

Commercial Bond Guide

CATEGORY	TYPE OF SURETY BOND	SAA CODE	DESCRIPTION	DEGREE OF HAZARD	SOURCE OF BOND FORM	Underwriting Notes
Contract	School Children, Transportation of		Generally desirable for responsible applicants. Liability insurance is important.	Moderate Risk	Generally included as part of contract (State form)	Copy of Contract, application, credit, reviewed or audited business statement, personal statements
Contract	Subdivision Bond		Given by developer of subdivision to the city or other owner, guaranteeing that certain improvements (streets, sewers, etc.) will be constructed. Hazardous.	Extremely High Risk	Furnished by Municipality requiring it	Western National is not a market for these bonds. Application, copy of pleadings, business and financial statements. Extra caution required when property to be attached is perishable or requires extra care (e.g. livestock).
Court	Attachment	263	Bond given by plaintiff in a court action who seeks to attach the property of another as security for his claim, before the case is tried on its merits.	Low to Moderate Risk	Western National Bond form.	Application, copy of pleadings, business and financial statements. Extra caution required when property to be attached is perishable or requires extra care (e.g. livestock).
Court	Cost Bond	266	Given to non-resident plaintiff in a court action, guaranteeing payment of costs. Usually small in amount. Desirable for responsible applicant.	Low Risk	Furnished by applicant's attorney by court requiring it	Desirable for responsible applicant.
Court	Counter-Replevin	254	Bond given by defendant in a replevin action in court, seeking to retain or regain possession of replevied property.	High Risk	Furnished by applicant's attorney	We do not write. 100% collateral only. (full underwriting for very strong principal)
Court	Defendant's Appeal Bond (Supersedeas bond)	257	Given to opposing party in an action at court by the party who is dissatisfied with the court's judgement. Guarantees that if unsuccessful in the higher court, the principal will pay the judgement plus interest and costs incurred.	High Risk	Western National Bond form or attorney for applicant. Form drafted by attorney must be submitted for review.	Hazardous and usually only written with 100 % collateral (ILOC or cash deposit). Will consider unsecured for very large, publicly-traded corporations and financial institutions.
Court	Discharge of Attachment	253	Bond given by defendant to release attachment on his property pending further litigation.	High Risk	Furnished by attorney for applicant or Western National form.	Full collateral required.
Court	Indemnity to Sheriff or Marshall	249	Bond given to sheriff by party seeking to replevy or attach property, indemnifying him against loss if court decides property was wrongfully seized.	Low Risk	Western National form.	Written freely if Principal has secured a judgment and/or we have agreed to write the replevin or attachment bond. Also written freely for financial institutions. Large bonds or bonds written for individuals seizing livestock or other perishable items require full financial underwriting.
Court	Injunction	255	Bond given to plaintiff in court action seeking to enjoin defendant from a particular action.	Except for small bonds, these are typically High Risk	Western National form or furnished by applicant's attorney	Can be hazardous. Collateral sometimes required. Bond amount usually reflects the amount of potential damages the court believes the other party is likely to sustain from a wrongful injunction. Certain situations, such as enforcement of non-compete agreements can be very hazardous. Full financial underwriting required.

