



## **Glossary of Common Surety Bonds and Terms**

*Last Updated July, 2014*

### Administrators

Individuals appointed by the Court to collect and distribute the assets of a person who dies intestate (without a will). Their authority comes from the Court and statutes. The bond covers honesty as well as faithful performance. These are usually desirable bonds if Administrator engages reputable attorney.

### Agricultural Dealer / Hay Broker/Dealer/Commission Merchant

Usually required by the states for the protection of farmers who sell various products to wholesalers or buyers. Guarantees payment of money due, as well as complying with state regulations and filing of reports to various state agencies. Depending on the amount, financial statements are required. State of Arizona no longer requires these bonds but they are required in other states.

### Aircraft Dealer - See Motor Vehicle Dealer Bond

Similar to a vehicle dealer bond except for selling aircraft.

### Airline Reporting Corporation (ARC) Bonds

Guarantees travel agencies will twice monthly, turn over revenues collected according to terms of sales agreement signed with the Airline Reporting Corporation. Hazardous — must be carefully written. Coverage also covers theft of tickets. Collateral may be required.

### Alcoholic Beverage Bonds – Distillers and Winemakers

The primary intent of these bonds is to guarantee the payment of federal taxes on alcoholic beverages. Since this bond covers the payment of taxes, a principal with a strong financial condition is considered.

### Appeal

This bond enables the Principal to seek reversal by higher courts of an unsatisfactory decision or judgment rendered already by a lower court. The guarantee is that if the Principal fails to win a reversal of a lower court decision then the full amount of the judgment plus interest and court costs would be paid. Hazardous— usually written only with collateral.



#### Attachment

Where statutory grounds exist for it a creditor can secure his claim against a debtor by having the sheriff take into custody certain property of the debtor. Since this action takes place in advance of court trial, the bond protects the debtor from cost and damages sustained if the creditor fails to successfully establish his cause in court. The Supreme Court has ruled it is unlawful to attach property without a prior judgment so several states now require prior judgment before attaching property. Good business for reputable firms.

#### Attachment, Release or Discharge of

This bond enables debtor (defendant) to regain possession of his property. It guarantees payment of judgment, plus interest and cost, if the creditor (Plaintiff) is successful against him. Normally written only with collateral.

#### Auctioneer's License

Normally in favor of cities or counties, these bonds protect against acts of dishonesty as well as guarantee fees, dues, and proceeds of sale. Hazard depends on law.

#### Automobile Dealers

These bonds are required by states and protect the public against fraud and misrepresentation. In certain instances they guarantee payment of fines and penalties as well as taxes. Can be hazardous depending upon the law and amount of the bond. Financial statements typically required.

#### Bail Agents Bond

The bond guarantees the principal will follow all guidelines as set by the Department of Insurance and conduct a faithful and honest bail agents business. Western National Surety is not a market for this type of bond. Typically the bond is written by the company the bail agent represents.

#### Bankruptcy—Trustee or Receiver

When a debtor voluntarily or involuntarily goes into bankruptcy, the Referee in Bankruptcy, or the U.S. District Court appoints a Receiver to take charge of the Bankrupt's property. At the first meeting of creditors after the debtor has been duly adjudged a bankrupt, either the creditors elect a trustee or failing to do so, the Court appoints one. The Receiver may or may not become the Trustee.

#### Barber Schools – See Schools

BIA (Bureau of Indian Affairs) Lease Bond- See Lease bond for general description, typically for leasing farm land on Indian Reservations for farming purposes.

#### Bid Bond

Is an obligation undertaken by a bidder promising that the bidder will, if awarded the contract, enter in to the contract and furnish the prescribed performance and payment bond(s) within a specified period of time. The bond is a percentage of the bid typically 5,



10 or 20%. The surety underwrites the obligation with the anticipation that they will issue the performance and payment bond(s) if the principal is the lowest and most responsible bidder selected by the obligee.

#### Blue Sky or Securities Dealer

These are Bonds required by states of agents, dealers, and issuers of securities. They are posted for the protection of the public against fraud or misrepresentation and can be sued on directly by members of the public. In some states these bonds are only required of firms showing a low net worth. These bonds can be very hazardous.

#### Bond or Surety Bond

Generic term describing thousands of different types of bonds but an obligation undertaken by a third party (surety) promising to pay if the principal does not fulfill its valid obligations under a contract or by statute or law.

#### Business Services/Janitorial Employee Dishonesty

These bonds protect an employer from dishonest acts of an employee against the employer's customers for third party theft. The bond states that the employee must be convicted of the dishonest act before coverage will apply. This is a third party fidelity bond but does not protect the employer from direct employee theft against the employer.

#### Cigarette Tax

Required by states of tobacco dealers and manufacturers. They guarantee payment of tax stamps, as well as fines and penalties. Since they are compliance bonds also, they guard against the sale of "untaxed" cigarettes. Financial guarantee typically underwritten from strong financial statements.

