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Legislation in this country requires performance and payment bonds to insure completion of most public construction contracts, and not by accident. The performance bond provides a contract completion guarantee that protects public funds. The payment bond provides payment protection for subcontractors and suppliers who are not able to lien public projects. It is important that these critical protections carry forward in any new funding

environment. Even though some technical hurdles may need attention, these are easily addressed within the inter-party agreements by including the surety in the process.

Although opportunities seem to be increasing as a result of this alternative project delivery method, the risks to contractors can be profound. The importance of early surety involvement is critical not only to bring meaningful oversight to the ambiguity of risk transfer

in the process, but also for performance and payment protection which has been mandated by law for public projects and an essential part of public and private construction for over a century. ■

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## Website Offers Small, Emerging Contractors Priceless Convenience of Learning about Bonding At Their Own Pace and Time

By Kathy J. Mapes Hoffman

**A challenge for most** contractors seeking a bond for the first time is understanding the surety bonding process. Now small and emerging contractors have a new resource, [www.SuretyLearn.org](http://www.SuretyLearn.org), to help them prepare their company documents to obtain surety credit, understand the terms of the bonds and expectations, and choose a team of professional advisors who understand their specific needs.

Joshua Etemadi, sales manager of Construction Bonds, Inc., a Division of Murray Securus in Herndon, Va., said, "I always recommend my clients/prospects visit [www.SuretyLearn.org](http://www.SuretyLearn.org), and when we get to the point where we discuss indemnity, I am suggesting they review the indemnity PowerPoint."

"That seems to be the biggest challenge for small, emerging contractors that have no experience in bonding and don't understand why the surety asks for such a strongly worded agreement (not to mention their spouse has to sign!)," Etemadi said. "That PowerPoint helps them feel more comfortable with the process, and they hear it from someone else who doesn't have any skin in the game."

The website, developed by the National Association of Surety Bond Producers (NASBP), orients small and emerging contractors to the basics of bonding and of what is needed to achieve surety credit.

"NASBP developed [www.SuretyLearn.org](http://www.SuretyLearn.org) to provide a bonding orientation

resource. Producers said they frequently encountered new emerging contracting firms, which were completely unfamiliar with bonding and did not have realistic expectations of the bonding process," said NASBP CEO Mark McCallum.

### A Needed Supplement to Bond Readiness Programs

"Before [SuretyLearn.org](http://www.SuretyLearn.org) launched, bond producers did not have a standing information resource tailored to small, emerging and disadvantaged contractors," said McCallum. "They were spending a lot of time familiarizing and educating such firms about the basics of bonding; now bond producers can spend more time with these firms exploring surety markets, rather than explaining the basics." However, he noted, "The website compliments but does not replace the benefits of face-to-face bond readiness programs."

Robert Coon, vice president of surety at Scott Insurance in Greensboro, N.C., agreed. Coon has offered the website as a supplemental resource during presentations he has made to historically underutilized businesses in his area. "I was able to give these business owners the basics on a fairly high level in the class, but there's only so much you can teach in an hour and a half," Coon remarked. "So for the ones that had the desire to dive a little bit deeper, get a little bit broader understanding of surety bonds...and how to position themselves for success—that

was a great outside resource that they could utilize."

"A trade show, targeted at minority and disadvantaged enterprises, was a perfect venue to recommend [SuretyLearn.org](http://www.SuretyLearn.org) because the website gives the folks that attended an opportunity to learn on an independent and objective basis about surety bonds and objective information that they could absorb at their own pace," said Coon.

### Information Relevant and Easy to Understand

Coon says the site's articles address important topics. For example, one describes how contractors can take steps to avoid fraudulent bonds and verify the authenticity of bonds, while other articles describe the terms of the obligations, responsibilities, and risks contractors should understand about a bond. "[SuretyLearn.org](http://www.SuretyLearn.org) is a wonderful resource because there are so many nuances to suretyship," Coon added.

Frank Lopez, the president and CEO of the U.S. Hispanic Construction Association, said the information on the site is presented in a way that is comprehensible to those who are not surety experts, particularly the course entitled "Understanding Contract Surety Bonding: An Orientation Course for Small Contractors" (\$25 registration fee).

"I find the online course to be the most comprehensive, while remaining

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simple and straight forward by outlining the logical core steps that small business owners must follow to secure contract surety bonding,” said Lopez. Completing the course is “critically important to the growth of any small business seeking to evolve and grow its capacity to compete in the construction industry,” Lopez added.

Also, on the site, PowerPoints briefly describe how contractors can qualify and select members of their surety team members: bond producer, surety company, construction-oriented CPA, small business banker, and construction/surety attorney.

Other resources at SuretyLearn.org include forms and checklists that help small and emerging contractors identify, assess, and manage risks on a specific project.

Etemadi said the “Small Business Contractor Questionnaire form on the site helps familiarize small contractors with the questions that bond producers and sureties will be asking of them if they choose to obtain surety credit.”

“While these firms have the character, capacity, and capital to be bonded, by

nature, they’re not at the same level of sophistication that some of the more established contractors with bonding capacity are,” said Etemadi. “Two NASBP Committees created the form to help these small contractors present their case and tackle this form, which is usually the first form they’re given after they contact a bond producer.”

**Others See Site’s Resources Furthering Local, State Goals**

Patrick Pribyl, senior vice president of Lockton Companies, LLC., in Kansas City, Mo., said that the website can be a resource also for public officials. “The industry is seeing more municipalities that want to provide more work for minority contractors as they get more funds for infrastructure projects,” said Pribyl. “The website is a great platform to try to accomplish that.”

Howard Hayes, Director of Minority Business Development for the St. Louis Development Corporation (SLDC), said, “In my professional opinion, I would

strongly encourage emerging contractors to review the site.”

Hayes is familiar with the needs of small and emerging contractors through his work at the SLDC that assists minority and women-owned enterprises with access to contracts and capital. The SLDC, the economic development arm for the city of St. Louis, certifies about 700 contractors from 13 counties in Missouri. Each year Hayes meets face-to-face with more than 100 small and emerging contractors.

Hayes said that the website’s components meet the demanding needs of these contractors whose world is one where “time is money.” “The website is a marvelous tool for them because they can learn at their leisure—that is the way to reach the 21st-century contractor,” Hayes remarked. ■

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