

BEFORE THE
**INSURANCE COMMISSIONER OF
THE DISTRICT OF COLUMBIA**

Re: Report on Examination – **Surety and Fidelity Association of America**

ORDER

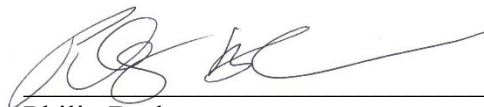
In accordance with the authority established by District of Columbia Official Code § 31-2708(a)(1), a Market Conduct Examination of the **Surety and Fidelity Association of America** as of December 31, 2024 has been conducted by the District of Columbia Department of Insurance, Securities and Banking (“the Department”) as the Managing Lead State through the National Association of Insurance Commissioners Advisory Organization Examination Oversight (C) Working Group.

It is hereby ordered on this 15th day of January 2026, that the attached Market Conduct Examination report be adopted and filed as an official record of this Department.

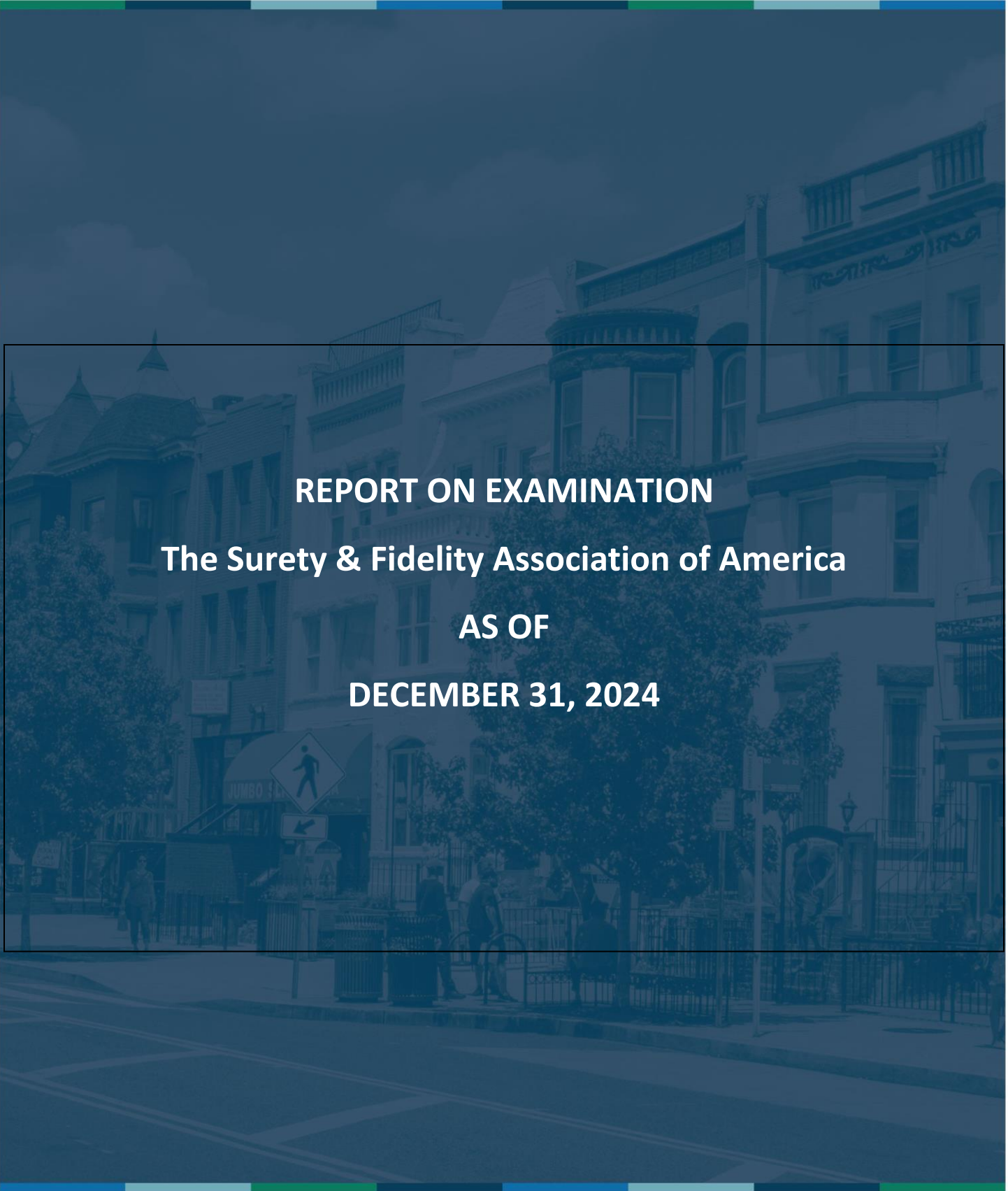
Pursuant to Section 31-1404(d)(1) of the D.C. Official Code, this Order is considered a final administrative decision and may be appealed pursuant to Section 31-4332 of the D.C. Official Code.