#### Citrus Fruit Dealers

Required by the states. Is for the protection of the producer and other dealers. Guarantees payment as well as complying with terms of the contract and laws of the state. Financial statements may be required depending on the amount.

#### Claim and Delivery

Another name for Replevin Bonds. Plaintiff can gain possession of property involved in title question by posting bond in favor of defendant. Bond guarantees return of property, plus cost and damages, should return be ordered after court judgment. Can be hazardous. Must be underwritten but O.K. for reputable firms.

#### C.O.D. License

Can run to both private and public obligee. In the case of a private obligee, these bonds guarantee to shippers that merchandise transported by carrier will be collected for and remitted to the shipper or else the merchandise returned. The Bond required in connection with public obligees can additionally protect inter—connecting carriers as well as shippers, while at the same time impose compliance features on the Principal. Hazardous — must be carefully underwritten.



### Collection Agencies

Before state will permit collection agencies to operate, they must post a bond guaranteeing that all funds collected, less a fee fixed by law, will be turned over to the various clients who employ their services. In addition to the outright financial guarantee aspect, there is also a severe fidelity exposure under this bond. Financial statements typically required.

### Commission Merchant

Usually required by the states for the protection of farmers who sell various products to wholesalers or buyers. The bond guarantees payment of money due, as well as complying with the state regulations and filing of reports to various state agencies. Hazardous. Underwritten based on financial strength.

### Concessionaire Bond – See also Lease Bond

This bond is similar to a lease bond in that it often guarantees rental payments as part of the terms of the concession agreement. Typically the bond is needed by persons who awarded a concession to operate a business, usually in a public facility, such as an airport (Port Lease Bonds). In addition to the payment of rent, the agreement usually requires the payment of taxes, fees and often a percentage of the profits and may be other compliance obligations to fulfill. As in the case of lease bonds, the underwriter will need to review the agreement along with the financial statements to consider this risk fully.

### Conservators in Probate

Guardians of incompetents. This is a Fiduciary Bond where obligation is to preserve the assets of the estate. Can be hazardous bond due to long term exposures especially if bond will last 5 years or more.

### Contract Bonds — All Types

These bonds guarantee the performance of a contract. These is an endless number of bonds that fall into this category and they range from supply contracts, building construction contracts, and road building contracts to efficiency guarantee contracts of boilers or heating and air conditioning systems. To fall under this heading, the one basic requirement is that a contract exists. Hazardous usually.

### Contractor's License

These are bonds required by cities, counties, and municipalities for various types of contractors, such as Electrical, Plumbing, etc. These bonds guarantee compliance with ordinances, so to determine the nature of the guarantee, the wording of the ordinance must be known. Normally these bonds indemnify and save harmless the city or county from suits by third parties or negligence in granting the permit. Degree of hazard depends on bond form and law. Desirable in some areas and very hazardous in others. Commercial license bonds in Arizona are code compliance and are desirable while residential bonds are hazardous risks that guarantee both performance and payment obligations are underwritten for qualified principals.



#### Contractor's Wage and Welfare

Bond guaranteeing employer contributions to various union welfare funds, including maintenance of union wage scale and honoring pay checks. Vary hazardous. Usually written only when surety has supporting business.

#### Cosmetology Schools – See Schools

#### Counter-Replevin

Bonds required by one who wants to regain possession of property which has been taken away through a prior replevin action. The bond guarantees return of property, as well as cost and damages if the principal loses, in court. This is a Defendant's Bond and very hazardous. Collateral is usually required.

#### Court Bonds – Fiduciary

One of the five classes of commercial surety bonds that are required by law to guarantee faithful performance of the fiduciary's duty to comply with the orders of the court. A fiduciary is one, who under the jurisdiction and supervision of the court administers property held in trust due to death, poor health, age or bankruptcy of a person or persons. Fiduciaries may also be required in certain business situations.

#### Court Bonds – Judicial

One of the five classes of commercial surety bonds that are required when litigants seek to avail themselves of privileges or remedies which are allowed by law, upon condition that a bond be furnished for the protection of the opposing litigant or other interested party. The purpose of the bond is to preserve the rights of the opposing litigant and the granting of the privilege or remedy.

#### Customs

These include a wide variety of bonds required by the Federal Government and the Treasury Department. They are required of importers and exporters, as well as firms handling the merchandise such as railroads, warehousemen, etc. Normally these bonds range from payment of duty guarantee on imported merchandise to assurance of safe transportation. Hazard varies according to bond form. Western National Surety is not a market for Customs bonds.

#### Defective Title

This is also known as Certificate of Title Bond. It is required when a motor vehicle is sold and there is no title available. The bonds runs to the State but is for the benefit of any owner who suffers loss or damage because of unknown securities interest on or defect in title of vehicle. Can be hazardous for individuals. Desirable for established dealers. Can be hazardous for states bordering Mexico or Canada.



#### Defendant's Bonds

Since temporary advantage is given to the aggressor in a Court action by means of Plaintiff's Bonds, the Court also protects the right of defendants by permitting Defendant's Bonds to be filed. There is a wide selection in this class, such as "Counter-Replevin, Supersedeas or Appeal Bonds. All are very hazardous and collateral is usually required.

