

Trench Talk: Paul Kennedy, Surety (Bonding) Agent



Executive Summary. Hear firsthand from a surety agent (also known as a bonding agent) what bonding is all about. This thirty minute chat educates the construction-owner-wannabe, or even a veteran of the industry who really didn't know. Great for construction company owners and for public agency upper management!

Our talk in a nutshell. Join Scott Jennings and Paul Kennedy's chat about the basics of bonding. Each with over thirty years in the business, you're bound to learn something new today!

Discussion topics. Paul and I discussed the following questions:

- What is bonding? What is a bond?
- What does a bid bond cost?
- How do I even start the bonding process as a new company owner?
- What are the three C's?
- What are final bonds?
- How much money do I need in the bank to get a bond?
- How is bonding capacity calculated?
- What's an indemnity agreement?
- What happens when things go bad?

Surety versus agent. It's not brought up in the talk, but it's worth a quickie on the difference between a surety and an agent.

Paul is an agent. The surety is the actual insurance company providing the product to you (the bond). So, for example, let's say Paul is your agent. He is the one that goes to market for you and finds an actual surety: Travelers, The Hartford Group, Zurich, RLI, AIG, Liberty, and many, many more. Paul's job is to find a good fit for your business. And if for any reason, your agent or you think the relationship is not working, Paul will go back out to market to find you another surety. A good agent will always have a backup surety for you if you're on the move in varying types of construction or varying regions you want to work in.



*Paul Kennedy, surety agent
for Woodruff Sawyer in
Honolulu, Hawaii.*

Why choose one surety over another? Sureties have different risk profiles, work in different construction sectors, and work in different geographical areas. For example, Paul said in the podcast he was with Chubb. I haven't heard that name in Hawaii or on the West coast often, if at all. Yet when I started my career on the East coast, my employer was bonded by Chubb. I'm pretty sure that Chubb works more on the East coast than the West coast (I could be wrong and will wait for Chubb's marketing department to call me!). So, like any other business, sureties stick to certain areas, although many of them will follow their clients to different states or regions around the globe.



NASBP, the National Association of Surety Bond Producers. A place to find a surety agent. A place to get started with obtaining bonding.

My story. I had my own construction company for ten years and had plenty of ups and downs. Starting with Travelers as my surety, I changed sureties for a couple reasons. The first reason was that I wanted to grow, geographically. Another time I moved because I was aggressively growing (financially) and an opportunity arose to be with a surety more suited to my heavy/civil sector and my capacity needs.

Whatever you do, find an agent you trust and you like. You'll spend much more time with your agent than the actual surety representative. So, find a person you can have a beer with. And make sure that if you're aggressive, he or she is too.



As always, if you have questions about this subject just reach out. I'm here to ask questions and Paul is too. We both have national contacts and are happy to help!

Work safe!