Pursuant to Section 31-1404(d)(1) of the D.C. Official Code, within 30 days of the issuance of the adopted report, the Company shall file affidavits executed by each of its directors stating under oath that they have received a copy of the adopted report and related order.

Pursuant to Section 31-1404(e)(1) of the D.C. Official Code, the Department will continue to hold the content of the report as private and confidential information for a period of 10 days from the date of this Order.



Philip Barlow
Associate Commissioner



REPORT ON EXAMINATION
The Surety & Fidelity Association of America
AS OF
DECEMBER 31, 2024

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Washington, D.C.
December 10, 2025

The Honorable Karima M. Woods
Commissioner
Department of Insurance, Securities, and Banking
Government of the District of Columbia
1050 First Street, NE, Suite 801
Washington, D.C. 20002

Dear Commissioner Woods,

In accordance with Section 31-1402 and 31-2708(a)(1) of the District of Columbia Official Code (“D.C. Code”), we have examined the market conduct and practices of

The Surety & Fidelity Association of America

hereinafter referred to in this report as the “SFAA” or “Association.” The examination was conducted remotely. The Association’s statutory home office is located at 1140 19th Street NW, Suite 500, Washington, DC 20036¹. The following Market Conduct Report on Examination is submitted.

SCOPE OF EXAMINATION

We have conducted our multi-state, market conduct examination (“Examination”) of the Association. This Examination covered the period from January 1, 2018, through December 31, 2024, including any material relevant transactions and/or events occurring subsequent to the examination date, and was conducted by examiners representing the District of Columbia, Department of Insurance, Securities and Banking (“Department”). The previous examination of the Association covered the period from January 1, 2013, through December 31, 2017.

The Examination was conducted by examiners (“Examiners”) representing the Department from Noble Consulting Services, Inc. (“Noble”). The Examination Team included Actuarial and Information Technology (“IT”) Specialists.

The Examination was initiated by the Advisory Organization Examination Oversight (C) Working Group (“Working Group”) of the National Association of Insurance Commissioners (“NAIC”). The Working Group solicited states and territories to serve as Participating States for the Examination. Participating jurisdictions included 33 states and the District of Columbia, as listed below. The Examination was conducted at the direction and the overall management and control of the Department, serving as the Managing Lead.

¹ In November 2025, the Association moved its administrative office location to 1146 19th Street NW, Suite 700, Washington, DC 20036. Refer to the “Subsequent Events” section of this Report for additional detail.



Alaska	Florida	Michigan	Pennsylvania	West Virginia
Arkansas	Georgia	Missouri	Rhode Island	Wyoming
Arizona	Iowa	Montana	South Carolina	
California	Idaho	North Dakota	South Dakota	
Colorado	Indiana	Nebraska	Tennessee	
Connecticut	Kentucky	New Hampshire	Virginia	
District of Columbia	Louisiana	New Jersey	Vermont	
Delaware	Maine	Oklahoma	Wisconsin	

We conducted our examination in accordance with the guidelines and procedures in the National Association of Insurance Commissioners (“NAIC”) Market Regulation Handbook (“Handbook”) and generally accepted statutory examination standards consistent with the insurance laws and regulations of the Department. The scope of the Examination was a comprehensive review of the advisory organization’s regulated activities, including specific standards from Chapters 20 and 29 and Appendix F of the Handbook.