#### Detective Agency

These bonds guarantee strict compliance to state laws regulating this type of operation. Bond may protect against bodily injury or property damage inflicted in the course of business in some states including libel and slander. The detective agency should have adequate insurance.

#### Diesel Fuel Vendor or User

This bond guarantees payment of a special tax levied on liquefied petroleum gas or diesel oil when used as a motor fuel on the highways. Hazardous but desirable for established, well financed firms.

#### Distributor's Milk, Liquor, etc.

These bonds run to the states and guarantee payment of taxes in addition to any fines or penalties assessed against the principal for violation of laws or regulations which govern the particular license. Desirable for well financed established firm.

#### Electrician's License

This bond is normally conditioned that installations made by the principal will be in accordance with the building code or other applicable regulations. Desirable for qualified persons.

#### Employment Agency

This is a bond required by states and, in addition to assuring strict compliance with the laws regulating these agencies, the bond also guarantees refunds to the public of any "unfair" or "unjustified" charges. Very hazardous.

#### Encroachment Permit

This bond is used in Connection with construction or location of some object upon, along, or under a highway. It guarantees restoration of the highway to its Original condition, and also indemnifies the state against damages. Can be very hazardous. Usually written for established firms only.



### ERISA Bonds

This is a fidelity bond as oppose to a surety bond. The bond provides protection to the retirement plan against loss by reason of acts of fraud or dishonesty on the part of the plan administrator, officer or employee, directly or their connivance with others. The federal Employee Retirement Income Act of 1974 requires that the bond be set at 10% of the plan assets up to a maximum bond amount of \$500,000. The act also requires that the plan be bonded for 100% of the non-qualified assets with no limit on the bond amount for the non-qualified assets. Qualified assets are any assets held by various regulated financial institutions while non qualified assets may be not readily marketable. Western National Surety is not a market for non qualified plan assets in excess of 5% of the total plan assets and Western National Surety does not write bond above the \$500,000 limit for the 10% of the qualified plan assets.

### Escort Agencies

This is a code compliance bond but has a high moral hazard and Western National Surety is not a market for this risk.

### Escrow Agent

This bond is typically required in California and is for regulation and control of persons or firms who are not under banking regulations but who take escrows for compensation mainly in connection with the real estate business. Bond is hazardous but can be written for well established firms that have strong financial resources.

### Excavation Permit

This is a Permit Bond, required of excavating contractors by cities and municipalities. The principal guarantee to indemnify and save harmless the obligee from loss and damages caused by negligence of the principal. Can be hazardous.

### Executor

This is the same name given to an individual named in a will to administrator the estate according to the instructions in the decedent's will. Desirable when attorney is involved in the estate and for qualified principals.

### Federal Bonds

One of the five classes of commercial surety bonds and federal bonds are required by the U.S. Government for paying taxes, importing goods or providing services to the Federal Government.

### Fidelity Bonds

This glossary covers most of the more common surety bonds. Fidelity is also known as employee dishonesty coverage and is often written as part of a commercial insurance package. Western National Surety's bond underwriters write the ERISA and Janitorial/Business Indemnity bonds as separate obligations, but Western National Surety does not write stand alone commercial crime/employee dishonesty policies. There are two types of fidelity bonds, blanket and schedule. Blanket fidelity may cover a blanket penal sum for coverage for named losses or blanket position which is a separate



penal sum by position in the firm. Schedule fidelity bonds include name schedule naming an individual in a named position at a specific location or a position schedule bond which names a position at a specified location. Employee Dishonesty and Commercial Crime other than ERISA or the third party Business Indemnity/Janitorial bonds are typically written by specialized fidelity underwriting units. Western National Surety mainly writes surety bonds and does not write stand alone fidelity policies.

#### Financial Guarantee

These bonds guarantee the principal will have a certain sum of money available to pay the obligee in the event certain things happen or fail to happen. Hazardous. Must be written based on financial strength and credit reputation of principal. Collateral may be required depending on the risk.

#### Freight Charges

Runs in favor of transportation companies and permits delivery of freight by a merchant without prepayment of freight charges or surrender of bills of lading. The bond guarantees in due course the charges will be paid or the bill of lading surrendered. Hazardous but desirable for financially strong firms.

#### Fuel User or Vendor

This bond guarantees payment of tax for motor fuels used on the highways. Some states require quarterly reports even though no taxes may be due. Hazardous but desirable for good firms.

#### Garnishment

Plaintiff attaches money or property belonging to defendant, but in the hands of a third part (Garnishee). Bond guarantees return of property plus cost and damages. U.S. Supreme Court has rules unlawful unless judgment has been made. In those states requiring prior judgment, are desirable, otherwise can be hazardous.

#### Gasoline Distributors

Guarantees to the states that the principal will pay tax money received from the sale of gasoline. Desirable for financially strong firms.

