



Bond Execution Guide

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- Liberty Mutual Insurance Company
- Zurich Surety

Disclaimer

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Introduction

This brief guide is designed to help new in-house administrative staff reach a general understanding of the basics of the surety bond form, including important terms, key items to check when executing a bond, and potential changes to a bond.

Chapter 1 – What is a Surety Bond Form?

A surety bond is a promise to be liable for the debt, default, or failure of another. A surety bond is a legally binding, three-party agreement by which one party (surety) guarantees the performance of a second party (principal) to a third party (obligee).

A surety bond is a written instrument that does not stand alone but rests on an underlying contract or obligation. A principal purchases a bond because it is required by statute, regulation or a specific agreement with another person/entity who requires a guarantee that a contract or obligation will be fulfilled.

As a practical matter, a surety bond is also an instrument of prequalification, representing that the principal has been examined by the surety and found to be qualified to complete the contract obligation.

Key points:

- a. Legally binding document
- b. Refers to underlying agreement, statute or regulation
- c. Not a stand-alone agreement

I. Main Clauses

There is no such thing as a single surety bond as we think of standardized forms for insurance policies. There are thousands of varieties of surety bonds. Fortunately, each surety bond has some fundamental clauses, although even the wording of these clauses varies from form to form, the essentials are generally:

1. The Binding Clause: This clause typically starts with the words **“KNOW ALL MEN BY THESE PRESENT(S),”** and then names the three parties to the bonded obligation.

Key points:

- a. Unites the principal and the surety under their obligation to the obligee.
 - b. A sum of money, known as the bond penalty, is usually specified as the amount of guarantee.
2. Condition Clause: Typically starts with **“THE CONDITION OF THIS OBLIGATION IS SUCH THAT”** and then states the nature of business the principal has entered into and is guaranteeing or obligated to.

Key points:

- a. Identifies the underlying agreement that the bond guarantees and can reference the number of a contract, statute or regulation.
 - b. This clause, in effect, tells what the underlying agreement is all about. Only in rare instances does the condition clause completely outline the terms and conditions of the underlying agreement to be bonded.
 - c. Reference is often made to the underlying statute, ordinance or regulation. These can be looked up through an Internet search engine to gain clarification of the bonded obligation.
3. The **“NOW, THEREFORE”** Clause: States that the principal shall comply and perform its obligation pursuant the terms of the underlying agreement.

Key points:

- a. States that if the principal performs the obligation, the bond terminates according to the underlying contract or date specified in the bond form.
 - b. If the principal fails to perform the obligation, the bond remains in force and may be the source of recovery by the obligee, if the principal is unable to perform or pay the penalty for non-performance.
4. **“PROVIDED, HOWEVER”** Clause (if any): There are many instances where bond language is conditioned to provide an additional measure of comfort to the surety. These conditions may include the insertion of a cancellation provision that allows for a definite expiration date or a number of other items that impose added control measures. Although not fundamental characteristics of all bond forms, these conditions generally follow language commonly referred to as the “provided, however” clause.

Key points:

- a. Identifies how the bond can be terminated by a specified expiration date or by a cancellation provision.
 - b. If specific expiration dates are used, states a bond may be continued by a continuation certificate.
 - c. Specifically states that the liability of the surety is the face amount of the bond regardless of the number of years in effect or premiums paid so that the surety’s exposure is limited to the face amount of the bond.
 - d. Typical cancellation provisions provide that the surety can cancel the obligation by providing written notice to the obligee with 30, 60, 90 or 120 days’ notice.
 - e. Cancellation requirements can require written notice to be sent by certified mail to a specific obligee address and/or contact.
5. Signed and Sealed Dates: Signed and sealed dates on a bond, power attorney and notarial acknowledgement (if required) must be uniform. If the bond does not specify an effective date, the signed and sealed date is assumed to be the effective date.

Key points:

- a. The effective date identifies the trigger date by which the surety’s liability begins.
- b. Consistency in the dates on the bond, power of attorney and notary acknowledgement (if applicable) are key in most situations to having the bond accepted by the obligee.

Figure 1.1: Key clauses in a license/permit bond.

Bond

LICENSE OR PERMIT BOND

KNOW ALL BY THESE PRESENTS, That we, _____
_____ as Principal, of _____
_____ (Street and Number)
_____ and the _____
_____ (City) _____ (State)
_____, a _____ corporation, as Surety, are held and firmly
bound unto _____, as Oblige
_____, as Oblige
_____, in the sum of _____ Dollars (\$ _____)
for which sum, well and truly to be paid, we bind ourselves, our heirs, executors, administrators,
successors and assigns, jointly and severally, firmly by these presents.

Sealed with our seals, and dated this _____ day of _____

THE CONDITION OF THIS OBLIGATION IS SUCH, That WHEREAS, the Principal has been or is
about to be granted a license or permit to do business as _____
_____ by the Oblige
_____.

NOW, THEREFORE, if the Principal well and truly comply with applicable local ordinances, and
conduct business in conformity therewith, then this obligation to be void; otherwise to remain in full
force and effect.

PROVIDED, HOWEVER:

1. This bond shall continue in force:
 Until _____, _____, or until the date of expiration of any Continuation Certificate
executed by the Surety

OR

Until canceled as herein provided.

2. This bond may be canceled by the Surety by the sending of notice in writing to the Oblige
when, not less than thirty days thereafter, liability hereunder shall terminate as to subsequent acts or
omissions of the Principal

Principal

By _____
Attorney in-Fact

II. Where to find the bond form in the event the client or obligee does not have one.

There are a variety of resources available within the surety industry and on the Internet where you may be able to find a required bond form if your client fails to provide a copy of the form with the bond request, including:

1. Surety underwriter: Most sureties provide bond producers with access to their website, where they may have a bond form library.
2. Surety technology vendor site: If your firm uses a third-party vendor to manage and execute bonds, such vendors typically provide a bond form library as part of the licensing agreement to use its system.
3. Obligee website: If the obligee is a public entity (city, municipality, state, county or other government agency), most have a bond form library on their website. Often you can use the search field within its website and type in the name of the bond you are searching for or the particular regulation or statute code to find the bond form.
4. Internet search engine: It is becoming increasingly easier to find bond forms through a search engine, if you know the regulation or code number associated with the underlying agreement. As an alternative, you can search by the name of the bond form and the obligee, which will provide links to the obligee's website for further searching.

