



Message from NASBP's President

J. Spencer Miller

President
Schwartz Brothers Insurance Agency, Inc.
Chicago, IL

» Carrying The Torch of Passion and Advocacy

As I began to write my first Pipeline column, I reviewed the first offerings of some of my esteemed predecessors for inspiration and ideas. In reviewing them, I realized that my theme of PASSION and ADVOCACY carries the torch of the themes of Past Presidents Steve Cory, Sarah Finn, Bill Maroney, and Todd Loehnert. During my term, I will carry on the initiatives they implemented and continue to advance NASBP and help the Association and industry meet the challenges of 2010 and 2011 with Passion and Advocacy.

I want to encourage the PASSION that NASBP embodies in mentoring and participation that creates more generations of passionate bond people. Through our educational offerings, particularly the William J. Angell Surety School and the Risk Workshop, we not only teach the "nuts and bolts" of our business, but the faculty establishes the beginnings of ongoing, informal mentoring relationships with the participants. In my own experience as a student at the School, Faculty Bill Angell, Jack Curtin, Bob Miller and George Foster were instrumental in not only teaching me the business, but also showing me the passion they had for it.

Our ongoing growth as a mentoring organization has been further solidified by taking Steve Cory's original idea of identifying and developing future leaders, the 5/15 Leadership Circle, and making it a permanent NASBP Committee this year. The leadership, passion and commitment of these 5/15 members are critical to the future of NASBP. We are working closely to make sure that we are meeting not only their needs, but also the needs of their employers so they can provide enhanced value to both their firm and NASBP.

Further, I want to continue to advance our accomplishments with regard to ADVOCACY. Within the past two months we have had numerous opportunities for advocacy for the Association and the surety industry, and I want to see these kind of efforts continue. For example:

- Last week, NASBP concluded its Legislative Fly-in Day, the second in the last nine months. Over 85 passionate surety advocates attended a full day of government interaction, from a morning briefing session with key policymakers, like Senator Ben Cardin and Representative Sam Graves, to the afternoon appointments with our elected officials, to an evening reception with members of Congress, their staff, and industry stakeholders. Click [here](#) to learn more about the Fly-in in this issue. It was a very full day of rewarding advocacy for all involved. This was more than double the size of the Fly-In last fall, with more than 50 meetings held with lawmakers. This sets the table for an even larger group for the 2011 Fly-in. Our legislative staff and leadership did an excellent job preparing us for our meetings. The feedback we received in meetings shows that we are making progress. Staffers and legislators are becoming more familiar with the surety product and its required uses. We have to keep the momentum moving in our favor and continue to advocate, advocate, advocate. I thank all the participants for taking time out of their busy day for this critical event.
- On May 25th, NASBP CEO Mark McCallum and SFAA President Lynn Shubert accepted an award from the U.S. Small Business Administration, Mark on behalf of the bond producer community and Lynn on behalf of surety companies, for efforts in enhancing the SBA Surety Bond Guarantee Program.
- In an ongoing role, NASBP is participating in bonding education pilot programs developed by the Department of Transportation. NASBP members are actively involved in these programs in Chicago, Atlanta, and Dallas.
- In April, the Executive Committee presented to over 100 members of the Department of Agriculture, Rural Development, on the importance and necessity of surety bonds.

These are just a few of the recent advocacy efforts put forth by NASBP and its members.

It goes without saying that our dedicated staff in Washington is passionate about surety. We have an outstanding organization that advocates surety every day. The capabilities and resources they provide NASBP, in conjunction with our outstanding Government Relations Committee, allow us to be proactive, rather than reactive, in our legislative agenda.

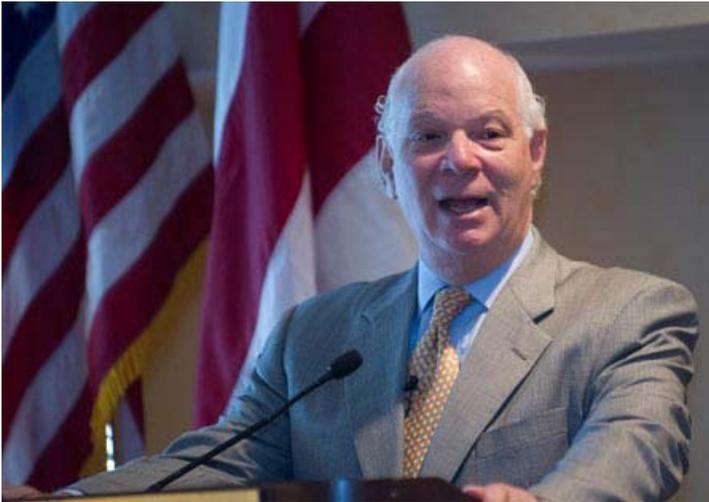
I ask our membership to advocate actively and passionately. We have plenty of opportunities on local levels for participation. For those that are currently involved, please stay active. For those that have yet to become involved, please say yes when you are asked to volunteer. You can never be sure where it will take you.

J. Spencer Miller
NASBP President

J. Spencer Miller, President, Schwartz Brothers Insurance Agency, Inc. in Chicago, IL. Spence can be reached at smiller@schwartzbrothers.com.

» **Five Key Policymakers Address NASBP Fly-in Day, Attendance Doubled In Comparison to Last Year**

Senator Ben Cardin (D-MD) was one of five key policymakers who addressed the crowd of more than 85 NASBP members, affiliates, and others participating in NASBP's Legislative Fly-in last Wednesday. Cardin said that with the general elections approaching and many legislative candidates up for re-election, this is a good time for the NASBP membership to explain their concerns about the surety industry to lawmakers. "Your stories are important and you need to tell them to your legislators," said Cardin. Cardin explained how small businesses are critical to the nation's economic recovery, because they are key in providing the jobs for Americans out of work. "The best thing we can do is create more jobs, and the construction industry is critical in achieving that goal," he said.



Senator Benjamin Cardin (D-MD) addressed a crowded room at the NASBP Fly-in Day

Cardin said that reforms and support for programs like the U.S. Small Business Administration Surety Bond Guarantee Program are important. Cardin authored the change to the SBA Surety Bond Guarantee Program in the American Recovery and Reinvestment Act that increased the maximum contract size eligible for a guarantee under the Bond Guarantee Program from \$2 million to \$5 million, which is set to expire September 30, unless legislation is passed making that change permanent. Cardin said that he will continue his support to make that change permanent as well as others to the Program.



Senator Cardin (center) with NASBP members (on right) Stephen Freeman of Hess, Egan, Hagerty & L'Hommedieu, Inc., Chevy Chase, MD; C. Wayne McCarthy of McCarthy, Cobb & Associates, Inc., Columbia, SC; and Stephen Spencer of Insurance Associates, Inc., Rockville, MD. William Cowan of Hess, Egan, Hagerty & L'Hommedieu is on the left.

In addition, Cardin said that he supports repeal of the 3% Withholding Tax that NASBP and other construction industry groups support. Cardin said NASBP and other construction industry groups have made their voice heard on the Hill about this law that mandates that in 2012 federal, state, and local governments withhold 3-percent from all payments for good and services as a guard against possible tax evasion.



Congressman Sam Graves (R-MO) raised concerns about the nation's accumulated debt

Other speakers included Congressman Sam Graves (R-MO) who raised concerns about the enormous debt the country has accumulated and the ramifications of this on future generations. Eric Zarnikow of the U.S. Small Business Administration's Office of Capital Access highlighted the importance of the enhancements made to the SBA Surety Bond Guarantee and SBA Loan Programs and cited examples where changes to these SBA programs have created opportunities for small businesses. Wally Hsueh of the U.S. Senate Committee on Small Business & Entrepreneurship noted that the Senate Committee's number one issue is job creation. Finally, Brandon Neal from the U.S. Department of Transportation's Office of Small Business Disadvantaged Utilization expressed his sincere thanks to NASBP for its commitment to the Bonding Assistance Reimbursable Fee Program and for support of legislation to create a bond guarantee program in the Department of Transportation.



Brandon Neal, (front, right) Director of the U.S. DOT's Office of Small Business Disadvantaged Utilization (OSBDU) talks with Angelo Zervos (front, left) of Zervos Group, Inc., Southfield, MI. Also pictured is NASBP Director of Government Relations Larry LeClair (center), David Castillo (back, left) of Alliant Insurance Services, Inc., Las Vegas, NV and Edward Cafiero, (back, right) Business Enterprise Development Officer of OSBDU.

Another presentation was made by William M. Wilkins, Executive Director of TRIP, the Road Information Program. Wilkins underscored the need for NASBP members and affiliates to appeal to their members of Congress to address the needs of the nation's surface infrastructure. Wilkins described the immense challenge for the nation in providing a well-maintained, efficient, and safe highway, bridge and transit system. He pointed out that the Highway Trust Fund is likely to have insufficient revenue to meet the Federal government's commitment to the states. This year is particularly difficult for legislators to support any sort of gas tax (federal motor fuels excise tax), which is the primary source of revenue for the Fund.



