A Look Inside Fidelity
Statistical

**SFAA Financial Statement and Statistical Plan Reports**

The final 2017 financial statement reports, which are based on company Annual Statements, are available for download. They will 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. No significant changes from the preliminary reports are expected.

The preliminary 2017 statistical plan reports were published. The following reports were included: Annual Countrywide Class Experience, Annual Statewide Subline Summaries, Five-Year Statewide Class Experience and Twelve-Year Countrywide Subline Summaries.

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.

**Historical Data Project**

The next batch of historical reports to be converted from PDF to Excel format is the Annual Countrywide Class Experience reports. This report captured premium and loss data, as well as the computed loss ratio, for each fidelity and surety classification code active at the time. The report shows data at the countrywide level only.

Currently, reports dating back to 1969 are available on the SFAA website only in PDF format. With the release of these historical reports, expected by November, the range of available PDF reports will reach back to 1965, with several miscellaneous years prior to that also included. In terms of sortable data in Excel format, the SFAA can currently provide only figures from 1988 onward. With the release of this dataset, countrywide premium and loss figures by class code will be available from 1965 to 2017.

This release is part of the SFAA’s larger effort to make as much historical data currently trapped in PDF format available to members in convenient sortable format via the SFAA website.

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The Board of Directors of The Surety & Fidelity Association of America held its rescheduled board meeting on October 9, 2018, in Washington, D.C. The Board welcomed SFAA’s new President Lee Covington. Other topics included: SFAA’s newly formed Investment Committee, the mid-term elections, statistical updates and updates on industry recruiting efforts. The next Board of Directors meeting will be December 5 and 6, 2018, in New York.

On October 1, 2018, SFAA welcomed Lee Covington on board as the new president of the association. Lynn Schubert will remain President Emeritus through December 31, 2018. Welcome, Lee!

Welcome to membership in The Surety & Fidelity Association of America:

Lexington National Insurance Corporation
Lutherville, MD

Seaview Insurance Company
Carlsbad, CA
Fidelity bonds, sometimes referred to as Crime Protection Insurance, provide businesses and governments with protection from losses, such as employee dishonesty and misconduct. In addition to directly protecting businesses and governments, fidelity bonds provide indirect consumer protection because governments may regulate certain businesses that handle consumer funds. A bond can provide blanket coverage for the actions of all employees or can be tailored to cover one or more specific employees. In essence, the fidelity line of products provide the additional coverage needed outside of the standard business insurance policies.

The risk of employee theft or misconduct is very real and can affect the business’ financial position. In 2017, The Association of Certified Fraud Examiners (ACFE) reports over $7 billion in reported losses. ACFE estimates that organizations lose five percent of their annual revenue to fraud. In 2017, the estimated Gross World Product was $79.6 trillion – making the projected total global loss around $4 trillion. Asset Misappropriation Schemes account for 89 percent of the cases with a median loss of $114,000. Large companies (100+ employees) averaged a $104,000 loss, while small businesses (<100 employees) averaged $200,000.

Rather than assuming that “it cannot happen to me,” businesses should note the reality of the exposure and purchase fidelity insurance to cover the risk of employee theft or misconduct. In addition, businesses should establish sound internal controls to serve as a first line of defense to detect and prevent dishonest schemes by employees.

Internal Controls

As a first line of defense, a strong system of internal controls can reduce the opportunity for theft significantly:

1. Make sure there are clear lines of authority and responsibility between employees and departments. Accounting and operating functions should be separated as much as possible.
2. Set up a division of duties so that no one person handles financial transactions from beginning to end. One employee should not be able to process invoices and cut the checks.
3. Select personnel carefully by utilizing background checks.
4. Supervise and enforce internal controls.