Chapter 2 – Prepare to Execute the Bond

- I. Make sure you have all information needed to execute the bond.
 1. Legal entity name of principal(s) to be named on bond. It is always a good idea to verify the exact principal name, especially if your client uses a trade name instead of its legal name in standard email correspondence (i.e.; Inc., Incorporated, Co., Company, and LLC are often left out of trade names).
 2. Corporate or location address. In some cases, particularly license or permit bonds and utility deposit bonds, the location of the client needs to be referenced on the bond instead of the client's corporate address. In other instances, it is the corporate address instead of the location. This is stipulated by the obligee. Please confirm with the client which address is correct.
 3. Bond amount. Confirm the exact bond amount with the client.
 - a. Bid bonds are often issued for a percentage, although they are typically approved based on the contract amount. In some cases, bid bonds are issued for a flat dollar amount (i.e. supply/service contracts).
 - b. Court bonds can be issued for an amount to include attorney's fees and costs.
 - c. Some statutes/regulations require the bond amount to be a higher percentage than the underlying obligation, i.e., Release of Lien bonds.
 - d. Contractor project-specific tax bonds are set at a percentage of contract value.
 4. Description of obligation/permit/bid number, etc.
 - a. Check the underlying agreement for this information. If you are uncertain of the permit or contract number, verify the information with the client.
 - b. This information will be needed particularly if you are using a generic form provided by the surety, as you will need to reference this information on the bond form.
 5. Effective date/bid date/contract date
 - a. Check the bid specification or underlying agreement for this information. If you are uncertain of the required dates, verify the information with the client.
 - b. Dates must be on or before a bid date.
 - c. Dates must be on or after a contract date.
 - d. You cannot backdate a bond without surety approval.

Key points:

- a. Verify the principal's exact legal name.
- b. Verify the correct address for the principal.
- c. The effective date of the surety bond must be either on or before a bid date or on or after a contract date, depending on the type of bond.
- d. If uncertain of any information, verify with the client.

Chapter 3 – Execution of Bond and Checklist

- I. In order to complete the bond form, it is first necessary to procure the appropriate bond form (as discussed in Chapter 1). While the main clauses are the same, each bond form is slightly different in terms of where required information may be placed in the document. Standard required information on each bond includes:
 1. Bond number (obtain from surety)
 2. Principal's name and address, including county and telephone
 3. Principal's state of incorporation
 4. Surety's name and address, including county and telephone
 5. Surety's state of incorporation
 6. Obligee's name and address
 7. Bond amount, written out and in numbers
 8. Bond requirement, description of job/work, and location
 9. Signed/sealed date/execution date
 10. Effective date
 11. Expiration date
 12. Seal
 13. Principal's Signature
 - a. Attest
 14. Attorney-in-fact's Signature
 - a. Witness
 15. Countersignature (A non-resident license may be required in some instances; in others, a resident license may be required: i.e., California Department of Insurance requires a resident agent signature, though a counter-signature by a licensed agent should be legally sufficient.)
 16. Notarial acknowledgement of surety/principal or both

Figure 3.1: A sample bond form with items to be filled out marked.

City of Columbus / Department of Building and Zoning Services / 757 Carolyn Avenue, Columbus, Ohio 43224

CONTRACTOR LICENSE / REGISTRATION BOND FORM

Bond #: 1. Effective Date: 10.
 Amount: \$25,000.00

KNOW ALL MEN BY THESE PRESENTS:

That (Insert Name of Individual Licensee / Registrant) 2.
 of (Insert Company Name)
 as Principal, and (Insert Name of Bonding Company) 4.

7. as Surety, are held and firmly bound unto the City of Columbus, c/o City Treasurer, City Hall, 90 West Broad Street, Columbus, Ohio 43215, as Obligees, in the sum of twenty five thousand and no/100 Dollars (\$25,000.00) 6. to be paid to said Obligees, its successors and assigns, and for the payment thereof well and truly to be made, we, the Principal and Surety, jointly and severally bind ourselves, our heirs, executors, administrators, successors, and assigns firmly by these presents. The conditions of the above obligation are such that:

8. WHEREAS, the above Principal has or is about to apply to said Obligees for a License / Registration as a Contractor effective upon approval and expiring in accordance with the last name of the individual applicant as set out in the expiration schedule listed in the instructions for this form, pursuant to Chapter 33 or 41 of the Columbus City Codes, 1959, as applicable.

11. WHEREAS, the expiration date of this bond shall coincide with the expiration date of said License/Registration.

WHEREAS, the Principal, its agents and employees shall save the City of Columbus harmless from all loss and damage to persons or property which may be occasioned in any way, by accident or the want of care or skill on the applicant's part, in the prosecution of the work contracted, performed, pursued or attempted under such License / Registration, pursuant to Columbus City Code Chapter 33 or 41, as applicable.

NOW THEREFORE, if the License / Registration shall be issued to the Principal and the Principal, its agents and employees shall save the City of Columbus harmless from all loss and damage to persons or property of the City of Columbus and aforesaid, then this obligation shall be void; otherwise, the same shall remain in full force and effect.

IT IS FURTHER UNDERSTOOD AND AGREED that the Surety reserves the right to cancel this bond by giving thirty (30) days written notice to the Obligees c/o Director for the Department of Building and Zoning Services, 757 Carolyn Avenue, Columbus, Ohio 43224 and, upon receipt of such cancellation notice, the Surety is relieved of any further liability. The Surety will be liable for loss accruing up to the effective date of said cancellation; but, in no event will the liability to the Surety exceed \$25,000.00

9. Signed this _____ day of _____, in the year _____.

LICENSEE / REGISTRANT: 13 By: _____
 (PRINT OR TYPE NAME) (SIGNATURE)

SURETY: 14 By: _____
 (PRINT OR TYPE NAME) (SIGNATURE)
 Attorney-in-Fact

Telephone No. of Attorney-in-Fact for Surety _____

12

Place Surety Seal Here

NOTICE TO AGENT AND SURETY: Please refer to the Instructions on the other side of this bond form.

Figure 3.2 (below): A second sample bond form with items to be filled out marked.

