



SURETY DIVISION

TARGET CONTRACT ACCOUNT PROFILE

Account Size

PHLY is primarily targeting contractors in the Middle Market Segment up to \$500M Total Work Program

- Smaller contract accounts can be considered provided that they generate sufficient premium to be cost efficient and/or support a key agency which provides PHLY with other higher premium Surety business
- Co-surety participation on larger accounts will be pursued with strong co-surety partners provided PHLY is involved in the underwriting and claims decisions on the account. Co-surety accounts will be submitted to the treaty reinsurers for a waiver of the co-surety limitation provision in the Reinsurance Agreement. Shared accounts also require a waiver from the treaty companies

The greatest efficiency will be derived from writing accounts with annual premium in excess of \$50,000 as the underwriter can meet our premium goals while maintaining a reasonable number of accounts in his or her portfolio.

Pricing Criteria

Rate and commission should be commensurate with the risk and in compliance with PHLY rate filings. Accounts with a higher degree of risk or which require more work due to the complexity of the underwriting should have a higher rate and lower commission than the standard business.

Types of Business (Contractor Accounts)

- General builders
- Heavy and highway contractors
- Major trade contractors and sub-contractors
- Material suppliers

Other classes of business may be selectively considered if the risk is closely underwritten and meets high underwriting standards. Glass, glazing and curtain wall contractors, bridge painters, and international accounts are considered higher risk business and no new accounts in this class should be written without Home Office approval.

We are targeting high quality contractors which regularly perform bonded work as it is not cost effective to write bonds sporadically on an account unless it is an extremely strong risk. One shot deals should be avoided or priced accordingly.

Risk Characteristics

PHLY contract accounts should reflect the following characteristics:

- Demonstrated experience of current organization in successfully completing work of similar job and program size, type of construction, similar owners, and geographic location of current and anticipated work
- Track record of operating and bottom line profitability
- Focus on their core business
- Good quality CPA prepared financial statements and the availability of reliable interim information, including quarterly WIPs
- Effective management systems and controls
- Strong balance sheet and P&L for the front line principal and compliance with PHLY Contract Financial Standards
- Good reputation and credit worthiness as evidenced by trade reports, references, and bank support
- Indemnity of owners, spouses and affiliated companies
- Succession plan for continuity of ownership and management in place

Miscellaneous Bonds For Contract Accounts

Routine license and permit bonds can be entertained for contract accounts. No retro premium or deductible bonds, Self-Insurer Workers' Compensation, Reclamation bonds, or manuscripted financial guarantees. If circumstances warrant consideration of any of these types of bonds for our contractors, the situation should be submitted to the Home Office.

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