The Hunt For Talent
Lee Covington to Lead SFAA

The Surety & Fidelity Association of America’s (SFAA) board of directors is delighted to announce that J. Lee Covington II will become the trade association’s President on October 1, 2018. Covington will take the place of retiring President Lynn Schubert who has led the SFAA for more than two decades. Schubert will become President Emeritus until her retirement on December 31, 2018.

“In the past 22 years, Lynn Schubert has transformed the SFAA into the thought leader and trusted adviser for the surety and fidelity industry, as well as for government agencies and legislators,” said Board Chair Larry Taylor. “Now the industry marks the beginning of a new era with Lee Covington.”

The SFAA works every day to educate lawmakers and stakeholders about the benefits of surety and fidelity bonding and the critical role it plays to protect public and private interests. In 2017 alone, the surety industry provided over $600 billion in protection to consumers, taxpayers and businesses. The organization represents more than 425 property and casualty insurance companies providing public policy advocacy and education, as well as statistical and actuarial services and information. SFAA members write over 97 percent of the surety and fidelity premium in the United States.

“It is an honor to become President of the SFAA and I welcome the opportunity to lead the organization as it continues to achieve its mission and seize new opportunities to expand the use of the valuable products and services offered by the association’s members,” said Covington.

Covington currently is the Senior Vice President, Governmental Affairs and General Counsel for the Insured Retirement Institute, a position he held since 2009, leading its legislative and regulatory initiatives at both the federal and state levels. His focus on insurance law began in 1993 in Little Rock, Arkansas where he rose to become the deputy commissioner of the Arkansas Insurance Department. Covington honed his leadership skills as the Director of the Ohio Department of Insurance from 1999 to 2002, where he served on the Executive Committee of National Association of Insurance Commissioners, and then moved to positions of influence on the national stage in Washington D.C.

“It has been my honor to serve the SFAA,” said President Lynn Schubert, “and I am thrilled to turn over the reins to such a capable leader who will take our vibrant organization of experienced staff and active member company representatives and enhance it for the membership and the entire industry.”

Statistical

Fidelity Loss Cost Review

An actuarial review of the fidelity loss costs contained in the SFAA Manual of Rules, Procedures and Classifications for Fidelity and Forgery is being conducted. Upon completion, the data and supporting exhibits will be posted for Member access on our website.

Any questions or extension requests should be directed to Alan Clark, SFAA Actuary, at (202) 778-3627 or aclark@surety.org

SFAA Statistical Plan Reports

The preliminary 2017 statistical plan reports, which are based on data collected through the Call for 2017 Statistics, are scheduled to be published by early to mid-August. The Call data is currently being reconciled to company Annual Statements. The following reports will be included: Annual Countrywide Class Experience, Annual Statewide Subline Summaries, Five-Year Statewide Class Experience and Twelve-Year Countrywide Subline Summaries.

The final 2017 financial statement reports, which are based on company Annual Statements, are expected to be released in September. They include the following: Countrywide Top 100 Surety and Fidelity Writers reports, Statewide Top 50 Surety and Fidelity reports, Countrywide Aggregate Insurance Expense Exhibits report, and the Countrywide IEE Top 100 Surety and Fidelity Writers reports.

Statistical reports are available on the website for SFAA members and statistical subscribers and are copyrighted. They are also available for purchase by others. Any questions about reporting fidelity and surety statistics to SFAA or the SFAA statistical plan or financial statement reports should be directed to Ed O’Donnell at (202) 778-3632 or eodonnell@surety.org.
The Hunt For Talent

The surety and fidelity industry faces a major challenge over the coming years as the Baby Boomers prepare for retirement. The U.S. Bureau of Labor Statistics (BLS) reports that approximately 50 percent of the current U.S. workforce will reach retirement age by 2030 – that’s an average rate of around 10,000 retirements per day. Risk

“400,000 jobs vacancies by 2020”

& Insurance states the insurance industry faces 400,000 job vacancies by 2020 and as many as 200,000 open positions in the insurance industry could go unfilled this year. With only 25 percent of the workforce under the age of 35, a substantial talent gap exists.