Information received from the Association’s responses to the NAIC’s Comprehensive Annual Analysis form (“CAA”) was also considered to assist in defining the scope of the Examination. The CAA is a process by which an Advisory Organization (“AO”) is required to complete a CAA form on an annual basis, to update state insurance regulators of any significant changes made in the operation of an AO’s business during the preceding 12 months. In part based on the results of the CAA, the Examination focused on areas including, but not limited to, the following areas of the Association:

- Operations/Management/Governance
- Statistical Plans
- Data Collection and Handling
- Reports, Report Systems and Other Data Requests
- Loss Cost / Rate Filings
- Form Development

Based on the Association’s responses to the CAA, the scope of the Examination *excluded* certain areas deemed not applicable to the Association's operations. The following specific areas were not addressed in this examination:

- Classification and Appeal Handling
- Inspection Services
- Residual Market Plan Administration
- Residual Market Functions – Reinsurance Administration

Additionally, the Association’s function as a trade organization is also not included in the scope of this examination.

The Association has a contractual agreement with another advisory organization, Insurance Services Office, Inc. (“ISO”), based in New Jersey, whereby ISO handles the receipt, processing, and editing of

company submissions on behalf of the Association. ISO recently completed a Multi-State Market Conduct examination as of December 31, 2023, by the New Jersey Department of Insurance and Banking. The Examiners reviewed and placed substantial reliance on the results of that examination.

This Examination Report (“Report”) describes the review of practices, procedures, and files, which was not exhaustive or all-inclusive; thus, the omission of other unacceptable or non-complying practices does not constitute acceptance of these practices. Our examination did not cover financial condition related areas.

The Association was audited for the year 2018 by the accounting firm Tate and Tryon PC, and received an unmodified opinion. The Association was audited for the years 2019 through 2020 by the accounting firm RSM US LLP, and received unmodified opinions. The Association was audited for the years 2021 through 2024 by Johnson Lambert, LLP, and received unmodified opinions.

This Report includes significant findings of fact, as mentioned in Section 31-1404 of the D.C. Code, and general information about the Association and its operational condition. There may be other items identified during the examination that, due to their nature (e.g., subjective conclusions, proprietary information, etc.), are not included within the Report but were separately communicated to the Association and/or other regulators.

ASSOCIATION HISTORY

General

The Association, a District of Columbia non-profit trade association, was established in 1908. Its members are insurance companies that collectively write the majority of surety and fidelity premiums in the U.S. The Association operates as a licensed rating, advisory, and/or statistical organization for surety, fidelity, and related crime lines across all fifty states, the District of Columbia, and Puerto Rico. It also serves as a statistical agent in virtually all U.S. jurisdictions.

As a licensed advisory and rating organization, the Association provides statistical agent services to the surety and fidelity insurance industry. The Association collects statistics on premiums and losses for the fidelity and surety insurance industry and, as necessary, files advisory prospective loss costs, standard policy forms, endorsements, and manuals of rating rules for the same industry. As a trade association, SFAA also represents its member companies in matters of common interest before various trade associations, federal, state, and local government agencies.

As a rating agency/advisory organization, SFAA supports its members by providing standard forms, statistical and actuarial data, and rating rules. The Association collects statistics and prepares aggregate industry reports for submission to each jurisdiction’s department of insurance, for members’ reference, and for use in the development of industry loss costs. SFAA files the forms, loss costs and rules in all jurisdictions where required and makes them available for use by members. Members are not required to use the Association’s rules, forms or loss costs.

MANAGEMENT AND CONTROL

Board of Directors

The Association’s Articles of Incorporation and Bylaws provide that the responsibility for the control and management of the affairs, property and interests of the Association is vested in its Board of Directors (the “Board”) composed of not less than nine (9) and no more than eighteen (18) persons designated as representative of Members who shall be elected annually by the Members of the Association. Board members, like officers, have a fiduciary duty to act in the best interests of the Association and shall not put their own interests ahead of the Association. The Board shall elect or appoint the officers of the Association at the regular annual meeting of the Board following the annual meeting of the Members.

