



Surety Entity FAQs

General Information

Q: Is the licensee going to notify their surety bond producer or surety company of the need to convert an existing bond in NMLS?

A: It will be a joint effort among the surety entities and the licensees in regards to starting the conversion process. To support this initiative, NMLS is delivering communication and training sessions to both licensees and surety entities regarding the new ESB functionality. This includes the [State Adoption Map and Table](#) and a license item placement informing licensees of their need to convert their bond using the electronic method. Also, the state regulators participating in the ESB functionality may be sending communication to their licensees impacted to alert them to the expectations regarding deadlines and requirements.

Q: The terminology on NMLS is different from what I am used to, is there a reference guide?

A: The [Electronic Surety Bond Glossary](#) provides terminology definitions and synonyms to assist users.

Q: What is an NMLS control person?

A: Based on state licensing standards, a control person in NMLS is an individual that has ownership or is a person of authority (executive officer) that is responsible for the company. In many instances state regulators require that a control person sign the bond on behalf of the company therefore ESB functionality enables a control person to be designated as signatory on an electronic bond in NMLS.

Q: For existing paper bonds that continue until they are cancelled (perpetual), will they have to be input by the surety bond producer or surety company in NMLS?

A: Yes, the existing bonds for the licenses accepting electronic bonds in NMLS will need to be converted to the electronic format.

Q: Is it possible in NMLS for a single licensee (i.e. principal on bond) to give authority to multiple surety bond producers (i.e. agencies) to create/issue their bonds?

A: Yes, the licensee (principal) is able to give authority to multiple surety bond producers and may have more than one bond in NMLS executed by more than one producer/surety company. For example: a licensee can obtain a bond in NMLS from one surety bond producer for their Texas license and then give authority to a different surety bond producer to issue a bond for their Idaho license.

System Functionality

Granting Authority

Q: Is it the responsibility of the surety entity to request access to the licensees' NMLS account in order to begin the bond creation process?

A: No, the NMLS licensee is responsible for granting authority (access) to the surety entities (producer or company) through their NMLS account. The ESB functionality enables the existing NMLS licensee to search for the surety entities by NAIC/NPN identifiers or company name in NMLS and then select the company to grant authority.

Q: Does the licensee need to grant authority to the surety bond producer and their associated surety company/carrier/underwriting company?

A: No, if the licensee will be working directly with a surety bond producer, they only need to complete

the process of granting authority to the surety bond producer in NMLS. Access will be automatically granted to the carrier once the underwriting company has been identified during the bond creation process.

Bond Creation

Q: Who creates the bond and is creating the bond the same as executing the bond?

A: The bond form is created by the obligee. This form is then rendered in NMLS and any NMLS licensee specific information required by the obligee is then prompted to be provided. The process of providing the bond specific information in NMLS is known as the bond creation process. The bond can be created (using the existing form rendered in NMLS) by either a surety bond producer or a surety company. Once the bond is created, it can then be signed electronically in NMLS and then be sent through the System to the NMLS licensee to be counter-signed electronically. The bond is considered “executed” once both parties have signed.

Q: For converted bonds, will we be using the same bond number or would the existing bond be cancelled and then a new bond is created in NMLS?

A: When converting the bond in the NMLS you are indicating that it is a replacement of the paper bond and are asked to use the same bond number so it will not create a duplicate obligation on your behalf.

Q: Will the electronic surety bond process change the way we assign bond numbers?

A: Surety bond producers will continue to use the bond numbering process currently used outside the System, prescribed by the underwriting company.

Q: What does it mean when the surety company (not the surety bond producer) signs the bond?

A: ESB tracking in NMLS enables a surety company to work directly with a licensee on NMLS and issue a bond on their behalf without a surety bond producer. In the case that you are a surety company that grants execution authority to a producer, the surety company will not need to sign (execute) the bond as the producer will have the ability to do so.

Bond Maintenance

Q: Can a surety company cancel a bond without the licensees’ signature (approval)?

A: Yes, an executed bond can be cancelled without the approval/acknowledgment by the licensee. When an executed bond is cancelled the licensee will receive an email notification

Q: Can the surety company review and/or decline the bond created by the surety bond producer prior to having it sent to the licensee?

A: Currently, if a surety company wants to rely on their surety bond producers to create and maintain surety bonds through NMLS’s ESB functionality, the surety company must provide execution authority to the surety bond producer. Once a bond is executed, the surety company will be able to view the bond details and then has the ability to create riders and/or submit a notice of cancellation.

Q: Is there any action required by the surety company when a surety bond has been created by one of their surety bond producers?

A: No, the surety bond producer is granted full execution authority through the association with the surety company, therefore all bond maintenance can be managed by the surety bond producer. The

surety company can view bond activity and pull reports relative to the actions completed in NMLS by the surety bond producer on their behalf.