Companies across the financial services sector grapple with strategies to both cultivate the current talent, as well as recruit the necessary skilled professionals. Deloitte reports that as insurance companies strive to remain competitive, they are forced to rethink the way they engage their human capital. Developing a robust recruiting strategy is critical for the future of the surety and fidelity industry.

Changing Times:

Major changes are occurring in the business world. The 2018 Edelman Trust Barometer reported that people worldwide place 52 percent trust in businesses “to do the right thing,” compared to 33 percent trust in the U.S. government. A growing segment of society is looking to companies to close the gap on key societal issues such as diversity, healthcare and income inequality – to name a few.

These societal changes have a direct impact on the workplace. Conventional metrics such as profit margins are no longer the only criteria used to evaluate a company. Today, organizations face increasing scrutiny on their relationships with their customers and employees, as well as their communications and impact on their communities.

Changing Demographics:

Pew Research Center reports that in 2017 the Baby Boomers accounted for 41 million workers, while Generation X made up more than 53 million of the labor force and Millennials surpassed the other groups making up 56 million workers. Understanding the changing demographics is paramount to successfully recruiting and retaining talent.

Generation X prefers more independence in the workplace. Development Dimensions International (DDI) in conjunction with EY report that Gen Xers are highly capable leaders and one of the most overlooked groups for promotion. While underrecognized, they often are expected to take on heavy workloads compared to Millennials.

The Center for Women and Business at Bentley University states that Millennials want high perks in exchange for loyalty and technological savvy. They are more socially conscious and are willing to stay with an organization for five years if they align with a company’s values.

Here to Help:

The Surety & Fidelity Association of America (SFAA) provides tools to help members address the talent gap. While organizations approach recruiting differently from one another and appropriately place a great deal of emphasis on corporate

See Talent, next page
branding and culture, SFAA focuses on the surety and fidelity story and unique industry career opportunities.

Work is underway to expand upon and update industry recruiting materials to include mobile-friendly options, and outreach is being expanded to include industry representation at the annual RIMS Conference in addition to the annual Gamma Iota Sigma Conference.

<table>
<thead>
<tr>
<th>Generation</th>
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<tr>
<td>Millennials</td>
<td>56 million</td>
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<tr>
<td>Generation X</td>
<td>53 million</td>
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<tr>
<td>Baby Boomers</td>
<td>41 million</td>
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Both venues provide the opportunity through recruiting materials and educational sessions to expose hundreds of students to the industry and invite them to explore specific opportunities through member company recruiting links housed on the SFAA and The Surety Foundation websites.

One of the most effective ways to introduce talented young people to the industry is through internships. Internships provide employers with the opportunity to assess suitability for the work and the corporate culture while demonstrating the long-term career opportunities in surety and fidelity. It is a win-win for employers and students alike.

Why not expand your talent pool by taking advantage of The Surety Foundation’s Industry Intern and Scholarship Program (SFIISP) for underrepresented students by providing a paid internship opportunity for an applicant during the summer of 2019? Several members have converted one-time SFIISP program interns into successful young industry professionals. We shared video testimonials from two of them at the SFAA Annual Meeting in May.

The 2018 Surety & Fidelity Industry Compensation Survey, discussed below, also is available as a recruiting and retention tool.

With so many vacancies on the horizon, developing a strong recruiting strategy is essential to the future of the industry. If you are an SFAA member and have not already provided your recruiting link, please consider doing so. Why not take advantage of the opportunity to broaden your exposure? Please contact Barbara Reiff (breiff@surety.org) for more information.

The 2018 Surety & Fidelity Industry Compensation Survey has been completed and benchmarked reports have been distributed to purchasing participants. Non-participating members are eligible to purchase generic industry reports containing the latest comprehensive compensation data for the industry.