#### Guardian

These are Fiduciary Bonds required where minors or incompetents are involved. They differ from administrator's and executor's bonds in that the obligation of the principal is to preserve the assets rather than distribute the estate. This bond can remain in force for many years since they are required on minors or individuals that are considered incompetent due to physical or mental capacity. The guardian must also handle all of the affairs of the minor or incompetent. Both guardians and conservators generally have to file an inventory and annual accounting with the court, take possession of property, invest the assets and in the case of a minor transfer the assets to the ward when they become of legal age. Hazardous especially if bond will be in force for longer than 5 years.



#### Highway Access

Enables the principal to construct or locate some object upon or along a highway. It guarantees restoration of the highway to its original condition, and also indemnifies the states against damages. Hazardous, usually written for contractors or well established firms only.

#### Home Improvement/Inspectors or Pest Inspector Contractors

These bonds are required by cities or counties of various states. In addition to guaranteeing compliance with ordinances, some bonds guarantee performance of the contract. Very hazardous. Western National Surety is not a market for the Arizona Pest Inspector bonds.

#### House Moving Permit

Required generally by cities of someone desiring to relocate a building or a house. The bond is conditioned upon compliance to ordinances governing this activity and Covers damages done to city property. Hazardous and not written for individuals usually.

#### Hunting and Fishing License

Bonds required by state for sellers of licenses. It guarantees that money collected will be remitted to the state. These bonds are classified under Public Official Section of the manual. Hazardous but can be written for financially strong, reputable people.

#### ICC Brokers Surety Bond – See Transportation Brokers

#### Indemnity Agreement

The principal indemnifies the surety and hold the surety harmless from all loss and to pay back the surety for any losses or claims adjustment expenses that the surety has paid. The legal agreement advises the indemnitor(s) of their responsibilities including the payment of future premiums due and various other duties including a duty to cooperate in the event of a claim.

#### Indemnity to Sheriff

Plaintiff's Bond in favor of sheriff covering any liability the sheriff may incur in the execution of the process of the Court which turns out to be wrongful. Good business for reputable firms.

#### Insurance Agents/Brokers/Surplus Brokers

May be required only for agents with non resident licenses. Bond may guarantee premium taxes and in some jurisdictions payment of premium due to companies and insured's. Written freely for reputable agents Western National Surety represents, for others this bond is treated as a financial guarantee bond and may require financial statements. The State of Arizona no longer requires this bond for Arizona agents.



### Injunction

Commonly called restraining order, this judicial bond requires a party to do or refrain from doing a particular thing. The bond indemnifies the party so obligated in the event it is finally determined the injunction should not have been granted. Hazardous but written for reputable firms.

### Inspection Fee

Required by states or U.S. Department of Agriculture and guarantees payment of taxes found due on food stuff, commercial fertilizer and petroleum products. Hazardous.

### Insurance Agents or Brokers

Bonds required by states and, in addition to strict compliance features; they also guarantee insurance premium collected will be remitted to proper parties. Hazardous but may be freely underwritten for Western National Surety's more active producing agents.

### Itinerant Merchants and Peddlers

Bonds required by cities or states for non—resident or roving vendors operating from a truck. These bonds may cover use of honest weights and measures, payment of goods received and payment of taxes. Can be desirable or hazardous depending on the local laws and bond form.

### Landfill and Refuse Service Bonds

Bond is for payment of landfill fees and taxes for contracts to dispose of waste in landfills. The bond guarantees that the fees will be paid. Typically a financial guarantee bond and for larger bonds over \$10,000 financial statements are required.

### Lease Bonds

Lease bonds are normally required to support the lease rental payments that are due per the underlying lease agreement. The bond guarantees that those rental payments will be paid. Sometimes the obligee will require that the bond also support all other terms and conditions of the lease agreement. These bonds can be very hazardous as the terms of the lease agreement can be exceptionally onerous, including terms for performance of additional construction or even for the cleanup of hazardous waste. A complete copy of the lease agreement with any amendments needs to be reviewed by the underwriter along with strong financial statements supporting the risk.

### License and Permit Bonds

One of the five classes of commercial surety bonds and in general, a license bond is one required by law or ordinance as a condition precedent to the granting of a license to engage in a particular business. Very few businesses today operate without the need of a permit, many of which have bond requirements assuring compliance to them. Degree of hazard depends upon law and bond form.



#### Liquor License

These bonds are in favor of local liquor boards or the state. The guarantees are varied, running from compliance only to payment of taxes. Some forms are forfeiture, where the penal limits of the bond are forfeited, regardless of the amount of damages. All are hazardous and some are extremely hazardous. Some states may have a cumulative bond based on license period.

#### Livestock

Required by the state or Federal Government for the benefit of sellers of livestock. It covers usual compliance with regulations, as well as guaranteeing payment for livestock by persons licensed to engage in buying or selling this commodity. Can be hazardous but good business for reputable and financially qualified firms.

