

COMPONENTS OF A SUCCESSFUL SURETY RELATIONSHIP

BY MICHAEL DOUGHERTY

The surety industry has paid billions of dollars of losses over the last few years. Now the industry sees a renewed effort to increase both the level and intensity of the underwriting process. More than ever, contractors must proactively manage their surety relationship. What does this entail? Below is a set of questions to help assess the level of the relationship you have with your surety carrier.

1) I know the name of the surety company that issues bonds on my behalf.
True False

2) My surety company representative is active in construction association events and is knowledgeable about local and regional market conditions.
True False

3) How often do you meet with a surety company representative?
a) Never 0 points
b) Every couple of years 2 points
c) Annually 4 points
d) Two or more times annually 6 points

4) I know the parameters of my bonding program and/or my total level of bonding support.
True False

5) I provide quarterly updates of my work-in-progress to my surety company.
True False

6) If I have a project that is going poorly and may impact my financial results, I inform my surety agent and bonding company as soon as possible and make sure they understand the issues and potential impact.
True False

7) I know the underwriting results of my surety company and their track record of profitability.
True False

8) I produce quality internal financial statements each month and provide them to my surety company on a quarterly basis.
True False

9) A representative of my surety company has visited one of my job-sites and I am comfortable the company understands my business.
True False

10) My surety company representative receives the same level of access and interaction as my banker and/or other credit providers.
True False

11) When considering a large unbonded project, I solicit input from my surety agent and/or company on the impact it could have on my firm and/or my surety bonding line.
True False

Score "2" points for every true response and "0" for every response marked false.

20–26 **Excellent**—you are proactively managing your surety relationship.

14–20 **Good**—your relationship is solid but could be improved.

8–14 **Needs Work**—consider increasing the level of contact and communication with your surety company and agent.

< 8 **Poor**—you may be a limited user of surety credit. However, if surety credit is important to your business, you should work toward significant improvement in the surety relationship.

A construction company's success will be determined by its ability to manage relationships successfully with owners, other contractors or subcontractors, suppliers, bankers, sureties and other credit providers. At the heart of any successful relationship is the need for timely information exchange, proactive communication and a clear understanding of each party's expectations. Make the time to develop a strong relationship with your surety bond producer and surety company representatives. In times of uncertainty, these relationships will be worth exactly the time and effort you spent building them.

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