If you are interested in purchasing the report, you may arrange to do so by contacting the survey vendor, Allan Fitzgerald (afitzgerald@ccs-consultants.com).
Status of Congress

Both the House and Senate were considering the FY 2019 appropriations bills for the federal agencies as they headed into August. Time is short and both chambers were considering the 12 annual appropriations bills in packages of two or more bills. The House went recessed as usual for August, but the Senate only recess for the first week in August. The Senate has not cut its August recess by this much since 1994. The Senate intends to use this time to consider appropriations bills and to approve Presidential nominees to various agency positions. The Senate leadership has promised that the Senate will vote on the President’s nominee to the Supreme Court before the mid-term elections in November.

NDAA Conference Rejects SFAA’s Exemption of the Miller Bond Threshold from Indexing for Inflation

The final conference report on the FY 2019 National Defense Authorization Act (NDAA) does not contain the amendment that SFAA and NASBP sought to exempt the federal Miller Act bond threshold from indexing for inflation. Our bill, H.R. 4486, was included in the House version of the NDAA, but was not in the Senate version when the NDAA went to conference. The Department of Defense (DOD) expressed concern about our amendment. Assuming continuing inflation, the DOD noted that over time a $150,000 contract will have less value than it does today. Hence, the DOD would be required to bond projects that are worth less than they are now at the $150,000 bond threshold. The DOD concluded that the risk of default/loss at these lower dollar values does not warrant the protection of bonds.

Change Order Bill Headed to Enactment in Congress

The change order bill that the federal Construction Industry Procurement Coalition supported was included in the NDAA conference report. H.R. 4754 requires that for every solicitation for a contract to be awarded to a small business, the prospective bidders must be provided with the agency’s policies or practices for compliance with the FAR on Requests for an Equitable Adjustment (REAs) when a change order is issued. The FAR already requires the agencies to respond to REAs in “the shortest practicable time.” If an agency does not have a policy or information on its past practices regarding REAs, H.R. 4754 would require the agency to start collecting that information for a three-year period. The agency must collect data on whether they responded to a REA within 30, 60, 90, 180, or 360 days from receipt of the REA or whether the agency responds to REAs after the completion of the contract. This is a first step to gather information on the agency practices and to address compliance with the FAR. H.R. 4754 was included in the House NDAA but not in the Senate version. The NDAA is headed to the President’s desk for signature.

SBA Seeks to Assess Economic Impact of Occupational Licenses on Small Businesses

The Small Business Administration (SBA) is seeking small businesses that are qualified to review the literature and data available on the economic impact of occupational licensing on small businesses and to provide policy-making insights based on the findings. The policy insights would include the impact across different geographic areas, in industries, and for small businesses of different sizes.

Rep. Shuster Introduces a Bill to Start the Discussion on Infrastructure

Chair of the House Transportation and Infrastructure Committee, Bill Shuster (R-PA) introduced a bill that would, among other things, tackle the funding issue for the Highway Trust Fund (HTF). The bill may be a catalyst for discussion on transportation issues, but no action is expected anytime soon.

The bill would increase the gas tax by 15 cents and the diesel tax by 20 cents tax until 2028. Consistent with a goal to make all users of the transportation system pay for the system, the bill imposes a 10 percent tax on the wholesale price of electronic batteries for vehicles and bicycle tires and eliminates the reduced user fees on fuels for intercity and local public buses and certain passenger trains. A Highway Trust Fund Commission would be created to find a long-term solution to the solvency issues of the HFT. A voluntary pilot program would test whether a per-mile user fee could fund the HTF.