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Court	Mechanic's Lien, Release of	260	Bond substitutes as security for the property liened against by a contractor who performed work on the property and is allegedly owed money by the Principal. The bond removes the lien and clears title for the owner.	High Risk	Furnished by attorney for applicant or Western National form.	We almost always require full collateral. Also require a copy of the lien, an application, credit, in all cases. To consider unsecured, Principal must provide audited business statement and personal statements (Full underwriting for very strong principal).
Court	Plaintiff's Appeal Bond	257	Relatively rare. Required when the Plaintiff wishes to appeal a court decision. It guarantees the Plaintiff will pay for any damages awarded by the appelland court, up to the amount of the bond.	Moderate to High Risk	Furnished by attorney or Surety	Generally two types of bonds: (1) Where the Plaintiff prevails in the action but obtains a judgement that is less than desired or (2) Where the court ruled against the Plaintiff and awarded damages to the Defendant. First scenario is lower risk if Principal is appealing for a more favorable award. Treat the second scenario the same as a Defendant's Supersedeas Bond.
Court	Release of Attachment	253	See Discharge of Attachment. Very Hazardous.	High Risk	Western National form or furnished by attorney for applicant	100% Collateral
Court	Removal Bond	266	Given by litigant in a state court who seeks to have case removed to a U.C. Court or another jurisdiction.	Low Risk	Western National Form or furnished by attorney for applicant	Bonds up to \$5,000 written freely.
Court	Replevin Bond	264	Given by plaintiff in a court action who seeks to repossess property in the possession of the defendant, of which property he claims ownership.	Low Risk	Western National Form or furnished by attorney for applicant	Highly desirable when written for financial institutions or for large equipment companies.
Court	Supersedeas Bond	257	Treat as Defendant's Appeal Bond.	High Risk	Western National form or furnished by attorney for applicant. Forms provided by the attorney must be approved by Western National	100% Collateral, unless Principal is a large-publicly traded corporation or financial institution.
Court & Fiduciary	Bankruptcy, Receiver, or Trustee In	206	Appointed to handle bankruptcy matters under the jurisdiction of the U.S. District Court.	Low Risk	Attorney for applicant or use OC printed forms	Experience and credit are most important. Personal financial statements may be required for larger risks.
Court & Fiduciary	Probate Bonds		Required in the settling of the estates of deceased persons or managing the financial affairs of minors or incompetent persons.	Low to Moderate Risk	Western National Probate Bond Form	Usually desirable but long term guardian/conservatorship bonds require closer underwriting. In situations where the fiduciary will have access to large amounts of liquid assets, joint control or blocked accounts may be required. Ongoing businesses and conflicts among family members create added risks.
Court & Fiduciary	Receiver in State Court	210	Appointed by the court to manage property or a business.	Low Risk	Western National Fiduciary form or attorney for applicant	Experience and reputation of the receiver are the primary underwriting considerations.

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Court & Fiduciary	Trustee in Bankruptcy	206	Appointed to handle trusteeship under jurisdiction of U.S. Court. Very desirable.	Low Risk	Furnished to applicant by attorney or use Western National form	Freely written for experienced, reputable applicants.
Federal	Property Brokers Surety Bond (old ICC Brokers bond)		Required by Federal law to guarantee payment and accounting for sales.	High Risk	Federal forms issued online only.	We generally do not write. (full underwriting for very strong principal) 120% collateral suggested
License & Permit	Alcohol	942	The taxing of alcohol by a government entity, its warehousing, transportation and export necessitate the use of various types of bond of varying desirability.	Moderate Risk	Furnished by State or Federal Government	Application, credit, business statement, personal statements
License & Permit	Auctioneer's Bond	935	Compliance License.	Low Risk	Furnished to State by applicant	Freely written in most states.
License & Permit	Automobile Dealers - New car	927	License bond guaranteeing dealer's compliance with applicable law or ordinance.	Low to High Risk	Furnished by applicant to State's Bureau of Motor Vehicles	Risk varies by state. Bonds written strictly for consumer protection and that are continuous until cancelled are most desirable. Bonds that stack for year to year and extend coverage to "any person" are often high risk, especially if obligation stacks from year to year. Bonds under \$25,000 in low risk states can generally be underwritten with an application, home ownership and personal credit report. All others require application, credit, business statement (could be a copy of their floor plan statement), and personal statements.
License & Permit	Automobile Dealers - Used car	929	License bond guaranteeing dealer's compliance with applicable law or ordinance.	Low to High Risk	Furnished to applicant by State's Bureau of Motor Vehicles	Generally the underlying risk is same as for new car dealers but applicants tend to be higher risk due to financial position and quality of financial reporting.
License & Permit	Collection Agencies	915	License bond guaranteeing compliance with law. May also guarantee accounting for collections.	Moderate Risk	Furnished to applicant by State or other public body requiring it	Application, credit, Business statement, personal statements
License & Permit	Consumption Entry		A type of Customs bond. Guarantees payment of duties on goods released prior to determination of amount of duties.	Moderate Risk	Federal form furnished to applicant by U.S. Customs	Western National does not write Customs Bonds as Oblige requires them to be filed electronically. Refer agent/applicant to a Customs Broker.
License & Permit	Contractors Gravel Pit Reclamation bond	932	Calls for reclamation of gravel pit at the end of its useful life. Usually shorter duration tail than a full reclamation bond.	High Risk	Furnished by the public entity. More desirable if they will accept our generic L & P bond form	Will consider when we write the contract bonds for the account. Otherwise we generally do not write.