#### Lost Instruments or Securities

These bonds are required by transfer agents and/or issuers of securities and same them harmless from damages and loss in issuing duplicates to replace securities claimed to have been lost, stolen, or destroyed. Can be hazardous, cashier's check are extremely hazardous and Western National Surety normally will only consider after 90 days have elapsed since the cashier's check was lost.

#### Lost Trust Deed/Note Bonds

This bond allows the principal to proceed with a reconveyance or foreclosure of a Trust Deed/Trust Deed Note on specified real property when an original document has been lost. This bond is typically required in California. The underwriter will want to ensure that the note has not been paid off and the applicant cannot legally request the aforementioned reconveyance. If the principal is the beneficiary the hazard is the possibility of the note being assigned to another party and that the assignment has not been recorded. Besides the application, the surety may require a preliminary title report and a sworn and notarized affidavit of the trustor or beneficiary.

#### Maintenance Bonds

These bonds provide protection for a specified period of time after the project has been completed. These bonds guarantee against defective workmanship or materials. Typically maintenance bonds are written for contract surety accounts where Western National Surety has written the related performance and payment bonds. Maintenance bonds may also be required for subdivision related work – See Subdivision Bonds.

#### Manufactured Housing Dealer and Installer Bonds

Bond guarantees compliance with building and fire safety codes and proper installation by licensed installers. Bond may cover fees and clear title in some jurisdictions. Typically financial statements are required for bonds over \$10,000.



#### Mechanic's Lien — Release of or Discharge

When labor or material bills go unpaid on a private construction project, liens may be filed against the property, impairing the value of the property to the amount of such lien. When the owner wishes to discharge the lien in order to clear the title to the property, he may be required to file this bond guaranteeing payment of any judgment that might be rendered in favor of the claimant in an action to foreclose the lien. Since liens can not be filed on public properties, notice by unpaid subcontractors or materialmen to the proper authorities will stop further progress payments to the contractor involved. In order to start the payments rolling again, a bond may be required, conditioned for the payment of any amount found to be due the claimant by the contractor. Very hazardous. In Arizona, the bond amount is 1.5 times the amount of the lien. Usually written with collateral.

#### Medicaid Provider Bonds

Bond required by the Health Care Financing Administration (HCFA) to guarantee collection of overpayments. The minimum bond amount is \$50,000 or 15% of the Medicare payments made by the HCFA. The bond is highly hazardous and is a forfeiture bond for the entire penal sum payable within 30 days. The bond is cumulative and the bond penalty doubles each year the bond is in force. Western National Surety only considers this bond for the most financially secured firms and CPA reviewed or audited financial statements are required.

#### Mileage Tax

Many states exact heavy license fees on automotive equipment such as trucks, In some situations, such as that of a farmer who uses his truck on a seasonal basis, or a long—haul trucker who only periodically travels the highway of a given state, these license fees are not commensurate with the actual mileages of the truck. This bond permits the trucker to pay a fee based on the number of miles per month traveled in the state. The bond guarantees he will truly report the number of miles for which he is chargeable and that any excess fees found to be due will be paid. Hazardous, but can be written for financial strong firms.

#### Mining Reclamation Bonds – See Reclamation

#### Miscellaneous Bonds

One of the five classes of commercial surety bonds and those that do not clearly fall within the scopes of the other four classes. Some bonds are required by law and must be conditioned as provided by statute, ordinance or regulation while others are required by law with conditions discretionary with approving authorities. Others may be purely voluntary or undertakings with conditions described by or acceptable to the Obligee.

#### Mobile Home Dealer

License bonds guaranteeing dealer will comply with all contracts made by the dealer and with all laws and codes of the state. Degree of hazard depends on the law. Financial statements normally required but written for qualified firms.



#### Mortgage Broker/Banker Bonds

Bonds required by the state for the protection of the public against fraud or misrepresentation. Hazardous bonds written only for reputable firms. Financial statements typically required for bonds over \$10,000. Hazardous if mortgage broker operates in multiple states.

#### Motor Vehicle —Defective Title

Is for the benefit of any prior owner, lien holder, or security interest holder and for any subsequent lien holder or owner who is damaged by state's issuing title to vehicle. This bond is used in those states where titles were not required earlier or in connection with wrecked cars where title is lacking. Can be hazardous in states bordering Canada and Mexico.

#### Motor Vehicle Dealers and Salesmen

License bond guaranteeing compliance with state laws. It is for the benefit of anyone suffering loss or damage. In some states, this bond is only required of those not meeting minimum financial worth. Degree of hazard depends on law.

#### Motor Vehicle Wrecker – See Wreckers

#### Non—Resident Contractor License

Required by state other than home state of contractor. This bond guarantees payment of taxes to the state and remains in effect until state auditors have analyzed the books after completion of the project. Hazardous but written for qualified principals and when supporting business is written with Western National Surety.

#### Notary Public

A public official bond to the state for compliance with state laws. Very desirable.

#### Obligee

The named party to whom, under a bond, the promises of the Principal and Surety run. This could be the state, local or federal government agency or a private party and typically the party that is requiring the bond.

