

THE SURETY BOND PRODUCER: A CONTRACTOR'S **LINK** TO BONDING SUCCESS

BY CRAIG E. HANSEN

The ability to obtain surety bonds is more than gaining access to new markets—it's about building business relationships. The surety industry has gone through a number of changes in the past five years—including a number of high-profile mergers and departures—and the relationship between contractor and producer has become more important than ever.

The primary purpose of a surety bond is to provide project owners assurance that the contractor is prequalified to bid and build the specific project. As such, a surety bond producer will work very closely with a contractor to ensure that a surety company's underwriting criteria can be met. Professional surety bond producers can serve as an objective, external resource for evaluating a contractor's capabilities. As an advisor, the producer may offer insights about how best to adapt a contractor's business plan to a surety company's underwriting needs.

In today's surety market, contractors are being asked to supply more detailed financial statements on a more regular basis. Personal indemnity is much more likely to be required, and continued pricing discipline will occur, especially at the upper-end of the market where capacity is the primary concern of the contractor. In some cases, more creative approaches to bonding will be needed—especially on long-term or mega-projects. Contractors working with a professional surety bond producer have a close ally who is well-informed and prepared to help the business adapt to these current market features.

Contractors who have established solid relationships with a surety bond producer and surety bond company during these times of change should consider the value

of such relationships. Having a long-standing business relationship is an intangible, yet invaluable asset. A contractor should think twice before abandoning such relationships, especially during times of uncertainty.

While the surety credit limits and underwriting terms may not always be to a contractor's liking, the surety company and surety bond producer will work diligently to help a contractor meet its bonding needs. Surety credit is no longer available to just anyone, however, well-capitalized and well-managed contractors can use these somewhat turbulent times as a competitive advantage in the marketplace.

Contractors seeking to establish a new bonding program would be well-advised to seek out the services of a professional surety bond producer. It is essential that a contractor work with a qualified, compe-

tent, professional surety bond producer to obtain the best advice and insights that have a business' long-term interest in mind.

A surety bond producer does not act merely as a gatekeeper to the surety companies. He or she possesses a wealth of knowledge about the latest trends and legal issues affecting the surety industry and acts as a close advisor to contractors to help them navigate the rigorous pre-qualification process.

The specific roles of a surety bond producer are numerous and diverse. A surety bond producer:

- Matches the needs and strengths of the contractor to the surety company that will best support the contractor;
- Offers sound business advice, management consulting services and technical expertise—or introduces the contractor to appropriate professionals or consultants;

What to Look For in a Surety Bond Producer

A professional surety bond producer:

- is well-respected and has a reputation for integrity in the construction industry;
- demonstrates a personal interest in the contractor's success;
- has a track record of building solid relationships with surety underwriters;
- possesses an understanding of the construction industry;
- has knowledge of accounting and finance, especially construction accounting procedures;
- has knowledge of construction contracts, subcontracts and related contract law;
- is aware of local, regional and national construction markets;
- is experienced in strategic planning and management practices that promote successful contracting; and
- is actively involved in and supports local and national construction and surety industry associations such as the National Association of Surety Bond Producers (NASBP) and Associated Builders and Contractors.

- Compiles financial documents for submission to the surety. In some cases, the producer may analyze the financial statements to determine the contractor's working capital, net worth and current revenue;
- 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 and guides the contractor through a formal presentation; and
- Maintains communication between the contractor and surety company with periodic reports on work progress, financial performance and business plans.

Whether a contractor is seeking a bond

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for the first time or wants to continue to grow a bonding program, the advice and insights available from professional surety bond producers are invaluable in today's market.

For more information on surety bond producers, visit the National Association of Surety Bond Producers website at www.nasbp.org and click on "Need a Bond," or call (202) 686-3700. NASBP

members are professionals in the surety bond marketplace and adhere to a code of professional standards.

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