The Surety & Fidelity Association of America (SFAA) elected Larry Taylor as Chair of the Board of Directors. Mr. Taylor is the President of Merchants Bonding Company Group. He joined Merchants Bonding Company™ in 1989 and became the company’s President in 1996. He is past Chairman of the National Association of Independent Sureties, a member of the Greater Des Moines Committee, a past Board member of the Master Builders of Iowa Associate Council, past President of the Board of Directors of Youth Homes of Mid-America, and a United Way Campaign volunteer.

John Welch was elected to Vice Chair of the Board of Directors. Mr. Welch has been President and Chief Executive Officer of CNA Surety Corp. an affiliate of CNA Financial Corporation since June 17, 2003. Mr. Welch served as the Chief Underwriting Officer of St. Paul Surety from May 2002 to June 2003; President of Afianzadora Insurgentes SA CV Mexico City from August 2000 to May 2002; Chief Operating Officer of Afianzadora Insurgentes SA CV, Mexico City from March 1997 to August 2000; Vice President of Underwriting of USF&G Corporation from August 1989 to March 1997 and held various surety management positions at Continental Insurance from August 1979 to November 1989. Mr. Welch has been a Director of CNA Surety Corp. since June 2003.

Also elected to the SFAA Executive Committee were Bob Murray, Executive Vice President and Head of Surety for Zurich North America, Stephen Ruschak, President and Chief Operating Officer of The Guarantee Company of North America and Ross Fisher, Head of Specialty Commercial Businesses for The Hartford Insurance Group, as well as the SFAA Board Immediate Past Chair, Ex Officio.

During the Annual Meeting, Lynn M. Schubert was re-elected as SFAA President of the Association. Ms. Schubert appointed as the other officers of the Association: Robert J. Duke as General Counsel and Corporate Secretary; Lenore S. Marema as Vice President of Government Affairs; Joanne S. Brooks as Vice President and Counsel; Barbara Finnegan Reiff as Vice President of Operations and Corporate Treasurer; and Joseph Orgovan as Director of Technology. The Board accepted the President’s appointments.

The Board approved the 2017 audited financial statement of SFAA and The Surety Foundation. Among the other issues discussed were the activities of the various SFAA advisory committees, the structure and organization of SFAA’s Young Professionals Group and the operations of The Surety Foundation.

Chair’s Report

In his final address as Chair of The Surety & Fidelity Association of America, Ross Fisher reflected on the last two years of work and service to the surety and fidelity industry.

“Being the chair [of the SFAA] for the past two years has been an incredible journey,” said Mr. Fisher. “First, I cannot tell you what an honor is had been to serve the industry, to work with my competitor peers, who I have so much respect for, and quite frankly never had the opportunity to get to know until serving on the executive committee. And to grapple with the threats and opportunities that face us all. We are a unique and not widely understood industry and there are so many points of pride for me of what we as a group have accomplished in the past two years.”

Mr. Fisher then offered a touching tribute to SFAA President Lynn Schubert, who will be retiring at the end of the year. He said that three phrases come to mind when thinking about Lynn Schubert, “Win the day. Love the day. And, Remember the day.”

The Chair’s Report is available for viewing here.
The Young Professionals Group (YPG) held its annual in person meeting on May 22, 2018, at the Watergate Hotel, in conjunction with The Surety & Fidelity Association of America’s (SFAA) Annual Meeting. The business meeting was well attended with 36 YPs present, representing 18 companies. The business meeting was followed by a private reception which included board members, the chief bonding officers from YPG participating companies, as well as NASBP leadership.

There was a robust agenda for the meeting that started with an update on the structure of the YPG, a refinement of the mission and the formation of the new alumni group for those who will be graduating out of the YPG next year. The new mission of the YPG is

The enrollment process for the next class of YPG members will begin in December 2018 for the new class starting in May 2019.

The YPG discussed current trends and issues of concerns which included the pending false claims/reverse false claims action United States ex rel. Scollie v. Narula, the refusal of one office of the Housing and Urban Development agency to accept co-surety, the cannabis industry and bike-share programs. The discussion led to a recommendation for a webinar on the statistical information SFAA provides and what it means.

In accordance with the mission of the YPG, Lenore Marema and Daniel Wanke discussed the Congressional Action Day and encouraged participation by the YPs. Many of the YPs planned to attend the visit to the Hill and were prepared to address the industry’s key focus, exempting the Miller Act from indexing for inflation. Joanne Brooks discussed the wide variety of promotion and advocacy tools available to the YPs from the SFAA website. Additionally, she presented her “Why Bonding Matters” presentation and explained the success of our marketing campaign around bonding as an empowerment tool. Emphasis also was made on the Governing Guide which was created to help increase awareness of all the products our members sell including contract and commercial surety and fidelity.