#### Offsite Improvement Bonds – See also Subdivision bonds

Typically an offsite improvement bond may be required by a city or county or even a homeowners association for various improvements to the owner's lot such as final landscaping after the building has been built. Can be highly hazardous depending on the bond form and terms and can be long term in nature if the improvements are not made immediately.

#### Oil & Gas Wells

This is a license bond to the state guaranteeing compliance with the laws and regulations including environmental protection, record keeping, and land restoration in many states. Very hazardous. Western National Surety is not a market for Oil and Gas reclamation bonds.



#### Overweight Vehicle Permit

This bond enables the Principal to transport excessive loads over bridges and highways. In addition to covering any destruction of the public roads, the bond can be conditioned to pay for any bodily injuries or property damage losses in excess of the limits carried by his insurance company. Hazardous depending on law.

#### Packers and Livestock Dealers

Required by the State or U.S.A. for the benefit of sellers of livestock. It covers usual compliance with regulations as well as guaranteeing payment for livestock by persons licensed to engage in the buying or selling of this commodity. Can be hazardous but can be written for financially qualified and experienced firms.

#### Payment Bond

This bond is intended to pay laborers, suppliers and other contract-related costs, which the contractor owes to third parties. The benefit to a private (as opposed to a public governmental entity) obligee is that it proves a source of funds for those who might otherwise be able to enforce a lien against an owner's property.

#### Peddler/Itinerant or Transient Merchants

May be required by city or county and is for payment of fees and taxes plus money accountability. Depending on the law, may be a code compliance obligation or may be a financial guarantee obligation. Typically written for financially responsible applicants.

#### Penal Sum

The limit of the Surety's liability under its bond. The amount may be fixed by statute for commercial surety obligations or by the initial contract amount for contract surety or bid, performance and payment bond(s) or by some other means.

#### Performance Bond

A performance bond covers the contractor's actual performance of the contract. It guarantees payment up to the penal sum of such things as cost of completion or cost to correct deficiencies which are the responsibility of the contractor.

#### Permit Bonds — All Others

In general, bond is required by law or ordinance as a condition precedent to the granting of a license or permit to engage in a particular business or undertaking. Bond assures compliance with the laws or ordinances. Usually not very hazardous, depending on law.

#### Pistol Toting

A permit bond required of people carrying arms. Bonds usually run to the state but handled by the County Ordinary or County Probate Judge. Guarantees no unlawful use will be made of gun. Very hazardous, but good business for people of good repute.

#### Plaintiff's Bond

See attachment, garnishment, replevin, etc.



### Plumber's License

This bond is usually conditioned that installations made by the Principal will be in compliance with the building code or other regulations and that, when an opening in the street is made by the Principal, the street will be restored to its former condition. Desirable for qualified persons.

### Police Officers

These public official bonds are for the benefit of the public and guarantee the proper carrying out of duties. Such a general term may cover anything from false arrest to illegal acts. Because of this wide coverage, these bonds are considered highly hazardous.

### Preliminary Injunction/Temporary Restraining Order Bonds

An injunction is a court order which requires a party to do or to refrain from doing some particular act. A short term injunction is sometimes called a restraining order. Usually the law does not require a bond in connection with a permanent injunction. The bond guarantees financial loss if the restraining order or injunction is later ruled wrongful or illegal. Depending on the bond amount this bond can be highly hazardous and collateral may be required.

### Principal

The bonded contractor or other party who has the primary responsibility for completing the obligations of a contract or by statute or law. The party or customer applying for the bond.

### Private Investigator or Detective – See Detective Agency

### Probate Bond

See administrators, executors, guardians, etc.

### Process Servers

This is typically a code compliance bond on the conduct or improper service of process. May be freely written for reputable applicants.

### Processor—Farm Products

This bond is required by state and is similar in nature to "Commission Merchants" except that it has the added feature of being in favor of all producers and creditors of farm products. Hazardous.

### Produce Dealers

Bond required by state for the protection of fans who sell various products to wholesalers or buyers. It guarantees payment of money due as well as complying with state regulations and filing of reports to various state agencies. Hazardous but written for financially able persons. Bond is no longer required for the State of Arizona.



#### Public Administrator

This is the public official who handles estates and guardianships in those cases where there are no known relatives or close friends. The bond given as qualification for office is handled as a public official bond. Additionally bonds needed in connection with any estates handled by this person will be administrator bonds. Can be very hazardous, depending on controls imposed by law.

#### Public Official — All Others

Bonds required of officers and subordinates, agents, or employees of a state or any political subdivision thereof or of any institution owned, operated or controlled by the state or subdivision thereof running to the state or subdivision. Individual or named scheduled bonds are handled as Surety bonds. Degree of hazard varies with office and municipality.

#### Public Warehouseman

This bond is for the protection of owners of stored goods, grain, cold storage, and other agricultural products against loss or damage caused by the violation of warehousing statutes and regulations. Degree of hazard depends on obligee and type of product stored.