The bill also contains a pilot program for the General Services Administration to complete three to five federal building projects as a public-private partnership (P3) under the current Office of Management and Budget (OMB) scoring rules. If a federal agency enters into a P3 agreement under which a private partner would finance the construction or rehabilitation of a building for which the federal agency would rent the space for 20 years and either take ownership or otherwise pay back the private partner for the financing, under OMB rules this is a capital lease under which the federal agency must budget the present value of the entire lease in the next FY budget. If this provision is enacted, it would test P3s and how they operate under current OMB rules.
In The States

California, Massachusetts, Michigan, New Jersey, North Carolina, Ohio, Pennsylvania and the District of Columbia remain in regular session. Delaware and Vermont adjourned in June but Vermont needed a special session to finish its budget. Virginia has budget issues and continues to meet intermittently and Maine is doing the same thing for unfinished business. California is expected to adjourn at the end of August. Ohio is expected to come back in September, which is unusual, especially in an election year.

P3 Bills in 2018

Vermont recently enacted a pilot project to permit the use of P3s for transportation projects. The new law is an enabling act to assure that if there are incentives or programs coming from Congress to use private investment, Vermont will be able to participate.

There still are a few P3 bills that might be considered later in the year. New Jersey has a bill with broad new authority for P3s on the Governor’s desk. Ohio recently introduced a P3 bill for public buildings and a bill for P3s for virtually any kind of public works projects has been introduced in Pennsylvania. Interested parties still want to revive the P3 authority that sunset in 2017 for transportation projects in California, but it is unlikely there will be any movement this year.

States that enacted a P3 law in past sessions considered enacting on Office of Public-Private Partnerships (OP3s) to manage and oversee P3 projects. Utah enacted an OP3 and Michigan created a new Infrastructure Council that will study the State’s infrastructure needs and developing a plan to address them. Hawaii, Maryland, and Tennessee considered an OP3 but did not enact any legislation.

Bond Waivers Defeated in Rhode Island but the New Retainage Law is...Complicated

SFAA and AIA defeated legislation that would have allowed the chief purchasing officer to waive bonds for projects up to $250,000. The Administration supported this to cut costs in the state budget. The bill also would have increased the state bond threshold from $50,000 to $100,000.

The new retainage law prohibits withholding retainage in excess of 5 percent on a public construction contract. The new law eliminates a provision allowing the amount of retainage to be negotiated in contracts under $500,000. Under prior law, retainage was released when the awarding authority accepted the project. The new law allows retainage to be released at substantial completion, except for the following amounts: 0.5 percent for unknown or foreseeable defects that may become known in the first year after substantial completion, 2.5 percent for incomplete, incorrect or missing deliverables, 150 percent of the reasonable cost to complete or correct incomplete or defective work items, and an amount for the reasonable value of claims and any costs, expenses and attorneys’ fees incurred as a result of the claims if permitted in the construction contract for the person seeking the payment of retainage.

More States Address Occupational Licensing

Missouri and Louisiana enacted laws to review occupational licensing based on the model of the American Legislative Exchange Council (ALEC). Louisiana now requires that 20 percent of the agencies involved in licensing must be reviewed every five years. Louisiana also created a commission to review all state licensing boards controlled by active market participants. The new law also requires the agencies to use the least restrictive form of regulation necessary to protect consumers and contains the ALEC definition that makes insurance and bonding one of the more restrictive forms of regulation. The new Missouri law also requires the least restrictive form of regulation be applied, but lists bonds and insurance as one of the least restrictive regulations. The new law also allows residents of Missouri who have an occupational license from another state to waive some requirements for licensing in Missouri. Fees, surety bonds, and proof of insurance cannot be waived.

SFAA is working with the Ohio Insurance Institute to amend a recent bill introduction that requires using the least restrictive form of regulation for occupational licenses to protect consumers and follows the ALEC model in that bonding or insurance, registration, certification, and licensing would be considered more restrictive. The bill also requires that 20 percent of the occupational licenses be reviewed annually.
New Bonding Opportunities

Most states have adjourned the short sessions that they conducted this year, which were focused on the state budgets, so there are few enactments with new bonding opportunities. SFAA actively promotes the value of bonding in the legislatures as a tool to protect taxpayers, consumers, and small businesses. Details concerning the state legislative sessions can be found under Government Relations/Federal-State Legislation, and information on past bonding opportunities can be found under Government Relations/New Bonding Opportunities on the SFAA website (www.surety.org).

