



National Association of Surety Bond Producers
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**BY ELECTRONIC TRANSMISSION (pdpartlo@dekalbcountyga.gov;
wsams@dekalbcountyga.gov)**

September 16, 2015

Mr. Larry Jacobs
Deputy Director, Division of Risk Management
DeKalb County Government
1300 Commerce Drive, 3rd Floor
Decatur, GA 30030

Mr. Warrick Sams
Procurement Deputy Director
DeKalb County Government
1300 Commerce Drive, 3rd Floor
Decatur, GA 30030

**Re: DeKalb County Government--Surety Company A.M. Best Rating and
Financial Size Requirements**

Dear Mr. Jacobs and Mr. Sams:

On behalf of the National Association of Surety Bond Producers (NASBP), a national trade association of surety bond producers, including licensed resident and nonresident producers placing bonds in DeKalb County, the state of Georgia, and in all other jurisdictions, I am contacting you regarding the overly restrictive financial strength rating and financial size requirements for surety companies imposed by the DeKalb County Government (County). Both the highly restrictive A rating requirement and the financial size category of XII or better in the County's contract requirements has recently come to our attention, prompting us to express our concerns to you about the detrimental impact this will have on bidder interest, robust competition, project price, and minority and disadvantaged business participation.

NASBP understands and appreciates that the County 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. There is, however, no compelling reason to restrict the acceptable surety rating to A or better or the financial size to XII or better. Indeed, there is every compelling reason not to be so restrictive. The A.M. Best ratings of both A and A- are described by Best as "Excellent;" thus, it is reasonable to allow sureties with

a rating of A- or better to provide bonds on County projects. Indeed, it will provide for more robust competition and lower bid prices. For your convenience, I attach Best's Financial Strength Rating Guide.

Even more significantly, the County requirement of a financial size category of XII or better will severely limit competition on County projects. There are many very fine, quality sureties that will be precluded from providing bonds by this requirements. In turn, that means that many middle-sized and small businesses, which are often underwritten by smaller, but financially strong sureties, will be precluded from bidding for County projects.

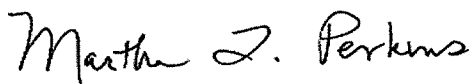
Overly restrictive surety financial strength rating and financial size requirements are not in the best interest of the project owner, as they limit bidder competition, increase pricing, and deter meeting minority and disadvantaged business participation goals.

- ✓ Restricting acceptable sureties to only those with an A.M. Best A rating or higher and financial size of XII or higher severely limits competition, as many quality sureties are not rated A or higher nor do they have a financial size of XII or higher, unnecessarily eliminating many qualified contractors that have established surety credit with sureties with a financial size of under XII and 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 and financial size category likely will be an obstacle to achieve sufficient minority or disadvantaged business participation goals. Such companies are often served by smaller, quality surety companies that may have financial strength ratings of A-, not A or higher, and with financial size categories that are much lower than XII.

For these reasons, NASBP respectfully requests that you reconsider and impose a minimum financial strength rating of A- and a lower financial size category on surety companies that prequalify and verify bonding capacity for construction contractors for County projects.

I appreciate your consideration of NASBP's concerns, and I would be happy to answer any questions you may have.

Yours sincerely,



Martha L. Perkins
General Counsel

Attachment

cc: Mark H. McCallum, CEO
Larry LeClair, Director, Government Relations

BEST'S FINANCIAL STRENGTH RATING GUIDE

A Best's Financial Strength Rating (FSR) is an independent opinion of an insurer's financial strength and ability to meet its ongoing insurance policy and contract obligations. An FSR is not assigned to specific insurance policies or contracts and does not address any other risk, including, but not limited to, an insurer's claims-payment policies or procedures; the ability of the insurer to dispute or deny claims payment on grounds of misrepresentation or fraud; or any specific liability contractually borne by the policy or contract holder. An FSR is not a recommendation to purchase, hold or terminate any insurance policy, contract or any other financial obligation issued by an insurer, nor does it address the suitability of any particular policy or contract for a specific purpose or purchaser.