Fidelity Insurance

As a second line of defense, in case the internal controls are overcome and a significant loss occurs, businesses need fidelity insurance. Most insurance companies provide employee dishonesty coverage under a policy that provides multiple coverages including employee dishonesty and theft of money and securities by persons other than an employee. Although there may be some differences among the fidelity policies available in the market, they are similar in terms of the structure and coverages offered. The Crime Protection Policy, developed by The Surety & Fidelity Association of America (SFAA), offers six different coverages:

1. Employee Dishonesty – pays for loss of money, securities and other property resulting directly from the dishonest acts of an employee with manifest intent to cause the insured a loss and obtain financial benefit. This is the cornerstone of the policy and the main reason why business purchase the Crime Protection Policy.
2. Forgery or Alteration – pays for loss resulting directly from forgery or alteration of checks and other instruments that are made or drawn upon the insured.
3. Inside the Premises – pays for loss of money and securities inside the premises or banking premises resulting from theft, disappearance or destruction. Many property coverages do not cover money and securities. This coverage fills that gap.
4. Outside the Premises – pays for loss of money and securities outside the premises while in the care of personnel of the insured.

Management must always be alert to signs of changing employee behavior and potential breakdowns in the internal control system. Long time employees should not be exempt or immune from management controls and oversight.
The Surety & Fidelity Association of America promoted industry careers to over 500 university students at Gamma Iota Sigma’s International Conference in Chicago from October 3-5. The theme of this year’s conference was “Amplifying Disruption” and featured sessions on blockchain technology and the #MeToo movement.

Even though there has never been a better time to join the industry due to the expected retirement of 400,000 insurance professionals, choosing a career path can be daunting, and it was the focus of many of the students in attendance. SFAA hosted an educational session entitled “Careers That Make a Difference” led by Daniel Wong and Vinny Carbone of CNA. They spoke about how they found the industry, what they do in their current roles, and what sets surety and fidelity apart from the rest of the industry. Ed Hubbard of Travelers also participated and answered questions about working in the industry as well as The Surety Foundation’s intern and scholarship program.

SFAA received compliments from students and faculty advisors, and the faculty advisors spoke of their desire to include more about surety in their curriculums, so students have a better understanding of it as they consider careers.

“The presentation was very informative and seeing how passionate they were makes me interested in a surety career,” said Tyler Becker, a senior from the University of Wisconsin-Oshkosh.

The conference also coincided with the opening of the application period for the 2019 intern and scholarship program, which expanded recently to include women, LGBT students, disabled students and veterans. This dramatically increases the potential pool of interns and students were enthusiastic about the changes and that the industry appreciates the importance of reflecting the changing face of America.

During a roundtable discussion among insurance associations, Sharla Floyd, Gamma’s Director of Development and Strategic Initiatives, highlighted the importance of diversity and inclusion for today’s students.

“These students are diversity natives,” she said. “Their world and the language used looks and sounds completely different than that of leadership in many companies. We want to provide a continuum between what they’re used to seeing and what they see at work.”

Among the findings from a survey of Gamma membership, the top three things students consider when choosing an employer are compensation, future growth and culture. Their bottom three concerns are sign-on bonuses, office perks and telework options. Actuarial students had a larger presence than in years past, making up 38 percent of the membership according to the survey and was evident in conversations with students visiting SFAA’s booth. The top desire for Gamma students is for their work to involve personal relationships, which is very promising news for the surety and fidelity industry.
**Status of Congress**

Congress was working toward passing as many appropriations bills to fund the government in advance of the new fiscal year, which began on October 1, through a series of packages that lump together some of the 12 appropriations bills. Congress passed a continuing resolution (CR) to keep the federal government open until December 7, but aimed to get as much of the appropriations done so Members can go home for the November elections. The Senate confirmed Brett Kavanaugh to the Supreme Court prior to recessing for the mid-term elections.

**New Infrastructure Spending in Appropriations**

Congress has passed the appropriations bill for defense spending in FY 2019, which contains $10.3 billion for military construction project, up 2.5 percent from last year. There is another $1.6 billion for construction and maintenance of military housing, also up from last year.

Transportation spending is headed for a boost again in 2019. Both the House and Senate bills provide $46 billion for the Highway Trust Fund (HTF), which is a $1 billion increase over FY 2018. Both chambers want to provide additional spending for highways and the Better Utilizing Investments to Leverage Development (BUILD) grants, previously known as TIGER grants. The conference committee needs to agree on the amounts.