BOND NUMBER: 1.
PERMIT NUMBER: _____

RECLAMATION SURETY BOND

KNOW ALL MEN BY THESE PRESENTS:

(1) That we, _____
_____ 2. and 3. _____
as Principal, and _____

_____ 4. and 5. _____
a firm and/or corporation authorized to do _____ of West Virginia, as Surety, are held
(2) and firmly bound unto the State of West Virginia in the just and full sum of _____

6. _____ dollars, \$ _____
to the payment whereof, well and truly to make, we bind ourselves, our heirs, executors, 7. administrators,
successors and assigns, jointly and severally, firmly by these presents:

(6) **THE CONDITION OF THE ABOVE OBLIGATION IS SUCH THAT, WHEREAS,** the above
bound principal, in pursuance of the provisions of Chapter 22, Article 3, of the Code of West Virginia, 1931, as
8. amended, are about to obtain from the State of West Virginia, a permit to conduct "Prospecting", "Surface
Mining", or Other Mining Operations" upon _____ acres of land situated in
_____ District of _____ County, in the State of West Virginia
at or near _____

NOW, THEREFORE, if the said principal, in carrying on said "Prospecting", "Surface Mining", or "Other
Mining Operations" shall faithfully perform all of the requirements of Chapter 22, Article 3, of the Code of West
Virginia, 1931, as amended, and all requirements of all rules and regulations lawfully promulgated and adopted
by the Secretary, Department of Environmental Protection, State of West Virginia, then this obligation shall be
considered void; otherwise to remain in full force and effect.

(7) **IN WITNESS WHEREOF** the said principal has hereunder set his or its hand and affixed his or its seal, and
the said surety has caused its corporate name to be signed hereto and its corporate seal to be hereunto
affixed by its duly authorized officer or agent and executed this instrument this _____ day of
9. _____ 20 _____

(8) *AFFIX PRINCIPAL CORPORATE SEAL* (9) _____
(PRINCIPAL NAME)

(10) 13. _____
(TITLE - PRESIDENT OR VICE-PRESIDENT)

AFFIX SURETY CORPORATE SEAL (11) _____
(SURETY NAME)

12.

(13) BY _____ 14.

12.

13a. and 14a.

Acknowledgment By PRINCIPAL IF INDIVIDUAL, LIMITED LIABILITY COMPANY, OR PARTNERSHIP

STATE OF _____ COUNTY OF _____

I, _____ a Notary Public in and for county and state aforesaid,
do hereby certify that _____ whose name is signed to the foregoing writing,
has this day acknowledged the same before me in my said county.

Given under my hand this _____ day of _____, _____.

16.

AFFIX NOTARY SEAL (20) _____
(NOTARY PUBLIC)

My Commission Expires on the _____ day of _____, _____.

Acknowledgment By PRINCIPAL IF CORPORATION

STATE OF _____ COUNTY OF _____

I, _____ a Notary Public in and for county and state aforesaid,
do hereby certify that _____ who, as _____
signed to the foregoing writing for _____ a corporation,
has this day acknowledged the same before me in my said county, before me, acknowledged the said writing
to be the act and deed of the said corporation.

Given under my hand this _____ day of _____, _____.

16.

AFFIX NOTARY SEAL (29) _____
(NOTARY PUBLIC)

My Commission Expires on the _____ Day of _____, _____.

Acknowledgment By SURETY

STATE OF _____ COUNTY OF _____ To wit:

I, _____ a Notary Public in and for county and state aforesaid,
do hereby certify that _____ who, as _____
signed to the foregoing writing for _____ a corporation,
has this day in my said county, before me, acknowledged the said writing to be the act and deed of the said
corporation.

Given under my hand this _____ day of _____, _____.

16

AFFIX NOTARY SEAL (38) _____
(NOTARY PUBLIC)

My Commission Expires on the _____ day of _____, _____.

APPROVAL: Sufficiency in Form and Manner of Execution **Approved** by Attorney General's Office:

Dated this _____ day of _____, 20____ BY: _____

Key points:

- a. Each bond form is different.
- b. Forms must be read carefully to ensure that all standard information is in its proper place.
- c. Some states or owners may require additional information on the bond.

II. There may be a variety of attachments to the bond form; and it is very important to ensure that the form not be submitted to the surety without all required attachments.

1. Power of attorney: An instrument authorizing one person or corporation to act for and obligate another, to the extent expressed in the instrument creating the power. In corporate suretyship, an instrument under seal that appoints an individual as an attorney-in-fact to act on behalf of a surety in executing bonds. Sureties tend to each have their own power of attorney form, each with different language.

Key points:

- a. Always confirm power of attorney is not expired.
 - b. Verify the name on the POA as it must match exactly to attorney-in-fact signature.
2. Certificate of Authority (Ohio and California): A certification issued by a State Insurance Commissioner's Office evidencing the authority of an insurer or surety to transact business in a particular state.

Figure 3.3: Certificate of Authority for Ohio.

Effective Date: April 24, 1924
Expiration Date: April 01, 2016

State of Ohio
Department of Insurance
Certificate of Authority

This is to Certify, that

LIBERTY MUTUAL INSURANCE COMPANY

NAIC No. 23043

is authorized in Ohio to transact the business of insurance as defined in the following section(s) of the Ohio Revised Code:

Section 3929.01 (A)

Accident & Health	Guaranteed Renewable A & H
Aircraft	Inland Marine
Allied Lines	Medical Malpractice
Boiler & Machinery	Multiple Peril - Commercial
Burglary & Theft	Multiple Peril - Farmowners
Collectively Renewable A & H	Multiple Peril - Homeowners
Commercial Auto - Liability	Noncancellable A & H
Commercial Auto - No Fault	Nonrenew-States Reasons (A&H)
Commercial Auto - Phys Damage	Ocean Marine
Credit	Other Accident only
Credit Accident & Health	Other Liability
Earthquake	Private Passenger Auto - Liab
Fidelity	Private Passenger Auto-Other
Financial Guaranty	Private Passenger-Phys Damage
Fire	Surety
Glass	Workers Compensation
Group Accident & Health	

This Certificate of Authority is subject to the laws of the State of Ohio.


John R. Kasich, Governor


Mary Taylor, Lt. Governor/Director

3. Certificate of Solvency (New Jersey and Texas): A document that attests to the solvency of an insurance company and its ability to meet its long-term obligations. Language such as “meets applicable capital and surplus requirements” is common in these documents.

Figure 3.4: Certificate of Solvency for New Jersey.

