



Lockton Commercial Surety Operations

Offering Our Clients Surety Bond Programs and Solutions



L O C K T O N C O M P A N I E S

LOCKTON SURETY OPERATIONS—COUNTRYWIDE

Lockton was founded in 1966 on a solid understanding of surety underwriting and surety-market relationships by Jack Lockton, a bond underwriter.

Today, the Lockton Commercial Surety Operation represents a wide variety of nonconstruction clients (manufacturing, healthcare, technology, financial institutions, processors, transportation, telecommunications, energy, etc.) whose commercial surety bond needs range from 5 to 3,000 bonds. As well, the Lockton Surety Operation represents construction companies and design firms ranging in size from \$25 million to more than \$3 billion of annual revenue.

Our value-added service culture consistently allows us to contribute to our clients' bottom line—substantiated by our outstanding 98 percent surety-client retention rate.

FOOTPRINT TO SUPPORT YOUR BUSINESS



MARKETPLACE RELATIONSHIPS

Relationships with the surety marketplace have always been the foundation of Lockton's success in the surety business. Our corporate values are centered upon developing deep business partnerships with our stakeholders, so we view and treat our surety companies as partners, not vendors.

Partnership Cornerstones

Credibility & Trust

The experience of Lockton's surety Associates and our track record of minimal loss history have built a level of trust with our surety partners—they recognize our expertise and value our input.

Communications

We always communicate openly, honestly, and respectfully with our clients and surety partners. This approach has led to the highest levels of confidence in our abilities and personal integrity.

Continuity

In more than 40 years in the national surety industry, Lockton Associates have made a purposeful effort to build and transition personal market relationships—resulting in a vast network of relationships.

Lockton invests substantial time and resources to maintain and strengthen these relationships through:

- Annual strategic-planning sessions with senior and branch management.
- Quarterly interface with executive management and senior underwriters.
- Consistent interaction with branch/regional personnel.
- Heavy involvement with industry organizations such as the NASBP, SFAA, and local surety associations.

LOCKTON 2013 TOP SURETY PARTNERS, BY PREMIUM PLACED		
Liberty Mutual	Travelers	Zurich
\$32,647,088	\$20,058,691	\$15,115,711
Chubb	ACE	IFIC/Allegheny
\$7,773,434	\$6,548,074	\$5,560,030
RLI	HCC	CNA
\$4,671,123	\$4,223,787	\$3,923,935
Argonaut	Philadelphia Ins.	Hartford
\$3,562,120	\$3,388,114	\$2,908,157

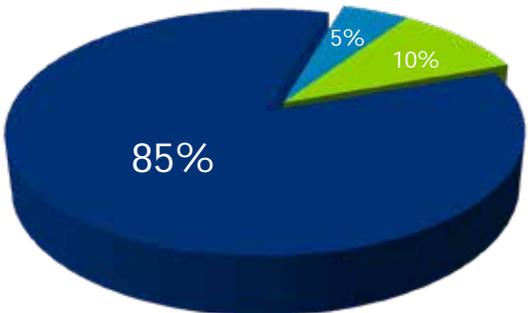
THE LOCKTON SURETY DIFFERENCE

We are NOT simply a conduit of information. Lockton's surety professionals look to add value to our clients' businesses through consultative services and tools that maximize the return on our clients' bond expenditures.

Service Model

- Lockton's private ownership model allows us to reinvest up to 85 percent of our earnings back into the services we provide our clients.
- We attract, invest in, and train top industry talent to be an expert resource for our clients.
- As a service center, our surety group's success is judged by client satisfaction and retention, not bottom-line results.
- Our service commitment leads to best-in-class daily surety support and continual innovations in the services we offer.

WHERE DOES YOUR MONEY GO?



■ Reinvested in Client Services ■ Overhead ■ Profit

Service Approach

- Our unit model structure ensures senior involvement and consistent service teams for all clients.
- We always look to establish backup or co-surety relationships to maintain pressure on the incumbent surety(ies) and limit the enterprise risk of our clients.
- We use our industry experience and analytical models to anticipate the sureties' reactions so that we can effectively guide our clients and professionally represent their position to their sureties.
- We build personal relationships between our clients and the decision makers at their surety companies. The result is a true partnership that creates business decisions, beyond purely underwriting considerations.
- Every surety service plan is custom-tailored to fit the business plan and goals of each of our clients.
- We work to proactively establish clear understandings and set expectations, allowing both our clients and surety partners to operate with confidence.

