

A Professional Surety Bond Producer Serves as a Contractor's Trusted Advisor and Essential Guide

By Martha Perkins and Kathy Hoffman | Monday, November 4, 2019

Surety, Risk Management



In today's complex and competitive construction world, it is essential to make the best decisions possible to ensure the success and growth of a construction business and the integrity of its reputation. One of the most important business decisions a contractor will make is the choice of a professional surety bond producer.

Bond producers add value by not only arranging bonds and a bonding program with a surety company, but also by giving objective advice on technical, financial and other matters impacting the business. Producers can also make recommendations for choosing other important external professional advisors, such as attorneys, accountants and bankers.

Each surety company has its own unique underwriting standards and practices, and the prequalification process can be a challenging experience if not handled by a surety bond specialist. A professional surety bond producer—one who focuses his or her career on surety bonding relationships—can serve as an objective, external resource for evaluating a firm’s capabilities and, when necessary, can suggest improvements to help a firm meet a surety company’s underwriting requirements.

“Outside of just providing performance and payment bonds, professional bond producers are a free resource of information to the contractor to build and help grow his or her business,” says Todd Loehnert, president of L A Surety Solutions in Louisville, Kentucky.

A construction firm’s relationship with a bond producer is an ongoing relationship, often lasting decades. The producer strives to create, nurture and maintain a long-term successful relationship between the construction client and the surety company. The professional bond producer serves as a trusted advisor on continuity planning, market conditions and business planning.

“A significant part of helping my clients realize their business goals is truly understanding them and their risk tolerance, then working with them to understand, manage and mitigate risk in their business operations through training; contract review; acquisition analysis; financial and benchmarking analysis; client and subcontractor/supplier prequalification; and continuous business discussion and dialogue,” says Bryce Guignard, president of Guignard Company in Longwood, Florida.

The best bond producers are great communicators, and they communicate often with their clients. They don’t rely solely on email; rather, they consistently schedule in-person, conversational meetings. Keeping in touch encourages the contractor to seek the producer’s business advice and insight on the marketplace and ensures the producer stays informed about the status of the business.

“We have to know the character of the people we are dealing with, so we have to have face-to-face contact with them,” says Larry McMahon, executive vice president and surety manager at Construction Services Group, Alliant Insurance Services in San Diego. “I never want to handle a problem by email. I want to make that a face-to-face discussion. I want to lay out the issue. I don’t want to sugarcoat it, and I want to make sure that we both understand what caused the issue and that both of us make a commitment to fix the problem.”

The bond producer becomes an integral part of the firm’s external advisory group, which includes attorneys, accountants and bankers. In addition, the producer can be an excellent referral source to ensure that a firm has the right set of construction-experienced external advisors for continued business viability and growth of surety capacity.

“We help align the contractor with quality, construction-oriented CPAs, lawyers and bankers,” says Eric Zimmerman, sales executive at Propel Insurance in Seattle. “This benefits both our client and our surety.”

The best way to qualify for surety credit is to work with a professional surety bond producer who knows the intricacies of the bonding process, the nuances of the surety marketplace and who can match the construction firm with a surety company interested in working with a firm of its size and type. The success and reputation of a business are too precious to entrust to just anyone, particularly an insurance agent unfamiliar with surety.

Bond producers “do many things beyond the bond; we are a friend, a trusted advisor, a sounding board, a devil’s advocate, a cheerleader and a shoulder to cry on,” says Chris von Allmen, producer at Garrett-Stotz Company in Louisville, Kentucky.

The right professional surety bond producer offers business relationships built on trust, honesty and frequent communication.

QUESTIONS TO ASK A BOND PRODUCER

It pays to be discerning and selective. Be sure to ask these questions when assessing whether a particular bond producer might be a good fit for you and your company’s needs:

- Is the producer licensed in your jurisdiction and that of the project?
- What is the reputation of the bond producer? Does he or she have a reputation for integrity in the industry?
- What percentage of his or her overall business are construction clients?
- Does he or she have an understanding of the construction industry and of the construction process, particularly the management and administration of construction contracts?
- Does he or she possess knowledge of construction accounting procedures, especially an ability to analyze financial statements, work-in-progress and cash flow?
- With how many sureties does the producer work?
- Is the producer specifically authorized to issue bonds on behalf of sureties?
- Has the producer developed solid relationships with surety underwriters?
- Has the producer developed solid relationships with other professional service providers, such as attorneys, CPAs and lenders?
- How aware of and interested in local, regional and national construction markets is the producer?
- How active is the producer in local or national construction associations, such as Associated Builders and Contractors, and in local or national surety industry associations, such as the National Association of Surety Bond Producers?
- Can the producer demonstrate a commitment to maintain frequent client contact through newsletters, site visits or visits to client offices?
- What other services does the producer provide clients to help them with their business needs?

FIND A SURETY PRO

Founded in 1942, the National Association of Surety Bond Producers is the association of and resource for surety bond producers and allied professionals. NASBP producers specialize in providing surety bonds for construction contracts and other purposes to companies and individuals needing the assurance offered by surety bonds.

Be guaranteed to succeed by contacting a NASBP Surety Pro in your state or locality at <https://www.nasbp.org/guaranteed/home>.

For more information about the bonding process, visit www.suretylearn.org, a site with free resources to help orient contractors, subcontractors and suppliers to the bonding process and obtaining surety credit.

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