According to the Bylaws, a majority of the Directors shall constitute a quorum for the transaction of business. The minutes of all meetings held indicated that a quorum was present at each Board meeting during the period under examination. Member companies have voting rights and may serve on the Board of Directors.

The Association’s directors and their principal business affiliations as of December 31, 2024, were as follows:

<u>Name</u>	<u>Principal Business Affiliation</u>
Antonio Albanese	Vice President – Head of Surety Nationwide Mutual Insurance Company
Ken Bearley	President Great American Insurance Companies
Rick Ciullo	Chief Operating Officer Hartford Bond Insurance Group
Bryce Grissom	Commercial Surety Senior Vice President Travelers Bond and Specialty Insurance
John Guglielmo	Head of Surety, North America Intact Insurance Specialty Solutions
Stephen Haney	President, North America Surety Chubb Surety
James Kawiecki	President of Surety The Hanover Insurance Group
Michael Keimig (Chair)	President and CEO

	Markel Surety Corporation
Tim Mikolajewski	President, Global Surety Liberty Mutual Group
Chris Nolan	Head of Surety Zurich North America
Matt Lubin	President Crum & Forster
Alan Pavlic	President and Chief Operating Officer Old Republic Surety Group
Stephen Ruschak	Senior Vice President - Surety Arch Insurance Group
Sharon Sims	Manager of Surety Sompo International
Gary Stumper	National Surety Leader Westfield Insurance Group
Larry Taylor	President Merchants Bonding Company Group
John Welch	President & CEO CNA Surety Group
Michael Zurcher	Executive Vice President - Surety IAT Insurance Group

Officers

The Association's Bylaws state that the officers of the Association shall consist of a President, a Secretary and a Treasurer, and such other officers as may deemed necessary. The President shall be elected at each Annual Meeting of the Board and other officers shall be appointed by the Board.

The principal officers appointed by the Board and holding office at the Association as of December 31, 2024, were as follows:

<u>Name</u>	<u>Title</u>
Ryan Work	President and CEO
Julie Alleyne	Secretary, Treasurer, Vice President, and General Counsel
Peter Roth	Vice President, Strategic Communications, Marketing, Research

Adam Brackemyre
Alan Clark

Vice President, Government Affairs
Actuary

Committees

The Association operates under the stewardship of committees that perform an oversight function. According to the Bylaws, in order to facilitate the operation of the Association, there shall be an Executive Committee appointed annually by the Board and such other committees as the President shall designate with the approval of the Board. During the examination period, the Association established an Executive Committee and various Board Advisory Committees, comprised of Members of the Association, that advise the Board on substantive issues, ensuring the Board has the most up-to-date and comprehensive information when dealing with any subject. The Committees are very active and submit periodic reports to the Association's Board.

During the examination, the Association has appointed the following advisory committees:

- Actuarial Advisory Committee ("AAC")
- Bail Bonds Advisory Committee ("BBAC")
- Communications Advisory Committee ("CAC")²
- Contract Bonds Advisory Committee ("CBAC")
- Corporate Counsel Advisory Committee ("CCAC")
- Commercial Surety Advisory Committee ("CSAC")
- Diversity & Human Resources Advisory Committee ("DHRAC")
- Fidelity Advisory Committee ("FAC")³
- Fidelity Claims Advisory Committee ("FCAC")⁴
- Fidelity Underwriting and Claims Advisory Committee ("FUCAC")
- Government Affairs Advisory Committee ("GAAC")
- International Advisory Committee ("IAC")
- Statistical Advisory Committee ("SAC")
- Surety Claims Advisory Committee ("SCAC")
- Technology Advisory Committee ("TAC") / E-Business Advisory Committee ("EBIZ")

Through these committees, the committee members provide oversight of the Association's strategies and operations.

Conflicts of Interest

SFAA has established a formal conflict-of-interest policy. This policy requires the Board of Directors and management of SFAA to annually complete a conflict-of-interest questionnaire and sign a disclosure statement. The conflict-of-interest questionnaires provided as completed by the board members and employees of SFAA for the period under examination disclosed no material conflicts of interest. Our examination noted that conflict of interest documentation was not retained for all directors

² Committee was disbanded in 2020

³ Combined with FCAC in June 2024

⁴ Combined with FAC in June 2024

during the review period. As a result, we could not verify whether all conflicts were reported or assess their potential impact on the Association. Management indicated no material conflicts were reported.