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License & Permit	Customs Bonds		Filed with U.S. Government to guarantee compliance with regulations of Bureau of Customs. Desirability varies with conditions requiring the bond.	Moderate Risk	Furnished by U.S. Customs	Western National does not write Customs Bonds as Obligee requires them to be filed electronically. Refer agent/applicant to a Customs Broker.
License & Permit	Detective Agency	936	License bond guaranteeing compliance with regulations.	Low to Moderate Risk	Furnished to applicant by City or State	Written for Principals with applicable experience (e.g. prior law enforcement). Bonds up to \$10,000 only require application, credit and home ownership.
License & Permit	Distillers Bonds		Given to U.S. Government to guarantee compliance with law, payment of taxes, etc.	Low to Moderate Risk	Furnished by government (IRS - Excise Bond)	Guarantees proper record keeping on alcohol production and payment of tax on any alcohol that was not denatured but shipped off premise. Application, credit, business statement, personal statements.
License & Permit	Drainlayers	906	License bonds.	Low Risk	Furnished by State or use Western National L&P form	Freely Written
License & Permit	Electricians	906	Compliance License.	Low Risk	Furnished by State or use Western National printed form	Freely Written
License & Permit	Employment agents	937	Performance obligation guaranteeing agency will perform services as promised or return fees collected.	Moderate Risk	Furnished by City or State requiring it	Application, credit, business statement, personal statements
License & Permit	Franchise and Ordinance Bonds	924	Given to municipalities to guarantee compliance with ordinances granting a franchise to applicant for period of years.	High Risk	Furnished by public body requiring it	Often requires collateral support due to long-term nature of risk. Obtain copy of franchise agreement, application, credit, business and personal financial statements.
License & Permit	Fuel & Gasoline Tax Bonds		See Tax Bonds	Moderate Risk	Furnished by State	Application, credit, business statement, personal statements
License & Permit	Health Club Bond		Financial Guarantee for the return of club dues to members.	High Risk	State form	These bonds are hazardous due to high failure rate in industry. When a Principal defaults, there are often numerous claims to adjust as a large number of members bring claims. Avoid clubs that offer "lifetime memberships." Application, credit, business statement, personal statements are required to consider.

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License & Permit	Housemovers	906	Compliance/Public Protection Obligation	Moderate Risk	Furnished by State or municipality requiring it	Application, credit, business statement, personal statements and evidence of adequate liability insurance.
License & Permit	Insurance Agents or Brokers	917	License bond guaranteeing delivery of policies, etc.	Moderate Risk	Furnished by State or use printed State form	Freely Written for a WNI Agent
License & Permit	License & Permit Bonds - Compliance	906	Given to state, city, or other public body by holders of licenses or permits such as plumbers, sewer tappers, etc. Generally desirable when bond is limited to guaranteeing compliance with applicable law or ordinance, building codes, etc.	Low Risk	Furnished by State or use Western National form	Freely Written
License & Permit	Mileage Tax Bonds		See Users of Motor Vehicle Fuel	Moderate Risk	Furnished by State	Application, credit, business statement, personal statements (Except for small bonds, full underwriting for very strong principal)
License & Permit	Mobile Home Dealers		License bond guaranteeing dealer's compliance with applicable law or ordinance. Risk is similar to motor vehicle bond but includes performance guarantees for delivery and set up.	Moderate to High Risk	Furnished to applicant by State's Bureau of Motor Vehicles	Application, credit, business statement, personal statements
License & Permit	Motor Vehicle Dealer	927	See Automobile Dealers - New Car above			
License & Permit	Packers and Livestock Dealers	902	Required by Federal law to guarantee payment and accounting for sales.	Moderate Risk	Provided by Obligee	Application, credit, business statement, personal statements
License & Permit	Reclamation bonds	933	Bonds guaranteeing reclamation of land. Bonds are almost always non-cancellable and may run up to 20-30 years. (SEE ALSO "CONTRACTORS GRAVEL PIT RECLAMATION BONDS ABOVE)	Extremely High Risk	Provided by Obligee	We generally do not write. (full underwriting for very strong principal) 120% collateral suggested . These bonds are difficult to get off of , normally requiring replacement of one bond by another company's bond.
License & Permit	Sales Tax		Guarantees payment of retail sales taxes. Hazardous financial guarantee. Selection against surety in some states. Claims tail in some states can be as long as seven to ten years. Written only in small amounts for good customers.	High Risk	Furnished by State	Application, credit, business statement, personal statements
License & Permit	Sidewalk, Driveway, Curb, Gutter and Cement	906	Permit bond required to cut into public streets and roads - compliance only.	Low Risk	Furnished to applicant by City or State	Small bonds up to \$25,000 freely written. Be cautious of unusually large bonds as Obligee may actually be looking for a bond guaranteeing improvements to a subdivision/plat.