Alaska
License Bond: SB 155 requires real estate appraisal management companies to register and post a surety bond in an amount that the Board of Certified Real Estate Appraisers will determine. The maximum bond amount is $50,000.

Colorado
Miscellaneous Bond: HB 1042 requires the Department of Revenue to establish regulations authorizing private providers to register interstate commercial vehicles in an expedited registration program. The regulations must include a requirement to post a surety bond or other security for the reimbursement of any damages caused to the State, its political subdivisions, or the owner of personal property registered through the program by the provider’s acts or omissions.

Maryland
School Bond: HB 1103/SB 795 provides that the Higher Education Commission must require private career schools and for-profit institutions of higher education that operate in the State to furnish a performance bond or irrevocable letter of credit that covers their total non-Title IV adjusted gross student tuition liability.

Massachusetts
Miscellaneous Bond: HB 4640 requires employers providing a private plan for family and medical leave benefits to post a bond if the employer will self-insure the plan. The Department of Family and Medical Leave will determine the bond amount required.

Missouri
License Bond: HB 1388 requires promoters of boxing, sparring, wrestling, kickboxing, full-contact karate, and mixed martial arts matches to post a $25,000 license bond or irrevocable letter of credit to guarantee the payment of all state athletic taxes and fees to the State and the contestants and officials’ expenses.

Permit Bond: HB 1991 authorizes State and local governments to require permit bonds to install small wireless facilities in the right-of-way in an amount not exceed $1,500 per facility. A single bond may be posted to cover multiple facilities in a jurisdiction in an amount not more than $75,000. The bond will secure the removal of an abandoned or improperly maintained facility, restoration of the right-of-way, and the recoupment of rates or fees that the provider has not paid in over 12 months.

North Carolina
Performance Bond: HB 573 establishes procedures for placing a vacant building in receivership or for having the building rehabilitated or demolished. If the building will be rehabilitated or demolished, the owner, mortgagee, or another person with an interest in the vacant building must post a bond in an amount that a court will determine to secure the performance of the work in compliance with a required schedule.

Miscellaneous Bond: SB 486 requires electronic poll book or ballot duplication system vendors for elections to post a bond or letter of credit to cover damages resulting from defects in the electronic poll book or ballot duplication system, including the costs of conducting a new election. The new law does not specify an amount for this bond.

Regulatory Filing Update

Please check the SFAA website (www.surety.org) under Regulatory Filings/Countrywide Filings for the latest information on the pending ERISA Dishonesty Bond and Surety Loss Cost filings.
NCOIL Addresses SFAA on the Value of Surety Bonds on P3 Projects

The National Council of Insurance Legislators (NCOIL) hosted its 2018 Summer Meeting in Salt Lake City, Utah from July 12 to 15, 2018. NCOIL serves as an educational platform for legislators, as well as a body to create model laws. Last year, Representative Lehman of Indiana proposed the topic of insurance on public-private partnership (P3) projects as one ripe for an educational presentation. At Representative Lehman’s request, NCOIL invited SFAA President Lynn Schubert to address the group as the sole presenter on this topic. Representative Lehman provided brief remarks on the topic of the bonding requirements for P3s, starting with comments on the $325 million default of the I-69 project in Indiana for which the state had required only a 25 percent performance and 5 percent payment bond. Representative Lehman acknowledged the need for performance and payment bonds, but also put on the table whether 100 percent bonding requirements are appropriate for P3 projects.

Ms. Schubert provided an overview of the operation and importance of performance and payment bonds and the importance and value of bonding for public construction projects. Ms. Schubert stressed that P3s are public construction projects ultimately paid for by the state or local government. At the end of the day, the citizens look to their legislators to question why a project is not complete.

