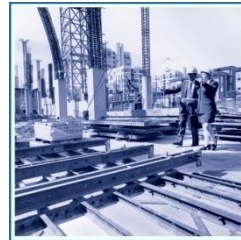




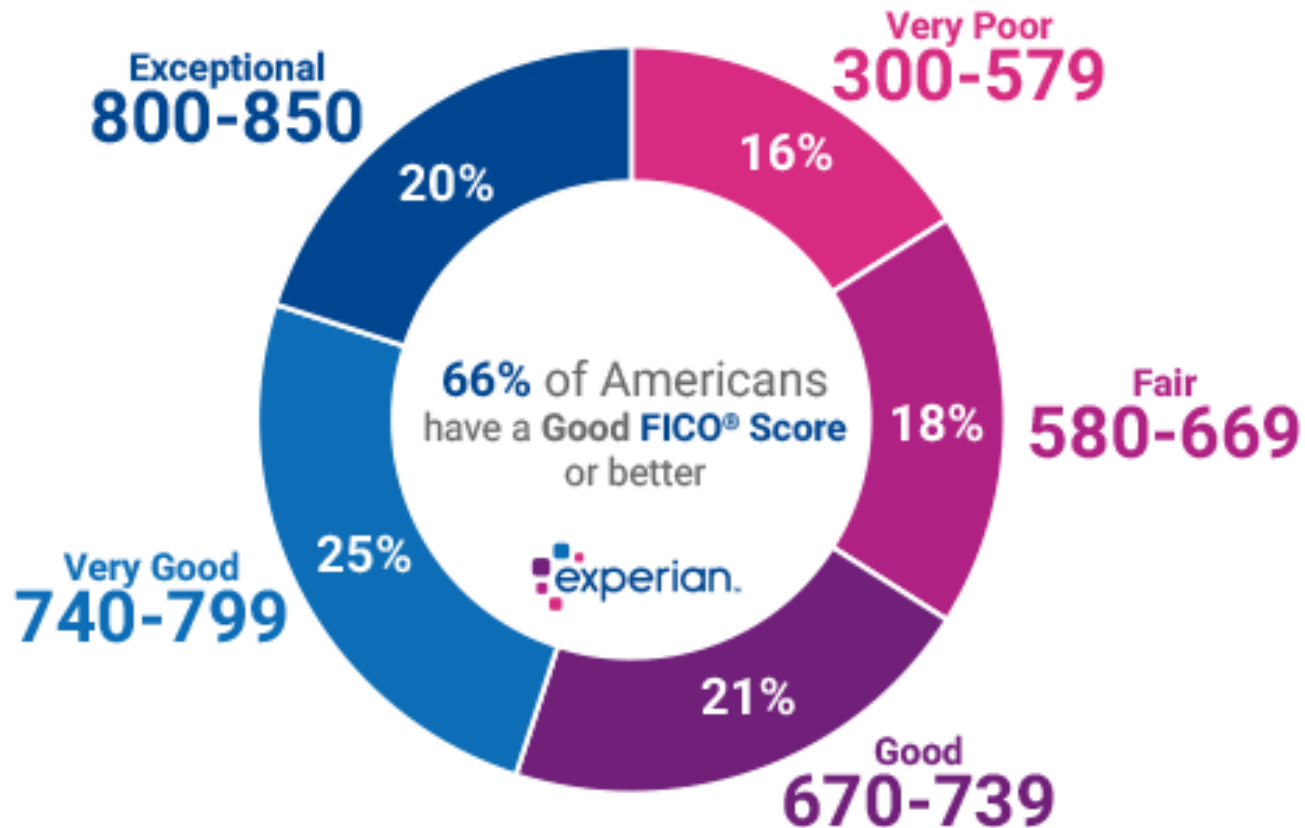
Protecting and Understanding Surety Bonds Through Credit Scores

TCTANJ Annual Conference - 2019

Understanding Credit Scores



Understanding Credit Scores



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Credit Score Factors

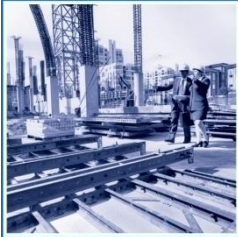
Factors Affecting Score

- Payment history for loans and credit cards
- Credit utilization
- Type, number and age of credit accounts
- Total debit
- Adverse financial events
- Number of credit inquiries

Factors NOT Affecting Score

- Race, color, religion, national origin, sex or marital status
- Age
- Employment details
- Residency
- Certain types of inquiries, such as promotional inquiry

Underwriting



Underwriting

Key Data

- Loss history of applicant and entity
- Applicant work experience in relative position
- Prior insurance cancelled, refused or declined
- CPA audit recommendations
- No pending bankruptcy, insolvency, lawsuits for non-payment, liens or judgments
- Financial history
- Credit score of 600 or above

Financial Controls

- Amount of money to be handled
- Countersignature on withdraws
- Who reconciles bank statements
- Audit frequency
- Investments with an adopted investment policy

Appeal

- Testimony from applicant of circumstances leading to adverse financial position
- Letter of recommendation from supervisor/council/mayor
- Letter from town auditor discussing internal controls in place

Underwriting

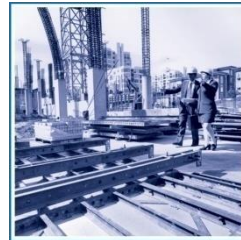
Credit Scores

.....and why Credit Scores?

Two types of bonds to consider:

1. **Surety Bonds**: Credit scores simply give the surety an indication of your likelihood of repayment
2. **Statutory Bonds**: Gives the insurer an indication of your financial trustworthiness

Coverage



Coverage

Surety Bonds

1. Surety Bonds

The **surety** pays the **obligee** for failure of the **principle** to meet its obligation.

Surety: Also known as Guarantor, assures the obligee the principle can perform its obligation

Obligee: Recipient of the principle's obligation

Principle: Performer of the obligation to the obligee

Key Conditions:

- Material changes in underlying obligations
- Adverse changes in financial condition of principle
- Significant financial transactions

Coverage

Statutory Bonds

2. Statutory Bonds

Covered Property: Money, securities, and other property

Covered Cause of Loss: Employee Dishonesty, failure of any employee to faithfully perform their duties as prescribed by law

Employee Dishonesty: Dishonest acts committed by an employee, whether identified or not, acting alone or in collusion with other persons with the manifest intent to cause you to sustain loss and obtain financial benefit

Coverage

Statutory Bonds

2. Statutory Bonds

Exclusions

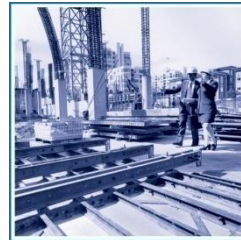
- Employee cancelled under prior insurance for which no reinstatement has occurred
- Inventory shortages
- Depository failure
- Failure to obtain/require insurance

Conditions

- In the event of a loss, you must notify the insurer asap, but no later than 60 days after discovery by C-Suite (check your policy).
- Submit to examination, provide sworn proof of loss and cooperate in investigation and settlement

**** REMEMBER.....this only covers your failure to faithfully perform your job function ****

Losses



Losses

