

# 2017

## Highlights & Achievements



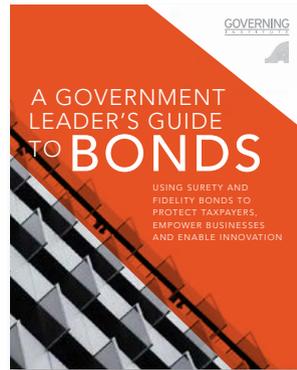
Surety and fidelity bonds: Protecting consumers, taxpayers and businesses.

**SFAA aims to meet the specific needs of each of its members regardless of size or geographic location. We recognize that companies value SFAA membership for many reasons and we strive to provide meaningful opportunities for engagement while meeting the core membership needs of all. Through participation, members are instrumental in advancing industry goals. We thank you for your continued support. Take a look at some of the highlights and achievements from 2017.**

## Promoting the Use of Bonds

Through our relationship with the *Governing Institute*, SFAA was able to extend its reach to promote the benefits of bonding to new audiences.

A joint production between *Governing Institute* and SFAA on the publication entitled, [A Government Leader's Guide to Bonds](#) positioned SFAA as the go-to resource on bonding information for public officials at all levels. The publication was distributed to over 15,000 public officials and continues to be promoted and available for download on both the *Governing* and SFAA websites.

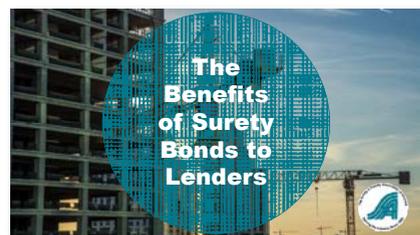


As a result of the publication, SFAA was invited to speak on a panel discussion on the benefits of bonding at *Governing's Summit on Infrastructure and P3s*. The conference was part of [Governing's Guide to Financial Literacy Volume 4 — Ensuring that P3s are Built to Last](#). The circulation for this publication was 25,000 legislators and public officials, with an additional 1,000 copies mailed to targeted leaders.

SFAA further promoted the benefits of bonding on P3s by participating in a panel discussion at the Public-Private Partnership Conference and Expo.

SFAA also delivered a keynote presentation at the Institute for Public Procurement (NIGP) conference. A deep-dive session on the value of bonding followed and hosted close to 1,000 participants. The presentations resulted in numerous follow-up opportunities and new bond requirements instituted.

SFAA focused on showing bankers the value of bonds on private projects. We addressed the American Bankers Association on a panel discussion and followed-up with an article in its magazine on [Mitigating the Construction Lender's Risk with Performance and Payment Bonds](#).



Numerous members and producers have used the newly redesigned presentation for the [bank marketing project](#) to give dynamic and engaging presentations to construction lenders — resulting in positive comments from lenders about requiring surety bonds in the future.

The *Wall Street Journal* published SFAA's Letter to the Editor on the value of bail bonds as pushback against those who seek to make bail bonds the security of last resort.

SFAA worked with other associations and agencies to continue to educate their constituents on the value of bonding including: Society of American Military Engineers, U.S. Small Business Administration, U.S. Commerce Department Minority Business Development Agency, Conference of Minority Transportation Officers and the Airport Minority Advisory Council.

With the nine Bonding Education Programs (BEP) conducted with the U.S. Department of Transportation under the new MOU this year, over 100 BEPs have been conducted serving 1,180 small businesses since the BEP's inception in 2010. Contractors have achieved bonding totaling over \$650 million.

Partnering with the National Forum for Diversity in Construction, the Airport Minority Advisory Council and Swinerton Builders, SFAA conducted a [Diversity and Inclusion Summit](#) for contractors, sureties and Congressional staff on Capitol Hill in Washington D.C., which promoted bonding as a tool of empowerment.

## Providing Reliable Industry Data

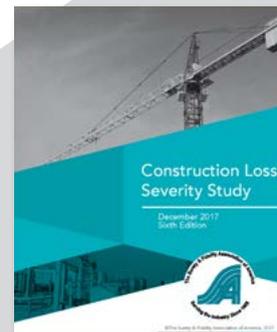
SFAA is the resource for surety and fidelity industry [actuarial and statistical data](#). Many members strictly use the association's filed surety and fidelity rules, loss costs and standard fidelity forms while others reference those materials as a starting point for development of their own. Members, subscribers, consultants and regulators use this data that SFAA collects and files with the state insurance departments.

SFAA's standard statistical reports provide calendar year premium and loss reports by company at the industry level. Company information is available by state and countrywide.

SFAA makes premium and loss data available for all surety and fidelity class codes and sublines. Class code data is available by state and countrywide.

Through our SQL database, we also provide the most recent data in response to customized requests from SFAA members.

The new Historical Reports Project makes older data available to SFAA members. The top surety company reports are available from 1955 forward and members can use them in their long-range analysis of trends in the surety industry. The data was used to develop the dollars protected clock at the National Association of Surety Bond Producers' (NASBP) 75th Annual Meeting.



The [2017 Loss Severity Study](#), including the Probable Expected Loss (PEL) and Probable Maximum Loss (PML) Models, was revised and approved by the Board of Directors. The report supports the risk management needs of direct surety writers, reinsurers, brokers and other construction-related businesses by calculating the PEL and PML for contract surety on an individual contractor level. SFAA's PML model also is a component of A.M. Best's Capital Adequacy Ratio formula for surety writers.