NASBP President J. Spencer Miller thanked SBA Office of Surety Guarantees Associate Administrator Frank LaLumiere for attending the NASBP Fly-in.

NASBP President J. Spencer Miller and Government Relations Committee Chair Thomas Padilla commended the NASBP members and affiliates who came to Washington to advocate in support of the surety product, and they reiterated the importance of communicating industry and business concerns to their legislators. After a 10-year hiatus, less than one year from the previous Fly-in, attendance more than doubled. Miller and Padilla, who co-hosted the event, noted the significance of continuing the momentum of this advocacy effort. They invited their NASBP colleagues present at the event to reach out to others who were not in attendance, and

encouraged them to attend next year's Fly-in.



NASBP Members (across the table) William Maroney of City Underwriting Agency, Inc., Lake Success, NY and Eileen Frank of JP West, Inc., New York, NY met with New York Congresswoman Yvette Clarke's Legislative Assistant, Fabrice Coles (this side of the table with pen in hand). Also pictured this side of the table are Larry LeClair and NASBP Chief Executive Officer Mark McCallum.



Chair of the NASBP Government Relations Committee Tom Padilla (right) and NASBP Director of Government Relations Larry LeClair (left) met with Sabrina Santiago (center), a staff member with Senator Tom Udall's (D-NM) office.

The afternoon was devoted to Capitol Hill visits where NASBP members and affiliates dashed into the air-conditioned Senate and House Office Buildings for their visits with their members of congress while attempting to escape from the oppressive 90-degree heat that enveloped the city.

One meeting in particular took place in the cafeteria of the Longworth House Office Building where NASBP members from New York and staff discussed strategy with New York Congresswoman Yvette Clarke's Legislative Assistant, Fabrice Coles, on how to advance H.R. 3771. The bill, which NASBP worked with the Congresswoman's office to draft, creates grant opportunities for women, veteran and minority-owned contractors. Another set of meetings involved the Kentucky NASBP members who met with their Senators, Senate Minority Leader Mitch McConnell (R-KY) and retiring Senator Jim Bunning (R-KY).



Representative Howard Coble (R-NC) (center) stopped by to greet NASBP bond producers at the NASBP Reception. Also pictured is NASBP CEO Mark McCallum (left) and Carl Newman (right) of Parker Smith Feek, Bellevue, WA. Coble has served as a U.S. Representative since 1984.

NASBP hosted a reception that evening on Capitol Hill where NASBP members, affiliates and staff, as well as members of Congress and Capitol Hill staff members, recounted the visits of the day with a trio of musicians playing in the background. If you missed the Fly-in, keep in mind that NASBP conducts its "Every Day is Advocacy Day" campaign year round. Show your passion for surety and advocacy by meeting with your members of Congress any time of the year. For more information how NASBP can help you, contact Larry LeClair at lleclair@nasbp.org.



» No Uniform Answer to Question of Whether Surety Must Be Licensed in Jurisdiction in Which Federal Project Is Being Constructed

Surety companies wishing to write surety bonds for United States Government construction contracts must apply for and receive a certificate of authority from the U.S. Department of Treasury, which, among other things, assesses whether each surety company applicant has authority under its charter or articles of incorporation and is financially qualified to conduct surety business. Companies qualified under federal law are certified and listed in Department of Treasury Circular 570. Certificates of authority are renewed annually so long as each surety company continues to remain qualified under federal law. Treasury Circular 570 is regularly updated by the U.S. Department of Treasury, and interested individuals may subscribe to receive e-mail updates about Circular 570 by clicking [here](#).

With the scarcity of private construction work and, in turn, so many contractors chasing federal work, NASBP staff has received a number of inquiries about various surety subjects relating to federal construction projects. Among those inquiries is whether a "T-listed" surety must be licensed in the state in which the contract will be performed. Part of the regulations applicable to surety companies "doing business with the United States" is found at 31 Code of Federal Regulations Part 223. Section 223.5 (b) addresses that question in part. It reads:

No bond is acceptable if it has been executed (signed and/or otherwise validated) by a company or its agent in a State where it has not obtained that State's license to do surety business. Although a company must be licensed in the State or other area in which it executes a bond, it need not be licensed in the State or other area in which the principal resides or where the contract is to be performed. The term other area includes the Canal Zone, District of Columbia,

Guam, Puerto Rico, and the Virgin Islands.

Under federal regulations, it would appear that the certified surety company would not need to be licensed in the place of the project, so long as it is licensed in the jurisdiction in which the bond is executed. The regulation centers on the place of bond execution, not the place of performance of the bonded contract. End of story, right?

Unfortunately, it is not that easy. Federal regulations may be clear; however, each state may have its own view of whether writing a surety bond on a contract to be performed within its boundaries constitutes the act of conducting surety business within its borders and, hence, subjects that surety to its regulatory oversight. One cannot forget that insurance largely is regulated by state insurance codes, which must be taken into account. Anecdotal stories and inquiries to state insurance departments further support that states do differ on what they perceive to be subject to their regulatory control. As a result, prudence dictates a thorough review of the insurance code of the jurisdiction in which the contract is to be performed to ascertain compliance with licensing requirements, and the answer arrived at for one state may not be the answer for another.

This serves yet again as another reminder that, in many questions touching on our industry, the answer rarely, if ever, is straightforward or simple!

» **NASBP 2010 Annual Meeting Lived Up to Its Theme of "Participation" With A 6% Increase in Attendance**



NASBP President Todd P. Loehnert kicked off the 68th NASBP Annual Meeting & Expo, held April 25-28 at the Westin La Cantera in San Antonio, Texas, by announcing that the meeting had lived up to its theme, "Fulfillment Through Participation," with a 6% increase in registration from the previous year. The meeting continued throughout the next four days with participants learning a wide range of strategic insights about the state of the economy and critical issues facing surety professionals today. See related articles in this issue of Pipeline. At the Meeting, the following new Officers, Directors-At-Large and Regional Directors were elected into office.

NASBP 2010-2011 Leaders Inducted into Office



NASBP 2010/2011 Officers: (back row from left) Third Vice President **Lawrence F. McMahon**, Immediate Past President **Todd Loehnert**, and First Vice President **John M. Rindt**, (front row from left) Second Vice President **Carl Edward Dohn, Jr.** and President **J. Spencer Miller**.

At the Meeting, NASBP inducted the 2010-2011 Officers of the Association into office. NASBP elected **J. Spencer Miller** as President, **John M. Rindt** as First Vice President, **Carl Edward Dohn, Jr.** as Second Vice President, and **Lawrence F. McMahon** as Third Vice President. Serving on the Executive Committee as NASBP Immediate Past President is **Todd Loehnert**.

Miller is President of Schwartz Brothers Insurance Agency, Inc. of Chicago, IL. Rindt is Executive Vice President of the Surety Division of JDW Insurance of El Paso, TX. Dohn is President of Dohn & Associates of Palatine, IL. McMahon is Senior V.P. / Surety Manager of Alliant Insurance Services, Inc./Driver Commercial Group in San Diego, CA. Todd is Senior Vice President, Bond Manager, and Co-chair of the National Surety Practice Group of Wells Fargo Insurance Services.

The NASBP Executive Committee is comprised of the officers pictured above and two Ex Officio members who represent the NASBP Directors-At-Large and Regional Directors. The Ex Officio officers are **Scott T. Hoffman** of First Niagara Risk Management, Inc. in Buffalo, NY who was elected to represent the Directors-At-Large and **Robert F. Bobo** of Lockton Companies, LLC in Houston, TX who was elected to represent the Regional Directors.

NASBP also elected Directors-At-Large and Regional Directors to the NASBP Board of Directors.

NASBP Directors-At-Large

NASBP elected the following Directors-At-Large: **Philip O. Forker** of Anchor Insurance & Surety, Inc. in Portland, OR; **Edward N. Hackett** of Alliant Insurance Services, Inc./Driver Commercial Group in San Diego, CA; **Novica Prekpala** of Blaise Group NY, LLC in Mt. Vernon, NY; **Terry Starks** of American Agency, Inc. in Minneapolis, MN; and **David R. Summerall** of Early, Cassidy & Schilling, Inc. in Rockville, MD. Directors-At-Large serve three years. A complete list of NASBP Directors-At-Large currently serving on the Board is as follows.