Corporate Records

The recorded minutes of the meetings of the Board of Directors and Advisory Committees were reviewed for the period under examination. The recorded minutes of the Board meetings documented the meetings and the approval of the Association’s transactions and events, including committee reports and the election of directors.

ORGANIZATION

Membership

The Membership of the Association is primarily composed of insurance companies that write fidelity or surety insurance product lines to their policyholders. Per the Bylaws, any company licensed to engage in the business of surety or fidelity bonding, or as a reinsurer, and meeting such other criteria as may be determined from time to time by the Board of Directors, is eligible to become a Member. SFAA Members receive a variety of services from the Association, including but not limited to access to loss cost development reports, standard form filings, research and analytics, educational materials, and political, regulatory, and judicial activism. As of December 31, 2024, SFAA had 411 members. The Association has published two statistical plan manuals in accordance with applicable statutes, rules and regulations, and is solely responsible for the development and modification of these plans. Member companies and groups and non-member statistical filers submit their statistical information to the Association’s vendor ISO in accordance with the appropriate statistical plan. To encourage the reporting of timely and quality data, the Association utilizes an Incentive Assessment Program, which assesses fines for delinquent or incomplete data submissions for statistical filings.

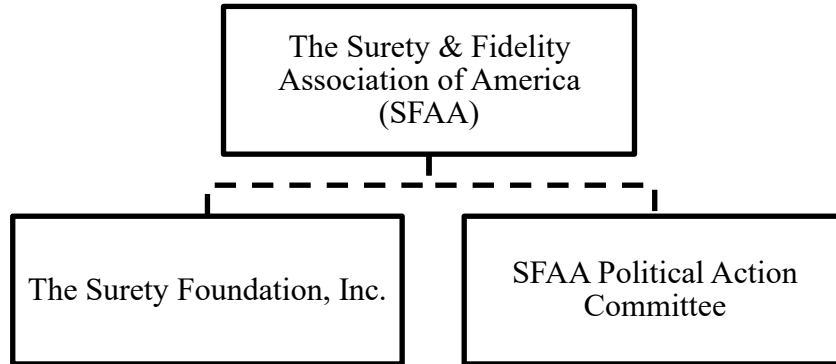
Organizational Chart

SFAA established The Surety Foundation, Inc. (“Foundation”) in 2005 as a 501(c)(3) organization to support the educational and professional development of individuals pursuing or engaged in careers in the surety and fidelity industry. The Foundation funds and administers an internship and scholarship program, with the goal to expand the pipeline of qualified applicants and increase access to the career opportunities within the surety and fidelity insurance industry. The Foundation is funded through contributions from surety and fidelity industry-related companies, individuals, and local surety associations. SFAA is the sole member of the Foundation. The Foundation is overseen by a Board of Trustees.

SFAA established the SFAA Political Action Committee (“PAC”) in 2019 for purposes of political activism with federal legislators and candidates in order to promote the interests of the surety and fidelity insurance industry. The PAC is funded by voluntary contributions from SFAA Members. SFAA’s audited financial statements are consolidated with the Foundation and the PAC.

The following organizational chart depicts SFAA’s relationship within the organization, as reported by

the Association, as of December 31, 2024.



AGREEMENTS

The Association has entered into agreements with third parties to provide services to the Association. The examination team performed a review, and significant agreements are described below:

ISO Agreement

The Association entered into an Agreement for Services with Insurance Services Office, Inc. (“ISO”) on a biannual basis by executing a new agreement for each two-year period. The current agreement is effective January 1, 2024 through December 31, 2025. Under the terms of the agreement, ISO provides SFAA with data services, computer services, and computer support services related to the collection and processing of SFAA Statistical Plan data.

S&P Global Agreement

The Association entered into a Master Subscription Agreement with S&P Global Market Intelligence (“S&P”) effective December 31, 2015 and a Pricing Schedule with an initial term of December 1, 2015 to November 30, 2018. The Pricing Schedule is renewed on a triennial basis by executing a new Pricing Schedule. Under the terms of the agreement, S&P provides SFAA with access to SNL Unlimited Data for Financial Institutions.

