

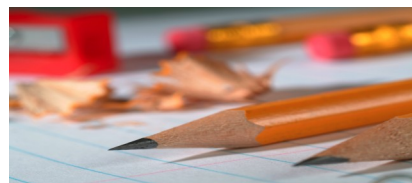


A L L S T A R

Surety • Fidelity • Insurance

Discover the Difference.

2nd Quarter - 2009



A Note from David Brett, Exec. VP/ Chief Operating Officer

It is hard to believe we are half way through the year; and having reported in the last newsletter of the new entities joining us I am glad to say they have started off with a flourish and are already expanding their business. So much so we've had to hire more teammates to satisfy our staffing needs. We hope that this growth continues as we are pleased to be able to offer employment opportunities to other potential candidates.

Our marketing and advertising departments have been kept busy with our

growth, we continue to develop multiple websites as well as traditional advertising media and attendance at Industry Tradeshows. I am of the opinion that every little bit helps. As we grow, our vendors obtain more business and so the cycle starts which is what our economy desperately needs.

Our Insurance brokerage operation has also expanded this past month with the hire of a new experienced broker who will join our Charlotte office. In Georgia we have hired a full time marketing

representative that will be out in the field extorting the merits of our products and services.

The next quarter is shaping up to be a busy one and I hope to be able to report another new entity added to our group. When asked about our expansion and sustaining it I am positive that with the quality of our people and our focus on specialized segments of the market place we will continue to grow. Have a safe and fun-filled summer.

David Brett

ALLSTAR welcomes new Team Members!

Chiree Wanzer—Atlanta
Accounting Assistant

Jenny Morrison—Atlanta
Marketing Specialist

Bruce Pennington—Charlotte
Senior Broker



Hawkins & Rawlinson welcomes new Team

Joel Aaron—Columbia
Chief Underwriting Officer

Jeff Parke—Auburn
Loss Control

Bo Webber—Auburn
Loss Control

Art Laney—Columbia
Producer

Vendor Spotlight



OPTIONS

As a contractor.....you need to have many options available to you. Such as a working line of credit with your bank in order to keep your business moving forward while waiting for Owners to release progress payments, or maybe a corporate credit card with enough capacity, or maybe have healthy investments to liquidate a portion when cash is needed, or maybe have the ability to sell some heavy equipment or property to improve cash flow or at least have the ability to make decent profit margins on your projects to help cover the ongoing expenses. What do you do when all of these options simultaneously disappear?

This is exactly what we are seeing right now. Banks are reducing or cancelling working lines of credit and they are refusing to issue ILOC's unless 100% of the cash is deposited with their institution. Then you have credit



Vendor Spotlight cont.

card companies reducing limits and increasing interest rates. With the nationwide decline of the housing market, residential contractors are now competing with commercial contractors for the same projects so in order to even compete for a job you have to bid it with a minimal profit margin or at cost, or in some cases at a loss. So in order to protect their projects, we are seeing more Owners/General Contractors requiring bonds from their subcontractors. In a lot of cases, these subcontractors have never been bonded before and do not have the financial position needed to qualify for a bond. It is a vicious cycle!

The good news is that from a surety's perspective, there are OPTIONS for dealing with today's problems. By controlling the cash flow on a particular project and making sure the funds are properly accounted for - Escrow has proven to be a useful tool. We are seeing Escrow being offered as an Option to the contractors. Maybe they can put up a little less collateral in conjunction with escrow. Or in some cases an escrow in lieu of collateral where we build up collateral via "holdback". Another application for fund control is escrow instead of or in conjunction with bond backs from subcontractors. Maybe you are bonding the general contractor and had required bond backs from a few major subs. Requiring escrows for these subs is a cost-effective way to provide protection from 2nd tier payment bond claims. As an agent or underwriter having these tools available to you may help you find a creative way to capture business that may otherwise be turned away.

Submitted by Susie Syrus, National Escrow ssyrus@natlescrow.com

Recent Successes

<u>CONTRACT BONDS</u>	<u>State</u>	<u>Bond Limit</u>
Renovation Work	GA	\$1,847,000
Recreational Park	NC	\$2,277,160
Steel Fabrication	AL	\$2,247,444
Wood Framing	GA	\$2,167,867
Water & Sewer	MI	\$1,457,820
Glass Installation	NC	\$1,387,985
Laboratory Equip. Installation	OH	\$1,253,418
Clinic Relocation	WI	\$1,145,383
Sanitary Sewer	AL	\$999,170
Drywall Installation	CO	\$883,010
Cooling Tower Construction	TN	\$851,400
Airport Terminal Work	FL	\$676,498
Flooring Work	AZ	\$670,116
Technology Ctr. Construction	WI	\$640,730
Glass & Glazing	VA	\$615,375

Convention update...



