMPROVE COSTS, EFFICIENCY

With the enactment of the Uniform Electronic Transactions Act in 46 states and the Electronic Signatures in Global and National Commerce Act at the federal level, electronic documents and signatures have legal standing. The electronic execution of contracts, including surety bonds, has become a reality for the construction industry.

Electronic bonding replicates the bond execution process that exists today—the signing of the bond form by the principal and surety and delivering the form to the obligee electronically through the Internet or other electronic medium, or within a web-based environment.

The National Association of Surety Bond Producers (NASBP) and The Surety & Fidelity Association of America (SFAA) strongly support the electronic execution and filing of surety bonds. The electronic filing of surety bonds reduces processing costs and increases efficiency for everyone involved in the bonding process: government agencies and other obligees, contractors and other bond

principals, surety bond producers and surety companies.

ELECTRONIC BIDDING AND BONDING TODAY

State Departments of Transportation (DOTs) have been the leaders in adopting electronic bidding. Electronic bonding is being used with electronic bidding systems that fully automate the bid submission process for DOT construction projects. By using an electronic bidding system, the contractor can enter its bid data—such as name of contractor, contractor license number, project number and line item prices—directly into the DOT system through the DOT website.

Many of these bidding systems work with bond authentication systems. One of the data elements the contractor enters into the bidding system is the bid bond authentication number. With the authentication number, the bidding system can access the bid bond data. Currently, 31 DOTs have implemented, or are in the process of implementing, an electronic bidding solution. And, the Pennsylvania Department of Transportation

has implemented an electronic solution for the final bonds.

Some DOTs still rely on paper bonds. Others seem willing to rely on the bond data included in the bond authentication system (name of surety, obligee, description of project, bond amount, execution date, description of bond form used, etc.).

Technology exists today to permit the delivery of an electronic bond that is signed by the contractor and surety in a secure manner. Private Key Infrastructure technology provides a secure means to use digital signatures that are verifiable and cannot be repudiated.

THE FUTURE OF ELECTRONIC BONDING

As technology matures and the use of electronic bonding expands beyond DOTs, two important principles need to be kept at the forefront. First, an electronic bond form signed by the principal and surety should be able to fully integrate into the obligee's systems. Second, as obligees consider different technologies and methods for electronic bond execution, some stan-

Who's Using Electronic Bidding/Bonding?

Department of Transportation*	Info Tech (BidExpress)	InSure Vision Technologies	Surety 2000	Custom System
Alabama	In Use	Interfaces with BidExpress	In Use	
Arizona	In Use	Interfaces with BidExpress	Interfaces with BidExpress	
Colorado	Testing	Testing		
Florida	In Use	Interfaces with BidExpress	Interfaces with BidExpress	
Georgia	In Use	Interfaces with BidExpress	Interfaces with BidExpress	
Illinois			Stand-alone solution	
Indiana	Testing			
Iowa	In Use			
Kansas	In Use	Interfaces with BidExpress	Interfaces with BidExpress	
Louisiana	In Use	Interfaces with BidExpress	Interfaces with BidExpress	
Maine	In Use	Interfaces with BidExpress	Interfaces with BidExpress	
Maryland DGS*		Interfaces with eMaryland Marketplace	Interfaces with eMaryland Marketplace	eMaryland Marketplace
Massachusetts	Testing			
Michigan	In Use			
Minnesota	In Use	In Process	Interfaces with BidExpress	
Mississippi				MDOT Bid System
Missouri	Testing	Testing		
Montana	In Use	In Process	Interfaces with BidExpress	
Nebraska	In Use		In Use	
New Jersey	In Use	Interfaces with BidExpress	In Use	
New Mexico	In Use	Interfaces with BidExpress	Interfaces with BidExpress	
North Carolina	In Use	Interfaces with BidExpress	Interfaces with BidExpress	
North Dakota	In Use			
Ohio	In Use	Interfaces with BidExpress	Interfaces with BidExpress	
Oklahoma	In Use	In Process	Interfaces with BidExpress	
Pennsylvania				ECMS (final bonds)
PA Turnpike*		Testing	Testing	
South Carolina	In Use	Interfaces with BidExpress	Interfaces with BidExpress	
Tennessee	In Use	Interfaces with BidExpress	In Use	
Utah		Stand-alone solution	Stand-alone solution	
Vermont	In Use	Interfaces with BidExpress	Interfaces with BidExpress	
Virginia	In Use	Interfaces with BidExpress	Interfaces with BidExpress	
Wisconsin	In Use			
Wyoming		In Process	Stand-alone solution	

*Except where noted. Note: Blair Business Systems and Workgroup Technology Partners are working with a number of DOTs, but their information was not available at press time.

standardization should be developed, and electronic bonding should present no barriers to the electronic procurement process.

If each obligee develops a system or requires the use of a proprietary system or service, sureties and producers can be forced to adapt to an array of systems and technologies, raising the cost of automation for surety bond producers, surety

companies, contractors and ultimately the obligee.

Any technology adopted for the electronic execution of bonds should be open to all participants with little or no barriers, assure the validity and authenticity of all contracting parties, deliver a binding and legally enforceable document from one location to another, and be able to

fully integrate the data from one system to another.

Contributed by the NASBP/SFAA Joint Automation Committee, a joint effort of the NASBP Automation and Technology Committee and the SFAA eBusiness Advisory Committee. For more information, visit www.nasbp.org or www.surety.org.