Investment Advisory Agreement

The Association entered into an Investment Advisory Agreement with Morgan Stanley Smith Barney LLC (“Morgan Stanley”) effective March 23, 2021. Under the terms of the agreement, Morgan Stanley provides SFAA with investment advisory services.

TERRITORY AND LICENSING



As of December 31, 2024, SFAA was licensed in all 50 states and the District of Columbia and Puerto Rico to provide rating, advisory, statistical services, and data services for its members.

Rating Licenses:			
Alabama	Alaska	Arizona	Connecticut
Colorado	Delaware	District of Columbia	Florida
Georgia	Idaho	Indiana	Kansas
Louisiana	Maryland	Massachusetts	Michigan
Mississippi	Missouri	Montana	Nevada
New Jersey	New York	Ohio	Oregon
Pennsylvania	Puerto Rico	Rhode Island	South Carolina
South Dakota	Tennessee	Utah	Vermont
Virginia	Washington	West Virginia	Wyoming

Advisory Licenses:			
Arkansas	California	Connecticut	Hawaii
Illinois	Iowa	Kentucky	Maine
Nebraska	New Hampshire	New Jersey	New Mexico
North Dakota	Oklahoma	Texas	Vermont
Wyoming			

Statistical Licenses:
North Carolina

Data Service Licenses:
Minnesota

ACCOUNTS AND RECORDS

The Association’s statutory home office and main administrative office were located at 1140 19th Street NW, Suite 500, Washington, DC 20036. This location also served as the Association's primary location for its books and records. Pursuant to the requirements of Section 31-3431 of the D.C. Code, the principal office of the Association shall be within the District and shall keep its books, records, and files therein or at a location approved by the Commissioner. In 2025, SFAA moved its office to 1146 19th Street NW, Suite 700, Washington, DC 20036.

EXAMINATION METHODOLOGY

This Examination is based on the Standards and Tests for a Market Conduct Examination of an Advisory Organization found in the 2025 NAIC Market Regulation Examiners’ Handbook. The Examiners primarily relied on the review of documentation and testing of records and information maintained by the Association concerning certain of their operations included within the scope of the Examination. Examiners also reviewed and placed substantial reliance on the examination work of

ISO's recent Multi-State Market Conduct Examination, concerning ISO's handling of the receipt, processing, and editing of company submissions on behalf of the Association.

The Examiners conducted interviews with the Association's representatives, reviewed the Association's practices and procedures, and conducted walkthroughs of the Association's operations, which included a high-level review of the Actuarial and IT infrastructure and controls, consistent with selected sections of Chapter 20 and Appendix F of Chapter 29 of the Handbook. The Examiners also reviewed the prior examination report, internal management testing documentation, and workpapers. In defining the scope of the examination, consideration was also given to information received from the responses to the NAIC's CAA completed by the Association.

The loss cost development process is designed to gather industry-wide data, aggregate and disseminate loss information and expenses. The statistical component of the loss cost development process is to assure the public of fairness for rates ultimately developed and charged by members of the Association that opt to use the Association's loss costs when submitting filings with insurance departments.

The review of the Association's Statistical Plans included procedures to ensure that reports from statistical agents are acceptably accurate as representations of the insurance written and the losses incurred by insurers. These plans were reviewed by considering the procedures for collecting data and how that data is verified for accuracy and completeness, how any data submission errors are handled that may have occurred, and how the data is reconciled. Correspondence with companies and regulators included a review of all reports submitted, along with copies of all validation and control reports. All rate and forms filings submitted during the examination period were reviewed. Additionally, the Examiners investigated any compliance matters from the prior examination. The Examiners engaged in ongoing communication with the Association throughout the course of the Examination. Where appropriate, the Examiners submitted requests and follow-up inquiries to the Association for response.

The Actuarial Examiner's work included reviewing the Association's work product related to loss cost development filings ("Filings"), with specific emphasis regarding the Association's assumptions in preparing the Filings, as well as the completeness and accuracy of the information. The Actuarial Examiner conducted interviews of the key actuarial resources at the Association, including the SFAA Actuary and Statistical Manager.