1. Paul D. Amstutz of Roanoke Trade Services, Inc. in Schaumburg, IL
2. Donnie Doan of McQueary Henry Bowles Troy, LLP in Dallas, TX
3. Thomas P. Durkin & DeVries Insurance Agency LLC in Burlington, MA
4. Thomas M. English of Thomas McGee, L.C. in Kansas City, MO
5. Philip O. Forker of Anchor Insurance & Surety, Inc. in Portland, OR
6. Thomas J. Gentile of Turner Insurance & Bonding Co. in Montgomery, AL
7. Edward N. Hackett of Alliant Insurance Services, Inc./ Driver Commercial Group in San Diego, CA
8. Susan Hecker of Gallagher Construction Services in San Francisco, CA
9. Scott T. Hoffman of First Niagara Risk Management, Inc. in Buffalo, NY
10. Christopher M. McAtee of The Brower Insurance Agency in Dayton, OH
11. Richard G. Minick of Minick & Company in Albuquerque, NM
12. Novica Prekpala of Blaise Group NY, LLC in Mt. Vernon, NY
13. Christopher R. Saul of Saul-Metcho LLC in Leesburg, VA
14. Terry Starks of American Agency, Inc. in Minneapolis, MN
15. David R. Summerall of Early, Cassidy & Schilling, Inc. in Rockville, MD

NASBP Regional Directors

NASBP elected the following Regional Directors: **Stuart O'Farrell** of Parker Smith Feek in Bellevue, WA, who will oversee Region 1 that includes Alaska, Idaho, Montana, Oregon, Washington, British Columbia, Alberta, and Saskatchewan; **Jason Gusso** of Gusso Surety

Bonds, Inc. in Sioux Falls, SD, who will oversee Region 5 that includes Iowa, Minnesota, North Dakota, South Dakota, and Manitoba; and **C. Wayne McCarthy** of McCarthy, Cobb & Associates, Inc. in Columbia, SC, who will oversee Region 9 that includes the District of Columbia, Maryland, North Carolina, South Carolina, Virginia, and West Virginia. Regional Directors are elected for a one-year term. See below for a complete list of NASBP Regional Directors.

REGION 1-Alaska, Idaho, Montana, Oregon, Washington, British Columbia, Alberta, Saskatchewan
Stuart O'Farrell of Parker Smith Feek in Bellevue, WA

REGION 2-Arizona, California, Hawaii, Nevada, Mexico, Guam
James P. Schabarum II of Cavnac & Associates in San Diego, CA

REGION 3-Colorado, New Mexico, Utah, Wyoming
Don Appleby of Willis HRH in Denver, CO

REGION 4-Kansas, Missouri, Nebraska
Kevin D. Kalish of Schifman, Remley & Associates in Mission, KS

REGION 5-Iowa, Minnesota, North Dakota, South Dakota
Jason Gusso of Gusso Surety Bonds, Inc. in Minneapolis, MN

REGION 6-Arkansas, Louisiana, Oklahoma, Texas
Robert F. Bobo of Lockton Companies, LLC in Houston, TX

REGION 7-Illinois, Indiana, Michigan, Ohio, Wisconsin
Bradley S. Babcock of The Forker Company in Arlington Heights, IL

REGION 8-Alabama, Florida, Georgia, Kentucky, Mississippi, Tennessee
Jeffrey W. Reich of Florida Surety Bonds, Inc. in Maitland, FL

REGION 9-District of Columbia, Maryland, North Carolina, South Carolina, Virginia, West Virginia
Wayne McCarthy of McCarthy, Cobb & Associates, Inc. in Columbia, SC

REGION 10-Delaware, New Jersey, New York, Pennsylvania, Ontario, United Kingdom
Kevin J. Garrity of Rose & Kiernan, Inc. in East Greenbush, NY

REGION 11-Connecticut, Maine, Massachusetts, New Hampshire, Vermont, Rhode Island, Quebec
Michael J. Regan of USI New England in Woburn, MA

REGION 12-Puerto Rico, South America
Eduardo Marti Martinez of Aon Risk Services Inc. of PR in San Juan, PR

» **NASBP Programs Well-Attended and Popular—Educational Sessions Packed to Standing Room Only**

The Programs at NASBP's Annual Meeting in San Antonio, Texas resonated well with attendees as they were all well-attended. The break out sessions addressing commercial surety and claims were so popular that it was "standing room only" for both programs. Other popular programs at the Meeting included the unique perspective of Keynote Speaker William R. Berkley of W.R. Berkley, the "off-the cuff" panel discussion with three construction industry leaders about the industry's future, and the new NASBP Chief Executive Officer's announcement of new initiatives undertaken by the Association that benefit members, affiliates, and associates.



Session: "Finding Easy Money with Commercial Surety"
Presenters included (from left) Bob Baker of Liberty Mutual Surety,

Paul Amstutz of Roanoke Trade Services, Inc., and John Charlton of Matson-Charlton Surety Group (who is not pictured).

The positive financial impact that commercial surety can have is often misunderstood by many member producers, so it was no surprise to find the session titled, "Finding Easy Money with Commercial Surety" packed to standing room only. This session discussed the many opportunities that are available to grow an agency's commercial surety book and the ways to make it a sustainable line of business. Presenters Paul Amstutz of Roanoke Trade Services, Inc., John Charlton of Matson-Charlton Surety Group, and Bob Baker of Liberty Mutual Surety tackled various questions that surety professionals have regarding commercial surety.

"This economy is helping everyone reexamine how they do business and that includes surety professionals. More agents are considering expanding or starting a commercial surety book, because commissions paid on commercial surety bonds are generally higher than those for contract bonds," said Amstutz.

To access the PowerPoint from this breakout session, click [here](#).



Panel: "Anatomy of a Surety Claim" from (left) Tracey Haley of Zurich Surety and Heather Bennett of W.G. Yates & Sons Construction Company. Not pictured is third panelist Thomas R. Barber of Coats/Rose. John Bustard of King & Neel, Inc. moderated the discussion.



**Claim Panel
Moderator
John Bustard of
King & Neel, Inc.**

Also packed with standing room only, was the session titled, "Anatomy of a Surety Claim," that provided insight into the claims process from the owner's, contractor's, producer's and surety's points of view.

Panelists included Heather Bennett, in house counsel at W.G. Yates & Sons Construction Company in Jackson, Mississippi, Tracey Haley of Zurich's Surety Claims office in Dallas, Texas and Thomas R. Barber of the Coats/Rose law firm in League City, Texas. Each provided valuable advice on surety claims in the current marketplace, including suggestions about the role surety producers play in the claims process.

John Bustard of King & Neel, Inc. in Honolulu, Hawaii, who moderated the panel discussion, commented that "with predictions of increasing claim activity in the upcoming year or two due to the worldwide economic situation, surety professionals want to be able to better understand, and, should claims arise, deal effectively with, surety claim circumstances." Bustard added, "Producers want to assist with minimizing the frequency and severity of claims. Two methods of accomplishing this include promoting effective communication between all parties involved in

the claim process, and encouraging their surety partners to maintain top notch bond claim departments." To access the PowerPoint from this breakout session titled, "Anatomy of a Claim," click [here](#).



Keynote Speaker William R. Berkley addressed a room packed with many surety professionals hanging on his every word

William R. Berkley, a visionary and founder of the Fortune 500 property-casualty insurance holding company, W. R. Berkley Corporation, spoke to a full general session audience and covered a multitude of topics including the U.S. and international financial markets, the federal government, and the nation's healthcare crisis. Berkley's perspective provided many thought-provoking discussions at the events held throughout the rest of the NASBP Annual Meeting.

Berkley, who founded Berkley Corporation in 1967, has served continuously as Chairman and CEO over the past 43 years. He has overseen the growth of the company into one of the largest commercial lines writers in the United States that operates in the following five segments of the property casualty insurance business: specialty insurance, regional property casualty insurance, alternative markets, reinsurance, and international.



"What's Happening in the Construction Industry" Panel: (from left) Jack Lowe of TD Industries, Sam Howard of Trace Creek Construction, Jeff Hoopes of Swinerton Inc., and panel moderator Susan Hecker of Gallagher Construction Services.

NASBP's contractor industry panel didn't disappoint. "Whenever you go in totally unscripted...you never quite know what you're going to get," was the preface made by moderator Susan Hecker of Gallagher Construction Services when she led off the conversation. The result was a lively discussion about a variety of topics most of which were driven by the toll being taken on the construction industry by this recession, and the companies' strategies to manage their way out of it.

Whether the subject was moving into new markets, managing overhead to a shrinking backlog, fees on mega projects, the companies that will be left behind if they aren't Building Information Modeling (BIM) capable, LEED liability, Integrated Project Delivery (IPD), the credit markets or the future of the construction work force, the observations provided by Sam Howard of Trace Creek Construction in Vanceburg, Kentucky, Jeff Hoopes of Swinerton, Inc. in San Francisco, California, and Jack Lowe of TD Industries in Dallas, Texas were entertaining and insightful.

The consensus was, while the construction industry continues to have its share of both challenges and opportunities, the surety industry has been an integral and respected partner in helping the panelists avoid mine fields and retain their focus.



**NASBP Chief Executive Officer
Mark H. McCallum**

NASBP Chief Executive Officer Mark McCallum provided an industry outlook and described new initiatives and programs that the Association has undertaken in 2010 that will directly benefit members, affiliates, and associates and enhance the Association's outreach and effectiveness, including new communications vehicles, website redesign, educational offerings, and government relations initiatives.

» NASBP Presents the 2010 Bruce T. Wallace Award and the President's Award at the Annual Meeting



Matt Cashion, Todd Loehnert, and Curtis Roberts presented the 2010 Bruce T. Wallace Award to Joyce and Amy Tinch, who accepted the Award in honor of the late A.C. "Ace" Tinch.

