USING BONDING
As a Business Tool

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BY MARC RAMSEY

Smart contractors use their bonding capacity as a marketing tool. They explain exactly what "bonded contractor" means for a client—that an objective, third-party surety company has thoroughly vetted the business, examining the three Cs (capital, capacity and character), and determined the company is worthy of receiving surety credit in the form of bid, payment and performance bonds.

"They convey that message in their marketing materials and in discussions with prospective clients," says Sarah Finn, president of the National Association of Surety Bond Producers (NASBP), and national surety vice president of IMA of Colorado. "In this way, they relate that they are higher quality contractors, doing what is needed to invest in the long-term success of their companies and differentiating themselves from companies that have not made the investment to merit surety credit."

In today's marketplace, surety bonding is a valued financial resource. Only well-managed, well-capitalized firms have access to significant bonding capacity. The ability to bond work in a tighter credit cycle confirms that a contractor has the financial and personnel resources needed to complete a project successfully.

"That surety affirmation is clearly a line of demarcation between the ordinary and strongest firms in the construction industry," says Michael J. Cusack, senior vice president, managing director and operations board member of Aon Construction Services Group.

Having surety capacity can eliminate competition with contractors that are not qualified for the project; helps contractors acquire work for which they otherwise would not be eligible; and provides a contractor strategic business advisers unavailable to the non-bonded contractor.

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"If contractors want to do public work, they need surety bonds," says Timothy Mikolajewski, senior vice president of Safeco Surety. "Beyond that, there is a tremendous amount of knowledge the surety producer and surety underwriter have that can be shared with contractors to help them manage their businesses better."

Adds Terrence Cavanaugh, senior vice president and managing director of Chubb & Son Inc., and chief operating officer of Chubb Surety: "The surety relationship should be one of a trusted and dependable business partner/adviser and should be viewed and utilized as such."

Using surety capacity as a business tool also means treating it like an asset—like equipment or cash—and making business decisions on how to allocate that asset. "That's where it becomes a tool," explains Terry Lukow, executive vice president of Travelers Bond, Construction Services. "In today's marketplace, no contractor has a finite pool of capacity, so how can the contractor allocate this asset to get the best return possible?"

Bonded contractors should be proud of their ability to obtain surety credit. "Our customers like to sell to their owner that they have the ability to provide surety coverage," says William Cheatham, president of Zurich North America Surety. "It's how they differentiate themselves from their competitors."

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