Our primary objective is to deliver services that provide our clients with a competitive advantage.

LOCKTON SURETY CAPABILITIES

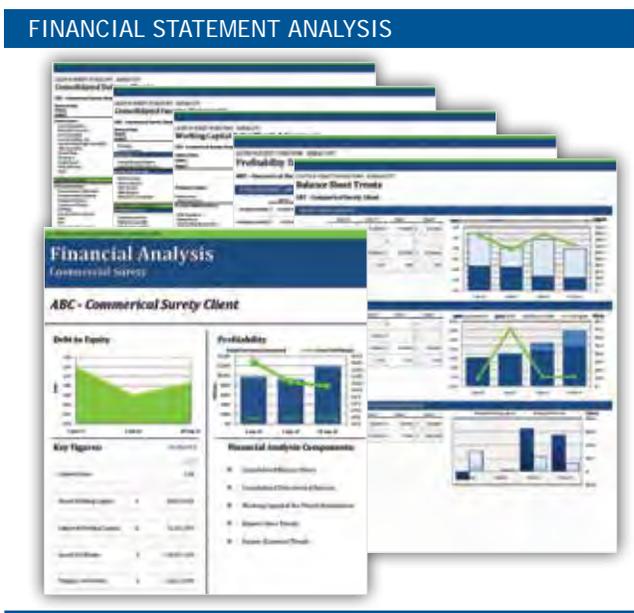
As a partner, Lockton continuously looks for ways to enhance our clients' surety and business relationships—a crucial component of this consultation is risk mitigation. Some of the solutions we routinely provide our clients are as follows.

Surety Analytics

Lockton compiles historical financial-statement data, as well as pro forma and projection data, in order to completely detail our clients' financial picture. This information is shared with the surety companies for underwriting purposes as well as with our clients as a possible management tool. Some of the analysis we provide is as follows.

Financial Statement Analysis

Lockton conducts a complete analysis of financial data to outline our clients' financial picture. Our proprietary financial analysis model provides a detailed report to help our clients proactively monitor their financials in sync with the surety companies' credit models.



Bond-Exposure Tracking

Lockton performs an ongoing analysis of bond exposure by type, as well as overall program rates and terms.

Bond-exposure tracking, coupled with the financial statement analysis, helps gain an overall view of the true exposure. This provides a basis to secure the most competitive terms and conditions in the marketplace.



Not only does Lockton's surety group perform these analyses for our clients free of any additional charge (value-added service), but our ability to communicate and leverage the results of these analyses to help our clients meet and exceed their businesses' goals is what sets us apart.

LOCKTON SURETY CAPABILITIES

Risk Financing Options

We have participated in feasibility studies to evaluate the economics of utilizing a client's captive for their surety program. Every situation is unique and must be analyzed on its own merits.

Acquisition Due Diligence

Members of the surety team are available, and have previously been active participants, in a client's due diligence process for acquisitions. Many of the tools we use to actively manage our client's surety program can be equally valuable when evaluating acquisition targets.

Private Equity Experience

Lockton's Commercial Surety Team has a breadth of experience in analyzing private equity-owned clients and matching their surety needs to a carrier that is comfortable in this unique space.

International Surety Placement

Lockton Companies has a fully staffed international operations department based in Kansas City, as well as a surety staff based in our London office. Our international team helps us facilitate surety transactions around the world. We have dedicated Lockton offices in Asia, the Middle East, Europe, North America, and South America. Lockton has strong surety relationships with the international surety departments of the following domestic carriers: Chubb, Zurich, Travelers, CNA, Chartis (AIG), and Liberty, and we understand the international surety marketplace. Our London team has extensive experience and relationships with Euler Hermes, Coface U.K., QBE, and ACE.





LOCKTON SURETY DIFFERENCE

Client Advocacy

One of the many ways that Lockton differentiates itself is our ability to follow through with the commitments we make. Possessing robust resources alone has proved useless without a platform to deliver these resources to clients in a user-friendly and value-added manner.