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License & Permit	Tax Bonds	950- 949- 945-	License bonds to state guaranteeing payment of gasoline, cigarettes, mileage, amusement and similar taxes. Can be Hazardous. Written only for applicants who are financially strong and have a good record.	Moderate to High Risk	Furnished by State	Application, credit, business statement, personal statements
License & Permit	Used Car Dealers	929	See Automobile Dealers - Used Car above			
License & Permit	Users of Motor Vehicle Fuel		Guarantees payment of fuel taxes by users of roads not otherwise paying tax. Written in small amounts for applicants known to be reputable.	Moderate Risk	Furnished by Obligee	Application, credit, business statement, personal statements
License & Permit	Warehouse Bond	955	Given by warehouseman who stores grain, cotton, wool, or other commodity guaranteeing compliance with applicable laws and regulations.	Moderate Risk	Furnished by State	Application, credit, business statement, personal statements. CPA prepared reviewed financial statement preferred. We do have a Grain Warehousemans Bond supplemental application that should supplement our short form L&P application in all Grain Bond cases.
Misc.	Airlines Reporting Corp. (ARC), Travel Agency	559	Required of travel agents to guarantee payment to airline for tickets sold.	High Risk	Furnished by applicant to Airlines Reporting Corp. (ARC)	Strict financial guarantee. Unsecured bonds can only be considered for established agencies . Application, credit, business statement, personal statements.
Misc.	Alcohol, Tax Free (Distilled Spirits)	944	License bond. Guarantees alcohol will be used only for tax free purposes such as making perfume, laboratory or hospital work.	Moderate Risk	Federal form furnished by IRS	Application, credit, business statement, personal statements
Misc.	Blue Sky Bonds	913	Given by dealers in securities to indemnify purchasers against loss sustained as a result of misrepresentation by the principal.	High Risk	Furnished to applicant by State	Prohibited. We do not write (full underwriting for very strong principal). Most states no longer require them.
Misc.	Brewers' Bonds		Given by brewers to U.S. Government guaranteeing compliance with law and payment of taxes.	Low to Moderate Risk	Federal form furnished to applicant by IRS	Bonds under \$5,000 freely written without indemnity agreement, including for craft breweries. Larger risks require minimum signed application and credit, and bonds over \$25,000 require business and personal statements.

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Misc.	Concessionaire	560	Bond given to airports (port authorities), fairs, etc., usually guaranteeing compliance with terms of concession contract.	Often High Risk	Usually furnished by applicant to public body requiring it.	Copy of underlying concession agreement along with application, credit, business statement, personal statements. These bonds are often hazardous as they contain guarantees to pay rent and royalties on products sold. There may be a minimum royalty required regardless of amount of product sold. Agreement can be as long as five years with no cancellation provision in the bond. Agreement may also contain provisions to remove all improvements and equipment when agreement terminates.
Misc.	Defective Title (aka. Ownership and Security Interest Bond)		Required by many states to obtain title to vehicle when proof of ownership is lacking, especially foreign vehicles.	Low Risk	Furnished by State	Freely Written, especially in states that provide a title search before they will accept a bond. In low risk states, we can waive a signed indemnity agreement up to \$25,000
Misc.	Lease Bond	551	Given by tenant to owner of property guaranteeing payment of rent and performance of other terms in lease.	High Risk	Furnished to applicant by party requiring it	Copy of lease, application, credit, business statement, personal statements. (Full underwriting for very strong principal). Avoid leases where landlord requires a bond amount equal to a full year's rent or other unreasonable amount. This invites a moral risk. Bond should protect the landlord for rent lost during the time required to find a new tenant. assuming a reasonable amount of diligence is applied.
Misc.	Lien Bond		Given by borrower to lender indemnifying against loss should lien be filed on property.	Extremely High Risk	Furnished by applicant party requiring it	We generally do not write. (Full underwriting for very strong principal)
Misc.	Livestock Dealers Bond		Given to state, guaranteeing proper accounting for all livestock purchased or sold.	Moderate Risk	Furnished by State	Application, credit, business statement, personal statements
Misc.	Lost Securities Bonds	554	Given to issuer of lost securities to obtain issuance of duplicates, indemnifying against loss should lost securities turn up. Desirable when securities are not negotiable and were not known to have been stolen.	Low Risk	Furnished by bank or others requiring it or use Western National form	Desirable if it is known when the instrument was lost and the cause for the loss of the document (e.g. fire, earthquake, etc.). Principal needs to submit an affidavit explaining the loss, application, credit, personal statements.
Misc.	PCA Bond		Required by State law to guarantee payment and accounting for sales.	Moderate Risk	Furnished by State	Application, credit, business statement, personal statements
Misc.	Self-Insurer, Worker's Compensation	555	Bond given to state guaranteeing payment of workmen's compensation claims. Extremely hazardous. Few sureties write these bonds.	Extremely High Risk	Furnished by State	We do not write these. Excluded from our reinsurance treaty.
Misc.	Special Privilege Bonds		Given by persons who are granted variances at certain City ordinances. Generally desirable.	Low Risk	Furnished by Obligee	Copy of bonded obligation, application, credit, business and personal financial statements.