#### Public Weigh master

These bonds are given by individuals to cities or states and are conditioned upon faithful performance of duty and compliance with codes regulating the licensing of weighmasters. Desirable.

#### Purchase and Sales Contracts

If not a supply contract, these are rated as miscellaneous bonds. The contracts involved are usually for the purchase of public bond issues or other public property. Hazardous — must be looked at on an individual basis.

#### Railroad Freight Charges

Bond permits delivery of freight by a merchant without prepayment of freight charges or surrender of bills of lading. It guarantees charges will be paid in due course. Hazardous.

#### Real Estate Salesmen and Brokers

These are license bonds required by the state for benefit of anyone suffering loss or damage from fraudulent acts by salesmen or brokers. Some bonds cover prompt remittance of funds also. Desirable for qualified persons in some states. Western National Surety is not a market in Arizona since the bond is waived for qualified individuals and is only required if the principal does not meet the state's qualifications. Adverse Selection in Arizona.



#### Reclamation Bonds

These bonds guarantee the performance of an underlying reclamation plan, drafted in accordance with specific statutes and regulations. The plan requires the principal to restore a parcel of land to its original condition once mining operations or some other specified activities have been completed. These bonds can be extremely hazardous and are long term in nature some of which may or may have a cancellation provision.

#### Receiver in Bankruptcy also Assignees, Liquidators or Trustees

Bond guarantees this court—appointed fiduciary will handle the property as the court has decreed whether it be reorganization or liquidation and disbursement. Very desirable for qualified persons.

#### Redelivery

Same as counter—replevin. This is a defendant's bond guaranteeing return of property previously taken through a replevin action. Also guarantees cost and damages if Principal loses in court. Very hazardous. Collateral is typically required.

#### Refunding — Heirs

This bond permits advance distribution of the assets of an estate to the heirs prior to the expiration of the time during which time claims must be filed. It guarantees the return of enough money to satisfy claims that are presented in time. Very hazardous — must have full indemnity of all heirs. Indemnity typically required of the heirs and estates distributions.

#### Release of Lien

A lien may be filed against real estate for the amount claimed to be due for labor or materials furnished for construction of building or other improvements upon property. The owner may discharge lien, pending final determination of his liability, by giving bond guaranteeing payment of any amount that may be found due claimant with interest and cost. Very hazardous - usually only written with collateral.

#### Release of Stop Notice

See Stop Notice for description of a stop notice. After the principal has filed a stop notice on a project and the owner and lender are withholding funds, the general contractor or owner may desire the funds to be released by posting a release of stop notice bond. 100% collateral is typically required for this situation.

#### Relocation Permit

Bonds required by cities of someone desiring to relocate a building or house. Bond covers compliance with local ordinances and payment for any damage done. Hazardous.



### Removal (Cost)

There prejudice or bias seem to create conditions adverse to favorable trial, either the plaintiff or the defendant can have the case moved to a Federal Court, or another State Court by filing this bond. It guarantees cost assessed if found to have been improperly removed. Highly desirable for competent attorneys.

### Replevin— Plaintiff's

This bond arises from title dispute over personal property or chattel. The plaintiff can gain possession of the property in questions by posting a bond in favor of the defendant, conditioned upon the return of the property plus cost and damages should return be ordered. Hazardous but written freely for reputable and financially qualified firms.

### Sales Tax

Bonds guaranteeing that the principal will collect and remit to the appropriate authorities the amount due as sales tax on merchandise sold by the principal. Hazardous. Usually contains element of adverse selection against Surety.

### Schools — Correspondence — Private or Trade

These license bonds are required by the state of the school or its individual representatives. Coverage varies from damages suffered because of willful fraudulent misrepresentation to absolute compliance with any written or verbal commitment to a student. Degree of hazard varies based on law but desirable for principal's with strong experience that are financially qualified.

### Securities Dealer

Bonds required by the state of agents, dealers, and issuers of securities. These are for the protection of the public against fraud or misrepresentation. They are also referred to as "Blue Sky" Bonds because of the broad coverage. Very hazardous.

### Self—Insurers

Required by the U.S. Bureau of Employee's Compensation or by state of employers handling their own Worker's Compensation program. Because of the long term liability involved, these are extremely hazardous bonds. Western National Surety is not a market for this type of bond.

### Sidewalk License

Bond which indemnifies and saves harmless the city from all damages and accidents caused by negligence of contractors doing concrete work. It can also include third party right of action. Hazardous.



#### Stop Notice Bond

Bond guarantees the claimant will pay all costs and damages to the owner, contractor or the lender that may be sustained by reason of the garnishment. Stop notice bond is requested when the principal has filed or is about to file a verified claim covering labor and materials and requests the Obligee to withhold funds. The bond is for 1.5 times the amount of the claim. The bond is used for private works projects and is not required for public works projects. This is a court bond. The surety who writes the supporting contract surety business is typically the one who considers this type of bond. The surety will need a court bond application with financial statements and a copy of the stop notice and why it is needed.