Two dynamic presentations were given: one focused on career development and taking charge of your career by Rick Ciullo of The Hartford, and the other was on the future and technology... bonding in 2025 and beyond given by Stephen Ruschak of The Guarantee Company of North America.

Newly Elected Officers:
Chair:
Kathryn Galli, Great American
Vice-Chair:
Eric Champion, The Hartford
Central Region Leader:
Sal Schiavone, Westfield
East Region Leader:
Haley Goode Hendren, Travelers
West Region Leader:
Lindsay Machacek, The Hartford
Governance and Rules Working Group:
Adam Wabnik, The Guarantee Company of North America

Commercial Surety Advisory Committee

Fifty-six member company representatives, foreign affiliates and guests attended the Commercial Surety Advisory Committee meeting. Dr. Brenda Wells of East Carolina University gave a presentation on issues that arise when trying to insure and bond cannabis businesses. The Committee discussed upcoming SFAA seminars, as well as bonding for BOEM. This Commercial Surety Advisory Committee meeting was one of the most well-attended to date.
Communications Advisory Committee

The Communications Advisory Committee held its first in-person meeting as part of the Annual Meeting, with three member company representatives and guests in attendance. NWT Media gave a presentation on how SFAA could use video advertising to grow the Association’s online reach. Discussions included the revised formats for surety special sections, recruiting marketing and video placement advertising.

Government Affairs Advisory Committee

Twenty-nine member company representatives and guests attended the Government Affairs Advisory Committee meeting. The Committee previously held two conference calls to prepare for this in-person meeting. Issues and talking points were reviewed for the nearly 30 Hill visits that were scheduled for Congressional Action Day. Eight of the Hill visits were members of the Young Professionals Group going to see their Senators. Several SFAA members met with the Senate EPW Committee for two weeks before the Annual Meeting to discuss WRDA.

Fidelity Advisory Committee

Fourteen member company representatives, foreign affiliates and guests attended the Fidelity Advisory Committee meeting. Angela Gleason of AIA gave a presentation on the latest trends in cyber insurance and block chain technology. The Committee also discussed the newly revised CPP. The Fidelity Advisory Committee also joined the International Advisory Committee for a presentation by the World Bank, which requires private bank partners to obtain a Financial Institution Bond.

International Advisory Committee

Forty-four member company representatives, foreign affiliate and guests attended the International Advisory Committee meeting. Presentations were given by valued special guests and partners: AIA, ICISA, SAC and PASA. Special presentations also were given by Moody’s Analytics and the World Bank. The Fidelity Advisory Committee joined the International Advisory Committee meeting to participate in the presentation by the World Bank.
Rep. Scott Perry Knows Surety Bonds

Representative Scott Perry (R-PA) got SFAA’s 110th Annual Meeting off to an informative and entertaining start. He comes to Congress having started working at early age picking fruit, then as a mechanic, dock worker, draftsman and licensed insurance agent.

Representative Scott also had a long career in the Army. He commanded at every level, most notably, as a Lieutenant Colonel in Iraq during which he flew 44 combat missions.

He presently serves on the Transportation and Infrastructure, Homeland Security and Foreign Affairs Committees. The Representative made it clear that there will be no huge infrastructure package from Congress as there is no funding for it. He did note that the FY 2018 budget contained more funding for infrastructure in several areas.

The Representative put himself through college and graduate school while working full-time. In 1993, he started his own mechanical contracting firm, Hydrotech Mechanical Services, Inc. – which provided contract construction and maintenance services to municipal and investor-owned utilities from North Carolina to New York, and specialized in large meter calibration. His company needed to be bonded on many of its projects and he talked about his surety being unwilling to issue a bond on a project on which he wanted to bid. He later found that he had significantly under-bid on the project and thanked his surety for “helping him not get that job.”

He made it clear at our Annual Meeting that he did not come to Congress to take orders from his political party but rather to represent the 4th District in Pennsylvania.

The video is available for members here.

Surety Industry Awards Presented to LSAs

During the General Session, incoming SFAA Board Chair Larry Taylor handed out Surety Industry Awards to local surety associations in recognition of their bond promotion efforts. Congratulations to all the winners!

Gold Award
Florida Surety Association
Rocky Mountain Surety Association

Silver Award
Surety Association of Indiana
Surety Association of Kansas City
Surety Association of San Diego
Surety Association of Southern California

Advocacy Award
Florida Surety Association
Surety Association of Kansas City

Start planning your submissions for next year.
We Did It! The Surety Foundation Hits the $1 Million Mark

In 2008, as members, staff and industry partners celebrated the 100th Anniversary of The Surety & Fidelity Association of America (SFAA), the SFAA Board of Directors and Trustees of The Surety Foundation (Foundation) set an ambitious fundraising goal for the Foundation – to reach a $1 million corpus by 2020.

