



## ELECTRONIC SURETY BOND GLOSSARY

The purpose of this document is to categorize, classify and describe the terminology that is referenced throughout the Electronic Surety Bond Tracking in NMLS.

[Terms](#)

[Bond/Rider Status](#)

[BOR Change Status](#)

Term	Definition
Association	In the context of ESB tracking, it is the relationship between surety company and surety bond producer. The surety company will grant the surety bond producer the ability to create and manage the bond/rider on behalf of surety company subject to identified state authorizations and bond limits. Only representatives designated in the Association are be able to sign bonds/riders on behalf of the surety company.
Attorney-in-Fact	An entity that holds a Power of Attorney, granted by a surety company, empowering the execution of a surety bond. In the context of ESB tracking, the attorney-in-fact is the representative of surety bond producer with execution authority.
Authority	In the context of ESB tracking, authority provides a surety entity with access to the licensee for the purpose of managing bonds on behalf of the licensee.
Bond Amount	Also called penal amount or penal sum, it is the amount of liability under a bond.
Bond Limit	The maximum bond amount that a surety entity is allowed to enter when creating or updating the bond.
Bond Number	An alphanumeric identifier that is issued by a surety entity and associated with a bond. In the context of ESB tracking, a bond number is required when an existing bond is converted or a new bond is created in NMLS.
Bond Status	In the context of ESB tracking, a status associated with a bond in NMLS ESB.
Broker of Record (BOR)	An entity that has a contractual agreement with a principal in the management of surety bond/rider. In the context of ESB tracking, a BOR with execution authority will be able to sign the bond/rider, a BOR without execution authority will not be able sign the bond/rider and in this case, the bond/rider will need to be signed by the associated surety company.
BOR Change	The process for a surety company to replace an existing (outgoing) broker of record (BOR) with a new (incoming) BOR. In the context of ESB tracking, a BOR change is initiated by the surety company and must be confirmed by the licensee.
Cancelled Bond	A bond that has been specifically cancelled by the issuing surety company/surety bond producer and is then considered to be "inactive" in NMLS, but sometimes continues to hold the obligations set forth in the Bond Terms.
Converted Bond	The process for surety entity to convert a paper bond that has previously been delivered to a regulator outside NMLS to an electronic bond, the surety entity should identify the bond as a converted bond. The effective date for a converted bond will default to the surety signatory date.
Deleted Bond/Rider	In the context of ESB tracking, a surety entity will be able to delete a bond or rider in a "Requires Rep Signature" or "Returned to Surety" status. Once deleted, the bond or rider will no longer be visible to NMLS users. However, a record will be retained in the database.

<b>Term</b>	<b>Definition</b>
Delivered Bond	Once the bond is signed by the surety and licensee, it is ready to be delivered. If the licensee has an existing license, the bond will be delivered immediately to the regulator. If the licensee has a pending license application, the bond will be delivered to the regulator at the time the license application is submitted.
Effective Date	Also called bond effective date, the date on which bond coverage becomes effective. In the context of ESB tracking, the effective date for a converted bond is populated with the surety signatory date. The Effective Date for a new bond can be provided by the surety.
Executed Bond	A bond that has been prepared and signed by a surety entity and subsequently reviewed and signed by the Licensee.
Execution Authority	In the context of ESB tracking, the power and authority granted by surety company, through power of attorney, to surety bond producer, who will be able to take certain actions or to bind the surety company to specified obligations
Incoming BOR	When a licensee decides to end a business arrangement with one surety bond producer and begins working with a new surety bond producer, a new broker of record relationship is established between the licensee/principal and the new surety bond producer. In the context of ESB tracking, confirmation of the BOR change will be allowed only when all pending surety bonds and riders have been delivered or deleted. <i>Synonym: New BOR.</i>
Licensee	A person, company, etc., to whom a license is granted or issued by state agencies, in order to conduct related business in the jurisdiction. With respect to surety bonds, the Licensee is the Principal on the bond. <i>Synonym: Principal.</i>
Minimum Bond Amount	The minimum bond amount that is required by state agency for a surety bond associated with a specific license type.
NAIC Number	Unique identifier for a surety company assigned by the National Association of Insurance Commissioners. In the context of ESB tracking, NAIC number will be used throughout NMLS to identify a surety company.
Notice of Cancellation	Submission by a surety company indicating a bond will be cancelled on the effective date provided. If cancelled prior to delivery to the regulator, cancellation is immediate. Once delivered to the regulator, if permitted by the state, notice of cancellation must comply with state advance notice requirements. Upon submission, the bond status will be updated to "Notice of Cancellation."
NPN Number	Unique identifier assigned by the National Association of Insurance Commissioners (NAIC) through the licensing application process or the NAIC reporting systems to individuals and business entities (including, but not limited to producers, adjusters, and navigators) engaged in insurance related activities regulated by a state insurance department. The NPN is used to track those individuals and business entities on a national basis. In the context of ESB tracking, this unique identifier will be used throughout NMLS to identify a Representative of a Surety Bond Producer.
Obligee	The entity that is protected against loss by a surety bond. In the context of ESB tracking, the obligee is the state agency. <i>Synonym: Regulator.</i>
Other Trade Name (OTN)	Other Trade Name is the business name under which the license conducts its business. <i>Synonym: DBA</i>