Q: If a Principal (licensee) changes their legal name, can surety bond producers complete a batch of riders in one submission or will they have to amend each bond one-at-a-time?

A: At this time, the System does not have a bulk bond creation/rider creation process so each bond rider would have to be created one-at-a-time.

Q: Can a surety entity create multiple bond riders for the same bond at one time?

A: Only one rider per bond can be created at a time and the rider must be signed by the licensee (principal) before another rider for the *same* bond can be created. However, you are able to have multiple pending riders at the same time for *different* bonds.

Q: Is it possible for a surety company to create and manage surety bonds for a licensee without a surety bond producer?

A: Yes, licensees have the ability to grant authority directly to a surety company/underwriting company in NMLS. This authority gives the entity the ability to create and manage bonds on behalf of the licensee.

Q: Can a surety company transfer an electronic bond to a surety bond producer?

A: SRR is working to enhance NMLS ESB functionality to include the ability for surety companies to assign a surety bond producer at the time of or after creation of the bond but a release date is unknown at this time.

Q: What is the purpose of a BOR Change and does it affect all my bonds, regardless of the surety bond producer?

A: A BOR Change is only needed if the licensee would like to have a surety bond producer replaced by another surety bond producer. The BOR Change action will transfer all the bonds associated to the producer being replaced.

Bond Returned to Surety by Regulator

Q: How will a Surety Entity know a regulator returned a bond?

A: The System will automatically notify Surety entities when a regulator returns a bond.

Q: How will a Surety Entity know why a regulator returned a bond?

A: A reason code and explanation are listed in the notification.

Q: What happens to riders on returned bonds?

A: All delivered riders associated with the returned bond are automatically voided by the system and captured in the returned bond snapshot. Pending riders are voided and not captured.

Q: Can a bond be reused?

A: Yes. If a company with a terminated license re-applies for the same license type, the bond will automatically sync with the new license request.

Q: What is the difference between Cancelled, Returned, and Voided bonds?

A: Cancelled bonds are bonds that were in effect but cancelled by the surety without regulatory action, returned bonds are bonds that were returned to the surety by the regulator, and voided bonds were returned by the surety and subsequently voided by the surety.

Q: When can a bond number be reused?

A: A bond number can be reused when the associated bond is in “Pending” status and deleted or is returned by the regulator and voided by the surety.

Q: What kind of bonds can be voided?

A: First-time delivered bonds. Those are bonds associated with only a single license instance. Bonds associated with multiple license instances of the same type cannot be returned.

Q: Who can void a returned bond?

A: Only the Surety Company identified on the bond can void the bond. Voiding a bond allows for the bond number to be reused (see below). Voided bonds are captured in the system as a snapshot. Surety Bond Producers who wish a bond to be voided must contact the Surety Company.

Q: When can a Surety Company void a bond?

A: A Surety Company can only void a bond after a regulator returns it.

Account Management

Q: *As a surety entity, can an Account Administrator (AA) assign an Organization User (OU) the ability to view the transaction report?*

A: Yes, the *Manage Reports* role will grant an OU access to pull and review the Transaction Report. See the [Surety Company User Type and Roles Quick Guide](#) for additional information.

Q: *Is there any information available in the format of a download that can be utilized to carry over information in NMLS to surety entity internal systems?*

A: The surety company and surety bond producer transactions reports are available to use and include all actions completed in NMLS. It is a csv file that is accessible from the Reports tab in the NMLS account.

Q: *What report(s) will be available to assist with bond management?*

A: A Transaction Report will be available for surety companies and surety bond producers. The reports will provide a record of all actions taken in the system, including bond execution by party (Surety and Licensee), bond delivery to regulator, bond status (Notice of Cancellation, Cancellation Notice Rescinded, Cancelled, and Reinstated) and Broker of Record Changes. Surety companies will also be able to filter by underwriter. The reports are updated nightly and will contain information that reflects the previous business day.

[Surety Bond Transaction Report \(Surety Company\) Sample](#)

[Surety Bond Transaction Report \(Surety Bond Producer\) Sample](#)

Q: *How many user accounts can be created to assist with managing my surety entity in NMLS?*

A: Surety entities on NMLS are required to provide two Account Administrators when completing the account creation process. Account Administrators are granted full access to the entity's NMLS account and have access to all available functionality. Account Administrators can also create Organization User accounts to grant additional staff access to the entity's account. There is no limit to the number of Organization Users per entity.

Q: *How can I allow additional users access to complete certain tasks in NMLS?*

A: Through the creation of Organization Users (see question above), additional staff may be assigned

roles granting them access to specific functionality in NMLS. There is no limit to the number of roles that may be assigned to one Organization User.

See the [Surety Company User Type and Roles Quick Guide](#) for additional information related to surety company entities. See the [Surety Bond Producer User Types and Roles Quick Guide](#) for additional information related to surety bond producer entities.