This year, NASBP honored the late A.C. "Ace" Tinch by presenting Tinch's wife, Joyce, and his daughter, Amy, the esteemed Bruce T. Wallace Award, which the Association awards to individuals who have given years of service to NASBP and to the surety industry. Tinch, who passed away in 2009, was the former President of Harding-Conley-Drawert-Tinch Insurance Agency, Inc. in San Antonio, TX and served as a NASBP Director and a Regional Vice President. He received many awards for his professional achievements including the Credit Executive of the Year and the Ben R. Binford Lifetime Achievement Award from the Independent Agents of San Antonio in 1997.

Tinch's close friend, Curtis B. Roberts of Mills-Roberts & Associates, described how Tinch had a strong influence in NASBP selecting San Antonio as the meeting location for the 2010 NASBP Annual Meeting. "Ace loved San Antonio and the NASBP and tried for years to have our annual

meeting in his chosen city," Roberts said. "Along the way, he did everything he could for us by serving as Committee Chairman, Regional Vice President, and Director. The only time the NASBP Annual Meeting was actually scheduled to be held in San Antonio, it was bumped by the National AGC Meeting! In his years of promoting his site, he continued to provide very meaningful work on our behalf. I am only sorry that my dear and long time friend could not have shared [the 2010 NASBP Annual Meeting held in] 'San Antonio, where the sun always shines!,'" said Roberts.

Roberts, J. Spencer Miller, and Todd Loehnert presented the award to Joyce and Amy Tinch at the morning general session of the NASBP Annual Meeting.

History of The Bruce T. Wallace Award

The Bruce T. Wallace Award, established in 1990 in memory of the Association's first executive vice president, is awarded by the Executive Committee to an individual who has distinguished themselves through years of exceptional service to NASBP and to the surety industry. The recipient is an individual who has conducted themselves throughout their career in accordance with the highest ethical standards and demonstrated a service characterized by commitment, consistency, intensity, and impact. It is noteworthy that the Bruce T. Wallace Award is not necessarily presented every year, but rather, only when a candidate meeting these high standards is nominated. In fact, since its establishment, the Bruce T. Wallace Award has been presented fifteen times.



Koula Korson accepted the John 'Jack' J. Curtin, Jr. President's Award from President Todd Loehnert and First Vice President J. Spencer Miller

During the Annual Meeting in San Antonio, NASBP President Todd Loehnert presented Koula Korson, Director of Operations, Finance, and Membership Services for NASBP, with the prestigious John 'Jack' J. Curtin, Jr. President's Award.

Loehnert described how Korson, who has been a member of the NASBP staff for thirty-one years, has demonstrated an unwavering commitment to advancing the objectives of the Association. He said that recently, she worked diligently to assist and to furnish invaluable information and insight to the President and the Executive Committee to ensure a smooth and efficient transition of the chief staff executive.

"Being able to present Koula with the President's Award was one of the most memorable moments of my bonding career," Loehnert said. "It isn't often that you have someone who dedicates themselves so thoroughly for the benefit of the organization. Our membership has been blessed by the 30 plus years that Koula has served, and I look forward to working with her for many more," he added.

In response, Korson said she has enjoyed working with the NASBP members and affiliates and has appreciated all of their support throughout her 31 years at NASBP. "I'm proud and honored to receive such a prestigious award," she said. "This award is very special, because I knew Jack as a colleague and a friend. This is the highlight of my career!"

Korson received a framed certificate personally inscribed in two-toned color calligraphy highlighted in gold and signed by Loehnert, as well as, a specifically minted NASBP President's medallion customized with the NASBP logo and made of 2-troy oz. .999 fine silver.

History of the John 'Jack' J. Curtin, Jr. President's Award

The award, named the "John 'Jack' J. Curtin, Jr. President's Award," honors an individual, who is chosen by the NASBP President for their outstanding service contributions during the President's term to the Association and to the surety industry. The award was first presented in 2007 to John 'Jack' J. Curtin, Jr., for whom the award is named.

Curtin, a past NASBP President, passed away in 2008, and had been a faculty member of NASBP's acclaimed William J. Angell Surety School for 30 years. Curtin had served as a member volunteer in NASBP at all levels, including Director, Regional Vice President, as well as, Chair of several NASBP committees.

» **Sponsors and Expo Exhibitors Help Make the NASBP 2010 Annual Meeting A Success, Thank you!**



NASBP would like to again thank these generous sponsors for their tremendous support of NASBP:

- Travelers Bond
- Liberty Mutual Surety
- Berkley Surety Group
- CNA Surety
- International Fidelity Insurance Company
- Lexon Insurance Company
- Zurich
- The Hartford
- Arch Surety
- Chubb Group of Insurance
- Wells Fargo
- Capitol Insurance Companies
- Employers Mutual Casualty Company
- Guarantee Company of North America
- Merchants Bonding
- Old Republic Surety Group
- Contractors Bonding & Insurance Company
- Insco Dico Group
- SureTec





NASBP also thanks the exhibiting companies for their participation at the Annual Meeting and for making the Expo a success. These include:

- Beneco
- Berkley Surety Group, LLC
- Blair Business Systems
- Capitol Indemnity Corporation
- Construction Industry CPAs/Consultants Association (CICPAC)
- Construction Executive Magazine
- FMI Corporation
- Focus!...On Innovation, Inc.
- Foundation Software, Inc.
- Guardian Group
- Insurance Automation Group
- InSure Vision Technologies
- Liberty Mutual Surety™
- NACS Escrow
- Rosenberg & Parker of Canada, Inc.
- Small Business Transportation Resource Center for the U.S. Department of Transportation
- U.S. Small Business Administration Surety Bond Guarantee Program

For additional information about the NASBP 2010 exhibitors, visit the 2010 NASBP Annual Meeting Online Expo by clicking [here](#)

Don't forget to mark your calendar now for the Annual Meeting & Expo that will be held May 15-18, 2011 at the Broadmoor in Colorado Springs, Colorado.

» **To view photo highlights from the 2010 NASBP Annual Meeting held April 25-28 in San Antonio, Texas, click [here](#).**

» **A Recording of NASBP's Virtual Seminar on the New AIA A312 and A310 Is Now Available to Purchase**



Yesterday NASBP and the Surety & Fidelity Association of America (SFAA) jointly presented a Virtual Seminar on the new and revised American Institute of Architects' (AIA) bond forms to more than 200 members, affiliates and associates. Recognizing that these forms are of significant interest to many member agencies and surety companies throughout the country, NASBP has made the recording available immediately to provide others who missed the Virtual

Seminar, an opportunity to quickly familiarize themselves with these new forms. The \$65.00 cost includes the audio file, sample copies of both forms, a presentation outline, and the publication, "AIA Bond Form Commentary and Comparison." To purchase, click [here](#).

Earlier this month, the AIA released the updated AIA A312 Performance and Payment Bond and the AIA A310 Bid Bond forms. Click [here](#) to see the press release released jointly May 25 by NASBP, SFAA and AIA announcing the new forms. This is the first update of these forms since 1984 and 1970 respectively.

Presenters of the virtual seminar, NASBP Chief Executive Officer Mark H. McCallum, SFAA General Counsel Edward G. Gallagher, and AIA Contract Documents Associate Counsel Michael B. Bomba, actively engaged in the revision process of the forms. During the web seminar, they explain the specific updates to the forms, the significance to owners, contractors, subcontractors, and surety professionals, and why the revisions were made. Purchase of this audio conference includes copies of samples of the new bond forms along with a commentary on and comparative version of the forms issued by AIA.

NASBP Virtual Seminars Scheduled This Summer

NASBP Virtual Seminars continue through the summer, providing need-to-know information at a cost-effective price in the convenience of your office. Upcoming presentation subjects include:

- Bonding Reservation Projects and Tribal and Indian-Owned Construction Firms – July 13. Register now.
- Getting Ahead of the Wave of Claims: Understanding Dispute Resolution Options – July 27. Register now.
- Onerous Contract Terms – August 17 (Registration open by July 1st)
- Mortgage Broker Bonds: Legal Changes and Business Implications – August 31 (Registration open by July 1st)

For more information and to register, click [here](#).

Audio Recordings of Past NASBP Virtual Seminars

Check out other Virtual Seminars you may have missed and order the audio recordings to listen to them when your schedule permits. To see the titles and read more about them, click [here](#).

For questions or suggestions about NASBP Virtual Seminars, contact Cathrine Nelson at cnelson@nasbp.org or 202.686.3700.

Legal Spotlight



» States Enact New Mortgage Broker Licensing and Bond Requirements to Comply with Federal SAFE Act

Introduction

The recent economic downturn and concomitant mortgage meltdown have resulted in, among many other negative effects, a significant increase in claims and litigation against mortgage brokers and their sureties that issued their mortgage broker bonds. It is daily news that many borrowers face default and foreclosure as they are unable to service their monthly mortgage payments. Many such borrowers claim that the mortgage broker who arranged their loans with the lender did not adequately explain the risks of the loan. Others claim that the broker misrepresented facts concerning their loan or were in league with the lender to commit fraud against the borrower. As a result, mortgage brokers have been subject to more scrutiny and more regulation. And sureties that issue mortgage broker bonds are experiencing increased claims activity.