Best's Financial Strength Rating (FSR) Scale

Rating Categories	Rating Symbols	Rating Notches*	Category Definitions
Superior	A+	A++	Assigned to insurance companies that have, in our opinion, a superior ability to meet their ongoing insurance obligations.
Excellent	A	A-	Assigned to insurance companies that have, in our opinion, an excellent ability to meet their ongoing insurance obligations.
Good	B+	B++	Assigned to insurance companies that have, in our opinion, a good ability to meet their ongoing insurance obligations.
Fair	B	B-	Assigned to insurance companies that have, in our opinion, a fair ability to meet their ongoing insurance obligations. Financial strength is vulnerable to adverse changes in underwriting and economic conditions.
Marginal	C+	C++	Assigned to insurance companies that have, in our opinion, a marginal ability to meet their ongoing insurance obligations. Financial strength is vulnerable to adverse changes in underwriting and economic conditions.
Weak	C	C-	Assigned to insurance companies that have, in our opinion, a weak ability to meet their ongoing insurance obligations. Financial strength is very vulnerable to adverse changes in underwriting and economic conditions.
Poor	D	-	Assigned to insurance companies that have, in our opinion, a poor ability to meet their ongoing insurance obligations. Financial strength is extremely vulnerable to adverse changes in underwriting and economic conditions.

*Each Best's Financial Strength Rating Category from "A+" to "C" includes a Rating Notch to reflect a gradation of financial strength within the category. A Rating Notch is expressed with either a second plus "+" or a minus "-".

FSR Non-Rating Designations

Designation Symbols	Designation Definitions
E	Status assigned to insurance companies that are publicly placed under a significant form of regulatory supervision, control or restraint - including cease and desist orders, conservatorship or rehabilitation, but not liquidation - that prevents conduct of normal ongoing insurance operations; an impaired insurer.
F	Status assigned to insurance companies that are publicly placed in liquidation by a court of law or by a forced liquidation; an impaired insurer.
S	Status assigned to rated insurance companies to suspend the outstanding FSR when sudden and significant events impact operations and rating implications cannot be evaluated due to a lack of timely or adequate information; or in cases where continued maintenance of the previously published rating opinion is in violation of evolving regulatory requirements.
NR	Status assigned to insurance companies that are not rated; may include previously rated insurance companies or insurance companies that have never been rated by AMB.

Rating Disclosure: Use and Limitations

A Best's Credit Rating (BCR) is a forward-looking independent and objective opinion regarding an insurer's, issuer's or financial obligation's relative creditworthiness. The opinion represents a comprehensive analysis consisting of a quantitative and qualitative evaluation of balance sheet strength, operating performance and business profile or, where appropriate, the specific nature and details of a security. Because a BCR is a forward-looking opinion as of the date it is released, it cannot be considered as a fact or guarantee of future credit quality and therefore cannot be described as accurate or inaccurate. A BCR is a relative measure of risk that implies credit quality and is assigned using a scale with a defined population of categories and notches. Entities or obligations assigned the same BCR symbol developed using the same scale, should not be viewed as completely identical in terms of credit quality. Alternatively, they are alike in category (or notches within a category), but given there is a prescribed progression of categories (and notches) used in assigning the ratings of a much larger population of entities or obligations, the categories (notches) cannot mirror the precise subtleties of risk that are inherent within similarly rated entities or obligations. While a BCR reflects the opinion of A.M. Best Company Inc. (AMB) of relative creditworthiness, it is not an indicator or predictor of defined impairment or default probability with respect to any specific insurer, issuer or financial obligation. A BCR is not investment advice, nor should it be construed as a consulting or advisory service, as such; it is not intended to be utilized as a recommendation to purchase, hold or terminate any insurance policy, contract, security or any other financial obligation, nor does it address the suitability of any particular policy or contract for a specific purpose or purchaser. Users of a BCR should not rely on it in making any investment decision; however, if used, the BCR must be considered as only one factor. Users must make their own evaluation of each investment decision. A BCR opinion is provided on an "as is" basis without any expressed or implied warranty. In addition, a BCR may be changed, suspended or withdrawn at any time for any reason at the sole discretion of AMB.

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