**Presidents Signs New Change Order Requirements**

H.R. 4754 was enacted into law through the FY 2019 NDAA. The new law requires that 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 Federal Acquisition Regulations (FAR) on Requests for an Equitable Adjustment (REAs) when a change order is issued. The FAR requires the agencies to respond to REAs in “the shortest practicable time.” If the agency does not have a policy or information on its past practices regarding REAs, the agency must 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.

**FTA Signals a Shift in Policy on TIFIA Loans**

At several recent Senate committee meetings, concern was expressed over a “Dear Colleague” letter from the Federal Transit Administration (FTA) that suggested that loans under the Transportation Infrastructure Financing and Innovation Act (TIFIA) program would be treated as part of the federal funding in a project rather than as the state or local match. This would be a significant change in policy and some argued that the TIFIA law is clear that such loans are not federal funding as the states repay the loans with local funds. If the FTA proceeds with this new policy, there may be fewer applications for TIFIA loans.

**Congress Searches for a Role in Occupational Licensing**

Licensing is a state issue, but some in Congress want to encourage the current state efforts to review their occupational licensing requirements. H.R. 2353 was recently enacted. The new law gives state governors discretionary authority to use existing federal career and technical education funds in several areas, including examining occupational license requirements. States may use this existing funding for consulting and coordinating with other state agencies to identify and examine licenses or certifications that pose an unwarranted barrier to entry into the workforce for career and technical education students and do not protect the health, safety, or welfare of consumers. The new law increases funding by $1.3 billion for this program.

Some state licensing boards are composed of active participants in the market that may have a financial motive to protect their competitive advantage from new entrants. The U.S. Supreme Court has ruled in a case that self-interested state licensing boards are subject to liability under the antitrust laws. H.R. 6515 recently introduced to restore antitrust immunity but only if the occupational license is either a widely regulated occupation, which means 40 or more states require such a license, or if it is a not-widely regulated occupation and the state conducts periodic sunset reviews of the licensing board for that occupation. If states want to protect state licensing boards from antitrust suits, they are going to need on-going reviews of state licensing in place.

**Looking Ahead to November**

All 435 House members will run for re-election in November. The Republicans hold 435 seats and the Democrats have 236 seats with six vacancies. The Democrats need hold all their current seats and gain 24 to take control of the House. Since the 1930s, the incoming President has last around 20 seats in the first midterm election. There are 35 Senators up for re-election and 25 of them are Democrats, ten of whom are in states that President Trump carried in 2016.
In The States

Most of the states have adjourned their 2018 sessions. Sessions that go on until year’s end are Massachusetts, Michigan, New Jersey, Ohio, Pennsylvania, Wisconsin, and the District of Columbia.

Forty-six states began Fiscal Year 2019 on July 1, 2018. Alabama, Michigan, New York, and Texas have fiscal years that begin in September or October. All 50 states have enacted budgets for FY 2019 with 16 of these states having enacted a biennial budget during their 2017 legislative session. Several states had heated battles over the budget and some also needed one or more special sessions to finish the budget. Massachusetts was the only state to complete its budget after the fiscal year began.

Colorado, Delaware, Georgia, Iowa, Kentucky, Massachusetts, Mississippi, and Missouri enacted spending packages for infrastructure this year.

New Jersey Becomes a Large New Market for P3s

New Jersey enacted a new law that grants broad authority to the state, local governments and school districts to enter into public private partnerships (P3s). The new law includes a provision reflecting SFAA and AIA’s work in prior sessions that requires the general contractor, construction manager or design-build team to post a performance bond and a payment bond that comply with the Little Miller Act. The new law also revises the existing P3 law for state and county colleges to include our bonding provisions.

Vermont Exempts Some Suppliers from Retainage

A new law in Vermont prohibits a public contracting entity or contractor from withholding as retainage any amount due and owing for materials delivered to the construction project and that are covered by a manufacturer’s warranty or graded to meet industry standards, or both. The new law applies to public and private construction. SFAA and AIA defeated a similar bill in New York in the past two sessions as it makes little sense to single out some suppliers and create an exemption for retainage for them.