SURETY DISCLOSURE STATEMENT AND CERTIFICATION
 pursuant to N.J.S.A. 2A:44-143
 (for use when surety(ies) have a certificate from U.S. Secretary of the Treasury in accordance with 31 U.S.C. §9305)

Zurich American Insurance Company,
 surety on the attached bond, hereby certifies the following:

(1) The surety meets the applicable capital and surplus requirements of R.S.17:17-6 or R.S.17:17-7 as of the surety's most current annual filing with the New Jersey Department of Insurance.

(2) The capital and surplus, as determined in accordance with the applicable laws of this State, of the surety participating in the issuance of the attached bond is in the following amounts as of the calendar year ended December 31, 2014, which amounts have been certified on a Certification by PricewaterhouseCoopers, LLP and are included in the Annual Statement on file with the New Jersey Department of Insurance, 20 West State Street CN-325, Trenton, New Jersey 08625-0325.

Zurich American Insurance Company, \$30,310,026,672

With respect to each surety participating in the issuance of the attached bond that has received from the United States Secretary of the Treasury a certificate of authority pursuant to 31 U.S.C. §9305, the underwriting limitation established therein on July 1, 2014 is as follows:

Zurich American Insurance Company, \$711,680,000

The amount of the bond to which the statement and certification is attached is _____.

(1) If, by virtue of one or more contracts of reinsurance, the amount of the bond indicated under item (4) above exceeds the total underwriting limitation of all sureties on the bond as set forth in item (3) above, then for each such contract of reinsurance:

(a) The name and address of each such insurer under that contract and the amount of the reinsurer's participation in the contract is as follows:

and;

(b) Each surety that is party to any such contract of reinsurance certifies that each insurer listed under item (5)(a) satisfies the credit for reinsurance requirement established under P.L. 1993, c.243(C.17:51B-1 et seq.) and any applicable regulations in effect as of the date on which the bond to which this statement and certification is attached shall have been filed with the appropriate public agency.

CERTIFICATE

I, Michael P. Bond, as Vice President for Zurich American Insurance Company, a corporation domiciled in New York, DO HEREBY CERTIFY that, to the best of my knowledge, the foregoing statements made by me are true, and ACKNOWLEDGE that, if any of those statements made by me are false, this bond is VOIDABLE.



 Michael P. Bond

Dated: _____
 Effective: March 13, 2015

4. Short Form Financial Statement (Ohio, New Jersey and New York): A one-page, condensed financial statement of an insurance/surety company reporting assets, liabilities and surplus as regards to policy holders.

Figure 3.5: Short form financial statement

		LIBERTY MUTUAL INSURANCE COMPANY FINANCIAL STATEMENT — DECEMBER 31, 2014	
Assets		Liabilities	
Cash and Bank Deposits.....	\$744,221,142	Unearned Premiums.....	\$6,288,178,795
*Bonds — U.S Government.....	1,718,117,704	Reserve for Claims and Claims Expense.....	16,879,324,618
*Other Bonds.....	11,205,872,087	Funds Held Under Reinsurance Treaties.....	211,983,009
*Stocks.....	9,533,437,819	Reserve for Dividends to Policyholders.....	1,246,547
Real Estate.....	277,742,849	Additional Statutory Reserve.....	40,877,587
Agents' Balances or Uncollected Premiums.....	4,150,041,316	Reserve for Commissions, Taxes and	
Accrued Interest and Rents.....	129,261,358	Other Liabilities.....	<u>2,664,248,124</u>
Other Admitted Assets.....	<u>14,896,464,393</u>	Total	<u>\$26,085,858,680</u>
Total Admitted Assets.....	<u>\$42,655,158,668</u>	Special Surplus Funds.....	\$53,954,363
		Capital Stock.....	10,000,000
		Paid in Surplus.....	8,829,117,542
		Unassigned Surplus.....	7,676,228,083
		Surplus to Policyholders	<u>16,569,299,988</u>
		Total Liabilities and Surplus	<u>\$42,655,158,668</u>

* Bonds are stated at amortized or investment value; Stocks at Association Market Values.
 The foregoing financial information is taken from Liberty Mutual Insurance Company's financial statement filed with the state of Massachusetts Department of Insurance.

I, TIM MIKOLAJEWSKI, Assistant Secretary of Liberty Mutual Insurance Company, do hereby certify that the foregoing is a true, and correct statement of the Assets and Liabilities of said Corporation, as of December 31, 2014, to the best of my knowledge and belief.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the seal of said Corporation at Seattle, Washington, this 20th day of March, 2015.



 Assistant Secretary

S-1262LMIC/a 3/15

- 5. Corporate Acknowledgment with Surety Notarization: Acknowledgment before a notary public that an officer or attorney-in-fact is officer signing in his or her authorized capacity on behalf of a corporation.

Figure 3.6: Corporate Acknowledgment with Surety Notarization

Acknowledgment by Corporation

STATE OF _____

COUNTY OF _____

On this _____ day of _____, _____ before me personally appeared _____, to me known, who being by me duly sworn, did acknowledge and say that (s)he is the _____ of _____, the corporation that executed the foregoing instrument, and acknowledged to me that such corporation executed the same.

In witness whereof, I have hereunto set my hand and affixed my official seal, at my office in the above County, the day and year written above.

_____, Notary Public

State of _____

County of _____

My Commission Expires: _____

Acknowledgment by Surety

STATE OF _____

COUNTY OF _____

On this _____ day of _____, _____ before me personally appeared _____, to me known, who being by me duly sworn, did acknowledge and say that she is the Attorney-in-Fact of _____ the corporation that executed the foregoing instrument, and acknowledged to me that such corporation executed the same.

In witness whereof, I have hereunto set my hand and affixed my official seal, at my office in the above County, the day and year written above.

_____, Notary Public

State of _____

County of _____

My Commission Expires: _____

- 6. Assumption of Liability Certificate: A certificate provided by the surety carrier to amend the underlying writing company. Also known as a transition rider, this certificate is most commonly used in cases of surety acquisition, etc.

