



National Association of Surety Bond Producers

1140 19th Street NW, Suite 800. Washington, DC 20036-5104

Phone: (202)686-3700

Fax: (202)686-3656

Web Site: <http://www.nasbp.org>

E-mail: info@nasbp.org

February 19, 2014

Delivered via email to: dvbeiser@sbcglobal.net

Representative Daniel V. Beiser
Chairman, Transportation: Regulation, Roads & Bridges Committee
269-S Stratton Office Building
Springfield, IL 62706

RE: Opposition to HB 4769, which would amend the Illinois Public Construction Act to require sureties possess an "A" A.M. Best Rating

Dear Representative Beiser:

On behalf of the National Association of Surety Bond Producers (NASBP), a national trade association representing firms employing surety bond producers, including licensed resident and licensed non-resident agents placing contract surety bonds in Illinois, I am contacting you about your proposed amendment to Section 1 of 30 ILCS 550/1 which would require sureties on public construction projects to possess an "A" rating or better. This new more restrictive requirement has prompted us to express our concerns to you about the substantial impact they have on the construction community as a whole.

NASBP understands and appreciates that the State of Illinois has a significant interest in ensuring that only surety companies with excellent financial strength ratings are permitted to prequalify contractors and provide the verification of the appropriate level of bonding capacity. We fail, however, to understand any public policy reason for the required "A or better" rating when under current law the state department of insurance already considers the sureties rating as part of its review.

Overly restrictive surety financial strength rating requirements are not in the best interest of the state, as they limit competition, increase pricing, and deter meeting minority and disadvantaged business participation goals.

- Restricting acceptable sureties to only those with an A.M. Best A rating or higher severely limits competition, as very few sureties are rated A or higher, unnecessarily eliminating many qualified contractors that have established surety credit with sureties rated A-. Less competition usually translates into higher project pricing.
- An A.M. Best rating of A- means an "Excellent" financial strength rating. There is no reason to eliminate sureties with such ratings from being able to prequalify and verify a contractor's bonding capacity.
- An overly restrictive surety financial strength rating will likely be an obstacle to achieve sufficient minority or disadvantaged business participation goals. Such companies are often served by smaller surety companies that may have financial strength ratings of A- not A or

higher.

For these reasons, NASBP respectfully requests your reconsideration of imposing a minimum financial strength rating of A or higher on surety companies that prequalify and verify bonding capacity for public construction contracts.

NASBP appreciates your attention to this important matter. Please feel free to contact me at 202-686-3700 or lleclair@nasbp.org if you have any further questions.

Sincerely,

A handwritten signature in black ink, appearing to read "Larry LeClair". The signature is fluid and cursive, with the first name "Larry" and last name "LeClair" clearly distinguishable.

Larry LeClair
Director, Government Relations