New policy codes are in place for fidelity bonds that will allow tracking of fidelity and crime coverage written on proprietary forms. The changes will provide more accurate data and improve the class code reports used by SFAA members in their underwriting process.

An actuarial review of the SFAA Manual loss cost rates measured the adequacy of aggregate industry loss costs rates over the recent claim year underwriting cycle and potential need to file rate revisions.

## Attracting & Retaining Talent

SFAA's Diversity & Human Resources Advisory Committee, along with the Industry Resource Group, provides members with an industry-wide forum for discussion of HR concerns, including providing outreach and program development.

Again this year, SFAA participated in the Annual Gamma Iota Sigma (GIS) Conference where we recruit students studying risk management, finance, insurance and actuarial science for the surety and fidelity industry through an [informational booth](#), as well as a [workshop](#) on job opportunities in the industry. For the first time, attendees were able to scan a QR Code to a Jobs Link of SFAA members currently [recruiting](#).

[The Surety Foundation](#)'s Surety & Fidelity Industry Intern and Scholarship Program for Minority Students facilitates diversity in the industry. This year, our efforts produced over 55 student applications from across the country. This program provides members with the opportunity to attract a group of highly qualified students for internships and to recruit upon graduation.

SFAA's annual industry-specific compensation survey helps members keep pace with changing compensation trends in a market that is increasingly competitive as the unemployment rate goes down.

Our Young Professionals group now has 50 members. They have participated in SFAA's Annual Meeting, Congressional Action Day and regional meetings of the NASBP.

## Implementing SFAA Policy Through Advocacy

### *In the States...*

We eliminated the biennial indexing of the Wisconsin bond threshold for inflation.

New P3 laws enacted in Arkansas, Louisiana, Oklahoma, Oregon and Utah require bonding on projects going forward.

We worked with the American Subcontractors Association to amend the Kansas Little Miller Act to require P3s to be bonded.

We defeated bills in New Hampshire to allow local governments to opt out of the bond requirements for their projects and to permit direct actions on the public official bond.

### *In Congress...*

SFAA's legislation to eliminate the required indexing of the federal Miller Act bond thresholds passed the U.S. House this year, and we are targeting both the House and Senate in 2018.

Two dozen SFAA members participated in Congressional Action Day to ask their Representatives in Congress to eliminate indexing of the federal Miller Act.

The U.S. Small Business Administration implemented a change in the law that we achieved in Congress to increase in the guarantee to the sureties in the Preferred Surety Bond program from no more than 70% to no more than 90%.

### *On Bond Forms and Contract Terms...*

SFAA weighs in for the industry with great frequency.

In response to SFAA's input:

- The Silicon Valley Clean Water Authority revised its long-term warranty;
- The West Virginia DOT changed a contract provision that required a ten-year performance bond to a one year performance bond requirement, with renewable warranty bonds thereafter;
- A confession of judgment provision was removed from the Pennsylvania real estate management company license bond;
- Provisions requiring sureties to pay the amount that the state agency determined under a money transmitter bond in Alaska were removed.

In addition to our work to monitor case law and regulations affecting the industry, collaborative member input through the committee structure enables the association to identify emerging issues and, where useful, to develop new standard fidelity forms in response to market need.

This year, SFAA engaged with the U.S. Department of Labor (DOL), and developed and filed the ERISA Dishonesty Bond, along with associated riders, endorsements and manual rule pages to address concerns about SFAA's standard fidelity forms that provide coverage for pension and welfare plans.

SFAA also works with state and federal regulators in developing their bond forms. This year, we helped the IRS on the bonding requirement for certified professional employer organizations, and worked with Ohio and the District of Columbia on the bonding obligations for home health care agencies.

### *In the Courts...*

We filed three *amicus* briefs on cases that resulted in surety victories.

- In *American Home Assurance*, the federal circuit held that a court may consider statutory prejudgment interest assessed against a surety before assessing equitable interest.
- In the *Bueker* case, the Illinois Supreme Court held the public entity is the only claimant on a public official bond.
- In *Lexon Insurance Company*, a Florida court of appeals found that the surety on a subdivision bond was not liable because the statute of limitation had expired.

SFAA also filed *amicus* briefs this year in three pending Federal Circuit Courts of Appeal cases involving social engineering scams.

The Georgia Supreme Court will decide whether the surety is liable for punitive damages on a conservator's bond in another case in which SFAA submitted an *amicus* brief.

In 2017, SFAA provided daily staff [summaries](#) and reports on case law developments to members and subscribers — over 200 cases involving surety bonds, over 25 on fidelity bonds, and over 70 on bail cases.

## Providing Education & Resources

This year, we conducted the Fundamentals of Commercial Surety and added an intermediate level class. Based on past success and demand, we conducted an Advanced Credit Analysis class in connection with Moody's Analytics.

SFAA also was part of an industry group that developed the Surety Data Standards Toolkit, which promotes the use of ACORD and XBRL data standards. The Toolkit and online demos are available at [suretyautomation.org](#). *Risk & Insurance* magazine featured SFAA on these technology issues.

Over 4,700 members and subscribers have credentials for the SFAA website and many others are on SFAA's email distribution lists. Among a host of materials readily available, here are a few highlights easily accessible:

- The Bond Number Index to search and download samples of bond forms;
- A list of [New Bond Opportunities](#) as they are enacted;
- Charts of state bond requirements, including a newly revised chart of state bond requirements for mortgage brokers and lenders;
- Statistical information;
- Human Resources materials, such as the [Mentoring Quick Guide](#).



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