Figure 3.7: Assumption of Liability Certificate

<u>BERKLEY INSURANCE COMPANY</u> <u>ASSUMPTION CERTIFICATE</u>	
Obligee:	_____, US
Principal:	_____
<p>This is to certify that Bond Number _____ issued effective _____ 12:01a.m. on behalf of _____ heretofore issued by BERKLEY REGIONAL INSURANCE COMPANY, is hereby assumed by BERKLEY INSURANCE COMPANY effective _____ according to its terms and conditions, and BERKLEY INSURANCE COMPANY will carry out the provisions of said policy and perform all the obligations contained therein, as fully as the same would or should have been performed by BERKLEY REGIONAL INSURANCE COMPANY. This Assumption Certificate shall constitute the obligation to the Obligee under the bond hereby assumed and shall with such bond thereof be and become the bond obligation of the Principal and BERKLEY INSURANCE COMPANY to the Obligee.</p>	
<p>IN WITNESS WHEREOF, BERKLEY INSURANCE COMPANY has caused this instrument to be signed by its duly appointed Attorney in Fact in _____ this _____ day of _____.</p>	
	By: _____
	Title: <u>Attorney in Fact</u>
	Surety Phone No. _____

III. Reporting of executed bond.

1. Report bond to surety within surety/agency guidelines

Typically the contract between the surety and agency specify time conditions as to when the bond must be reported to the surety, usually within 24 hours of issuing. Since the surety's liability begins with the effective date of the bond, the surety must be made aware of its exposure immediately.

2. Invoice bond per agency guidelines

Agencies set their own invoicing requirements. Some may require that the bond be invoiced and that the invoice accompany the bond when provided to the client. Others may require that all invoicing be done on a weekly or monthly basis. Confirm your agency requirements and follow accordingly.

Chapter 4 – Changes to the Bond, Underlying Contract or Extensions

Once a bond has been executed and reported, it may still be amended for a variety of reasons and in a variety of different methods.

- I. One of the most common ways to change an existing bond is to issue a rider, typically either in the form of a change rider or an increase/decrease rider. Riders can be issued to change the following:
 1. Principal name
 2. Address of principal or surety
 3. Changes (increases or decreases) to the bond amount
 4. Effective date of the bond
 5. Bond number
 6. Misc. – (There are way too many miscellaneous changes to name them all. A few examples: add or delete locations covered; add or delete persons covered, such as a schedule of employees, etc. (if applicable))

Key points:

- a. The rider needs to state specifically that you are changing one thing “from” what was originally stated “to” what it should state going forward.
- b. It is important to know the effective date of the change and reference it on the rider.
- c. Some obligees require that a rider be issued on their own specific form.

Figure 4.1: Typical Change Rider

CHANGE RIDER

To be attached to and form a part of Bond No. _____
in the amount of \$ _____ issued by _____
on behalf of _____

in favor of _____

It is understood and agreed that the bond described above is hereby modified so as to

It is further expressly understood and agreed that the aggregate liability of the _____
_____ under said bond to the obligee
herein mentioned shall not exceed the amount stated above.

Nothing herein contained shall be held to vary, alter, waive, or extend any of the terms,
agreements, conditions or limitations of the above-mentioned bond, other than as above stated.

Signed sealed and dated this _____ day of _____, _____.

By: _____

By: _____ Attorney-in-Fact

Surety Phone No. _____

WC-4173/EP 2/&95

Figure 4.2: Increase/Decrease Rider



**Liberty
Mutual**TM

Interchange Corporate Center
450 Plymouth Road, Suite 400
Plymouth Meeting, PA 19462-1644
Ph. (610) 832-8240

INCREASE / DECREASE RIDER

Rider to be attached to and form a part of Bond Number _____, dated the _____ day of _____, _____, issued by Liberty Mutual Insurance Company, a Massachusetts stock insurance company, as Surety (the "Surety"), on behalf of _____, _____, as principal (the "Principal"), in favor of _____, _____, as obligee (the "Obligee").

It is understood and agreed that the penal sum of the attached bond is hereby _____ (increased/decreased) from _____ (\$ _____) Dollars, to _____ (\$ _____) Dollars.

This change is effective the _____ day of _____, _____.

The attached bond shall be subject to all of its terms, conditions and limitations except as herein modified.

DATED as of this _____ day of _____, _____.

WITNESS / ATTEST:

(Principal)
By: _____ (Seal)
Name:
Title:

ACCEPTED:
By: _____
Date: _____

LIBERTY MUTUAL INSURANCE COMPANY
(Surety)
By: _____ (Seal)
Attorney-in-Fact:
Surety Phone No.

LMIC-3010

Rev. 03/04

II. Contract Modifications

Other typical amendments to the original bond form include the reduction of retainage and the surety's consent to final payment.

1. Reduction/partial release of retainage: The underlying contract of the bond may allow for a reduction of retainage percentage (typically held in the amount of 5% to 10%) upon the completion of a certain milestone in the project.

Figure 4.3: Sample Reduction/Partial Release of Retainage*

<p>CONSENT OF SURETY TO REDUCTION IN OR PARTIAL RELEASE OF RETAINAGE</p>		<p>OWNER <input type="checkbox"/> ARCHITECT <input type="checkbox"/> CONTRACTOR <input type="checkbox"/> SURETY <input type="checkbox"/> OTHER <input type="checkbox"/></p>
<p><i>AIA DOCUMENT G707 A</i> Bond No. _____</p>		
<p>PROJECT: (name, address)</p>		
<p>TO (Owner)</p> <p>_____</p> <p>_____ , US </p>	<p>ARCHITECT'S PROJECT NO:</p> <p>CONTRACT FOR:</p> <p>CONTRACT DATE:</p>	
<hr/> <p>In accordance with the provisions of the Contract between the Owner and the Contractor as indicated above, the (here insert name and address of Surety as it appears in the bond.)</p> <p>_____, SURETY,</p> <p>on bond of (here insert name and address of Contractor as it appears in the bond)</p> <p>_____, CONTRACTOR,</p> <p>hereby approves the reduction in or partial release of retainage to the Contractor as follows:</p>		
<p>The Surety agrees that such reduction in or partial release of retainage to the Contractor shall not relieve the Surety of any of its obligations to (here insert the name and address of Owner)</p> <p>_____, US _____, OWNER,</p> <p>as set forth in the said Surety's bond.</p>		
<p>IN WITNESS WHEREOF, the Surety has hereunto set its hand this _____ day of _____</p>		
		<p>_____ Surety</p>
		<p>_____ Signature of Authorized Representative</p>
		<p>_____ Attorney-in-Fact</p>
<p>Attest: (Seal):</p>	<p>_____ Title Surety Phone No.</p>	
<p><small>AIA DOCUMENT G707A • CONSENT OF SURETY TO REDUCTION IN OR PARTIAL RELEASE OF RETAINAGE • JUNE 1971 • ONE PAGE EDITION • AIA® • © 1971 • THE AMERICAN INSTITUTE OF ARCHITECTS, 1735 NEW YORK AVE., NW, WASHINGTON, D.C. 20006</small></p>		

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2. Consent of surety to final payment: This is issued at the end of a project. The consent states that the obligee reserves its rights under the bond and the surety company agrees the final payment will not relieve it of any of its obligations.
 - a. It is a good practice to obtain the final contract price from the client so that the bond can be closed in a timely manner by the surety.