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Misc.	Utility Payment Guarantee	598	Guarantees payment of utility bills. Very hazardous financial guarantee which may include selection against the surety. Written only for financially sound principals who have not defaulted on their utility bills previously.	High Risk	Furnished by Obligee	Frequently automatically required of startup businesses, depends on the state. May only be required after a business had defaulted in paying their taxes (adverse selection). Application, credit, business statement, personal statements. IF on a startup business, many obligees waive these bonds after a period of one to three years. Request explanation as to why bond is required if Obligee is still requiring a bond for a longer period. This is usually an indication of an unsatisfactory payment record.
Misc.	Wage and Welfare (Unions)	568	Guarantees employer contributions to unions including wages and/or fringe benefits.	Extremely High Risk	Furnished by Obligee	We generally do not write except for our preferred Contract accounts. (Full underwriting for very strong principal) 120% collateral suggested for all other applicants. General financial guidelines would be 10% WC and 20% Equity in the business and strong credit both business and personal (plus collateral).
Permit	Excess Loads		Permit bond required by State Highway Department to move extra heavy, long or wide loads.	Low Risk	Furnished by State Highway Department or use State form	Application, credit, business statement, personal statements. Verify with agent that Principal has adequate liability insurance.
Probate	Administrator	203	Appointed by court to administer decedent's estate.	Low to Moderate Risk	Western National Probate Bond Form	Obtain copy of court order appointing fiduciary. Estates containing large amount of liquid assets may require additional controls
Probate	Executors	204	Named in will of decedent or appointed by court to administer estate. Generally desirable.	Low Risk	Western National Bond form.	Obtain copy of court order appointing fiduciary. Estates containing large amount of liquid assets may require additional controls
Probate	Fiduciary Bonds		General term that refers to Administrators, Executors, Personal Representatives, Guardian, Conservators Trustees and Other Fiduciaries. Generally desirable.	Low to Moderate Risk depending on circumstances	Applicable Western National Bond form. Contact Underwriter.	Experience and ability to manage finances are critical. Special attention required when risk is long term, there is a large amount of liquid assets in the estate, fiduciary must manage an ongoing business or there is conflict amount interest parties.

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Probate	Guardian (Conservatorship)	214	Principal must manage the finances of a person who is a minor or declared incompetent. Bond is non-cancellable and may continue for many years until the ward has reached the age of majority or is deceased.	Moderate Risk	Western National form.	More hazardous than estate bonds due to longer duration and responsibilities of the fiduciary. Principal must have an experienced attorney, good understanding of responsibilities, reasonable skill in financial matters. Obtain copy of petition and order of appointment along with application and credit. Larger bonds may require personal financial statement.
Public Official	Notary Public Bonds	105	Given to state, guaranteeing faithful performance of notarial duties. Written freely.	Low Risk	Furnished by State or Surety	Freely Written
Public Official	Public Official Bonds		Guarantees faithful performance of duties by official.	Low Risk	Use company's printed Public Official Bond forms	Officials that handle significant sums of money are more hazardous. Avoid situations where Obligee employs inadequate controls and requires unusually large bond amounts.
Public Official	Tax Collector	109	Public Official bond. Generally acceptable	Low to Moderate Risk	Use Western National Public Official Bond form	Application, credit, business statement, personal statements. If Principal has not held position previously, obtain resume to determine applicable work history.
Refer to Branch Office	Financial Guarantees		Bonds that permit only one alternative; the performance of the condition of the bond or the payment of a sum of money.	High Risk	Obligee or may require Surety to draft a form.	Application, credit, business statement, personal statements. Obtain copy of underlying agreement if bond guarantees provisions in a contract.