The Foundation was established in 2005 as a charitable organization to increase diversity within the surety and fidelity industry. The SFAA Board committed to funding the Foundation through a small allocation of the budget each year and member companies, industry partners and individuals have responded generously each year to fundraising efforts.

It was with great pleasure and gratitude that SFAA President Lynn M. Schubert announced that, together, we have exceeded the $1 million goal by over $15,000 and two years ahead of schedule.

Travelers Donates $50,000 to The Surety Foundation

At SFAA’s 110th Annual Meeting, the SFAA recognized and expressed appreciation to Tom Kunkel of Travelers for his vision, dedication and commitment, not only to the surety and fidelity industry and the SFAA, but to the Surety Foundation and its mission. Mr. Kunkel led the 100th Anniversary Surety Foundation Fundraising Campaign with a very generous donation from Travelers, and he has continued to provide leadership, guidance and commitment ever since.

As SFAA Chair from 2009 through 2011 and Surety Foundation President from 2012 through 2018, Mr. Kunkel has never wavered in his vision and work. The award was given to Mr. Kunkel “In appreciation for his leadership and commitment to the next generation of industry leaders.”

Travelers also wanted to recognize Mr. Kunkel’s commitment to the mission of both the Travelers’ Foundation as well as the Surety Foundation: diversity and talent development.

Although Mr. Kunkel believed Travelers was donating $25,000 to the Surety Foundation, a generous contribution taking the Foundation corpus over $1,037,000, Travelers contributed an additional $25,000 as a surprise to Mr. Kunkel, bringing the Foundation to over $1,060,000.

The SFAA, the Foundation and the surety and fidelity industry thank Mr. Kunkel for being such a generous and forward-thinking leader.
Conventional wisdom holds that the President’s party typically loses House seats in the midterm elections. With Trump’s approval ratings being low, will there be a Blue Wave in November? What about a Women’s Wave? In any case, the November midterm elections are likely to be unpredictable, and SFAA hosted an extraordinary panel from the American Insurance Association (AIA) to dissect the current political landscape at the Annual Meeting. Moderated by Tom Santos, Vice President for Federal Affairs for AIA, the panel consisted of AIA’s outside legislative consultants from Peck Madigan Jones—a Republican and Democrat from both the House and Senate. Drew Cantor, Jeffrey Shapiro, John Michael Gonzalez, and Jay Heimbach provided keen and amusing insights from the perspective of both political parties and chambers of Congress. Republicans have a list of accomplishments going into the midterms: a Supreme Court confirmation and record numbers of federal court appointments; comprehensive tax reform; new sources of gas and oil drilling from the Artic; deregulation across all federal agencies, and the repeal of the individual health insurance mandate.

While tax reform increased the President’s approval ratings, the Democrats are having an effect in attacking it as benefiting corporations and the wealthy. Rising gas over this summer could become a key factor in the mid-term elections—in diminishing the impact of tax reform. The panel also reminded us that Russian meddling in our elections and the Mueller investigation are of most interest to those living in the Washington DC area. Outside the Beltway, there is less concern.

Can we trust the polls again after the 2016 elections? Our panel reminded us that the pollsters only survey people that vote consistently. We should continue to expect the unexpected this November.

In all the prior wave elections—1994, 2006, 2010, and 2014—30% of the people thought that the country was headed in the right direction right before the election. Currently it is 40%, which does not suggest a wave. A key factor in the House, however, is the number Republican retirements and departures for misconduct, leading to a larger than usual number of open seats. Control of the House clearly is in play in November. The predictions of our panel ranged from the Democrats taking 40 seats to the Republicans hanging on by only a few seats. With 25 Democratic Senators and 9 Republicans up for re-election, retaking the Senate is an uphill battle for the Democrats. Our panelists either saw the Republicans making a small net gain on seats in the Senate or the Senate staying just about the same.

Many in the audience commented later that they wished the Republicans and Democrats in Congress worked together as well as the four lobbyists on the panel.

The video is available for members here.
SFAA Members Advocate for Maintaining Bonding Protections for Federal Projects on Congressional Action Day

SFAA members visited the Hill for Congressional Action Day during SFAA’s Annual Meeting to work on our priority issues in this Congress to eliminate the inflationary indexing of the federal Miller Act bond thresholds, and to ensure that bonds are required for public water construction projects. Eleven member companies and several local surety associations participated in the event, making 28 visits to Senate and House offices. Members of SFAA’s Young Professionals Group participated in advocating for surety issues for eight of these visits. Participants met prior to leaving for the Capitol and were well-prepared to discuss the issues and for any questions that might arise. SFAA also conducted two conference calls just before the Annual Meeting to discuss the talking points prepared for Congressional Action Day.