Figure 4.4: Consent of Surety to Final Payment*

<p>CONSENT OF SURETY TO FINAL PAYMENT <i>AIA Document G707</i></p> <p>Bond No. _____</p> <p>TO OWNER: <i>(Name and address)</i></p> <p>PROJECT: <i>(Name and address)</i></p>	<table border="0" style="width: 100%;"> <tr><td>OWNER</td><td style="text-align: right;"><input type="checkbox"/></td></tr> <tr><td>ARCHITECT</td><td style="text-align: right;"><input type="checkbox"/></td></tr> <tr><td>CONTRACTOR</td><td style="text-align: right;"><input type="checkbox"/></td></tr> <tr><td>SURETY</td><td style="text-align: right;"><input type="checkbox"/></td></tr> <tr><td>OTHER</td><td style="text-align: right;"><input type="checkbox"/></td></tr> </table> <p>ARCHITECT'S PROJECT NO.: _____</p> <p>CONTRACT FOR: _____</p> <p>CONTRACT DATED: _____</p>	OWNER	<input type="checkbox"/>	ARCHITECT	<input type="checkbox"/>	CONTRACTOR	<input type="checkbox"/>	SURETY	<input type="checkbox"/>	OTHER	<input type="checkbox"/>
OWNER	<input type="checkbox"/>										
ARCHITECT	<input type="checkbox"/>										
CONTRACTOR	<input type="checkbox"/>										
SURETY	<input type="checkbox"/>										
OTHER	<input type="checkbox"/>										
<p>_____ <i>(Insert name and address of Surety)</i></p> <p style="text-align: right;">, SURETY,</p> <p>on bond of _____ <i>(Insert name and address of Contractor)</i></p> <p style="text-align: right;">, CONTRACTOR,</p> <p>hereby approves of the final payment to the Contractor, and agrees that final payment to the Contractor shall not relieve the Surety of any of its obligations to _____ <i>(Insert name and address of Owner)</i></p> <p style="text-align: right;">, OWNER,</p> <p>as set forth in said Surety's bond.</p> <p>IN WITNESS WHEREOF, the Surety has hereunto set its hand on this date: <i>(Insert in writing the month followed by the numeric date and year.)</i></p>											
<table border="0" style="width: 100%;"> <tr> <td style="width: 50%; vertical-align: bottom;"> <p>Attest: (Seal): _____</p> </td> <td style="width: 50%; vertical-align: bottom;"> <p>_____ <i>(Surety)</i></p> <p>_____ <i>(Signature of authorized representative)</i></p> <p style="text-align: right;">Attorney-in-Fact</p> <p>_____ <i>(Printed name and title)</i></p> <p>Surety Phone No. _____</p> </td> </tr> </table>		<p>Attest: (Seal): _____</p>	<p>_____ <i>(Surety)</i></p> <p>_____ <i>(Signature of authorized representative)</i></p> <p style="text-align: right;">Attorney-in-Fact</p> <p>_____ <i>(Printed name and title)</i></p> <p>Surety Phone No. _____</p>								
<p>Attest: (Seal): _____</p>	<p>_____ <i>(Surety)</i></p> <p>_____ <i>(Signature of authorized representative)</i></p> <p style="text-align: right;">Attorney-in-Fact</p> <p>_____ <i>(Printed name and title)</i></p> <p>Surety Phone No. _____</p>										

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III. How to renew or extend a bond

While many bonds are continuous, meaning that the surety is bound until the principal has performed the obligation and the obligee has released the bond, other bonds are written for a specific time period and must be continued or renewed in order to remain in effect.

1. Continuation Certificates: In some cases a bond will have an expiration date shown on the bond form in the "Provided, However," clause. The bond form will usually state if the bond can be extended with the use of a Continuation Certificate. In most cases, the certificate will extend the term of the bond for a period of one year and must be filed with the obligee each year the bond is required to be in force.

Figure 4.5: Continuation Certificate

CONTINUATION CERTIFICATE

The _____ (hereinafter called the Surety)
hereby continues in force its Bond No. _____ in the sum of _____
_____ (\$ _____) Dollars,
on behalf of _____
in favor of _____
subject to all the conditions and terms thereof through _____ at location
of risk.

This Continuation is executed upon the express condition that the Surety's
liability shall not be cumulative and shall be limited at all times by the amount of the
penalty stated in the bond.

IN WITNESS WHEREOF, the Surety has caused this instrument to be signed by its duly
authorized Attorney-in-Fact and its corporate seal to be hereto affixed this
_____ day of _____,

Surety

By: _____
Attorney-in-Fact

2. Renewal Bond: In some instances, the obligee may stipulate that a new bond is required every year. In these cases, a renewal bond will need to be issued. Generally, these bonds are issued on the same form and with the same bond number as the originally executed bond.
 - a. Power of attorney, certificate of authority, certificate of solvency, financials, countersignature and acknowledgements will be required again.
3. Verification/Validation Certificates: In some instances, the obligee may request verification/validation that the bond remains in effect. Generally these bonds are continuous in nature; however, when verification/validation is requested, refer to the originally executed bond for verification/validation information.
 - b. Power or attorney, certificate of authority, certificate of solvency, financials, countersignature and acknowledgements will be required again.

Figure 4.6: Sample Verification Certificate

 THE HARTFORD	<h2 style="margin: 0;">Verification Certificate</h2>
<p>This is to certify that Bond No. _____ subscribing this certificate, dated _____ in the amount of _____ on behalf of _____ and in favor of _____ covers an indefinite term which began on _____ said bond; that said bond is now in full force and effect and will continue in full force and effect until cancelled.</p>	<p>Issued by the member company of The Hartford</p> <p style="text-align: center;">Dollars</p> <p>_____, as Principal, _____, as Obligee, _____, and ends with the cancellation of</p>
<p><u>ANNIVERSARY PREMIUM PERIOD:</u></p> <p style="text-align: center;">To _____</p>	
<p>Signed, Sealed, and Dated</p>	
<p>Attest or Witness</p> <p>_____</p>	<p>Surety</p> <p>_____</p> <p>By: _____ (Seal) _____, Attorney in fact</p>
<p>CC:</p> <p>CC:</p>	<p>Surety Phone No.</p>

- 4. Continuous Bond: The phrase “otherwise it shall remain full force and effect” confirms the bond remains in effect without renewal documentation. Most continuous bonds require some type of release in order for the bond to be cancelled.

