

# The Power of Partnership: Choosing the Best Surety Agent for the Job

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Thanks to several years of favorable industry-wide results, there is plenty of capacity in the surety marketplace. Carriers and agents are aggressively competing for contractors' business. Most companies have probably received numerous solicitations from agents and brokers near and far, via the internet, promising larger programs, better terms and lower rates.

In today's soft market environment, practically any licensed insurance agent can help a firm obtain bonding. It is a buyer's market right now and a great opportunity for contractors to establish their first bond line or reevaluate their current situation.

As with any relationship, choose a partner carefully. A professional surety bond producer can be a contractor's most trusted and valued ally.

For firms that are new to surety or who are considering a change, following are several questions to consider.

- Does the agent truly listen and care about the business?
- Have they invested their time to understand the company's business plans and specific needs?
- Can they be trusted to keep financial information and bid estimates confidential?
- Is the agent part of the company's inner circle when it comes to providing strategic advice?
- Is the agent always available when needed? Do they have sufficient support staff?
- Do they execute and deliver bid and performance bonds in a timely and accurate manor?
- Do they have multiple surety markets available to them?
- Do they do enough business and have enough clout within those markets?
- Have they matched the company with a surety that best fits its needs, not just their own?
- Do they have a backup market in place for the company's account?
- Do they anticipate the company's needs?
- Do they help review contract documents and bid specifications?
- Do they help identify and resolve onerous contract provisions?
- Do they have experience and advice in handling a surety claim situation?
- Can they make introductions to other customers, subcontractors, suppliers and business owners?
- Can they identify and introduce other professional service providers, such as certified public accountants, construction attorneys, industry experts and safety professionals?
- Are they active and invested in community and charitable organizations?
- Are they invested in industry associations, such as Associated Builders and Contractors?

## Many Options to Choose From

Practically all contract surety carriers deal with licensed property and casualty agents or brokers as their sole distribution channel. Most of these agents are independent and represent one or more carriers. There are literally thousands of agents and brokers, although there has been a tremendous amount of consolidation during the past several years. The individual the contractor is dealing with is just as important (if not more) than the organization for which he or she works.

While the universe of licensed agents is vast, the number of agents or brokers that specifically specialize in

surety is much narrower. Some of the best agents were once underwriters on the carrier side and can guide contractors with firsthand experience and perspective. There are also many "bond only" agents who do not deal with other insurance coverages and specialize only in bond placements and service.

A good resource for surety bond producers and information is [nasbp.org](http://nasbp.org), the website for the National Association of Surety Bond Producers (NASBP), which helps members stay informed on current issues and educational opportunities.

Whether a contractor selects a small local agency, a national broker, an NASBP member, a specialist or a generalist, one size does not fit all and there is no right or wrong answer. The best fit typically comes down to who works the hardest for the company and who that company likes and trusts the most.

#### Buyer Beware

Contractors need to be wary of prospective agents offering to "overserve" them. While it is tempting to hear offers to double or triple a bond program, these are often short-term, attention-grabbing enticements. If it sounds too good to be true, it probably is.

A professional surety bond producer will not push program parameters that cannot be sustained. With skilled labor in short supply and rising materials and health care costs, one of the biggest risks today could be biting off more than you can chew.

True program parameters should be based on the company's past experience and its financial wherewithal, not the whim of the competitive marketplace and aggressive marketing.

#### Annual Review

Available bond line capacity is a contractor's lifeline. Program parameters and underwriting appetites can change each year, or even throughout the year, so it is important to know where the business stands with its surety provider at all times. The agent should be on top of this to ensure there are no disruptions throughout the year. This works both ways; the contractor needs to provide timely and accurate information as well.

Material decisions or changes should be discussed with the surety agent before they are implemented. If the agent is afraid to ask or relay questions or concerns, it could result in a roadblock at the most inopportune time and may cost the contractor the ability to make that last-minute bid and obtain work.

An agent should schedule annual meetings (for active accounts) with the surety underwriter. A face-to-face meeting can go a long way to improve both parties' comfort level. The agent should coach the contractor prior to any meeting and be an active participant in the discussion. It is their job to represent the contractor in the best possible light and make recommendations to maximize the firm's bondability and profitability.

A strong surety producer can be a powerful partner and an invaluable member of a contractor's core team. Choosing the right surety partner can be one of the most important business decisions a contractor makes.

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