#### Street Opening / Obstruction

Guarantees compliance to ordinance regulating opening of streets, and assures that the street will be restored to its proper condition. .. Some states are very strict in their demands for proper condition. Can be hazardous depending on the bond form and the local law.

#### Stockyards and Packers

Required by state or Federal Government for benefit of sellers of livestock Bond covers compliance with regulations and the prompt payment for livestock by persons licensed to engage in buying or selling. Hazardous but written for well financed firms.

#### Subdivision Bond

This is a contract surety bond similar but more hazardous than a bid/performance and payment bond. The bond is required by various counties and cities guaranteeing that the developer will complete the public improvements such as streets, sidewalks and other improvements as specified in the subdivision agreement. The bond is renewable until released and is more hazardous than other contract surety work since most developers do not complete the work themselves but hire subcontractors to complete the work. In addition the bond may be a long term obligation until the subdivision is complete.

#### Surety

The third party (usually an insurance company) who promises to pay if the Principal fails to fulfill their obligations by contract, by law or by court order.

#### Surplus Lines Broker Bond

Bond guarantees that the principal will conduct business as outlined by state statutes for all surplus lines insurance transactions in the state. See Insurance Brokers classification above.



#### Surface/Strip Mining

Bonds are required by the State guaranteeing that after mining has been completed all the land will be reclaimed. This includes terracing and planting of trees and ground covers. Most states have very strict regulations regarding exactly how this will be done. Extremely hazardous bonds. Western National Surety is typically not a market for reclamation bonds.

#### Tax Bonds — All Others

Various bonds required by municipalities, states or Federal agencies guaranteeing payment of all taxes due. Hazardous.

#### Temporary Restraining Order

See Preliminary Injunction/Temporary Restraining Order Bonds above.

#### Tobacco Tax Bonds

Guarantee the payment of taxes due to the federal government from the manufacture and sale of tobacco products. Hazardous bonds requiring strong financial worth.

#### Tour Operators

Bonds are required by the Civil Aeronautics Board for the benefit of tour members. It guarantees the terms of contract or tour plan will be met. Very hazardous.

#### Transportation of Oversized Loads

This permit bond runs to a municipality covering any damages done to roads or property or any injuries in excess of principal's insurance coverage. Can be hazardous.

#### Transportation Brokers a.k.a. ICC Broker Bonds

Highly hazardous bond for \$10,000 to guarantee that the broker will pay to travelers or shippers by motor vehicles any sum for which principal maybe liable. This is a third party bond and while the penal sum of the bond is only \$10,000 often times there are numerous claims by multiple parties which can cause the legal expense to the surety to be very high. Written for extremely financially qualified firms. Often times collateral is required for newer firms.

#### Trustee in Bankruptcy

This is fiduciary appointed by the Court to take temporary or permanent charge of property. This is a good bond risk as the principal is usually a very qualified individual and the Court maintains close control. Good business when qualified principal with strong experience and that are financially qualified.

#### Trustee for Sale of Real Property

Also called "Commissioner for Sale of Real Property", this bond is also in the fiduciary class. When there is a foreclosure, a Court of Equity may order the sale of property and may require the appointment of a trustee conditioned by faithfully performance of his duties.



#### Trustee under a will

When a will “creates” a trust, the executor liquidates the estate and turns the residue over to the Trustee who then continues until the terms of the trust are fulfilled. Desirable.

#### User of Motor Vehicle Fuel

Bond guarantees payment of tax for motor fuels used on highways in state. Some states require filing of reports even if no fuel was used. May be hazardous but desirable for qualified firms.

#### Utility Deposit

Public utilities are often accepting a bond in lieu of cash deposits. Bond guarantees payment of bill. Some utilities only require bond when they think ability of customer to meet payment schedule is doubtful. Hazardous.

#### Vendor or Gasoline or Fuel

Bond guarantees payment of taxes. Hazardous.

#### Wage & Welfare

Bond runs in favor of unions guaranteeing employer contribution to welfare funds, maintenance of union scale, and/or the honoring of pay checks. Very hazardous. Written for well qualified principals that have supporting business with Western National Surety.

#### Warehousemen

Bond required by state or Commodity Credit Corporation of U.S. Government. It protects owners of the stored grain or other products from loss or damage caused by misappropriation or lack of reasonable care. Hazardous.

#### Weigh master

Bonds given by individuals to city or state for the faithful performance of duty in compliance with codes. Desirable for competent persons.

#### Winemaker's Bonds – See Alcoholic Beverage Bonds

#### Worker's Compensation

Bond given by employers who handle their own Worker's Compensation to the U.S. Bureau of Employees' Compensation or to the state guaranteeing payment of all claims. Hazardous due to extreme long term liability. Western National Surety is not a market for worker's compensation bonds guaranteeing claims. Western National Surety may consider bonds guaranteeing premium payments for very well qualified candidates that have supporting business with Western National Surety.

#### Wreckers

Bonds required by municipality covering any damages done or compliance of ordinances. Hazardous.