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## Surety Industry Steps Into the Future With Data Standards

For many people who started in the surety business as an underwriter, faxes on thermal paper were cutting edge, computer terminals were CRT monitors with green type on a black background, and the only windows in an office were in the walls. At the time, surety underwriting was a paper-intensive process.

The National Association of Surety Bond Producers (NASBP) Contractor Questionnaire, a four-page document most frequently completed by hand, was the standard form through which a contractor shared basic underwriting information. Work in progress reports, financial statements, bond requests and other information were submitted on paper to an agent, who then sent it to the surety by snail mail. The underwriting process was manual: handwritten analysis on accounting paper, aided by a tape calculator. Contractors waited three to four weeks to learn what kind of program a surety would offer.

Fast forward 30 years, and surety underwriting is a more information-intensive process than ever. While the Internet speeds the transmittal of information, the data remains mostly in PDF documents—essentially a picture of the paper—with manual entry of information often required at each step of the underwriting process. Relative to other data-intensive industries, surety data processing is slow, expensive and has a potentially high error rate.

Several vendors and sureties have introduced proprietary systems to help automate the process. These systems are mainly of value to agencies with low bond volume, needing just one or two surety markets to support their insurance clients. Unfortunately, most of these systems do not communicate with each other, requiring surety agents to learn multiple systems. For a contractor updating information or searching for a new surety, this creates inefficiencies, slows the process and impacts the overall working relationship.

### About the Author



Robert M. Coon is vice president of surety for Scott Insurance, as well as president of the Piedmont Chapter of the Construction Financial Management Association and chair of the NASBP Automation and Technology Committee.

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NASBP's Automation and Technology Committee and The Surety & Fidelity Association of America (SFAA) e-Business Advisory Committee recognized the need for a change and formed a task force to address the issue. "When we sat down at the table and asked how we can improve efficiency, we realized one problem was that data was being referred to by various names by different systems," says Greg Davenport, senior vice president of global operations at Liberty Mutual Surety. For example, from program to program, an individual's first name might be designated as `firstname`, `first_name`, `first-name`, `name-first`, and many other variations.

The task force collaborated with the Association for Cooperative Operations Research and Development (ACORD), an organization established in 1970 to promote standardization of proprietary insurance company forms. Having helped the insurance industry with the development of electronic data standards, ACORD was a natural fit to help the surety industry move toward electronic data transmission. Thus, the ACORD Surety Standard was born and the first form, the ACORD 501 Report of Execution, was developed, ensuring an efficient transmission of a bond's details from the agent to the surety.

In 2014, the Surety Forms Working Group (SFWG) was formed, consisting of more than 100 surety agents, company representatives and software vendors tasked with continuing to apply the ACORD standard to industry forms. Jenni Waggoner of M.J. Schuetz Insurance Services, Inc. leads the group with the support of Nick Newton of Newton Bonding, representing the NASBP agents. Greg Davenport, one of the pioneers of this effort, and Jason Doll, Liberty Mutual's surety director of international e-business, bring the surety company perspective to the leadership team on behalf of SFAA.

The SFWG's initial focus is on the forms associated with premium transactions and will expand from there. This strategy will encourage early adoption of the ACORD standard by all stakeholders. Toward that goal, a second form, the ACORD 502: Contract Bond Request Form, has been published and will soon be followed by other common surety forms.

The next step, which may be the most interesting to contractors, is the potential adoption of the XBRL (eXtensible Business Reporting Language) standard. This standard for electronically reporting and exchanging financial information is currently used by companies regulated by the Securities and Exchange Commission. The SFWG is exploring the possibility of incorporating the XBRL standard into surety systems, enabling contractors to electronically transmit financial statements, work in progress reports, and other financial data directly from their CPA or financial software to their agent and surety.

The NASBP's and SFAA's promotion of these data standards will enhance the surety industry's efficiency, productivity and quality—helping improve response times and the overall level of service and support provided to contractors.