



Lockton Contract Surety Operations

Offering Our Clients Surety Bond Programs and Solutions



LOCKTON SURETY AT A GLANCE

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



FOUNDED **1966**

Experience

The average surety-industry experience of our Kansas City surety executives is more than 16 years; our clients benefit from our expertise.

Support

With more than 70 dedicated, surety-only Associates in the US and 25 in Kansas City, we have the knowledgeable staff to meet and exceed your service needs 24/7/365.

Marketplace

Lockton places more than \$150 million in annual surety premium. We have meaningful placements at all the major surety companies. This provides our clients with flexibility to find the best solution and Lockton with the leverage to hold sureties accountable.

98% **SURETY**
CLIENT RETENTION RATE

Trust

More than 1,800 clients trust Lockton with the management of their surety programs—a critical aspect of their business.

Relationships

During Lockton's 50 years in the construction industry, we have developed relationships with construction specialists in the banking, accounting, and legal industries. We are often involved in helping our clients identify other capable business partners.

Involvement

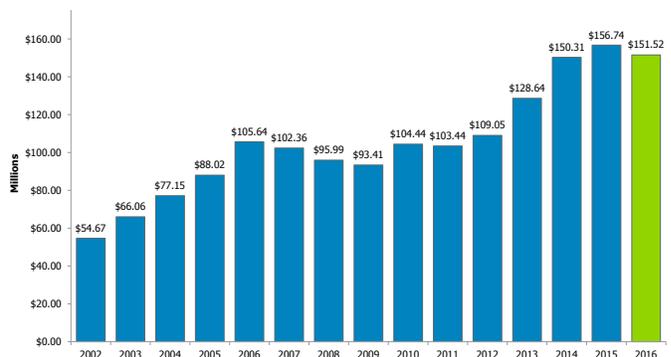
We remain dutifully involved in construction and surety industry organizations and are always looking for opportunities to expand our knowledge base and service offerings.

Lockton Surety Operations represents firms ranging in size from



Lockton Surety is not a profit center—the metrics used to evaluate our groups are driven by client satisfaction and retention. This model is unique in the brokerage community.

LOCKTON NATIONAL ANNUAL SURETY PREMIUMS



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

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?



Service Approach

- + Our unit model structure ensures senior involvement and consistent service teams for all 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.
- + 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.

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



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 2016 TOP SURETY PARTNERS, BY PREMIUM PLACED

Liberty Mutual	Zurich	Travelers	Chubb/ACE	HCC/Tokio Marine	CNA
\$35,138,921	\$22,067,702	\$18,068,712	\$15,143,411	\$12,018,416	\$6,103,080
IFIC	Aspen	Argonaut	Lexon/Bond Safeguard	RLI	Hartford
\$5,520,114	\$4,503,881	\$4,382,856	\$4,307,591	\$4,174,238	\$2,799,065

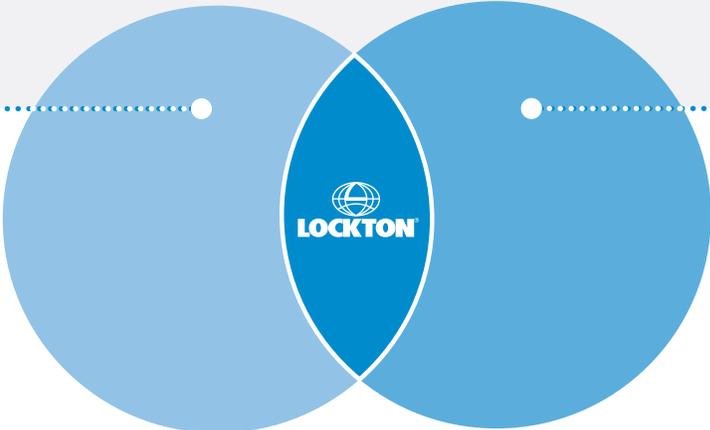
THE RIGHT FIT FOR YOUR COMPANY

Lockton’s flat organizational structure and unit model approach places senior decision makers on every surety clients’ service team. As a result, Lockton is able to consistently provide the hands-on service we’re known for, while delivering the tools and consultative services to help your company succeed.

The Best of Both Worlds

Small-Broker Feel

The personal touch of a consistent, dedicated surety unit that knows and understands your business and industry.



Big-Broker Expertise

Enjoy access to all the support services and expanded capabilities of one of the largest surety practices in the country.