Prior to the recent economic meltdown, mortgage brokers had been required to comply with various federal laws and regulations, including the Fair Credit Reporting Act, Home Ownership and Equity Protection Act, the Truth in Lending Act, the Equal Credit Opportunity Act, and the Real Estate Settlement Procedures Act. In addition, states had enacted various laws to regulate the mortgage process, including the responsibilities of mortgage brokers, for the protection of consumers. Mortgage broker bonds were required by law in most states as a condition of licensure for the broker.

Federal Licensing and Bonding Standards

In response to the mortgage meltdown, in 2008 Congress enacted a law that, among other

things, contains a new system for licensing and regulating mortgage originators. Title V of the Housing and Economic Recovery Act of 2008—the Secure and Fair Enforcement for Mortgage Licensing Act (SAFE Act)—requires states to enact legislation requiring the licensure of mortgage loan originators according to national standards. The SAFE Act is designed to enhance consumer protection and reduce fraud through the setting of minimum standards for the licensing and registration of state-licensed mortgage loan originators. Additionally, the Act encourages states to participate in the Nationwide Mortgage Licensing System and Registry (NMLS). Please click [here](#) to access the NMLS Mortgage Loan Originator SAFE Requirements Compliance Chart (updated as of June 16, 2010), which contains each state's deadline for certain requirements that mortgage loan originators must meet in order to be SAFE compliant.

Among other licensing requirements, the SAFE Act provides that states must set minimum net worth or surety bond requirements based on loan volume or establish a recovery fund paid into by loan originators. The SAFE Act broadly defines "loan originator" as "an individual who (I) takes a residential mortgage loan application; and (II) offers or negotiates terms for a residential mortgage loan for compensation or gain."

The SAFE Act requires states to have the licensing and registration system in place by July 31, 2009, or July 31, 2010, depending on whether the state legislature meets annually or biennially. After this two-year period, any state that has not complied with the SAFE Act may be subject to a penalty determined by the Department of Housing and Urban Development (HUD). HUD is authorized, however, to extend the deadline if HUD determines that the state is making a good faith effort to establish a state licensing law that meets the minimum requirements of the SAFE Act.

New Mortgage Broker Bond Requirements

Subsequent to the passage of the SAFE Act, virtually all states have changed their laws relating to mortgage broker bonds in some way. The most important change may be to require or at least encourage the use of blanket bond covering all those employed by a licensee. Because the blanket bonds typically have much higher penal sums, this change makes it less likely that a given loss will hit the penal sum. The laws continue to change, as states increase penal sums or otherwise tweak their systems. Click [here](#) to access a 50-State Mortgage Broker Bond Chart.

Notably, as of July 2, 2010, Hawaii will become one of only a few states that rely solely on a recovery fund scheme, eliminating its bond requirements for mortgage licensees altogether. Additionally, more jurisdictions are moving from statutorily set penal sums to a more flexible approach that permits regulatory agencies to adjust penal sums in accordance with a licensee's loan volume. The chart generally uses the terminology of the state's scheme. There are differences among the states in the definition of "broker," "lender," "originator," and other terms used to describe bonded mortgage licensees. While the chart is current as of July 1, 2010, it is highly likely that more changes to these provisions will be enacted in the coming months and years. Therefore, each relevant state's most recent statutory and regulatory requirements should be consulted, as necessary.

States have enacted many changes to the mortgage broker licensing and bonding requirements to comply with the SAFE Act. Those requirements and their deadlines vary significantly from state to state. NASBP members will have many opportunities to assist mortgage brokers with these new bonding requirements.

NASBP has scheduled an August 31 Virtual Seminar on mortgage broker bonds, titled "Mortgage Broker Bonds: Legal Changes and Business Implications," that will be presented by Martha L. Perkins of Whiteford, Taylor & Preston LLC and Corban Enns of Surety Solutions, LLC of Salem, Oregon. [Registration](#) will open for this Virtual Seminar by July 1.

Martha L. Perkins, Esq. is a Partner in the Washington, DC office of Whiteford, Taylor & Preston, LLP. She can be reached at mperkins@wtplaw.com

These materials are provided to NASBP members, affiliates, and associates solely for educational and informational purposes. They are not to be considered the rendering of legal advice in specific cases or to create a lawyer-client relationship. Readers are responsible for obtaining legal advice from their own counsels, and should not act upon any information contained in these materials without such advice.

» Learn Where the Association, Legislation, and Lending Environment are Headed at the Regions 8 & 9 NASBP Regional Meeting



Mark your calendars for the NASBP 2010 Regions 8 & 9 Annual Meeting July 22-24 at the Charleston Place Hotel, Charleston, South Carolina. Two educational programs you won't want to miss at the Regions 8 & 9



Annual Meeting are as follows:

In a session, entitled "NASBP Report: Maximizing Value, Building Community, Advocating Surety," NASBP Chief Executive Officer, Mark McCallum, and Director of Government Relations, Larry LeClair, will update everyone on the recent industry issues the Association is addressing and the Regions 8 & 9 state

and federal legislative issues that the Association is taking action on. They will also describe the significance of the award NASBP received this month from the U.S. Small Business Administration on behalf of bond producers at the White House. Click [here](#) to access video clips of the event.

Guest speaker, S. Scott MacDonald, Ph.D., President and CEO of the SW Graduate School of Banking Foundation, will lead a program called, "The Current Lending Environment—Is There Light at the End of the Tunnel?" Dr. MacDonald, a leading academic and consultant in the banking industry, is prepared to address this pressing question, as well as, the new banking regulations, how they may help or hinder lending practices in years to come, and how these will impact the construction and surety industries.

Click [here](#) for more Regions 8 & 9 meeting information and to register online!

» NASBP Members Participating in a Big Way in Small Business Assistance Programs in their Communities—Part II

Many NASBP members regularly participate in small business assistance programs in their surrounding communities. The downturn in the economy has made many uncertain of the future, but the following NASBP member is certain of its commitment to assist small contractors and that its future is bright.

Michael Williams
Owner, President & CEO
CCI Surety, Inc. of Golden Valley, Minnesota

With the downturn in the economy, many standard markets have become more restrictive in accommodating the challenged, emerging small businesses. Michael Williams, Owner, President, and Chief Executive Officer of CCI Surety, Inc. (CCI) of Golden Valley, Minnesota has found ways to remain flexible and to offer these clients options.

"At CCI, we have a commitment to help the challenged, small business find a way to compete," said Williams. CCI, organized in 1999, works in 38 states throughout the nation primarily in the field of specialty bonding. Thanks to CCI's affiliates, when a challenged client approaches CCI seeking help in obtaining a bond, CCI is confident about offering them several choices. Based on how clients present themselves to CCI, CCI gives them a choice of pursuing one of several options that may include 1) U.S. Small Business Administration assistance 2) Escrow funds control requiring a deposit of 5-10 percent, 3) Collateral i.e. an irrevocable letter of credit or cash, 4) Party co-signature.

CCI's affiliated companies that are engaged in funds control/escrow and financing enable CCI to have this flexibility. For example, CCI's relationship with North American Construction Services, Inc. (NACS), a escrow company, brings additional protection to national sureties by managing the receivables and payables throughout the course of the bonded construction project.

Though Williams started in the surety industry at The Aetna Casualty & Surety Company, it was when he went to work for Am West in 1989 that he decided he wanted a bigger part in helping the challenged, small business accounts. Williams said working at Am West helped him become aware of the assistance offered by the U.S. Small Business Administration (SBA) and that he believed even more could be done to help the challenged businesses that were turned away. Just three years later, in 1993, Williams and Thomas H. Fairfield purchased NACS for use only on their own contract surety.

When asked what motivates him to continue efforts to help these sometimes hair-raising accounts, Williams said, "It's fun!" Colleagues from other agencies and surety companies have told Williams that CCI's reputation for helping small constructions firms is well-earned. "If there's anyone who can get it done, CCI can," said Williams.

A typical contact from a "challenged" small contractor is one where a contractor calls CCI on Monday asking for a bond that the contractor needs Thursday. The contractor neither has obtained any previous surety credit nor is in possession of a certified audit. Williams said he asks his usual list of questions that help him determine which of the options are going to be best for this client. Some of his questions include: What is the largest job that the company has

ever done? Can you, the owner of the company, put any money down right now? Can you provide any financial statements demonstrating working capital?

In this instance, Williams explained that it was more reasonable to set-up a short-term loan for this contractor. Typically, these small contractors need a bond only occasionally. The majority of challenged small contractors can do the work, but they neither have the working capital nor do they meet standard market requirements to obtain surety credit.

Throughout the process, CCI encourages these small businesses to take steps that enable them to eventually be accepted into the SBA Program and from there progress and be written by the standard markets. "We encourage them to invest the money they make from these projects back into their construction company," Williams said, adding, "We want them to build their business and to increase their surety credit." CCI, an active and long-time participant in the Plan A SBA Surety Bond Guarantee Program, works with SBA field offices to help their clients.

