Glossary

- **Administrator Bond -** Guarantees that an individual or organization will safeguard assets of another that have been placed under their control.

- **Agent - A producer who is appointed to transact business through an authorized insurance company.** Only licensed, Property & Casualty insurance producers can solicit and sell surety bonds. Surety limited lines agents are licensees who specialize in surety bonds. Most surety agents operate as independent agents, representing several different Surety Companies.

- **Appeal bonds** **(a.k.a. supersedeas bond)** guarantee that the judgment will be paid if affirmed and that the costs of the appeal will also be paid ***should the defendant default***.

- **Appellant -** The party (defendant) who appeals a court's decision, who wants to delay payment to the plaintiff of a judgment until the appeal is over. The appellant will be required to provide an appeal or supersedeas bond.

- **Attorney In Fact -** The bond agent who contracts with sureties to write bonds and sign on their behalf.

- **Authority Agreement -** An agreement between the agent and the surety governing the use of the Power of Attorney.

- **Banker's Bond -** Often referred to as a **Fidelity Bond**. Covers the bank in the event of loss due to the dishonest acts of its employees or individuals external to the bank. For example, a bank teller or robber steals money steals, the bank would be indemnified for the loss under the bond.

- **Bid Bond -** Assures owner will be paid the bid bond amount if the contractor is awarded the job but later refuses to undertake the job. If the successful bidder defaults on either account, the obligee may use as much of the bid bond penalty as necessary to cover resulting losses and expenses. For example, extra expenses are incurred if a project must be rebid or if the job must be awarded to the next highest bidder.

- **Bond Back -** Occasionally the Surety will as part of their underwriting requirements require the General Contractor to have one or more of their major Subcontractors to be "bonded back" to the General, to reduce the risk of default.

- **Bond Penalty -** *The amount of the bond,* a.k.a. the penal sum or penal amount.

- **Bond Term -** May be a specific period of time or continuous until terminated by one of the parties to the bond.

- **Collateral -** Assets pledged to the surety to secure the principal's indemnity. The collateral will be cashed if a loss occurs.

- **Co-surety -** Two or more sureties on a bond.

- **Executor Bond -** Guarantees that an individual or organization will safeguard assets of another that have been placed under their control.

- **Federal Register -** Lists the Certified Surety companies who are Authorized to sell federal bonds.

- **Fidelity Bond -** Reimburses an organization for employee theft. Example, a Banker's Bond.

- **Fiduciary Bond -** Guarantees that an individual or organization will safeguard assets of another that have been placed under their control.

- **Guardian Bond -** Guarantees that an individual or organization will safeguard assets of another that have been placed under their control.

- **Indemnity -** The principal's guarantee to reimburse the surety for any loss it might sustain on a bond.

- **License & Permit Bond -** Guarantees a person or organization will perform according to the laws and statutes of a particular business or industry.

- **Notary Bond - Public Official Bond -** Guarantees to the Local, State or Federal Government the honest performance of an elected or appointed government official.

- **Obligations -** under a surety bond can be Contractual, Statutory and/or by Court Order.

- **Obligee -** The person or firm that is the beneficiary of the bond. The one who is protected.

- **Obligor -** The old name for the **Principal**. The party who is required to perform. The one who the surety guarantees.

- **Payment Bond -** Guarantees a contractor will pay fees owed for labor and materials on a construction project.

- **Penal Amount -** A key term in nearly every surety bond is the *penal sum* or penal amount. This is a specified amount of money which is the maximum amount that the surety will be required to pay in the event of the principal's default.

- **Performance Bond -** Guarantees a contractor will perform according to the specifications in the construction contract.

- **Plaintiff -** the one who brings suite against another. An appeal bond guarantees that the **plaintiff will be paid if the defendant or appellant defaults after the appeal.**

- **Power of Attorney -** ***A legal instrument authorizing an agent of the surety to sign a bond on behalf of the surety as its attorney-in-fact***.

- **Premium -** The premium is the cost of the bond, paid to the surety for providing the financial guarantee and for performing all underwriting. Unlike insurance, the premium is not based on a probability of loss. **It is strictly a fee for service**.

- **Principal -** The person or firm who is bonded to another entity by the surety.

- **Public Official Bond -** Guarantees to the Local, State or Federal Government the honest performance of an elected or appointed government official.

- **Replevin Surety (Court) Bond** is secured by a plaintiff in a replevin ***court action*** to cover losses to the defendant or court officer when seizing the property in the defendant's possession and transferring it to the plaintiff. *If the plaintiff loses the case, the property must be returned and losses and expenses to the defendant must be paid.* The bond pays if the plaintiff defaults*.*

- **Supersedeas Bond -** A type of surety bond that a court requires from an appellant (the party who appeals a court's decision) who wants to delay payment of a judgment until the appeal is over.

- **Surety -** The entity guaranteeing the performance of the principal to the obligee.

- **Temporary Administrator Bond -** Fiduciary Bond - Guarantees that an individual or organization will safeguard assets of another that have been placed under their control.

- **Underwriting -** A term borrowed from insurance. This is a process where the Surety investigates the Contractor's Character, Capacity and Capital to determine if the contractor is qualified, by the Surety's standards, to undertake the project. This process is very much like qualifying for a loan, line of credit or mortgage.

- **US Department of the Treasury -** A surety that wants to write bonds for federal government construction projects must have a certificate of authority issued by the U.S. Department of the Treasury. **A listing of the surety companies with a Certificate of Authority can be found in the Federal Register.**