California Immigration Consultant Bond Left Intact

A California bill that would have allowed only lawyers to be immigration consultants failed to pass. Current law allows various kinds of professionals, including notaries and other organizations to provide immigration services and requires a $100,000 surety bond to secure compliance with the applicable law.

Looking Ahead to the November Mid-Term Elections

There will be 36 gubernatorial seats up for election, with nine Democrats in the Governor’s office and 26 Republicans. In 19 states, an incumbent is running for re-election and in 17 states there are open races largely due to term limits. Any change in the governor can result in a new insurance commissioner in states in which the governor appoints the commissioner. States with insurance commissioners running for election are California, Georgia, and Oklahoma.

There are 99 chambers among the 50 state legislatures. Nebraska is a unicameral state. In 2018, 87 of the 99 chambers will be up for re-election. New Jersey and Virginia had their elections in November 2017. Some states do not conduct elections in even-numbered years or have only one of two chambers running in 2018.

Infrastructure Spending on the November Ballots

In California, a ballot initiative would repeal the transportation funding law enacted in 2017, which included a significant gas tax and vehicle fee increase. However, two ballot measures passed in June that require the revenue from these tax increases to be used for transportation-related purposes only and exempts the revenue from the state appropriations limit. California voters also approved $4 billion in general obligation bonds in June for parks, environmental, water and flood protection projects, and will decide on an additional $4 billion for housing programs for veterans in November. Colorado also has two initiatives on the ballot for transportation funding resulting from a transportation bill enacted this year that requires voter approval. One ballot measure would provide for $3.5 billion in bonds for statewide transportation projects to be paid out of the general fund, but without a tax increase. The other measure in Colorado would authorize $6 billion in bonds to fund transportation projects and would raise the state sales tax rate to fund the measure. Maine has several ballot measures for November for various kinds of infrastructure projects for approximately $200 million in funding. New Jersey voters will decide on a measure to authorize $500 million in general obligation bonds for grants for various kinds of school infrastructure projects. New Mexico will vote on nearly $150 million in bonds for school infrastructure projects and just over an additional $10 million in bonds for senior citizen facilities. Connecticut has a ballot measure to prohibit the use of transportation funds for any other spending and Utah will decide on a nonbinding measure to express support for the legislature to pass a gas tax increase of 10 cents per gallon to fund local road construction and maintenance.
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).

Contract Surety:
Mississippi
Performance Bond: SB 2001a provides that the Mississippi State Lottery Corporation (Corporation) may require vendors to post a performance bond, letter of credit or a deposit of securities in an amount it will determine for a contract with the Corporation.

Commercial Surety:
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.

State Commissioners to Address Bonding and Insurance in Cannabis Industry

The National Association of Insurance Commissioners (NAIC) has formed a working group to draft a white paper on the insurance issues in covering the new businesses and entities in the states that have legalized marijuana. Surety bonds are included as one of lines of business affected and SFAA will provide input. The main issue is that while some states have legalized marijuana, it is a controlled substance under federal law such that banks and insurers are subject to money laundering violations when insurers deposit the premiums received for insurance or bonds in banks, as banks are prohibited from accepting the proceeds from illegal activities. The NAIC’s conversations to date have not addressed the federal/state law conflict. SFAA worked with the American Bankers Association this year on H.R. 2215, which would create a safe harbor approach for banks providing financial services to cannabis businesses so that banks can accept deposits and provide other financial services without the threat of federal prosecution if they are operating within the safe harbors. SFAA is seeking language in the bill that would provide similar protections to sureties so that they can write the recently enacted bond requirements in state laws. The ABA has no objection to adding our language to the bill and this would be a good template for the NAIC to get behind on the insurance issues. Most of the bond requirements in the state laws are sales tax bonds under which the surety guarantees that the person or entity will collect remit all sales taxes. Some states also require license bonds for the persons or businesses involved in this new industry.
SFAA Addresses Rule for Trade Facilitation and Trade Enforcement Act

The Surety & Fidelity Association of America (SFAA) recently submitted comments to U.S. Customs and Border Protection (“CBP”) concerning its proposed rule implementing the Trade Facilitation and Trade Enforcement Act of 2015 (“TFTEA”). The focus of SFAA’s letter was to advise CBP about the challenges presented by one aspect of the proposed rule: a new importer bond condition that covers the risk of improper “drawback” claims from third-parties.