Ms. Schubert noted that for over 100 years the federal government has required 100 percent payment and performance bonds for federal projects to protect taxpayers by ensuring completion of the contract and payment of subcontractors in the event of a general contractor’s default and that the majority of states require 100 percent bonding for the design and construction of public projects. She noted that through prequalification and underwriting the surety is able to determine which contractors, in their estimation, can do the work. She also noted that if the surety is wrong about the contractor, the surety is there backing the contractor with its own funds to complete the contract and pay subcontractors. Ms. Schubert explained the services a surety provides to keep projects moving, even when there has been no default of the contractor.

She noted that European governments do not require 100 percent performance bonds and do not require payment bonds for public works projects, hence the push by multi-national contractors for small letters of credit in lieu of bonding for P3s. Ms. Schubert urged the legislators to follow US public works policy on P3 projects rather than adopting the European public works model. She stressed to the Committee that since the cost of the bond is based upon the size of the contract (not the percentage of the bond) that reduced bonding requirements did not result in lower costs but would result in less protection for taxpayers and subcontractors.

Ms. Schubert noted the recent over $1 billion bankruptcy of major UK contractor Carillion, as well as the past bankruptcy of the City of Harrisburg, Pennsylvania after 100 percent bonding requirements had been eliminated, she reported that a Grand Jury in Harrisburg had urged the readoption of the 100 percent bond requirement with no alternatives.

Ms. Schubert said that while P3s presented an alternative means of providing initial funding on the front-end of the project, public dollars ultimately pay for the public project like any other and that policymakers should look to their existing procurement laws governing performance and payment bonds.

Ms. Schubert ended with an offer for the SFAA to serve as a resource for NCOIL in future discussions of P3s. Ms. Schubert provided the a list of reference materials, with links to the documents, which you can find here.)
In 2011, the U.S. Department of Treasury (Treasury) proposed regulations to allow any federal agency to develop a regulatory process for declining future bonds from a Treasury-certified surety when the “surety has not paid or satisfied an administratively final bond obligation due the agency.” SFAA challenged this proposed rule, believing that it conflicted with the limited authority provided to Treasury by Congress to decline future bonds only when a surety fails to timely pay a final judgment. Despite the challenge from SFAA and industry participants, Treasury promulgated this regulation in 2014. Now, based on this Treasury rule, Immigration and Customs Enforcement (ICE) has proposed a set of its own standards to deny a surety from underwriting future immigration bonds. ICE is the first federal agency to propose its own regulatory process to delist a surety.

Immigration bonds may be required as a condition of release from custody to secure an alien’s appearance for removal, court hearings, and to secure voluntary, timely departure from the U.S. If these bond conditions are breached, ICE issues an invoice to collect the amount due from the surety. In its proposed rule, ICE has established three circumstances, or “for cause” standards, for declining new immigration bonds from a Treasury-certified surety: 1) the surety has ten or more invoices that have not been paid within 30 days of their issuance; 2) the surety’s cumulative debt is $50,000 or more on past due invoices; or 3) the surety has a breach rate of 35% or greater during any federal fiscal year.

SFAA submitted comments to ICE and encouraged its members to do so as well. In its comments, SFAA reasserted its contention that Treasury cannot give other agencies discretion to act beyond the authority Congress gave it. Simply stated, a payment condition for delisting a surety based on an “administratively final bond obligation” directly conflicts with Congressional intent. SFAA also argued in its comments that ICE’s proposed rule would deprive sureties of due process, because judicial review plays no meaningful role in it. Under the proposed rule, ICE intends to issue an invoice once the administrative review process is exhausted. However, invoices still become – and remain – overdue if the surety exercises its right to judicial review of the administrative decision. SFAA also argued that ICE’s “for cause” standards for declining new bonds from a surety are arbitrary. SFAA thanks its members and others that participated with comments. It is important to challenge perceived administrative overreach, especially when it involves delisting a surety from writing future bonds for a specific federal agency, without express Congressional authority.

