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'It's all about relationships'

Tips for construction contractors on selecting the bonding agent that's just right for you

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One of the most important business relationships that a construction contractor will have during his career is that with his company's bonding agent. Accountants, bankers, attorneys all have their important place, but the relationship with a professional surety agent is critical to the overall growth and success of a contractor's business. This is true regardless of whether the contractor is a start-up operation or a multi-generational established firm.

The bonding agent should know a construction contractor's precise goals and have the ability to assist the contractor in getting to that next plateau or level. I like to use the example of a surety person being a third-base coach, telling the contractor to slide, stand up or head for home.

A good agent should be able to "talk straight" to his contractor client, just like a friend. The sycophantic, "emperor's new clothes" syndrome is a short-lived and inappropriate sales pitch that adds no value to a contractor's business.

As for the specific qualities a construction contractor should look for in a bonding agent, I would suggest the following:

1. Trust/Honesty. To do his job well, a bond-

ing agent will "get into a contractor's shorts" more so than any other professional contractor will employ. We look at a contractor's banking relationship, accounting relationship, bid activity, cost accounting, work-in-progress schedules and business plan, as well as business and personal financial information.

A contractor must have the gut feeling that his bonding agent has the ability to use this information to help the contractor achieve his goals and the integrity to keep it all confidential.

2. Education/Experience. Does the agent have an educational background in accounting, finance or economics? Has the agent worked as an underwriter or bond manager for a bonding company? If the bonding agent is under the employ of an agency, who owns the agency and what type of people are they? There is a good deal of sensitive information in a contractor's file. Does your bonding agent own the agency? Regardless of the type of business, all entrepreneurs understand what it takes to start up and successfully run a business.

3. Reliability. A bonding agent should do everything in his power to be a part of the solution. The contractor should feel comfortable in calling his agent to discuss anything and everything.

4. Work Ethic. Is the bonding agent more interested in playing or helping the contractor grow?

5. Value Added. A good bonding agent should bring more to the table than just a piece

of paper (the bond). He should be able to analyze a contractor's financial and work-in-progress reports and to offer advice in order to enhance the work program and minimize rates. The agent should also be readily available to refer professionals in areas such as accounting, banking, computer engineering and insurance—people who are industry-experienced and who understand a contractor's specific needs.

A capable bonding agent keeps his finger on the economy's pulse as well as the pulse of the various bonding companies, onerous owners, "less-than-reliable subs" and "flaky" generals.

6. Industry Commitment. Is the agent involved in any professional industry-related organizations? Can you tell that he enjoys being in the business?

7. Service. Sure, this is a much-overused word. But Service is not "Lip Service." Being there when and as needed, just like a good waiter in a high class restaurant—unobtrusive but ready—is what it is all about.

The bond business is a unique relationship-driven industry. How to choose a person who is uniquely qualified takes effort on the contractor's part. But the bottom line is this: It Is All About Relationships.

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