



National Association of Surety Bond Producers
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BY ELECTRONIC TRANSMISSION (dturner@gocolumbiamo.com)

July 28, 2015

Mr. Cale Turner
City of Columbia, Missouri
701 East Broadway
Columbia, MO 65201

Re: City of Columbia, MO--Surety Company A.M. Best Rating Requirement

Dear Mr. Turner:

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 the state of Missouri and in other jurisdictions, I am contacting you regarding the overly restrictive financial strength rating for surety companies required by the City of Columbia, Missouri (City). This highly restrictive A+ surety rating requirement in the City bid bond 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 City 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 no compelling reason to restrict the acceptable surety rating to A+ or better. Indeed, there is every compelling reason not to be so restrictive. The A.M. Best rating of A and A- are described by Best as "Excellent." For your convenience, I attach Best's Financial Strength Rating Guide.

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

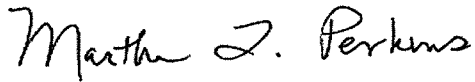
- ✓ Restricting acceptable sureties to only those with an A.M. Best A+ rating or higher severely limits competition, as very few sureties are rated A+ or higher, unnecessarily eliminating many qualified contractors that have established surety credit with sureties rated A-.
- ✓ Less competition usually 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 likely will 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+ rather than of A- on surety companies that prequalify and verify bonding capacity for construction contractors for City projects.

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

Yours sincerely,

A handwritten signature in cursive script that reads "Martha L. Perkins".

Martha L. Perkins
General Counsel

Attachment

cc: Mark H. McCallum, CEO

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.

BCRs are distributed via the AMB website at www.ambest.com. For additional information regarding the development of a BCR and other rating-related information and definitions, including outlooks, modifiers, identifiers and affiliation codes, please refer to the report titled "Understanding Best's Credit Ratings" available at no charge on the AMB website. BCRs are proprietary and may not be reproduced without permission.

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