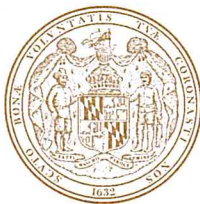


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THE SENATE OF MARYLAND  
FINANCE COMMITTEE

March 17, 2014

Ms. Lynn M. Schubert  
President  
The Surety and Fidelity Association of America  
1101 Connecticut Avenue, NW, Suite 800  
Washington, DC 20036

Mr. Larry LeClair  
Director, Government Relations  
National Association of Surety Bond Producers  
1140 19<sup>th</sup> Street NW, Suite 800  
Washington, DC 20036

Dear Ms. Schubert and Mr. LeClair:

As you know, Senate Bill 851 "Maryland Insurance Administration – Individual Sureties – Regulation" would create a statutory framework for individual sureties and require the Maryland Insurance Administration to further study and report on the optimal method to regulate individual sureties. Further, the bill would extend for five years the State law that allows procurement officers to accept bid, performance, and payment bonds issued by individual sureties from bidders and offerors for State procurement contracts. The Finance Committee is concerned that small, emerging, and minority contractors throughout the State may not have the ability to obtain bonding so that they can bid on public works contracts. Your associations are suited to provide bonding assistance and educational and outreach programs and efforts to these contractors.

As required by the Maryland General Assembly under Chapters 299 and 300 of 2012, the Maryland Insurance Administration submitted its *Final Report on the Analysis of the Practices of Corporate Sureties and Individual Sureties in Maryland* (MSAR No. 9319) dated November 25, 2013. The administration found that individual sureties have issued or attempted to issue surety bonds or contracts of surety insurance for the State, counties, or municipalities on only six occasions since 2006, with only two proceeding. Further, the administration found that only two other states allow the use of individual sureties (Alaska and Hawaii). The administration concluded that corporate sureties are able to meet the needs of the current market and did not identify any additional areas where existing laws and regulations for licensing and regulating corporate sureties or surety insurance producers are inadequate. Lastly, the administration recommended that the laws authorizing the use of unregulated individual sureties on public works contracts in the State be permitted to sunset as scheduled on September 30, 2014.

Ms. Lynn M. Schubert  
Mr. Larry LeClair  
March 17, 2014  
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Thank you both for providing information subsequent to the hearing on the bill about your associations, your associations' programs and efforts that are specifically aimed to assist these contractors, and other State and federal bonding resource programs that are available to assist these contractors. The committee is interested in having periodic status reports as to how these programs and efforts are assisting these contractors throughout the State. The committee suggests that the associations reach out to organizations, such as the Chamber of Commerce, the Associated Builders and Contractors, the Associated General Contractors, and the National Federation of Independent Business, with information about your associations' programs and efforts so that they may pass the information along to these contractors.

The committee requests that your associations provide a status report to the committee by December 1, 2014. The status report could describe your associations' programs and efforts throughout the State, provide data that shows the success of the programs and efforts, and indicate organizations that your associations have reached out to with information about your programs and efforts.

Very truly yours,

A handwritten signature in blue ink, reading "Thomas M. Middleton". The signature is fluid and cursive, with the first name "Thomas" and last name "Middleton" clearly legible.

Thomas McLain Middleton

TMM/TDB/ncs

cc: Commissioner Therese M. Goldsmith, Maryland Insurance Administration