Generally, this rulemaking effort makes significant changes to CBP’s drawback program. In broad terms, duty “drawback” is a trade mechanism that provides for a 99 percent refund of a duty if certain requirements are met. For instance, a claim for “drawback” may arise when duty-eligible merchandise is imported but later exported or destroyed. The “drawback” privilege is, essentially, a claim to the refund of the duty paid by the original importer. A third-party may be the one making the claim if the importer transfers the goods and assigns the right to make the claim.

Sometimes, a drawback claim is made and then paid by CBP, but the claim was incorrect. These disallowed drawback claims may be the result of overpayment by CBP because a portion of the claim is later found to be incorrect, false, or unsupported by proper documentation. Sometimes, an outright fraudulent drawback claim is caught by CBP, but only after it was paid. Whatever the cause of the disallowed drawback, CBP has always had the right to seek a refund from the claimant for the overpayments.

TFTEA codified a new liability for the refund of any disallowed drawback claims. Specifically, TFTEA imposes “joint and several” liability to be shared by the claimant and the importer of record. This means, if drawback rights were assigned by the importer, the importer of record is still responsible for reimbursing CBP for claims paid improperly to a third-party, which the importer may have never done business with.

Under CBP’s proposed rule, this “joint and several” liability appears as a new importer bond condition. Specifically, TFTEA imposes “joint and several” liability to be shared by the claimant and the importer of record. This means, if drawback rights were assigned by the importer, the importer of record is still responsible for reimbursing CBP for claims paid improperly to a third-party, which the importer may have never done business with.

SFAA advised CBP that this new bond condition not only transfers increased potential liability to the surety, it also presents fundamental challenges to even assessing the nature of that additional risk. We cautioned that, if unchanged, this condition requires the surety to somehow assess the likelihood that an unknown, third-party will make a disallowed drawback and that CBP will then pay that claim. The risk of either occurrence would be entirely unknowable at the time the surety writes the importer bond.

With this in mind, we cautioned that the new condition entirely undermines the surety’s prequalification and underwriting process. No underwriting technique or mechanism can address the potential behavior of a third party (the claimant), with the claimant being a total stranger to both the surety and its principal at the time the bond is furnished. It is impossible, we cautioned, for the surety to determine whether the third-party claimant even has the inclination or internal controls to make proper claims or the financial ability to cover drawbacks when they are improperly made and paid.

With the new bond condition, the third-party making the improper claim has no agreement to indemnify the surety for the payment under the bond. We cautioned, therefore, that the third-party may be even more inclined to submit improper or insufficiently supported drawback claims, because the cost of refund will be borne by unrelated parties, namely the surety and its principal. In sum, we advised CBP that the surety addresses such increased risks and exposure by tightening its underwriting requirements.

Ultimately, if CBP keeps this new bond condition, we recommended an entirely new customs bond be required that addresses refund liability for disallowed drawback claims.

Regulatory Filing Update

Please check the SFAA website (www.surety.org) under Regulatory Filings/Countrywide Filings for the latest information on the pending Surety Loss Cost filing.
BOEM Multi-Obligee Performance Bond

On September 17, 2018, SFAA staff and members met with representatives of the Bureau of Ocean Energy Management (“BOEM”) to discuss revisions to the “Multi-Obligee Performance Bond.” The meeting followed an industry phone call with BOEM in May 2018. During the call, BOEM advised that it was working on a “path forward” in revising the supplemental bonding policy. BOEM staff stated that BOEM was drafting a proposed regulation, which would be open for public comment. BOEM hinted that the proposed regulation would include some of the features of the proposals offered by the energy trade groups, in which the supplemental bond would be based on the quality of the operator and the quality of the property. BOEM representatives also stated that there would be the option to meet the requirement by adding BOEM as an obligee to the private bond between the major operator and the current lessee.