Figure 4.7: Sample Continuous Bond

BOND NO:

**SUPERIOR COURT OF
COUNTY OF**

Case No.
**UNDERTAKING FOR WRIT
OF POSSESSION**

AND

TEMPORARY RESTRAINING ORDER

Plaintiff,

vs.

Defendant(s).

KNOW ALL MEN BY THESE PRESENTS, That _____
(Plaintiff), as Principal, and _____, as Surety,
are held and firmly bound unto the Defendants, in the sum of _____
(\$ _____) DOLLARS, lawful money of the
United States, to be paid unto said Defendants, his heirs, legal representative, or assigns, for which
payment well and truly to be made, we jointly and severally bind ourselves or heirs and legal
representative, firmly by these presents.

WHEREAS, _____ (Plaintiff) has obtained a
Writ of Possession and Temporary Restraining Order issued by the Superior Court of _____
County of _____, against Defendant(s) _____, in
the above styled civil action now pending in this court.

Property and basis for amount of undertaking:

NOW, THEREFORE, if the said Plaintiff (Principal), _____
shall prosecute said action with effect, and without delay, and shall duly return the said goods and
chattels to the said Defendant(s) _____, or legal representative,
in as good condition as they were when replevied, if a return shall be awarded, then this obligation shall
be void, otherwise it shall remain full force and effect.

Witness Whereof, we have hereunto set our hands and seals this _____ day of _____

By: _____
Attorney-in-Fact

Chapter 5 – Electronic Bonds

- I. Electronic bid bonds are becoming more prevalent and are currently used by the majority of State Departments of Transportation. Some cities in Ohio, parishes in Louisiana and universities are now trending toward electronic bidding/bonding as well.
 1. In order to provide electronic bonds, you must first be registered with a proper platform (e.g., Surety2000 or vendor-based systems such as SurePath, Erlon, etc., or directly with a particular state through its proprietary system).
 2. Confirm you, as agent, have proper credentials (electronic/digital signature, electronic powers of attorney, etc.) as required by your system of choice.
 3. Confirm your contractor is properly registered with your system.
 4. Prepare the bond following the same guidelines outlined in Chapter 3, adjusting the data to include the electronic specific information such as contract's electronic identification number, contractor's electronic identification number, as required.
 5. System will generate a Bond Validation Number (BVN) that you will transmit to the contractor for input into its electronic bid submission.

Key points:

- a. You will still need to comply with the surety's guidelines for contractors/clients in terms of surety approval and working within lines of authority.

Glossary

Aggregate liability – The maximum liability of a surety for losses in a given time period for a particular bond or series of bonds for a principal.

Annual bond – A bond written to cover contracts, bids, license or other obligations during a 12-month period or for a period terminating within a fiscal year.

Application – A questionnaire that must be completed, when required, by an applicant for a bond. It gives the surety information about the applicant and contains the agreement to indemnify the surety in the event of loss, as well as promise to pay the premium.

Assumption of Liability Certificate – A certificate provided by the surety to amend the underlying writing company. Typically occurs in cases of surety acquisition, etc.

Attest – To bear witness to; to affirm to be true or genuine; to certify.

Attorney-in-fact – The holder of a power of attorney granted by a surety company empowering the execution of a surety bond on behalf of the company.

Bid bond – A bid bond from a surety company is provided as the basic instrument of prequalification. Prequalification, in this context, means that the surety has investigated the contractor sufficiently to be convinced that it can safely issue a bid bond on a given project. The bid bond is an indication that the surety has determined that the company has the ability to carry out the work necessary for the project. Primarily, a bid bond provides the owner a means to recover the cost of having to repeat the bidding process when the awarded bidder is unable or unwilling to perform. A bid bond does not guarantee any portion of the construction.

Bond penalty – The dollar amount for which a bond is issued. (See also Penal sum.)

Bond validation number – Used in conjunction with electronic bidding/bonding. This number confirms to the obligee that the electronic bid/bond submitted is “valid” or approved.

Bound – Under a legal obligation, liable.

Cancellation provision – Clause in a bond permitting a surety to terminate future liability by giving written notification to the obligee.

Certified copy – Reproduction of a document that the authority having custody of the original signs and attests that it is a true, genuine and authentic copy.

Certificate of authority – Issued by a state insurance commissioner’s office evidencing the authority of an insurer or surety to transact business in a particular state.

Certificate of solvency – Attests to the solvency of an insurance company and its ability to meet its long-term obligations.

Collateral – Anything of value pledged with the surety to secure it against loss by reason of default of the principal.

Commission – Money paid to a bond producer for placing business with a surety or insurance company.

Condition – Technical name of the part of a surety bond defining the guarantee.

Continuation certificate – A certification of continuation of a bond for an additional term beyond its stipulated termination date. (See Renewal.)

Continuous – A bond that does not terminate but is intended to continue from year to year unless one of the parties delivers notice of termination in accordance with the termination provisions of the bond.

Contract bond – Guarantees the performance of obligations assumed under contract. Used most often in construction contracts but does also apply to other industries.

Contract price – Mutually agreed upon total amount that an owner pays to a contractor on completion of the contract, in accordance with contract terms and conditions.

Contract modification – Written or mutually agreed upon changes or alterations made to a contract. In construction contracts modifications usually are issued through a change order.

Corporate acknowledgement – Acknowledgment before a notary public that an officer or attorney-in-fact is signing in his/her authorized capacity on behalf of a corporation.

Corporate surety – A corporation licensed under various insurance laws, which under its charter has legal power to act as surety for others.

Corporation – A legal entity, separate and distinct from the employees or people who own it (stockholders), chartered by a state or the federal government to conduct business.

Co-surety – One of two or more surety companies directly participating in a bond. Their obligation to the owner is joint and several but often a limit of liability for each surety is stated as between themselves.

Countersignature – Signature added after another's to authenticate a document. (State and local laws sometimes require countersignature on bonds by a licensed agent.)

Cumulative liability – When a bond is cancelled or its term has "expired" and another bond is issued to replace it, the surety company is exposed to the possibility of a loss equal to the aggregate sum of the subsequent bonds. Also referred to as stacking liability.