The IT Examiner's approach and methodology was planned to gain a comprehensive understanding of the Association's IT Controls and Data Processing Procedures, and as such, procedures included a focus on the design, implementation, and operating effectiveness of the Association's IT process and associated IT general controls. The IT Examiners reviewed all IT-related information provided in response to the initial Request for Information. Supporting documentation and information were provided by the Association. The IT Examiners also conducted specific process walkthroughs of certain systems and applications, as well as conducted interviews with representatives of the Association. Targeted testing was performed consistent with the examination processes and sampling methodologies in concert with the Handbook guidance.

SUBSEQUENT EVENTS

In October 2025, SFAA moved its office location to 1146 19th Street NW, Suite 700, Washington, DC 20036.

STATUS OF PRIOR EXAMINATION FINDINGS

The Examination included a review to determine the current status of any non-compliance matters that maybe noted in our preceding Report on Examination dated July 25, 2019, which covered the period from January 1, 2013 to December 31, 2017. There were no prior examination report findings.

GENERAL EXAMINATION CONCLUSIONS AND OBSERVATIONS

The advisory/rating organization market conduct examination practices and procedures, as promulgated by the NAIC, have been followed in assessing The Surety & Fidelity Association of America's market conduct, including its key operational areas and practices, consistent with the insurance laws of the District of Columbia. The Examination is a review of the Association's systems in place, operations, and management for the collection and reporting of statistical data, preparation of loss cost filings, and rule and form filings. The purpose is also to verify that adequate statistical plans are maintained in accordance with various regulatory requirements, check the validity of the systems in place, the internal procedures for preparing rate/loss costs reviews and submissions to insurance departments and companies, including the timeliness and quality of the responses.

The Examination is neither a traditional market conduct examination nor a financial examination, nor an examination of the accuracy of the underlying company data reported to the Association. The main purpose of the examination is to determine that the Association is performing its permitted regulated functions in a manner consistent with state rating laws and in a manner that results in accurate and compliant products or services for its member companies. Such procedures performed on this Examination do not constitute an audit that follows generally accepted auditing standards, and no audit opinion is expressed in this Report. Overall, the Examination found that the Association maintains policies and procedures with a sound compliance framework and identified no material issues or systemic violations requiring formal regulatory action or a corrective plan.

The Association was cooperative throughout the course of the examination, and the Examiners had direct access to the Association's employees for meetings, interviews, and walkthroughs. Documentation was provided to Examiners as requested, and in general, information was provided in a timely manner. Findings identified during the Examination were communicated to the Association in the form of observations.

The Association's policies and procedures were reviewed pertaining to its regulated functions in a manner consistent with the standards of the Handbook, state rating laws, and in a manner that results in accurate and compliant products and services for its subscribing or member companies.

Overall, no material exceptions came to the attention of the Examiners during the course of this examination as material deviations from the requirements as stated in the Handbook.

SUMMARY OF RECOMMENDATIONS

As a result of the Examination, no significant compliance issues or adverse findings were identified that warranted inclusion in this public examination Report. Other non-material observations were communicated to the Association in a separate letter.

ACKNOWLEDGMENT

Acknowledgment is made of the cooperation and assistance extended by the Association's officers and employees during the course of the examination.

In addition to the undersigned, Joanne Smith, CFE, MCM of Noble, also participated in the examination. The information technology review portion of this examination was completed by Stefan Obereichholz-Bangert, AES, CISA, CISM, CRISC, CDPSE, and Michael Nadeau, AES, CISA, CFE, CPA of Noble. The actuarial risks were considered by the Department actuary, David Christhif, ACAS, MAAA.

SIGNATURES

Respectfully submitted,

Yohanness T. Negash

Yohanness Negash, CFE, CFE (Fraud), PIR, CIA, CISA
Examiner-In-Charge
District of Columbia, Department of Insurance, Securities and Banking



Nathaniel Kevin Brown CPA, CFE
Chief Examiner
District of Columbia, Department of Insurance, Securities and Banking