In 2001, Williams hired CCI's Bond Manager, Jeremy Crawford, who is responsible for the daily activities of CCI. Both remember working hard to grow the agency into the staff of nine it is today. "When we first started we were lucky to get a phone call a day," Crawford said adding that, "today CCI is a considerably different place and the phone is ringing a lot." "We've had double-digit growth every year since we started," Williams said. About 80 percent of the new accounts are referrals of which 60 percent are from agents and 20 percent from surety companies. CCI reviewed more than 2,000 new contract bond accounts in 2009.



Michael Williams's Team: (back row from left) James Dillenburg, Abby Disher, Donald Zalk, Michael Williams, Jeremy Crawford, William Nemeck, and Aaron Bruggeman (front row from left) Lynn Brigham, Michelle Fern, Michael Pecard, Lisa Jabas, Angela Marsolek, Tanya Fukushima, and Andrea Michael. Kathie Grimsley not pictured.

Williams points out that he takes his own advice and invests in his company. Reinvesting in staff, technology, communications, and marketing are a large part of Williams' strategic plan for the agency. He has dedicated two staff members, Don Zalk and Aaron Bruggeman, to marketing the agency. Aaron Bruggeman works primarily from the office, while Zalk travels nearly 50 weeks out of the year. Part of that investment includes technology to improve off-site capabilities and to streamline the agency's operations. Williams is proud of his company's monthly newsletter, monthly e-mail blasts, and marketing materials that include an informational video of several staff describing CCI's services. With the agency receiving about 10 new contract bond submissions a day and writing about five of them, Williams fully intends to continue growing the agency and expanding to more states. CCI already has established a branch office in Florida.

When asked what accomplishment will make Williams believe CCI has reached its zenith, Williams smiled and said, "I don't know when we will reach our potential, just as long as we're having fun, making money, and we're healthy."

The next issue of Pipeline will feature another NASBP member that attended the NASBP Fly-in and is committed to diversity.

» **FREE July Web Seminar—How to Manage Projects More Efficiently Using ConsensusDOCS Administrative Forms**



Discover the advantages of using ConsensusDOCS administrative standard form documents by registering for this free NASBP-Supported ConsensusDOCS Web Seminar. The seminar is scheduled for Thursday, July 22, 2010 from 2:00-3:30 p.m. Eastern Daylight Time.

ConsensusDOCS administrative forms can benefit your clients and their projects by helping them more efficiently manage day-to-day project administration. Using the 700 Series as baseline examples, this web seminar will review ConsensusDOCS administrative documents starting with the ConsensusDOCS 705 Invitation to Bid/Sub-Bid Proposal through to the ConsensusDOCS 782 Certificate of Final Completion.

The ConsensusDOCS documents to be reviewed include:

- Invitation to Bid, RFI's and Qualifications Statements
- Bond Forms
- Materials Storage
- Change Orders
- Purchase and Payment Forms
- Certificates of Completion

This web seminar is FREE, but registration is required and will be limited to the first 500 registrants. To register, click [here](#) for the registration form to fax or mail. For more information about this web seminar, contact Megan McGarvey at e-mail: megarvey@consensusdocs.org, phone: 703-837-5369, fax: 703-837-5406 or alternate fax: 703-837-5450.

E. Scott Holbrook, Jr., Esq. of Partner Crawford & Bangs LLP will present this web seminar and Carrie Cilberto, Esq., Director of Construction Law and Contracts ConsensusDOCS LLC, will moderate.

NASBP is an endorsing organization of the ConsensusDOCS coalition, an unprecedented effort by more than 20 other industry organizations to identify industry best practices and to incorporate such practices in a new generation of consensus industry standard form documents.

NASBP members, affiliates, and associates can receive up to **20% off** their purchases of ConsensusDOCS forms if they insert the Partner Code, **NASBP**, and the Promotion Code, **400**, when prompted during the purchase process from the ConsensusDOCS site at <http://www.consensusdocs.org>

» **Bond Principals Must Address Liquidated Damage Claims in 60 Days or Customs and Border Protection Will Issue Form 1099-C**

The U.S. Customs and Border Protection's (CBP) Office of Administration, Revenue Division announced at a June meeting of the public/private partnership on the Customs/Surety Executive Committee (C/SEC) that it is issuing a Internal Revenue Service Form 1099-C (for forgiveness of debt) if a bond principal doesn't pay/handle a claim within 60 days.

According to NASBP Commercial Surety Committee Member Colleen Clarke, Vice President of Surety for Roanoke Trade Services, Inc. in Schaumburg, IL, who attended that June 9 meeting, anytime the government forgives a debt owed, it creates a 1099-C situation. "It is important for bond principals to address their liquidated damage claims in the required 60 days in order to avoid a 1099c situation," Clarke said. "If the bond principal pays/handles the claim within their 60 days, CBP will not issue the IRS Form 1099-C," she added.

IRS Form 1099-C

The IRS Form 1099-C form reports to the IRS debt that the principal owes to a creditor and that the creditor has agreed to write-off i.e. stop collection efforts and forgive the debt. The creditor is reporting the amount to the IRS as lost income to reduce its tax burden. This IRS views the amount on the 1099-C as income, on which the principal owes taxes.

Clarke, who was recently approved to represent NASBP at the C/SEC meetings, reported that

the CBP believes that it has an obligation to the IRS to issue these forms. However, this issue is being reviewed by CBP's legal staff as to what is legally required of CBP.

Clarke reported that the CBP provided the following example scenarios if and when a 1099-C would be issued:

- Scenario 1: A claim is issued for \$50,000 and is mitigated to \$20,000. If the principal pays the \$20,000 mitigated amount within 60 days, no 1099-C is issued.
- Scenario 2: A claim is issued for \$50,000 and is mitigated to \$20,000. If the principal submits an offer in compromise for \$10,000 within 60 days and it is accepted, a 1099-C is created for the difference between the original mitigation amount and the offer in compromise amount (\$10,000).
- Scenario 3: A claim is issued for \$50,000 and is mitigated to \$20,000. If the principal submits an offer in compromise for \$10,000 after 60 days and it is accepted, a 1099-C is created for the difference between the original claim amount and the offer in compromise amount (\$40,000).

Clarke indicated that surety companies are exempt for the 1099-C process. If a surety pays CBP, CBP will issue the 1099-C to the principal. CBP relayed that it is working on an explanation of this process that will be published on the CBP website.

NASBP is pleased to be joining this collaborative effort of various offices of U.S. Customs and Border Protection Service and several surety associations called the Customs/Surety Executive Committee (C/SEC). The charter purpose of the C/SEC is to facilitate the relationship between CBP and participating surety associations and to provide meeting discussions that facilitate improvements affecting the management of the Customs Surety bond programs.

The NASBP Committee chose Clarke as a NASBP representative, because of her extensive experience reviewing and analyzing U.S. Customs and Border Protection policy from the perspective of both the surety underwriting group and Roanoke Trade's client services team. Clarke also manages the Roanoke Trade independent agent unit for U.S. Customs bonds. In 2008, she was appointed to the 11th term of the Commercial Operations Advisory Committee (COAC) by the Secretary of Homeland Security and the Secretary of the Treasury.

NASBP will keep the membership apprised of any new developments on this issue, as further details become known.

» NASBP Advocacy and SuretyPAC, NASBP's Political Action Committee



NASBP Government Relations Committee Chairman, Thomas Padilla of Manuel Lujan Agencies, hands a SuretyPAC check to Jonathan L. Barela, who is running on the Republican ticket for New Mexico's First Congressional District. The incumbent is Democrat, Martin T. Heinrich.

» Password Management—Increase Security, Ease of Use, and Peace of Mind



Many web sites now provide access to highly personal and sensitive information, and in response to user demands for tight protection of



their data, many companies have substantially increased the level of security required to access their sites.

Most web sites require passwords that contain a minimum number of characters in upper and lower case, numbers, and symbols, and many enforce their password criteria to ensure that all passwords used on the site are complex and secure.

Many also require that passwords be changed on a regular basis. With many users having upwards of 50 sites they access requiring passwords, wildly varying password requirements, and many password changes to keep track of, users typically either use a single password whenever it will work, write down their passwords and store them in an insecure location, or flounder through the password reset process when they have forgotten which one they entered on which site. None of these strategies is considered a "best practice"—in fact, a [survey released in March, 2010](#) by security firm *Symantec*, revealed that 60% of its respondents do not change passwords and close to half utilize the same passwords for all of their accounts. The respondents were subscribers to the [Symantec Connect Blog](#).

So what can you do? What is considered the "best practice" for securely managing passwords? On a site-by-site basis, users should use the most secure and unique password permitted by the site, and change each password frequently. Keeping track of all your different passwords is extremely difficult to do by hand, but fortunately technology has come to the rescue. Many password management tools are available to "manage" your entire portfolio of passwords. These software or web-based tools store and encrypt all of your passwords, and keep them all safe by requiring the user to enter a "master password" or even an entire passphrase.

Here is an overview of how these tools work:

1. Install or subscribe to the software. During setup you will provide a "master password" or passphrase that only you know and which you will use to unlock your password database.
2. You visit your bank web site, ABCD Bank, at <https://www.abcdbank.com> and log in. The software will ask if it should remember this user ID, password and any other required login information. The software can also generate a unique and very complex password for the site.
3. The next time you visit this site, the software will either automatically log you in, or provide a button you can click to log in.

