

# Customer-Centricity, Teamwork, and Excellence

An Interview with Mike Bond,  
Vice President, Head of Surety, Zurich North America

**EDITORS' NOTE** Michael Bond was formerly Executive Vice President, International Surety, Credit & Political Risk for Zurich, and has also held positions as Senior Vice President, International Surety; Senior Vice President and Director, Political Risk Insurance; Senior Vice President for Continental Europe, Credit & Political Risk; and Vice President. He has additionally held the role of Municipal Development Advisor with Peace Corps Honduras. He received his B.S. from Rutgers University-New Brunswick, his M.S. from Georgia Institute of Technology, and his M.B.A. from Loyola University of Maryland.



Mike Bond

## What is the heritage of this part of Zurich's business and how has it evolved?

It started as Fidelity Loan & Trust Company of Baltimore City in February of 1890. It grew from five people to become the first nationally operated surety in the U.S. Surety provides performance guarantees that ensure companies or contractors will do what they say they will do concerning construction contracts. Our core business hasn't changed, but the business environment, the size of projects, and the complexities have changed over the years.

The values we hold to as surety, such as customer-centricity, teamwork, and excellence, have given us longevity.

## Is it challenging to differentiate within the space?

The bond we issue is essentially the same as the bond that our competitors issue. What Zurich brings to the table is differentiation based on the depth of experience we have. Our global view means we can bring a different value to contractors because we have a much broader understanding of the local and international issues that impact them.

We also have good relationships with customers that we've been working with continuously for over 100 years.

## How do you define your client profile?

We work with contractors that do everything from \$10 million per year in turnover to tens of billions per year in turnover. The line between the large contractors and the mid-size contractors is drawn based on the areas they're active in, their type of business, their scope, and if they're doing business in one state or nationally.

Having our people in our customers' locations is key to building strong relationships, especially for the middle-market, smaller contractors. We have

people in 36 different locations in the U.S. and Canada dealing with small, regional contractors. This allows us to understand the specific market conditions in those regions, and who the good and not-so-good players are. Based on that knowledge and local contact, we build strong relationships.

## What innovation is taking place within the surety space and is that also a differentiator for Zurich?

Innovation will have to be part of the surety industry going forward, as there have been tremendous changes to

construction including the use of technology to design buildings and analyze sequencing, and even the use of drones.

Our customers are working in modularization where parts of buildings are being constructed off-site and then being bolted together onsite, which could have revolutionary impact on the industry.

There are also changes to how projects are being delivered and financed. In Europe and Canada, money from banks or pension funds is being used to finance projects that were traditionally financed by the government. This financing is known as Public Private Partnerships, or P3.

In the U.S., because of the fiscal challenges the government is facing, we're seeing more states adopt the P3 model as a way to get projects delivered. That impacts the relationship between the contractor and the owner. Traditionally, the government would put out a bid, the low bid would win, and we would bond that contractor. Under the P3 model, the counterparty is a private company. They're under contract to the government to provide the infrastructure but our contractor is no longer working for the government but for a private concessionaire. That changes the balance and risk allocation, and how the contractor and owner work together.

At Zurich, we recognize this as a developing trend, so we've been working on a bond form specifically for P3 projects. It will address some of the concerns of concessionaires that are responsible for delivering the projects and the financing parties that are responsible for financing them. But fundamentally, we're still providing performance guarantees as we have done for the past 125 years.

## How strong is the market for this product and how great is the growth potential for the surety business?

Last year, the industry grew just shy of 5 percent. Right now, the industry as a whole is close to its peak in 2008.

We continue to see growth in the surety industry and there is still opportunity there, but like any industry, we have to adapt to changes in the marketplace.

## Which traits make for a successful surety underwriter?

The ability to build relationships with customers, agents, and brokers is key. We want someone who can establish and nurture those relationships because that's how we win and keep business.

Since we're assuming the risk of those companies, our underwriters also have to understand the marketplace and the contractors, as well as the business plans and the financial positions of these companies.

## How important is it for you to provide market research and thought leadership to your clients?

From Zurich's perspective, being a thought leader is incredibly important. We can point to many business areas where we're very public in our leadership.

In the surety space, thought leadership is key in two areas: one is for our medium-size contractors that are hungry for information on how to improve their businesses. We want to make sure they're successful because we're ultimately assuming the risk of their performance.

The other is in our understanding of developments in the marketplace. What is going on in specific states or on a national level is important to our clients. We can help them identify emerging issues so they can take steps to stay ahead of them.

We hold seminars for our contractors and agents on technical issues to help reinforce that relationship and demonstrate that we're on the cutting edge of business.

The smaller contractors really appreciate our global reach, but they are more concerned about their local marketplace. It doesn't register with them that we're global and have access to underwriters and market knowledge across the world. This means that having local people in place who understand what is going on is really important to them.

However, we also work with global contractors who are interested in our global view and our ability to serve and provide bonds on a global basis or provide insight on global trends in construction.

Because our customers are so diverse, they are focused on different things, and our long history and diversity allows us to deliver value to each of them. ●