Footprint to Support Your Business

Lockton Surety Offices



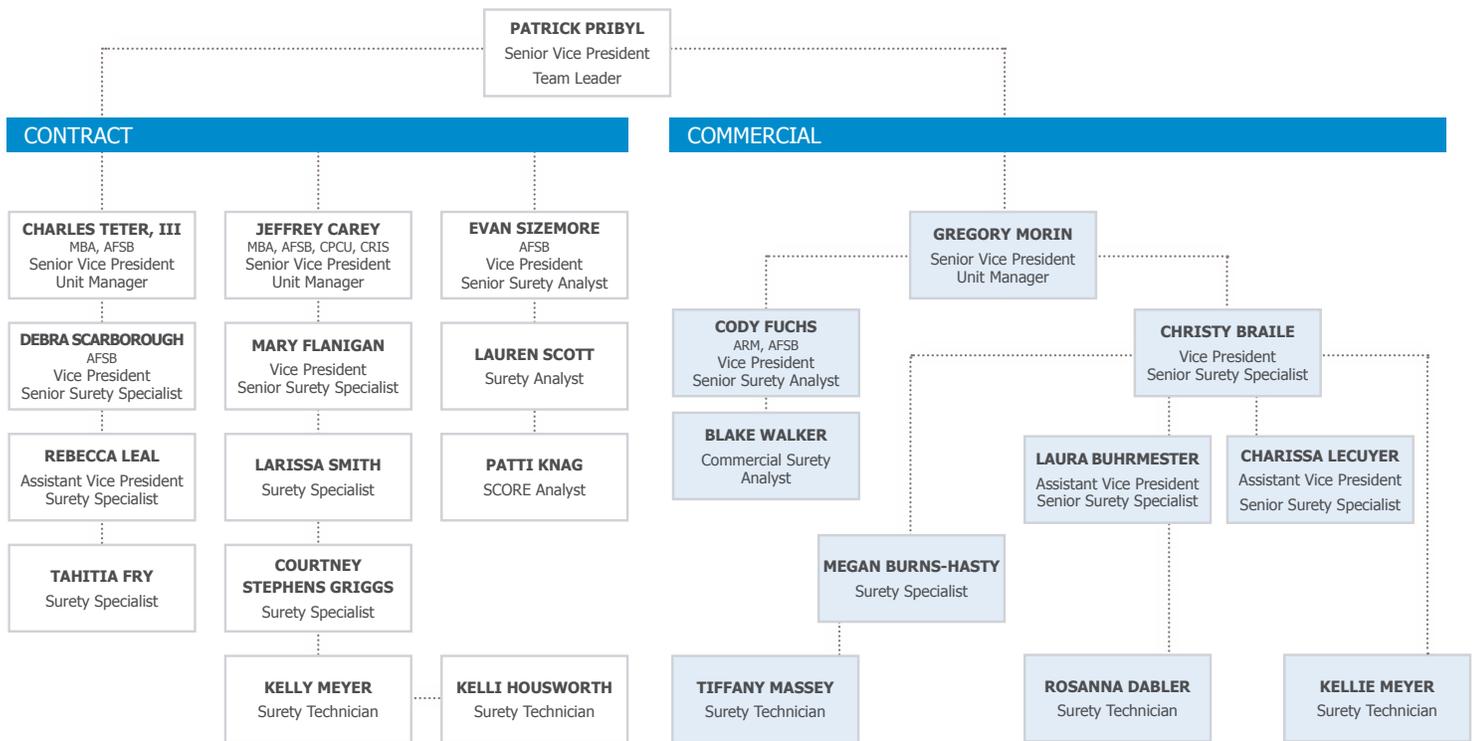
Surety Supporting Office Structure

Series	Kansas City	Pacific	Texas	Denver	Northeast	St. Louis	Chicago	Southeast
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LOCKTON SURETY OPERATIONS—KANSAS CITY

Lockton's Kansas City Surety office houses 25 Associates that focus solely on surety, including our National Surety Practice Leader. Individually, this office places roughly \$70 million in annual surety premium, providing our clients with marketplace flexibility and leverage when you need it most.

LOCKTON KANSAS CITY SURETY TEAM



Lockton's Surety Associates,
when combining expertise, have a
collective knowledge of



LOCKTON KANSAS CITY SURETY PREMIUM



MEETING THE NEEDS OF OUR CLIENTS

Providing extraordinary service to our surety clients is deeply embedded in Lockton’s culture. Lockton’s culture is built on our ongoing objective to not only provide the basic services, but to add value to the businesses of our clients. We continue to strive to be innovative in what we provide our contractor clients, and the means in which we provide it.