Once you have entered your master password, you can then visit other sites and log in using the database until either you close your browser, your master password times out, or you close your browser. Some tools store the passwords locally on your PC, some offer "portable" storage on a USB drive, and others offer storage on the internet so you can get to your passwords from any device connected to the internet—some even allow you to download your passwords to your smartphone. Most also offer additional features such as the ability to auto-fill forms with personal data such as name, address, credit card numbers, to store password protected notes, and to back up your passwords to another location.

The specific features offered by each password management solution may vary and the example above does not represent all solutions, but they all function in a similar fashion and are generally easy to setup and use. Pricing currently ranges from about \$20 to \$50 per user.

This list is not comprehensive, but does provide a starting point for your own research. You can also type "password management" into your browser search engine for more options and to access reviews. If you have any questions, please contact Dave Golden, Director, Technology, at dgolden@nasbp.org.

- [KeePass](#)
- [LastPass](#)
- [Passpack](#)
- [PasswordSafe.com](#)
- [RoboForm](#)

Reference to products and services contained in this article is solely provided for description and informational purposes only and does not constitute or imply endorsement or recommendation by NASBP. NASBP makes no representations as to, and assumes no responsibility for, the use of these products or services. Should you have any questions regarding the use of these products or services, please contact the businesses listed above directly.

» New NASBP Sales Workshop for Surety Bond Professionals Scheduled this Fall

NASBP will launch its first sales workshop designed by and for surety bond producers September 22-23, 2010 at the Lumiere Place Hotel & Casino, St. Louis, Missouri.

Facilitated by a Fortune 500 sales coach and top bond producers, the curriculum will introduce participants to a formal sales process that is tailored to the surety agency environment. Instructors will teach how different personal styles can be leveraged and how to use tools and techniques to improve client relationships, expand circles of influence, and increase production leads.

This workshop will be offered in a one and half day session leading up to the Regions 4,5,6, & 7 Annual Meeting and at the same hotel. Those planning to attend this Regional Meeting can take advantage of attending both of these important events in a single trip to St. Louis.

Registration for this event will open in July 2010 and will be limited to 40 participants. Anyone interested in attending the workshop or anyone who has questions should contact Cathrine Nelson at cnelson@nasbp.org.

» 2010 NASBP Risk Workshop Scheduled for October 12-14 in San Diego

The 2010 offering of NASBP's Risk Workshop: "Analyzing Risk and Understanding the Bid Process" will be held October 12-14 at the Loew's Coronado Bay Resort in San Diego, California. This interactive workshop is scheduled three days immediately preceding the Region 1,2, & 3 Annual Meeting at the same hotel. Those planning on attending the Regional Meeting in San Diego can arrive early and participate in both events in one convenient trip.

The Risk Workshop is designed to familiarize surety professionals with the contractor bidding process and all of the inherent risks. Participants will roll up their sleeves, roll out their blueprints, and put themselves in the demanding, time-sensitive, and overwhelming role of a general contractor, who is preparing a bid and must assess the contractual risk that may follow. This Workshop has been approved for continuing education credit.

The faculty is a line up of five esteemed industry experts including:

David A. Castillo is with Alliant Insurance Services, Inc. where he oversees the construction practice for both surety and property/casualty in the firm's Las Vegas, Nevada office. In his positions in banking and insurance, he has consulted with many construction companies helping them to secure financing and bonding. He is Chairman of the NASBP Professional Development & Education Committee and has been a faculty member of the NASBP William J. Angell Surety School since 2001.

J. William Ernstrom is Vice President for Major Strategic Projects for The Walsh Group, an ENR Top 15 National Construction Contractor. Formerly, Ernstrom was the General Counsel of Alberici Corporation. He was the founding partner in the law firm of Ernstrom & Dreese, LLP. For over 25 years, he focused his practice on the construction and surety industries.

Mark McCallum is Chief Executive Officer of the National Association of Surety Bond Producers. He previously served as the Association's General Counsel and Director of Government Affairs, heading its government relations, industry relations, legal, and other functions. Prior to joining NASBP, McCallum was Senior Counsel & Executive Director of Programs and Industry Relations with the Associated General Contractors of America, and Associate Counsel with American Institute of Architects.

Leslie Shiner, author, speaker, and trainer, has more than twenty years of experience as a financial and management consultant for the construction industry and owner of The ShinerGroup, a consulting firm for contractors.

Brian Wasserman is an Assistant Professor in the Construction Management Department at Minnesota State University, where he instructs Estimating and Scheduling.

Registration for Members/Affiliates/Associates is \$1190 and for Non-Members/Non-Affiliates/Non-Associates is \$2380.

Make your plans to attend today! For detailed information and to register, click [here](#).

» New NASBP Staff

Please join NASBP in welcoming **Vanessa Stevens** as the new Grassroots & Communications Coordinator. Stevens is responsible for supporting NASBP's government relations and communications initiatives, as well as assisting in administering the NASBP political action committee, SuretyPAC. Her prior work experience includes working at the law firm of K&L Gates LLP and at the Newspaper Association of America where she focused on policy initiatives and government affairs.

» NASBP Invited to Participate in EJCDC Meetings

NASBP recently was invited to participate as an observer organization to the Engineers Joint Contract Documents Committee (EJCDC) standard form contract document meetings. NASBP Chief Executive Officer Mark McCallum attended the Friday, June 24 meeting, the first of several scheduled to revise and to update the EJCDC's set of construction documents.

EJCDC's interest in the surety community perspective is significant, because the EJCDC documents are widely used in the construction industry and, as a result, many clients of NASBP members regularly enter these agreements to complete their projects.

Like other organizations that publish industry standard form agreements, such as ConsensusDOCS and the American Institute of Architects, the EJCDC is a respected coalition of stakeholders in the project delivery process, the engineers. EJCDC, established in 1975, is comprised of four industry organizations: the American Council of Engineering Companies (ACEC), the National Society of Professional Engineers/Professional Engineers in Private Practice (NSPE/PEPP), the American Society of Civil Engineers—Construction Institute (ASCE), and the Associated General Contractors of America (AGC).

In addition to the EJCDC set of construction documents that represent agreements between an owner and a contractor, EJCDC publishes four other sets of documents. They are:

- Engineering (Owner-Engineer, Engineer-Subconsultant, others)
- Design/Build
- Environmental Remediation
- Procurement (Buyer-Seller)

EJCDC updates and develops standard form documents in its various sets of EJCDC contract documents every five years to reflect changes in laws, regulations, court decisions, and industry standards. All of the documents are suitable for use in both the private and public sectors.

» Winner of NASBP-Sponsored Academic Achievement Award Recognized

NASBP recently congratulated Daniel McFarlane, AFSB, Surety Underwriter with Liberty Mutual Insurance Company, in Plymouth Meeting, PA, for his achievement in receiving the Associate in Fidelity and Surety Bonding (AFSB) Distinguished Graduate Award of which NASBP is a cosponsor.



The Award is given by the American Institute for Chartered Property Casualty Underwriter (AICPCU) and the Insurance Institute of America (IIA) jointly known as the Institutes, that provides insurance education and training for property-casualty insurance and risk management including the AFSB curriculum.

"The Institutes recognize and celebrate the exceptional performance of our distinguished graduates," said Peter L. Miller, CPCU, President and Chief Executive Officer of The Institutes. "Thousands of insurance and risk management professionals complete an Institutes' program each year, but fewer than 30 of those individuals are distinguished graduates. It is truly an honor to earn this elite award."

Of the more than 11,000 people who earned an AICPCU/IIA designation last year, McFarlane is one of less than 30 being recognized for exceptional academic achievement. McFarlane obtained the highest cumulative grade average on the AFSB degree's exams. He will receive a plaque and a monetary award from the cosponsors of the award, NASBP and The Surety & Fidelity Association of America.

NASBP is proud to recognize McFarlane's outstanding achievement and to support the Institutes' important educational programs. NASBP's support of the Program has continued over more than two decades. Click [here](#) for more information about NASBP's involvement with the

Institutes.

The AICPCU/IIA established the National Honors Program over forty years ago to recognize the outstanding academic achievement of students in the designation programs and General Insurance (INS) certificate program.

The Institutes Now Offering New Ethics and Flood Insurance Programs

The Institutes are offering the following two new programs. First, the Institutes have developed a program, titled "Ethical Guidelines for Insurance Professionals." This new online learning module, designed for insurance practitioners, outlines an ethical framework through insurance-based case studies to teach the student practical applications. Fair ethical practices are of utmost importance in the business world and with a step-by-step guide to ethical decision making, this new module will help practitioners at all levels of experience. This interactive module can be completed in a few short hours and can be used to satisfy continuing education requirements for license renewal.