It was the dual obligee form that was the topic of discussion during the meeting on September 17, 2018. BOEM staff seemed to be open to SFAA’s suggested revisions. Of particular note, the meeting attendees discussed at length the claims remedies provisions. Sureties expressed concern that the form did not provide an option for the surety to undertake performance.

In addition, sureties stated that a financial remedy should related to the estimated costs for decommissioning. The surety should not be required to pay the entire amount of the bond, regardless of the actual costs required for decommissioning. BOEM representatives stated that they needed the flexibility to call the full amount of the bond if needed. In addition, BOEM representatives stated that they did not object to include an option for the surety to perform.

The meeting concluded with BOEM offering to amend the bond based on the discussion. BOEM will provide a revised draft to SFAA staff for dissemination to members of the Commercial Surety Advisory Committee.

In Loving Memory

“When I entered the Surety business, Brian was a bigger than life figure. I was fortunate enough to work on his team and see not only what a courageous and inspiring leader he was, but also what a humble and thoughtful person he was. He put his people and the organization first and unfailingly did the right thing. He will always be an example of the kind of leader I, and many others in the industry that were fortunate enough to know him, aspire to be.”

- Ross Fisher

Brian’s vision and leadership as a member and Chair of the SAA Board were crucial to the transition to the SFAA of today. We all miss his character, integrity and friendship.

- Lynn M. Schubert

Brian Schmalz
1943 - 2018
**Federal:**

SFAA submitted a letter of support for the U.S. Small Business Administration’s (SBA) decrease of the fees for the Surety Bond Guarantee Program (BGP). Beginning October 1, 2018, the fee charged to sureties will decrease from 26 to 20 percent of the bond premium and the fee charged to the bond principal will decrease from $7.29 to $6 per thousand dollars of the contract amount. SFAA noted the value of bonding for public works projects and that this program is a valuable tool in expanding access to surety bonds for small and disadvantaged businesses to assist them in building their businesses. We applauded the decrease in the fees as the current fee structure can serve as a disincentive for participation in the BGP for both sureties and contractors. We recommended further fee reductions if this decrease proves workable. The decrease in the fees will expire on September 30, 2019.

**State:**

SFAA wrote to the Alaska Oil and Gas Conservation Commission (Commission) to explain the impact of a proposed increase to the bond amount required for a permit for an oil or gas well. Under current regulations, the bond must be for $100,000 for a single well or for $200,000 to cover all wells in the State. The proposed rules would establish a schedule for the required bond amounts based on the number of wells in an amount ranging from a minimum of $500,000 to a minimum of $30 million. SFAA did not take a position on the specific bond amount, but we explained the surety’s underwriting process and the relationship between the bond amount and its availability. The higher the bond amount is, the higher the surety’s financial threshold likely will be for the bond principal to qualify for the bond. We advised the Commission to consider the impact of the proposed rules on the availability of the bond given these factors.

SFAA wrote to three agencies in California proposing regulations with a bond requirement for cannabis businesses to advise the agencies of our concerns with the legal exposures for sureties given the conflicts between state and federal law regarding marijuana.
Committee Corner

**Actuarial Advisory Committee**

The Actuarial Advisory Committee met on September 12, 2018, at the SFAA office in Washington, D.C. with 15 SFAA member company representatives participating. The Committee scheduled a March 2019 release of the Construction Loss Severity Data Call. They also approved having this data submitted through a new SFAA website portal instead of by email. This method is more efficient and allows for greater security. Additional topics of discussion included issues raised during the Statistical Advisory Committee’s teleconference. The Committee recommended specific thresholds when reconciling statistical plan data to financial results. Jonathan Fulop of Zurich was elected as new chair with the Committee agreeing to meet in September 2019, with potential teleconferences held in the interim.

**Commercial Surety Advisory Committee**

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 January 15, 2019.

**Contract Bonds Advisory Committee**

The next meeting of the Committee is scheduled for January 28, 2019, in Bonita Springs, Florida. The meeting immediately precedes the AGC Surety Bonding and Construction Risk Management Conference.

