

CHOOSING THE RIGHT SURETY BOND PRODUCER

A Relationship with a Knowledgeable, Experienced Agent Can Last a Lifetime

A contractor's decision to establish a surety bonding relationship is a wise one. It can lead to more projects and eventually propel the company to the next level of growth. The first step is finding a surety bond producer.

Most surety companies issue surety bonds through a brokerage system, meaning contractors typically obtain a surety bond from a professional surety bond producer rather than directly from a surety company.

The surety bond producer is an integral part of a contractor's external advisory group, which includes attorneys, lenders and auditors. By using specialized knowledge of the construction industry, the bond producer prepares the contractor for the surety company's rigorous pre-qualification process and helps the contractor establish a business relationship with the surety company.

Finding a surety bond producer is easy. The National Association of Surety Bond Producers (NASBP) represents more than 5,000 surety professionals and producers who meet certain standards of professionalism. To locate a list of NASBP member producers, visit www.nasbp.org and click on "Need a Bond."

Once a contractor has located surety producers in the area, it is important to select the right one. The producer should be knowledgeable of local, regional and national trends and surety markets.

Ed Heine, NASBP president and

executive vice president of Payne Financial Group, recommends starting with a surety bond producer who has experience in the surety business and asking key questions, including: Does the producer have a relationship with the key decision makers at the surety company? What do customers say? How has the bond producer helped customers become more successful? Does the producer listen well and respond to service requests quickly?

A good surety bond producer matches the needs and strengths of the contractor to the surety company that will best support the contractor. The producer should offer sound business and technical advice. The producer should analyze the under-

writing information and prepare a complete submission to the surety, initially and for ongoing service requests.

The contractor also shares in the responsibility of good communications with the producer. "Include them in your business," Heine asserts. "Don't make the process of getting a surety bond and managing a surety program cumbersome. Find someone who you like, and give them the communication and information that they need to service your company. Such responsiveness is all that it takes."

For more information, contact the Surety Information Office, (202) 686-7463 or email sio@sio.org.

What Does a Good Producer Do?

- facilitates the underwriting process;
- understands the needs of writers and customers to establish relationships that are mutually supportive;
- runs an efficient operation. If customers are small contractors or infrequent users of surety credit, the producer needs to choose the markets and systems that create service efficiency for these clients;
- reviews contract documents to determine if the contractor is taking excessive risk;
- conducts a background investigation of the contractor's past contractual obligations;
- recommends a responsible line of credit consistent with the contractor's capabilities;
- tailors the contractor's submission for the specific needs and requirements of the surety company;
- guides the contractor through a formal presentation. The producer facilitates and maintains close communications between the contractor and surety company with regard to periodic reports on work in progress, financial performance and business plans.