Bond Execution and Delivery

- Streamlined electronic surety request options
- Nationwide next-business-day delivery
- Emergency placement action plans and execution
- Service depth: 26 Surety Associates in Kansas City
- 22-point quality control procedure

Surety Program Management

- Facilitation of direct client/surety relationships
- Negotiation and benchmarking of program terms
- Arrangement of backup relationship
- Analytical tools to support surety discussions
- Backlog analysis and forecasting

Surety Invoicing and Reporting

- Individually tailored invoicing processes
- Real-time surety liability tracking
- Periodic management liability reports
- Customized ad hoc reporting capabilities
- Annual compensation disclosure by request

Strategic Guidance

- Information on market trends and news
- Contract risk review and recommendations
- Succession planning support
- Contractor best practices
- Acquisition due diligence and support



We’re Never Satisfied

Lockton Surety is constantly looking for ways to enhance our deliverables and add value to our clients’ business. Whether it’s utilizing new technology to streamline our daily procedures, refining our risk identification models, or developing new tools to address emerging market trends, we are NEVER SATISFIED with the status quo.



Contract Surety Analytics Samples

CONSULTATIVE SERVICES

We are NOT simply a conduit of information. We use our expertise to proactively develop and offer solutions aimed at providing our clients with a competitive advantage. Examples of some of these tools and services include:



CONSULTATIVE SERVICES

Not only are these models great tools, 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.

Project-Risk Support

Utilize Lockton's extensive construction experience to review contracts, identify onerous terms and conditions, and negotiate changes. Our large portfolio of clients gives Lockton a strategic advantage to provide assistance to our clients who seek comparative data points when assessing project risk.

Services include:

- Contract review and recommendations.
- "Go/No-Go" process consultation.
- Subcontractor/vendor best practices.
- Subcontract bond reviews.
- Project owner/financing research and evaluation.
- Facilitation of project negotiations.
- Joint-venture consultation and best practices.



Project-Risk Support Samples

INTERNATIONAL SURETY PLACEMENT AND CONSULTATION

Lockton is fully equipped to facilitate surety transactions around the world. Compliance regulations, tax obligations, fees, and markets differ by country. Lockton’s on-the-ground staff and international partners keep our clients informed on local market conditions and facilitate final placement.



Service Around The World

A full overview of Lockton’s international surety capabilities is available by request.

Additional Consultative Services

Joint Venture/ Alternative Delivery Support

We have extensive experience as the lead broker in JV arrangements. We remain at the forefront of emerging Alternative Project Delivery methods, including Public-Private Partnerships (P3) and actively educate our clients as to the related surety implications.

Surety Claims Consulting

Lockton maintains relationships with the claims attorneys of our major surety partners. We have established escalation agreements in place to guarantee access to the correct decision makers.

Acquisition Due Diligence

Lockton’s contractor evaluation expertise and analytical tools can be transitioned to help you identify and assess acquisition targets.

DBE Risk Consultation

We can walk you through the additional risks that accompany the opportunities created when you approach a project with a SBE/DBE business partner.

Subcontractor Risk Mitigation

We provide numerous services and tools to help our clients evaluate the risk of their subcontractors. See the following pages for details on our SCORE system, our exclusive prequalification platform.

LOCKTON SCORE®: SUBCONTRACTOR/VENDOR PREQUALIFICATION

Lockton's SCORE system is the next level of consultative support for the subcontractor prequalification management process. The web-based system goes beyond simply gathering and managing information by harnessing Lockton's knowledge and expertise to generate easy-to-understand ratings (0-5) on the financial stability and safety record of each enrolled subcontractor.

System Features

Searchable Database of Subcontractors



- Search entire database for subcontractors by name, location, scope of work, special business designations, and more.
- Contact filtered subcontractors to gain instant access to prequalification information.

Marketing Tool



- Use SCORE to differentiate your company from the competition.
- Solid, prequalified project teams leads to better project outcomes.

Risk Management Guidance



- Understand subcontractors' risks and elect which to assume and transfer.
- Documented prequalification approach for SDI and CIP program support.
- Set companywide internal policies that are simple and easy to follow.
- Alleviate your surety's subcontractor risk concerns.

Outsourced Administration



- Outsourcing of time, cost, and resources needed to manage prequalification process.
- Third-party arrangement improves enrollment rate.
- Evolving prequalification system without the ongoing development costs.

Our Mission

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

Our Goal

To be the best place to do business and to work



RISK MANAGEMENT | EMPLOYEE BENEFITS | RETIREMENT SERVICES

lockton.com