Our provisions to eliminate the indexing of the Miller Act bond threshold was moving toward passage in the House at the time of the Annual Meeting, so SFAA members focused on building support for our bill in the Senate. Under current law, the Miller Act threshold is subject to review every five years with all the other acquisition thresholds. Since the Miller Act protects the federal agency budgets and assures that subcontractors and suppliers on the job will be paid, the Miller Act is a protection threshold that should be exempted from the indexing requirement. We addressed questions in Congress concerning the impact of the indexing, noting that the next increase from $150,000 to $200,000 in 2020 would affect an average of $300 million in federal contracts annually, which would put a significant amount of taxpayer dollars and small businesses at risk on unbonded projects. SFAA is pursuing our Miller Act issue with the support of the Federal Construction Industry Procurement Coalition.

SFAA members also discussed clarifications to the current law for the Water Infrastructure Finance and Innovation Act (WIFIA) concerning bonding. We are seeking provisions for WIFIA that are modeled after existing regulations for federal grants that are used for construction projects to address this issue. SFAA, AIA, and their members made visits to Senate Environment and Public Works Committee members before and during Congressional Action Day to address this issue since the House is fast-tracking a narrow reauthorization bill. Public funds ultimately pay for these projects and the construction risk of the contractor’s default and the nonpayment of subcontractors and suppliers is the same. Whether the federal government directly funds a project or provides the procuring entity with finance assistance, federal assets are at stake that should be secured. The federal public policy under the Miller Act has addressed these issues for 90 years through performance and payment bonds.
SFAA and its members are actively engaged in seeking bonding provisions in the Water Resources and Development (WRDA) Act and seeking to have the federal Miller Act exempted from the required indexing for inflation required for all federal acquisition thresholds. At its meeting in connection with SFAA's Annual Meeting, the Government Affairs Advisory Committee voted to form a federal affairs subcommittee for the purposes of anticipating and coordinating our efforts in Congress. Various laws in which sureties have an interest, such as WRDA, are reauthorized periodically, which would permit the sureties to plan to address bonding issues well in advance. When bonding issues pop up in Congress, the subcommittee will be an existing mechanism to alert the surety industry to develop industry talking points and plan joint strategy.

SFAA Rolls Out New Website

SFAA rolled out our new homepage on May 17, 2018. Our goal was to:

- Make the site more mobile friendly;
- Improve/simplify navigation, taking into consideration the multiple member type affiliations;
- Add more content for various public constituents;
- Reduce the number of text heavy pages by simplifying content and/or adding images and videos. Increase font size to improve readability.

The navigation menu has been simplified to categories on: About Us; Statistics; Outreach/Education; Advocacy; Meetings/Events; Member Services; Surety; and Fidelity. The Outreach/Education section has been greatly expanded to include more public information about bonding and the industry. New videos have been added as well as new brochures. We have added new resources such as the SFAA Membership List and the Contract Surety Bond Claims Resource Directory. Many new resources for Small and Emerging Contractors have been added too.

Over the summer, SFAA will begin Phase II of the website redesign. We will look at all sub-pages and member content. These pages will become mobile friendly and the content will be redesigned to better meet the needs of our members.

We hope that you enjoy exploring the new SFAA website.

View the President’s Report and the website roll out [here](#).
SFAA Recognizes Top AFSB Program Graduate

Nate Geer of FCCI Insurance received the SFAA Award for Academic Excellence at SFAA’s Annual Meeting. Robert Duke, SFAA’s General Counsel made the award. Mr. Duke explained that SFAA established the award as a way to support the Associate in Fidelity and Surety Bonding Program (AFSB). The AFSB designation, created by the Insurance Institute of America, requires the completion of five courses: Principles of Suretyship, Contract Surety, Commercial Surety and Crime Insurance, Business Law for Insurance Professionals and Finance and Accounting for Insurance Professionals. Each year, SFAA awards the top graduate in the AFSB program for the most recent full calendar year. Mr. Duke stated that Nate Geer exhibited his professionalism by not only spending the time and effort to obtain the AFSB designation, but doing so with distinction.

Congratulations, Nate!

SBA Recognizes Lynn Schubert’s Contributions to Surety Bonding

Peter Gibbs and Jennifer Bledsoe of the U.S. Small Business Administration’s (SBA) Office of Surety Guarantees presented Lynn Schubert with a touching tribute in recognition of the meaningful partnership between The Surety & Fidelity Association of America and the SBA as well as the personal friendship they forged over the years. The award inscription reads, “For your unwavering commitment and support for the SBA’s Surety Bond Guarantee Program - Peace, Love, Good Health and Happiness.”