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Build a Relationship with a Bond Producer

by Kathy J. Mapes Hoffman, National Association of Surety Bond Producers

In addition to providing a bond, a surety bond producer can offer valuable guidance on improving your company and its profits.

Bond producers specialize in providing surety products to subcontractors and other project participants. They also provide a myriad of other services for free that their clients may not be aware of or know to ask about.

"We try to explain to our clients that they can lean on us first for any and all business matters," said Toby Miclette, surety bond producer, senior VP, Bowen, Miclette & Britt Insurance Agency, LLC, Houston, Texas. "Our advice is free and we have lots to offer."

Bond producers have a broad knowledge of the changing insurance and surety products for subcontractors and familiarity with the surety market and the business strategies and underwriting differences among sureties.

Unfortunately, some subcontractors don't avail themselves of the services that their bond producers offer. "The clients that don't work quite as well with us are those who only call when they need a bond," Miclette explained. "Outside of just providing performance and payment bonds, professional bond producers are a free resource of information to the subcontractor to build and help grow his or her business," added Todd Loehnert, president, L A Surety Solutions, Louisville, Ky.

"Because we have been in the bond business for 40-plus years, we have seen a lot and learned something from each experience that we can impart onto other clients that find themselves faced with similar business matters," Miclette said.

A Sounding Board That Listens and Offers Feedback

Some subcontractors may not have a lot of people to talk to about their business concerns, and the bond producer can be that person whom they can trust, Miclette said.

J. Spencer Miller, managing director, NFP Property and Casualty Services, Inc., Chicago, Ill., said that he sees part of his role as a not-at-risk partner for his clients and a person they frequently talk to when facing challenging decisions. "I often find myself serving more in a consultative role, concerning my client's business at large, not just limited to surety and insurance issues." Some clients have spent hours talking with Miller. Miller said he helps them understand the impact of actions they are considering taking and if their intended approach is a sound one.

Another area he has helped clients with frequently is perpetuation and continuity planning. Miller said recently, one of his clients was considering ways he could exit the business. "We talked about what he planned to do and the steps that entailed," Miller said. "I asked him questions and made him aware of several things he hadn't considered, including reputational and legacy issues."

Referrals

Bond producers often refer their subcontractor clients to service providers and consultants in the construction industry.

"We help to align the subcontractor with quality, construction-oriented

CPAs, lawyers, and banks," said Eric Zimmerman, vice president, Propel Insurance, Seattle, Wash. "This benefits both our client and our surety."

That applies when general contractors and owners are looking for subcontractors and suppliers; bond producers will introduce them to their subcontractor and supplier clients. Bryce Guignard, president, Guignard Company, Longwood, Fla., said, "We often refer prequalified viable and bondable subcontractors to general contractors and owners seeking qualified, responsive subcontractors for their projects."

"We will introduce and recommend that a client meet with a general contractor," said Michael Lischer, surety account executive, IMA, Inc., Denver, Colo. "Helping a subcontractor make a connection with a contractor is always appreciated."

Business Planning and Hiring

"A significant part of helping my clients realize their business goals is truly understanding them and their risk tolerances and then working with them to help them understand, manage, and mitigate risk in their business operations, through training, contract reviews, acquisition analysis, financial and benchmarking analysis, client and subcontractor/supplier prequalification, and continuous business discussion and dialogue," Lischer said.

Zimmerman said he helps subcontractors grow their balance sheet. "We help our clients with setting objectives and with determining where they want to be in five years," Zimmerman said. "We then coach them, where we can, to keep

them on track with their business plan. Our goal is to help our clients build wealth in the long term.”

Brad Babcock, owner, Babcock Solutions, said, “We work with a subcontractor’s project management group on understanding the need to send billings out, to reduce retainage, and to maintain cash-flow best practices for a project. Also, we have helped arrange joint venture relationships, occasionally advising a client not to pursue a joint venture relationship.”

Zimmerman added, “We also assist our clients with a depth of services in commercial property and casualty insurance and life insurance.”

Financial and Project Trend Analysis

Subcontractors can call their bond producer for advice on market conditions and the project history of contractors they are considering working with on a project. “We can provide a tremendous amount of market knowledge and historical perspective,” Loehnert said. “Bond producers involved with industry trade groups, like NASBP, have access to numerous resources and perspectives on the market place.”

Guignard agreed, “Given our broad scope of local, state and national market intelligence and our participation with industry trade groups and surety relationships, we provide our subcontractor clients with insight and information on the market place along with information on the viability and credibility of obligees, with which they are working or seeking to work with through verification of bonds, including references from agents and sureties.”

Zimmerman said, “A good relationship also comes with a certain amount of future forecasting for the [client], anticipating what is going to happen next, anticipating what the upcoming questions might be, and then giving

them counsel on some ways to prepare for that and/or change the direction, so that they can achieve what they’re looking to achieve from a bonding standpoint.”

Brian Edmunds, vice president, Rosenberg & Parker of Canada Inc., said, “It’s not enough just to know the client. Bond producers have to know their client’s competition, because what the client’s competition is doing impacts on what he or she does and how he or she does it.”