Digital signature – Binary code that, like a handwritten signature, authenticates and executes a document and identifies the signer. A digital signature can be sent only as part of an electronic document or message.

Discharge – Release or removal of an obligation or liability.

Effective date – Date from which bond coverage is provided.

Expiration – Date on which a bond will cease to provide coverage.

Financial guarantee – Bond guaranteeing payment of a monetary obligation, e.g., lease bonds, utility deposit bonds.

Fixed penalty bond – A bond in which the amount of liability is defined.

Forfeiture bond – A bond in which the entire penal sum is forfeited if the condition of the bond is breached, regardless of the amount of loss or actual damages.

Full force and effect – A phrase verifying the bond is current and valid.

General indemnity agreement – A contract entered into between an indemnitor and the surety in which the indemnitor secures the surety against any loss the surety may sustain as a result of having issued the bond. (Also known as "indemnity agreement.")

Indemnify – To compensate the surety for loss sustained by the surety as a result of having issued the bond.

Joint and several – Sureties bind themselves jointly and individually to the obligee(s) so that the sureties may be sued either together or separately for enforcement of the bond.

Jurat – Acknowledgment form that may be used by a notary public affirming authenticity of signatures when an individual is signing a legal document.

Liability – Legally enforceable obligation.

License bond – Used interchangeably with the term "permit bond" to describe bonds required by state law, municipal ordinance or regulation, to be filed prior to the granting of a license to engage in a particular business

or a permit to exercise a particular privilege. Such bonds provide payment to the obligee for loss or damage resulting from violations by the licensee of the duties and obligations imposed upon him/her.

Line of authority – The authority granted by a surety to an agent to issue bonds for an account or accounts within specific limits.

Miscellaneous indemnity bonds – Bonds that do not fit any of the well-recognized categories. Bonds in which the obligation is a promise to pay contingent on some event occurring.

Notary acknowledgment – Formal declaration made in the presence of a notary public by a person who has signed a document.

Obligee – The party in whose favor a bond runs; the party protected by the bond against loss. An obligee may be a person, firm, corporation, government or an agency of a government.

Open penalty bond – A surety bond written without a limit on the liability of the principal or surety. Under the regulations of the federal government and the laws of many of the states, surety companies are not permitted to obligate themselves on any one bond for an amount greater than a specified percentage of their capital and surplus (qualifying power). Consequently, many open penalty bonds read to the effect that “the surety hereunder obligates itself in an amount equal to the maximum amount for which it may legally bind itself.”

Ordinance (regulation, statute) – Regulation of a governmental body.

Payment bond – The payment bond provides security for payment for labor and materials incorporated into the project by certain laborers, subcontractors, and suppliers. Who is a proper claimant under a payment bond is typically restricted or limited by statute, the contract, or the bond.

Penal sum – The maximum amount for which a surety company may normally be held liable under the bond. (See also Bond penalty.)

Perform – Fulfill an obligation to complete a contract or task that has a penalty for failure.

Performance bond – A performance bond provides a guarantee that, in the event of a contractor’s default, the surety will either complete the work, make funds available to finish the construction, or reimburse the bond obligee for the damages arising out of the contractor’s default. If the contractor fails to perform its work in accordance with the plans and specifications, the owner, which has itself performed its contractual obligations, has a right of action against the surety to secure the completion of the project and enforce the owner’s rights under the contract.

Permit bond – See License bond.

Power of attorney – Instrument authorizing one person or corporation to act for and obligate another, to the extent expressed in the instrument creating the power. In corporate suretyship, it is an instrument under seal that appoints an individual as an attorney-in-fact to act on behalf of a surety in executing bonds.

Premium – The fee to be paid for the bond, e.g., the cost of the bond.

Principal – The one who is primarily bound on a bond. In a contract bond, the principal is the contractor; for a public official bond, the principal is the public official; for a fiduciary bond, the principal is the administrator, executor or guardian; for a license bond, the principal is the one to whom the license is issued.

Rate – The cost of a unit of bond coverage. Such unit is usually in the denomination of \$1,000 (given as dollar per thousand or as a percentage, i.e., \$10 = 1%).

Renewal – Continuation or invoicing to renew a bond for an additional premium term rather than issuing a new bond. (See Continuation certificate).

Release – The giving up or surrendering to another a right or claim or privilege; abandonment of a claim.

Rider – A form changing or adding special provisions to a bond. Sometimes called an endorsement.

Seal – Metal stamp that makes an indelible impression on paper and is used as a mark of authenticity on legal documents.

Short form financial statement – A one-page, condensed financial statement of an insurance/surety company reporting assets, liabilities and surplus as regards to policyholders.

Signed sealed date – Date a bond is executed (signed) by the surety's attorney-in-fact with the surety's corporate seal affixed.

Stacking liability – See Cumulative liability.

Stand-alone agreement – An agreement or contract that provides its own terms and conditions.

Subcontract bond – Required by a general contractor of a subcontractor, guaranteeing that the subcontractor will faithfully perform the subcontract in accordance with its terms and conditions and will pay for labor and material incurred in the prosecution of the subcontracted work.

Surety – A person or corporation bound or obligated for the payment of money or the performance of an act or duty to another.

Term – A period of time for which a bond is issued and its liability is outstanding.

Termination – The formal ending of a bond or agreement by its natural expiration, cancellation or release by parties.

Treasury limits – Qualifying limits imposed upon surety companies by the United States Treasury Department. To be an acceptable surety on bonds in favor of the United States, the surety must qualify financially under regulations of the Treasury Department, which annually issues a list of companies so qualified, the underwriting limit of each, the states in which each is licensed, and other data. The underwriting limit is frequently referred to as the qualifying power, which is equal to 10% of the capital and surplus of the surety.

Undertaking – A guarantee, pledge or commitment – a bond is an undertaking of the surety.

Underlying agreement – An agreement or contract providing terms and conditions guaranteed by a bond.

Underwriter – An individual who has the responsibility of making the decision regarding the acceptability of a particular submission and determining the conditions under which the submission is acceptable.

Validation certificate – A document that authenticates a surety bond.

Verification certificate – Confirmation that the bond remains in full force and effect. Typically used when continuous bonds are on file and obligee requires confirmation bond is in effect.

Witness – A person present to verify an event; e.g., witness to the signature of a principal or surety on a bond.