<b>Term</b>	<b>Definition</b>
Outgoing BOR	The surety entity that currently has an existing broker of record relationship with the licensee/principal, but the licensee/principal has decided to terminate the current business relationship. <i>Synonym Current BOR.</i>
Perpetual Bond	A type of bond that doesn't have an expiration date.
Principal	In suretyship, the party whose actions, honesty or responsibility is to be guaranteed. In the context of ESB tracking, the principal is the licensee. <i>Synonym: Obligor.</i>
Reinstated Bond	In the context of ESB tracking, a surety company will be able to reinstate a cancelled bond if the Cancellation Effective Date is in the past. The bond will be set back to an "Executed" status when the reinstatement is submitted as of the Cancellation Effective Date.
Representative	In the context of ESB tracking, this is a person associated to a surety company or a surety bond producer, who can manage bonds on behalf of the surety company or surety bond producer. The Representative's bond management ability is limited by the roles assigned to that Representative, state authorizations indicated and bond limits indicated.
Rescind Cancellation	In the context of ESB tracking, a surety company will be able to rescind the Notice of Cancellation if the Cancellation Effective Date has not elapsed. The bond will be set back to an "Executed" status when the cancellation is rescinded.
State agency	State regulators that supervise a particular industry or business activity.
State Authorization	The authorization granted by state agency for the surety entities to engage in suretyship in that jurisdiction.
Surety Bond	A three party agreement whereby one party (the surety) is bound with the entity bonded (the principal) to a third party (the obligee). The bond guarantees the surety's performance or monetary compensation to the obligee should there be a failure by the principal to perform specified acts within a stated time period. In the context of ESB tracking, the surety bond is electronically managed in NMLS.
Surety Bond Producer (SBP)	An entity who handles surety bonds, producing business for the surety company. In the context of ESB tracking, a surety bond producer may have or may not have execution authority to sign the bond/rider. <i>Synonym: Agent.</i>
Surety Bond Rider	An amendment to a previously-issued (and still active) surety bond. In the context of ESB tracking, Surety entities will be able to create a rider to update bond information if the bond is in an "Executed" status and has been delivered to the regulator. Only one rider can be created at a time. The rider must be signed by the licensee before another rider can be created.
Surety Company (SC)	A corporation collaterally bound for the payment of money or the performance of an act or duty by the principal. In the context of ESB tracking, a surety company can create, manage and sign the bond/rider. <i>Synonym: Broker, Carrier.</i>
Surety Entities	In the context of ESB tracking, Surety companies (SC) and surety bond producers (SBP) will be collectively referred as surety entities.
Underwriter	An individual or employee of an insurance company who determines which risk to accept and the amount of such risks. In the context of ESB tracking, a surety entity can associate an underwriter user to a bond at the time of bond creation or at any time prior to bond cancellation.

Term	Definition
Underwriting Company	The company associated with a surety company to underwrite the surety bond. In the context of ESB tracking, an underwriting company can be selected by the surety bond producer when they establish the business relationship. <i>Synonym: Writing Paper.</i>

### **Bond/Rider Status**

In the context of ESB tracking, a bond/rider may have one of the following statuses at a given point in time:

Status	Description	Applicability
Requires Rep Signature	Once all the bond fields are entered by the surety entities, it will remain in "Requires Rep Signature" status until the bond is signed by the surety entity.	Bond/Rider
Pending Principal Signature	Once the surety entity attests to and signs the bond, it will be delivered to the licensee for signature and the bond status will be updated to "Pending Principal Signature."	Bond/Rider
Returned to Surety	Once a surety bond has been signed by the surety entity, the licensee will have an opportunity to review and sign the bond. If there are errors in the bond information, the licensee will be able to return the bond to the surety entity for correction. The status of a bond returned to the surety will be updated to "Return to Surety."	Bond/Rider
Executed	Once attested to and signed by the licensee or designated Individual (MU2), the bond status will be updated to "Executed."	Bond/Rider
Declined	If a licensee does not want to sign a bond provided to them by a surety entity, the licensee will be able to decline the bond and provide a note to the surety entity regarding why the bond was declined. The bond status will be updated to "Declined."	Bond
Notice Of Cancellation	Upon submission of Notice of Cancellation, the bond status will be updated to "Notice of Cancellation."	Bond
Cancelled	Upon the successful cancellation of the bond, the bond status will be updated to "Cancelled."	Bond

### **BOR Change Status**

Status	Description
Pending	Surety company has submitted the BOR change on behalf of the Licensee.
Confirmed	Licensee has confirmed the BOR change.
Declined	Licensee has declined the BOR change.