Contract Review and Dispute Assessment

Surety bond producers are familiar with reviewing contracts, and subcontractors should take advantage of having a bond producer who has their interest in mind make such reviews.

Loehnert said he will point out the onerous language in subcontracts and subcontract performance and payment bond forms that subcontractors are asked to sign.

Miclette said, “Some subs are used to signing contracts without an in-depth review or because they feel they have no options but to sign.”

Guignard encouraged subcontractors to seek assistance of a bond producer to help identify possible onerous language. “It’s in the client’s best interest when we can review contracts and bond forms with them and work through the difficult language,” he said.

In the event of a dispute, Loehnert said he offers a perspective and an explanation of options for the subcontractor to consider.

Don’t Assume You Won’t Qualify for a Bond

Many bond producers want to help clients to obtain bonds who have had difficulty. Denny Scully, partner, Mapes Insurance Agency, Inc., Grand Rapids, Mich., said he likes the challenge of helping a subcontractor that may have had difficulty obtaining bonding in the past.

Scully will often consult with clients and prospective clients on ways to make themselves more attractive to sureties, such as improving financial reporting, increased bank support, and, if necessary, funds control or escrow arrangements.

In addition, bond producers can help a subcontractor seek assistance from a mentor program, such as the U.S. Small Business Administration Surety Bond Guarantee Program. “A subcontractor participating in one of these mentor programs should take advantage of all of the program’s resources,” said William F. Maroney, senior vice president, national practice leader of Surety, Well Fargo Insurance Services, USA, Inc., New York, N.Y. “Throughout their participation in the program—usually one to two years, they should maintain financial discipline; secure a surety professional, banker, and construction CPA; and work toward being bondable upon completion of the program.”

“If someone needs help with bonds, I’ll always talk to them,” Miller said. “There is a real satisfaction in getting someone their first bond, or working out a reasonable solution in a difficult situation.”

Communication Is Key

Subcontractors should plan to meet with their bond producer face-to-face. Lawrence McMahon, executive VP/surety manager, Construction Services Group, Alliant Insurance Services, San Diego, Calif., said, “We have to know the character of the people we are dealing with, so you have to have face-to-face contact with them.”

Bond producers don’t rely solely on email to communicate with their clients and regularly meet face-to-face with their clients. Keeping in touch helps the subcontractor share what is happening with the company and ensures the bond producer remains informed. “We are always discussing jobs and how they fit into their

capacity with the bonding company or how they may view certain new projects,” Scully said.

Michael Petrasek, Sr., who recently retired from Seubert & Associates Inc., Pittsburg, Pa., said, “Technology can get in the way [of forming strong relationships with clients], because there are tough questions in the construction business and in the surety business. One question may lead to another, and your email strings can go on and on. Somebody once said to me—and I adhere to this philosophy—that the internet and email are a great way to exchange information but a lousy way to communicate.”

McMahon said: “[When there is a problem] I never handle that by email. I want to make that a face-to-face discussion. I want to lay out the issue. I don’t want to sugar coat 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.”

Expect to Learn About the Surety Product

Loehnert believes an important part of his job is to increase the client’s knowledge of the surety product. “As bond producers, we have a responsibility to educate clients about the surety product and bonding process,” he said.

Some subcontractors may not understand how their internal business decisions can impact their surety credit. The subcontractor’s ability to qualify for his or her next bond can be jeopardized. “Bond producers can provide insight and guidance into how to maintain and protect a subcontractor’s bonding program,” Loehnert said. “But the subcontractor needs to keep his or her bond producer apprised of decisions that may impact the subcontractor’s surety credit, such as plans to make distributions, to increase staff, and to lease or purchase equipment.”

The client education process includes providing information about the sureties, as well. “Subcontractors need to be wary, especially in today’s soft market, to ensure that they verify,

not only their own bond, but that of the prime/general contractor to ensure it is issued by a licensed, U.S. Treasury-listed, reputable surety carrier,” Loehnert added.

Consider your business reputation and credit and find the right professional surety bond producer that offers business relationships built on trust, honesty, and frequent communication. You will find that “[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,” said Chris von Allmen, producer, Garrett-Stotz Company, Louisville, Ky.

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

Kathy J. Mapes Hoffman is director of communications, National Association of Surety Bond Producers, Washington, D.C. She can be reached at (202) 464-1175 or khoffman@nasbp.org. Find a [NASBP bond producer at nasbp.org](http://NASBPbondproduceratnasbp.org).

Questions to Ask Your Producer

Be sure to ask these questions when assessing whether a particular bond producer might be a good fit for 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 and respect 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 and interested is the producer in local, regional, and national construction markets?
- How active is the producer in local or national construction associations, such as the [American Subcontractors Association](http://AmericanSubcontractorsAssociation.org), and in local or national surety industry associations, such as the [National Association of Surety Bond Producers](http://NationalAssociationofSuretyBondProducers.org)?
- 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?