



# Who Are Surety Bond Producers?

Surety bond producers are business professionals who specialize in providing contract surety bonds to contractors, subcontractors, and other construction project participants and/or who specialize in providing commercial surety bonds to individuals and businesses. Obtaining surety credit starts with professional bond producers. Arranging bonds and a line of credit with a surety company requires extensive, detailed work for every bid that a contractor submits. Each surety company has its own unique underwriting standards and practices, and the prequalification process to obtain surety credit can be a difficult experience if not handled by a surety bond specialist.

## Are bond producers regulated by the state?

Yes. Bond producers must be licensed by the state(s) in which they do business by the state department of insurance. To obtain a license, bond producers must complete coursework requirements and pass a written examination and background check.

## What services does a bond producer provide a contractor?

Professional surety bond producers are knowledgeable about surety products, the surety market, and the business strategies and underwriting differences among sureties. Unlike most insurance agents, surety bond producers focus their main activities on the surety market and positioning construction firms to qualify for surety credit.

Bond producers function as informal—and highly valued—business partners with their contractors and often maintain trusted, professional relationships that last decades. They provide invaluable business advice and expertise to assist a contractor in securing its surety credit relationship and increasing its surety credit, if appropriate. They obtain from the contractor information and documentation needed by the surety to evaluate a request for bonding. They nurture



a successful relationship between the contractor and the surety company.

In addition, a bond producer can serve as an objective, external resource for evaluating a construction firm's capabilities and, where necessary, can suggest improvements to help the construction firm meet a surety company's underwriting requirements. A bond producer can also serve as a resource for providing the bond principal with referrals for other types of professionals, such as certified public accountants, attorneys, and bankers.

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## What is the difference between surety bond producers and surety companies?

In short, the bond producer works to position the contractor to qualify for surety credit and plays “matchmaker” between the contractor and the surety company. The surety, once it has prequalified the contractor, issues bonds on behalf of that contractor.

When a contractor is ready to position his/her business to obtain surety credit, the first thing the contractor does is contact a professional surety bond producer and start developing that relationship. It is the bond producer who helps position the contractor to qualify for surety credit, obtains from the contractor information and documentation needed by the surety company to evaluate a request for bonding, and finds the proper surety market for each contractor, nurturing a successful relationship between the contractor and the surety company.

The bonds are issued by a surety company on behalf of the contractor/principal. Surety companies determine whether a contractor is bondable through an underwriting process that evaluates whether the contractor has the capacity, capital, and character to undertake the work under the contract. The bond producer receives a fee or

commission from the surety company for its services. The surety company, which receives the bond premium from the project owner, takes the risk of non-performance, under the bonds, by the bonded contractor.

## Does the bond producer ever act as an agent of the surety company?

Yes. The bond producer acts in various capacities during the process of obtaining surety credit for construction firms. A producer acts as an advisor and mentor to construction firms and evaluates different surety markets in which to place the firms. At some point in the process the producer also acts as an agent for surety companies that grant surety credit. As an agent, the producer represents the surety company and does so as a surety in fact. The producer is given the authority to be an agent of a surety company through a document known as a power of attorney, which evidences a grant of specific authority from the surety company to the producer/agent, typically limited in scope and duration.

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To contact a NASBP surety bond producer near you, go to the NASBP Surety Pro Locator at [suretyprolocator.nasbp.org](https://suretyprolocator.nasbp.org), a directory of NASBP professionals specializing in surety bonds. For more information and to Be Guaranteed to Succeed, visit [www.nasbp.org/guaranteed](https://www.nasbp.org/guaranteed).



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