**ICE Bonds**

On May 7, 2018, SFAA organized a call between surety companies and representatives of the Bureau of Ocean Energy Management (“BOEM”) to discuss the BOEM supplemental bonding policy. BOEM staff advised that the supplemental bonding policy issued as a Notice to Lessees (NTL 2016-N1) is not withdrawn, but its enforcement has been “paused”. BOEM staff stated that BOEM is working on a “path forward” in revising the supplemental bonding policy. He stated that BOEM is drafting a proposed regulation and is 98 percent complete. The proposed regulation will be open for public comment. Surety industry representatives shared some potential issues regarding the proposed regulation, including the use of dual obligee forms. BOEM staff invited SFAA to submit comments regarding the form. Following the call, surety company representatives provided suggested revisions and the SFAA submitted a draft to BOEM. SFAA staff requested an in-person meeting with BOEM to discuss the revisions. The BOEM Risk Management Operations Group has agreed to meet with the surety industry at its office in New Orleans. The meeting will be held on September 17, 2018.

SFAA Vice President and Counsel Joanne Brooks participates in the Association for the Improvement of American Infrastructure’s (AIAI) panel on P3s at the Conference of Minority Transportation Officials (COMTO) on August 3, 2018.
Regulation Watch

Federal
SFAA and NASBP submitted joint comments to the Federal Communications Commission (FCC) to respond to a request on how to structure the second stage of the Uniendo a Puerto Rico and Connect U.S. Virgin Islands Funds for rebuilding fixed and mobile voice and broadband networks. The FCC is considering whether to require successful applicants for funding for rebuilding projects to obtain bonds or a letter of credit. We recommended that the performance security should include a surety bond and explained the benefits of the surety’s prequalification and claims handling. We noted that a letter of credit does not provide the same guarantee that surety bonds offer. We recommended that the bond’s obligation should be focused on the construction and repair portions of the project and be conditioned on a default of performance.

State
SFAA submitted comments to the Arkansas Insurance Department (Department) to address proposed regulations requiring pharmacy benefit managers (PBM) to post a $1 million license bond. We explained the surety’s underwriting process and noted that the high bond amount could reduce the bond’s availability. SFAA also noted that the proposed regulations contain a broad obligation in the bond’s conditions to comply with any statute. We recommended that the scope of the bond’s conditions be limited to compliance with the applicable laws and regulations for PBMs. SFAA offered to work with the Department on these issues to improve the bond’s availability.

SFAA provided comments to the California Department of Motor Vehicles (Department) to address proposed rules requiring employers administering testing for a commercial driver’s license for their own employees to post a $100,000 surety bond to meet federal financial responsibility requirements for these testers. SFAA explained the surety’s underwriting process to prequalify the bond principals and that the proposed bond amount could negatively affect its availability. Under the bond conditions, the surety would be liable if the employer failed to pay expenses to cover the cost for the State, or any other state, to re-test drivers if the employer or one or more of its examiners is involved in fraudulent activities in conducting the tests. SFAA recommended that the bond amount should be tailored to the specifics of the bonding obligation in the statute, which is the financial responsibility requirement, and offered to discuss the issue with the Department.

SFAA submitted comments to the California Department of Insurance (Department) to address proposed rules that would allow surety bonds to be posted to collateralize up to 20 percent of the funds required to be set aside for the California deductible under a workers’ compensation deductible policy. We questioned the rating requirements in the proposed rules for sureties since they already are subject to financial regulation and licensure from the Department, needlessly restricting the sureties that can provide the bond. SFAA also recommended that the bond’s condition should be clarified to reflect a specific obligation as the proposed rules currently provide for unconditional payments. SFAA also advised the Department on the value of bonds in comparison to the other forms of security permitted under the proposed rules.