Another new program that is being offered starting July 2010 is the Associate in National Flood Insurance (ANFI™). The Institutes and the Federal Emergency Management Agency (FEMA) jointly developed this new designation that addresses the increasing need for flood insurance. This designation can be attained by passing three exams -- National Flood Insurance Fundamentals, National Flood Insurance Advanced Studies, and Ethical Guidelines for Insurance Professionals. This advanced designation communicates the insurance professional's commitment to the industry and the needs of the nation's individuals who seek flood insurance.

For more information about the ethics program click [here](#). For more information about the flood insurance designation click [here](#). Or contact Customer Service at customerservice@cpuiia.org.

» Treasury Announces Changes to the T-List

The Department of the Treasury's Listing of Approved Sureties (Department Circular 570) as of July 1, 2009 has been updated to reflect:

- General Casualty Companies of Wisconsin (NAIC# 24414), has been certified and added to the Treasury's Listing of Approved Sureties effective 4/13/10.
- Regent Insurance Company (NAIC# 24449), has been certified and added to the Treasury's Listing of Approved Sureties effective 4/13/10.
- Western Bonding Company (NAIC# 13191), has been certified and added to the Treasury's Listing of Approved Sureties effective 4/13/10.
- Effective June 10, 2010 the following companies have changed their address to 2815 Forbs Avenue, Suite 200, Hoffman Estates, IL 60192: First Liberty Insurance Corporation (The) (NAIC# 33588), Liberty Insurance Corporation (NAIC# 42404), LM Insurance Corporation (NAIC# 33600)
- Effective June 10, 2010 the following companies have redomesticated to Illinois: First Liberty Insurance Corporation (The) (NAIC# 33588), LM Insurance Corporation (NAIC# 33600)
- The termination of Commercial Alliance Insurance Company (NAIC # 10906) effective June 7, 2010.
- The termination of Victore Insurance Company (NAIC# 28517) effective June 10, 2010.
- The redomestication of SAFECO National Insurance Company (NAIC# 24759) from Missouri to New Hampshire. The effective date of the redomestication is September 11, 2009.
- The address change of SAFECO National Insurance Company (NAIC# 24759) to 62 Maple Avenue, Keene, NH 03431. The effective date of the address change is September 11, 2009. *
- The redomestication of United States Fidelity and Guaranty Company (NAIC# 25887) from Maryland to Connecticut. The effective date of the redomestication is December 15, 2009.
- Effective June 10, 2010 the following companies have changed their addresses to:
 - American Economy Insurance (NAIC# 19690) 500 North Meridan Street, Indianapolis, IN 46204,
 - American Fire and Casualty Company (NAIC# 24066) 9450 Seward Road Fairfield, OH 45014,
 - American States Insurance Company (NAIC# 19704) 500 North Meridan Street, Indianapolis, IN 46204,
 - Employers Insurance Company of Wausau (NAIC# 21458) 2000 Westwood Drive, Wausau, WI 54401,

- o Liberty Mutual Fire Insurance Company (NAIC# 23035) 2000 Westwood Drive, Wausau, WI 54401,
- o Ohio Casualty Insurance Company (NAIC# 24074) 9450 Seward Road, Fairfield, OH 45014,
- o Peerless Insurance Company (NAIC# 24198) 62 Maple Avenue, Keene, NH 03431,
- o West American Insurance Company (NAIC# 44393) 7999 Knue Road, Suite 450, Indianapolis, IN 46250-1901.

For a complete listing of all states where these companies are licensed to transact surety business, please refer to the Circular 570 and its supplements at:

<http://fms.treas.gov/c570/index.html>
<http://fms.treas.gov/c570/supplements.html>

» **Welcome New NASBP Members, New Affiliate and New Associates**

NASBP welcomes the following new members, new affiliate, and new associates that have joined the Association since the last issue of Pipeline.

New Members

AEW Insurance Agency, LLC
korourke@aew-insurance.com
Chicago, IL
Key Contact: Kathleen O'Rourke

Arthur J. Gallagher Risk Management Services, Inc
<http://www.ajg.com/atlanta>
Atlanta, GA
Key Contact: John Genet

Arthur J. Gallagher Risk Management Services
<http://www.ajg.com/sanjose>
San Jose, CA
Key Contact: Charles Griswold

Barney & Barney, LLC
www.barneyandbarney.com
San Diego, CA
Key Contact: Richard Hallett

Hickman, Johnson & Simmonds Insurers, Inc
scott@hjsinsurance.com
Knoxville, TN
Key Contact: Scott Sherrod

HUB International Insurance Services Inc.
<http://www.hubinternational.com>
Grand Junction, CO
Key Contact: Timothy Blanchard

New Affiliate

Jevco Insurance Company
<http://www.jevco.ca>
Vancouver, BC CANADA
Key Contact: Darryll McDonald

New Associates

Dannible & McKee, LLP
<http://www.dmcipas.com>
Syracuse, NY
Kenneth C. Gardiner

Mixner & Company, CPA's
<http://www.mixnerco.com>
Orlando, FL
Key Contact: A.J. Mixner

Soares, Sandall, Bernacchi & Petrovich, LLP CPAs

<http://www.ssbp.com>

Oxnard, CA

Key Contact: Rick Heldwein

» In Remembrance

Frank E. O'Brien, Jr.

It is with great sadness that NASBP announces that Frank E. O'Brien, Jr., 74, passed away on May 25. O'Brien had been at the NASBP member firm of Fuller & O'Brien, Inc. (now Fuller & O'Brien, Inc./Gallagher) of Albany, NY until he retired in 2005. The firm, one of NASBP's oldest members, was founded by his father in 1923.

O'Brien served in the U.S. Army after graduating from the University of Notre Dame. After being honorably discharged, O'Brien began a career as an engineer until he returned to Albany in 1960 and was employed by his father, Frank E. O'Brien Sr., at Fuller and O'Brien Insurance Agency. Following his father's death, he became president and treasurer of the agency until his retirement in 2005. He went on to hold a consultant position with the firm, which was then owned by his son, Frank E. O'Brien III and Thomas R. Tyrrell. He served as the President of the Contractors, Agents and Brokers Association of New York State, directing the lobbying and public policy efforts of this trade group.

Charles Leach, Vice President of Fuller & O'Brien/Gallagher, said the agency has lost a true friend, counselor, and mentor in Frank. "We will be forever thankful for the good fortune of having known and worked with this great man and for the many wonderful memories we have to treasure," Leach said. "It was a privilege having Frank in our lives."

The president of the Associated General Contractors, New York State Chapter, Inc., A.J. Castelbuono, recalled that O'Brien was a respected icon in his field. "Frank was always known for his cloak and dagger approach to problem solving," said Castelbuono. "Behind many positions and policies of our 'Industry,' Frank's fingerprints can be found. In the days to come, many more poetic words will be spoken about Frank, suffice it to say, we will all miss him."

O'Brien is survived by his wife, Mary Beth Casey O'Brien of Troy, NY, five daughters, and thirteen grandchildren. He is also survived by his sisters, Sheila O'Brien Roesch of Goshen, NY and Patricia M. O'Brien Hoey of Syracuse, NY.

Earlier in June, family and friends were invited to the Parish of Mater Christi and a Mass of Christian Burial at Historic St. Mary's Catholic Church on Capitol Hill in Albany, NY.

Memorial contributions may be made to the University of Notre Dame, Director of Donor Services, 1100 Grace Hall, Notre Dame, IN 46556 or to Catholic Charities of the Diocese of Albany, 40 North Main, Albany, NY 12203. To offer the family your condolences, click [here](#).

» SIO Awards Presented to Nine LSAs



Nine local surety associations (LSAs) were presented with the [SIO Awards for Excellence in Surety Bond Promotion](#) at the annual meetings of NASBP and the Surety & Fidelity Association of America (SFAA). These awards recognize LSAs for promoting the value and protections of contract surety bonds in construction to non-surety audiences.

Three LSAs received the Gold award for conducting at least 10 activities in 2009 to promote the use of contract surety bonding:

- Florida Surety Association
- Surety Association of Arizona
- Surety Underwriters Association of Southern California

Six LSAs received the Silver award for conducting at least five activities:

- Surety Association of Illinois
- Surety Association of Indiana
- Surety Association of Kansas City
- Surety Association of Louisiana
- Surety Association of Ohio
- Surety Association of Wisconsin

Additionally, four LSAs were recognized with honorable mentions for their active involvement in advocating suretyship and raising awareness about the surety industry:

- Alabama Surety Association
- Rocky Mountain Surety Association
- Surety Association of St. Louis
- Surety Association of San Diego

No Platinum award or Tiger Trust nominations were received for 2009.

Awards entries are judged by the [SIO Policy Board](#). NASBP representatives are J. Spencer Miller, Schwartz Brothers Insurance Agency Inc.; Carl E. Dohn, Jr., Dohn & Associates; Stephen A. Spencer, Insurance Associates Inc.; and Mark McCallum, NASBP Chief Executive Officer. SFAA representatives are Chair David "Dusty" Rhodes, Inscoco Group; Ross Fisher, Hartford Fidelity & Bonding; Roland Richter, Liberty Mutual Surety; and Lynn M. Schubert, SFAA President.

For contact information for local surety associations, visit the [LSA Directory](#) on the SIO website.