The client advocacy role at Lockton is one of the unique advantages that our service model provides to clients. The Producer brings the critical elements of account leadership to the client's service team by providing oversight of all account-related activities, ultimate accountability for team performance, strategic leadership support, and allocation of best resources to the client and acts as a facilitator for information sharing and intelligence.

Strategic Leadership

Lockton's Commercial Surety Practice Leader provides the vision, communication, and negotiation skills needed to successfully manage the client's complex commercial surety needs. In addition, each client has a dedicated Surety Analyst and Account Executive assigned to help navigate the surety markets and perform superior servicing for the day-to-day bond requirements.

LOCKTON SURETY—WE LIVE SERVICE!®

Lockton Surety always guarantees next-business-day delivery (from receipt of information) on all types of bonds, bond capacity letters, riders, etc., to all of our clients nationwide.

Additionally, Lockton understands that unique situations may arise, where same-day turnaround may be required. Lockton has historically come up with innovative solutions to meet the demands of our clients. This can be accomplished due to our systems, authorities, and footprint.

Systems

- ❖ For each client, Lockton Bond Department can customize how bond requests are submitted. Whether from one centralized office or client locations throughout the country, requests for all bonds or letters can be submitted through fax, e-mail, or an online form on Lockton's website. These immediate transmission options initiate the streamlined process.

Authorities

- ❖ Due to Lockton's long-standing relationship and minimal-loss history (i.e., trust) with the major surety companies, certain authorities are offered that allow us to expedite the surety process.
 1. **In-house lines of authority.** Typically covers 80 percent to 90 percent of each client's daily needs, requiring only large or unique requests to be submitted to the surety.
 2. **Network of surety attorneys-in-fact.** In all our surety locations, there are Associates with the authority to execute documents on behalf of all the major surety markets.
 3. **Power of attorney.** In some instances, Lockton is able to negotiate with our clients to allow Lockton to have power of attorney authority to execute bonds on behalf of our clients.

Footprint

- ❖ Lockton has a wide geographic network of distribution channels. All nine of our strategically placed bond departments have the ability to issue any and all types of bonds. In addition to these locations, Lockton is an active member in the National Association of Surety Bond Producers (NASBP) and can utilize connections with hundreds of NASBP members throughout all 50 states to respond to emergency situations. Lockton has even issued bonds from a surety's individual branch office, as well as a competing broker's office, in order to meet a client's request.



Have an Emergency Bond Need on a Weekend or Holiday?

No problem. Key members of Lockton's Surety team are available 24/7/365. Personal contact information for emergencies is provided to all of our clients.



TECHNOLOGY-BASED SERVICES

We continue to invest in technology-based tools that streamline the surety administration process, address risk management concerns, and more.

Lockton offers the following technology-based solutions:

Lockton Partner Portal

Lockton's Partner Portal can serve as the information center to the client for all Lockton-related services. Partner Portals are interactive, custom-built websites that can be accessed quickly and conveniently from anywhere in the world. We use these secure internet-based platforms to collaborate, communicate, and exchange critical business information with our clients.

Partner Portals are created to enhance our service to our clients. First and foremost, our client service team will always be available to provide solutions and support. Lockton's Partner Portal can be tailored specifically to the client's needs and can include the following: electronic surety requests and reports, surety document libraries, links to other technology tools, research tools and white papers, etc.

Insurevision (SurePath)

SurePath is the surety administration system utilized by Lockton. From this entirely web-based platform, Lockton, the client, and your surety can request, review, and respond to surety requests, as well as generate live reports on outstanding bonds, current surety liability, premium and revenue to date, and more.

Insurevision has over 120 fields of data to choose from to help the client customize and choose reports that meet their specific needs.

Quality Control

Every document issued by Lockton Surety is reviewed for accuracy by at least one other Associate. All bonds must pass a detailed checklist before they are released to the client.

SAMPLE COMMERCIAL SURETY CLIENTS



Our Mission

To be the worldwide value and service leader in insurance brokerage, employee benefits, and risk management

Our Goal

To be the best place to do business and to work



LOCKTON[®]

www.lockton.com