**Diversity & Human Resources Advisory Committee**

The committee met via teleconference on September 20 and discussed details pertaining to promotion of the Surety & Fidelity Industry Intern and Scholarship Program (SFIISP) for underrepresented students, as well as new industry recruiting materials and plans to make greater use of social media for promotion of careers in the industry.

The application window for the 2019 program year of the SFIISP opened at the end of September and will run through November 23, 2018. Promotion of the program will kick off at the National Gamma Iota Sigma Conference in Chicago. Daniel Wong and Vinny Carbone of CNA will present an industry educational session at the conference and will join staff and D&HR Committee Chair, Ed Hubbard, at the SFAA booth to promote industry careers, as well as the SFIISP. Students will be encouraged to explore the website and recruiting links provided by SFAA members and to speak about industry opportunities with members also present at the conference.

Industry recruiting materials have been completely redesigned and are posted on the SFAA website for member access. The materials include a comprehensive recruiting brochure, a testimonial brochure, including photos and quotations from young industry professionals, and single image messages suitable for social media use. Members are welcome to customize the materials as desired.

The next meeting of the Diversity & Human Resources Committee is a teleconference scheduled at 2 p.m. on March 8, 2018.

**Fidelity/Fidelity Claims Advisory Committees**

The SFAA Fidelity Advisory Committee and Fidelity Claims Advisory Committee will hold a joint meeting on November 7, 2018, at the Ritz Carlton Hotel, in Philadelphia, PA. The meeting will be held in conjunction with the meetings of the Fidelity Law Association (FLA) and the ABA Fidelity and Surety Law Committee (FSLC).

**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.

**Statistical Advisory Committee**

The next meeting of the Statistical Advisory Committee is tentatively scheduled for fall 2019.
After the rescheduled Board of Directors meeting, SFAA President Lee Covington and General Counsel Robert Duke participated in the Association for the Improvement of American Infrastructure’s (AIAI) annual meeting to promote the value of surety bonds on P3 projects. The event was held October 9 and 10 in New York. John Porcari (pictured above) delivered the keynote address, “Facilities replacement of transportation infrastructure require internal and external advocates. Champions require political will.”

Members of the Actuarial Advisory Committee met in the SFAA office on September 12, 2018. The committee members braved the Hurricane Florence travel advisories to attend their meeting.
Fidelity continued from page 3

and custody of a messenger or armored motor vehicle company resulting from theft, disappearance or destruction.

5. Computer Fraud – pays for loss of money, securities and other property resulting from the use of any computer to fraudulently cause a transfer of the property to a person or place outside the premises.

6. Money Orders and Counterfeit Paper Currency – pays for loss resulting directly from having accepted in good faith in exchange for merchandise, money or services counterfeit United States or Canadian currency or money orders that are not paid upon presentation.

Two other coverages are available by rider:

7. Client’s Property – pays for loss of client’s property resulting from the dishonest acts of an employee with manifest intent to cause the insured a loss and obtain financial benefit.

8. Funds Transfer Fraud – pays for loss of funds resulting directly from a fraudulent instruction directing a financial institution to transfer funds from the insured’s account.

No one knows the amount of frauds that go undetected or unreported, and even for those frauds that do come to light, the full amount may be difficult to calculate. In order to protect its bottom line, companies must address the very real risk of employee theft or misconduct by implementing a robust internal control system and obtaining fidelity insurance. For more information on the fidelity line of products available, visit www.surety.org.

October 22, 2018
• Commercial Surety Seminar: Fundamental Level Chicago
• Commercial Surety Seminar: Intermediate Level Chicago

October 23, 2018
• Government Affairs Advisory Committee Meeting Washington, D.C.

November 7, 2018
• Joint Fidelity/Fidelity Claims Advisory Committee Philadelphia

December 5, 2018
• International Advisory Committee Meeting New York
• Commercial Surety Advisory Committee Meeting New York

December 6, 2018
• Board of Directors Meeting New York

Members can register for events online. www.surety.org/events