

# Tips for successful bond administration

*By Jenny Tuomi, Certified Insurance Counselor*

As a surety agent who specializes in bonding for probates and protective proceedings, I see cases that stumble through acquiring, administering, or cancelling bonds for their clients. When trying to work through some of these situations I think: "If only I was able to chat with the attorney or paralegal before the case got this far, I could have been more help." That's not to say a surety agent can fix all ills, but with a little input about the bond process or bond underwriting, some challenges could be mitigated or avoided all together. With a few tips, I hope to help you bond cases quickly and easily.

## **Get your client pre-approved**

One of the best tips is getting your proposed personal representative or conservator pre-approved for bond before you petition the court to appoint them. It is cringe-worthy to have a client declined for bond after they are appointed. Consider the effect of how a matter will move forward, add in additional expense, possibly another notice period, and the time it takes to amend a petition and limited judgment. By securing pre-approval for bond, a surety agent can offer feedback that enables moving forward with confidence that a bond can be had and for the amount needed in advance of your client's appointment. Pre-approval should be as easy as providing a completed, signed application to your surety agent and requesting approval. This is also a good time to ask about the bond premium (the cost for the bond).

## **The bond application**

Bond applications or order forms are the initial component a bond underwriter has to establish an applicant's ability to fulfill his or her appointed duties and warrant financial backing by the surety company. Proofreading applications for completeness and accuracy, and confirming that they are signed, can't be emphasized enough. As basic as it is, this recommendation goes the distance to save time and to cast the best light possible on your applicant. Repeated attempts to get a completed and signed application can take up a good deal of your time. Just as important, the extra handling causes underwriting concerns about whether applicants are apathetic about the details, whether they are reading what they are signing, or if they are they just incapable of following directions. Keep in mind that bonding is a surety's financial backing of a fiduciary to safeguard a decedent or protected person's interests. Should an applicant demonstrate he or she is challenged by the initial application process, the underwriter is left with the impression that other challenges with administration—and possibly a bond claim—lay ahead. A well-completed and accurate application is the first impression for an underwriter and always gets things started on the best foot.

## **The power of attorney**

Most bonds and bond riders (changes to an existing bond) come with two pages. The first page is the actual bond or rider. The second page is a power of attorney for the person who signed the bond on behalf of the surety company (the attorney-in-fact). The power of attorney page must always be included with the bond or rider when filing with the court. If the power of attorney is omitted, there is no way to determine if the person signing as attorney-in-fact has the authority to obligate the surety on the bond instrument. Not including the power of attorney could cause the bond or rider to be considered invalid or at minimum questioned.

### **The importance of keeping the bond company informed**

Changes that do not involve the amount of bond frequently do not get reported to the surety agent, but it is vital to do so. Many times, a stipulated rider is needed to update the bond as well. Venue changes and name changes for either a protected person or a fiduciary are two of the more common ones that get missed. Other changes have an effect on underwriting—for example when an attorney withdraws or when a new attorney files a notice of representation. All of these are important changes that the surety agent should be made aware of, so the files are up to date.

### **Why it matters *when* the case closes**

My next suggestion is to timely notify the surety agent that a matter has closed and to send a copy of the signed supplemental judgment, so the bond can be cancelled. If a bond has been in place for more than one year, the heirs may be due a return of premium. The date the supplemental judgment is signed is used to calculate prorated return premiums. We can only backdate bond cancellations 30 days. If there is a delay in sending a supplemental judgment to the bond company, the date the judgment is received will be used in place of the signed date. This can have a significant impact on the amount of returned premium.

### **Communication is imperative**

One of the best suggestions I can offer is to keep communication open and flowing with your surety agent and allow her or him to help navigate a solution to a bonding situation. A surety agent has some latitude in the process, and can offer suggestions that will help move a case forward or get it completed.

### **Tools for success**

I can guarantee that the use of these practice tools as part of your bonding process will increase efficiency and the number of successful experiences for both you and your clients. In summary I recommend:

- Client preapproval for bond before filing the petition
- Complete, proofed, and signed bond applications or order forms
- Inclusion of the power of attorney for bonds and riders when filing with the court
- Keeping your surety agent updated on all changes that differ from what is on the bond
- Prompt notification to the surety agent when cases close
- Communication and collaboration with your surety agent when seeking solutions