SFAA submitted comments to the Georgia Department of Agriculture (Department) to address proposed regulations permitting livestock dealers and auction operators to obtain a letter of credit, certificate of deposit, or “other written instrument” in lieu of the bond. SFAA promoted the value of bonds compared other forms of security based on the surety’s prequalification and financial protection services. The proposed rules also delete the specified bond amounts for a livestock auction operator and for dealers purchasing livestock at an auction. Instead, the amount of the bond or other security will be determined through a memorandum of agreement with the Department. To ensure that the amount of financial protection is the same, we urged that the amount required should be the same regardless of the form of security.
Committee Corner

Actuarial Advisory Committee
The next Actuarial Advisory Committee Meeting is from 11:00 a.m. - 2:00 p.m. on September 12, 2018, at the St. Gregory Hotel in Washington D.C.

Commercial Surety Advisory Committee

Surety Training
SFAA will be offering two concurrent seminars designed for the entry level and intermediate level surety professional: Fundamentals of Commercial Surety Seminar and Intermediate Level Commercial Surety Seminar. Both seminars will be held October 22 - 24 in Chicago at the Embassy Suites Hotel – Downtown.

Meeting
The next Commercial Surety Advisory Committee is scheduled from 2:00 - 4:00 p.m. on December 5, 2018, at the Sofitel Hotel in New York, N.Y.

Communications Advisory Committee
The next Communications Advisory Committee is a teleconference scheduled at 11:00 a.m. on August 30, 2018.

Contract Bonds Advisory Committee
There will be a Contract Bonds Advisory Committee Meeting from 1:00 - 3:00 p.m. on September 12, 2018, at the St. Gregory Hotel in Washington D.C.

Diversity & Human Resources Advisory Committee

The 2018 Surety & Fidelity Industry Compensation Survey has been completed and benchmarked reports have been distributed to purchasing participants. Non-participating members are eligible to purchase generic industry reports containing the latest comprehensive compensation data for the industry. Participation was up this year, no doubt due to the increasingly competitive talent market. If you are interested in purchasing the report, you may arrange to do so by contacting the survey vendor, Allan Fitzgerald (afitzgerald@ccs-consultants.com).

The Committee met via teleconference on June 14 and discussed industry recruiting in general and SFAA efforts to promote careers in the industry, and considered recommendations for The Surety Foundation related to the evolving Surety & Fidelity Industry Intern and Scholarship Program for underrepresented students.

The group discussed the need to update existing industry recruiting materials and to create new material suitable for social media format. SFAA staff, including the communications team, will work in conjunction with the Communications Advisory Committee to prepare materials for the launch of the 2019 program.

Fidelity/Fidelity Claims Advisory Committees

Crime Protection Policy
SFAA will be filing a revised Crime Protection Policy and Crime Protection Policy for Public Entities in the fourth quarter of 2018. The revisions include substantive changes to the base form and the creation of several endorsements that provide coverage options for the insurer and insured. Some of the endorsements include amending the discovery condition to discovery by a specific person, including claims expenses in the covered loss, and including loss of cryptocurrency in the Fidelity Insuring Agreement.

International Advisory Committee
The next International Advisory Committee Meeting is from 1:00 - 3:00 p.m. on December 5, 2018, at the Sofitel in New York, N.Y.

Statistical Advisory Committee
The next meeting of the Statistical Advisory Committee is a teleconference scheduled for 10:30 a.m. on August 30, 2018.

Technology Advisory Committee
The next meeting of the Technology Advisory Committee is a teleconference scheduled for 2:00 p.m. on October 3, 2018.
SFAA on the Hill

SFAA President Lynn Schubert offered her surety perspectives at the Summit on Expanding Supplier Diversity hosted by the House Small Business Committee on June 26, 2018.

Events

August 30, 2018
• Statistical Advisory Committee Meeting Teleconference

September 6, 2018
• Communications Advisory Committee Meeting Teleconference

September 12, 2018
• Actuarial Advisory Committee Meeting Washington, D.C.
• Contract Bonds Advisory Committee Meeting Washington, D.C.

September 13, 2018
• Board of Directors Meeting Washington, D.C.

Members can register for events online.