1. What are surety bonds, why are they needed, for what purpose and name the types of surety bonds that Centennial Surety writes?
    a. A surety bond is a contract issued by an insurance company that provides a financial guarantee to an interested party that a named person, or business, will adhere to the terms established by a contract that the bond guarantees fulfillment of.

Surety bonds generally have three parties:

1. the person or business required to purchase and file the bond (the "Principal")
2. the insurance company providing the financial guarantee (the “Surety Company”)
3. the owner/General Contractor/CM Firm/Government Agency - or other interested party - requiring the bond (the “Obligee”)

Types of bonds we issue:

CONSTRUCTION BONDS:

Bid Bonds

Bonds which guarantee that the bidder on a contract will enter into the contract and furnish the required payment and performance bonds.

Performance Bonds

Bonds, which guarantee that the contractor will perform the contract in accordance with its terms.

Labor & Material Payment Bonds

Bonds, which guarantee payment for labor, materials, equipment and/ or supplies for use in the performance of the contract.

Subdivision Bonds

The Surety guarantees to a city, county, state or other jurisdiction that the developer will finance and construct, improvements such as streets, sidewalks, curbs, gutters, sewers, and drainage systems in accordance with the existing development codes.

COMMERCIAL BONDS:

License & Permit Bonds

Bonds which guarantee the compliance with specific codes, established by States or other jurisdictions, governing the various trades which they license, such as plumbers, electricians, real estate agents and brokers, notaries, home improvement contractors, or mortgage brokers.

Financial Guarantee Bonds

Bonds which guarantee a financial obligation such as lease agreements, tuition agreements or loan repayments.

U.S. Customs Bonds

Bonds which guarantee the actions and payment of duties for importers and exporters dealing with the U.S. Customs Department.

Court Bonds

Bonds that Secure the performance on fiduciaries' duties and compliance with court order, e.g. administrators, executors, guardians, trustees of a will, liquidators, receivers, and masters. Judicial proceeding court bonds include injunction, appeal, indemnity to sheriff, mechanic's lien, attachment, replevin, and admiralty.

Employee Dishonesty Bonds

Bonds that are purchased by employers to protect themselves from monetary loss caused by the dishonest acts of their employees such as embezzlement, theft, falsification of records, forgery, etc. They can be acquired to cover all employees, a specific class of employees, or a single individual employee.

Public Official Bonds

Bonds provided by public officials, elected or appointed, which guarantee the faithful and honest performance of their duties

2. Why is Centennial Surety the best brokers for small, minority, women and veteran owned businesses?

   We recognize the need to support small, minority, women and veteran owned businesses through education, providing access to GCs, and providing access to bonding. We understand the goal is to build a sustainable and profitable organization and Centennial takes pride in assisting clients with meeting those goals.

3. What features set Centennial Surety apart from your competition?

   Simply put, we want to work with small businesses. We recognize that requires patience and the understanding that, in some instances, a significant amount of time may be spent with a client - which may never generate revenue. We take pride in providing clients with prescriptive plans to better their organization which inherently leads to bonding capacity.

4. What evaluation or underwriting issues cause construction companies the most problems in getting approved and maintaining coverage?

   The biggest problem, as it relates to underwriting issues, is a lack of being proactive. Establishing Bonding becomes a real challenge when a project/opportunity presents itself, but bonding has not been established. Proactivity allows for an opportunity to overcome most underwriting hurdles.

5. What are the key measures or underwriting criteria that businesses should pay attention too prior to seeking coverage?
   a. Understanding your business to include financial performance and statements, financial ratios, work in progress reports and personal credit.
   b. In general, we underwrite based on what refer to as the 4 C's:
      i. Character- Integrity, Credit, Back ground, and Reputation
      ii. Capital - Financial Strength to fulfill terms of a contract
      iii. Capacity - Prior Experience, History, and Ability to Perform
      iv. Commitment – Indemnity

6. Name the most frequent causes for default and what happens when a bond is called to satisfy a default? What are the steps or process that takes place immediately following a call?

   Most claims in the surety industry are made on the Payment Bond, rather than the Performance Bond, as most contractors generally don't have an issue performing their trade. Issues arise when contractors don't receive payments from Obligees which eventually results in subcontractors not showing up, and suppliers not shipping material. Obligees, Subcontractors, or suppliers must notify the bond company/carrier in writing which starts the claims process at which time the contractor then has the ability to dispute the claim. The most important thing to remember is, bonding is underwritten to a $0 loss ratio and you execute an Indemnity (hold harmless) Agreement prior to receiving any bonds. In the event the carrier pays a loss on your behalf, they will seek to recover those losses both corporately and personally.

7. How does one having a bank line of credit support or hinder a company in securing a surety bond?

   At mentioned above most claims are payment related. Having an unused Bank Line of Credit is ideal in the event there is a payment delay. At the same time, routine usage of the Bank Line is an indication of cash flow issues. In summation, pending on usage a Bank Line of Credit can have both a positive and negative effect on underwriting.

8. Who are some of the surety's that you write for?

   Travelers, Liberty Mutual, Zurich, Merchants Bonding, Westfield Insurance, Hanover, International Fidelity, Guarantee Company, Hartford, Old Republic, just to name a few.

9. What is the dollar range that you will consider covering?

   As a result of our access to over 40 carriers, we can assist clients with obtaining bonds of any size. Whether it be a license and permit bond, first bond for a construction project or a bond in the 100s of millions.

10. Is your firm rated by any authority or agency?

    Any agent selling insurance of any type in Maryland must be licensed by the State of MD Insurance Commissioner. The most important things are the strength of the paper the bonds are written on (financial strength of the insurance carrier) and whether the carrier is T-Listed - meaning the Federal Gov't will accept the bonds - and what size bond they will accept from the a carrier. All of our carriers are rate "A" of better by AM Best and are Federally T-Listed.