In the 2nd Qtr. ALL-STAR was well represented at the following Conventions/Tradeshows:

May- IIA of Wisconsin Diane McLain & Don Gibbs of Allstar and Susie Syrus of National Escrow.

June- IIA at Amelia Island, GA Cheryl Torrao of Allstar & Susie Syrus of National Escrow.

PIA TN in Gatlinburg, TN Garry Black, Janice Biggs & Dick Shanahan

IIA AL in Sandestin FL Janice Biggs, Don Kersey & Julie Deupree

If you were unable to attend any of the conventions, and would like to speak to one of our staff, please call them for assistance.

800-424-0132 www.allstarfg.com





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A Note from Don Gibbs, Sr. VP/CUO

What we predicted in December and in the first quarter newsletters from a surety standpoint is coming true. The amount of business is, in fact, increasing. That's the "Good News". The "Bad' News" portion of this is that the influx of business is more difficult to underwrite due to a continuing decline in the banking industry, building frustration (no pun intended) in the construction industry and an increase in the vulture population attempting to set the stage to devour the unsuspecting Principal with onerous bond and contract terms.

We continue to be diligent and read the contracts and bond forms to prevent the vultures from achieving their goal. This takes time and we know that adds to the frustration of the times. However, keeping in mind that suretyship is the second oldest profession, being mentioned in the book of Proverbs, we should take to heart the old adage "Haste Makes Waste". We will continue to strive to respond in a prompt and courteous fashion as we have in the past. Please help your underwriter if at all possible by providing as much time to review your submissions as you can knowing that your underwriter is charged with not only a prompt and courteous response, but a thorough and accurate one as well.

We look forward to providing a service level, "second to none", to which you have become accustomed, utilizing the Team Spirit to do so at every turn.

Don Gibbs

★ Recent Successes

<u>COMMERCIAL SURETY</u>	<u>State</u>	<u>Bond Limit</u>
Subdivision Maintenance	GA	\$356,357
Public Official	AL	\$200,000
Mortgage Lender Bond	GA	\$150,000
Financially Responsible Officer	FL	\$100,000
Lease Compliance Bond	MN	\$40,000
Mortgage Lender Bond	FL	\$10,000
Notary Bond	AZ	\$5,000
<u>COURT/PROBATE</u>	<u>State</u>	<u>Bond Limit</u>
Discharge of Lien	GA	\$81,566
Discharge of Lien	GA	\$79,958
Discharge of Lien	GA	\$53,049
Discharge of Lien	AL	\$42,260
<u>FIDELITY/FIDUCIARY</u>	<u>State</u>	<u>Bond Limit</u>
ERISA Bond	GA	\$500,000
Administrator	AL	\$463,100
Dishonesty Bond	FL	\$108,550

PROMOTIONS

Congratulations go out to the following employees on their Promotions:

Melanie Stokes—Atlanta office
Surety Commercial Underwriter

Tim Valentine—Hawkins & Rawlinson, AL
Producer

Randal Huff—Hawkins & Rawlinson, AL
Producer



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EMPLOYMENT PRACTICES LIABILITY

Claims are on the Rise

Did you know...

Almost 65% of employers who have fired an employee have been hit with a lawsuit, and almost 75% of all litigation against corporations involves employment disputes?

That you can be sued for employment practices for not hiring an applicant? Or for harassment or discrimination of third parties?

That your insured, no matter what size, is more likely to have an Employment Practices Liability claim than a General Liability or Property claim?

Wage and Hour collective actions now outnumber all other types of workplace class actions, comprising almost 18% of all class action lawsuits

In this increasingly litigious climate, employers are finding themselves targets for all types of Sexual Harassment / Harassment, Discrimination, Wrongful Termination and Retaliation claims. Fueled by the sluggish economy and the higher unemployment rate, the frequency and severity of these suits are on the rise. Recent statistics from the Equal Employment Opportunity Commission (EEOC) show that the number of charges filed have increased to over 95,000, the highest number of charges filed in 10 years. With the average cost to defend an EPL claim through trial costing \$450,000, and the median award coming in at \$175,000, can your insureds afford not to purchase this coverage? Especially since many of the policies offer some free Loss Control, EPL hotlines and HR Management?

Having good personnel procedures and doing everything "right" and "by the book" is no longer sufficient to prevent a complaint or claim from being filed. Insureds are often

Recent Successes - Insurance

<u>INSURANCE</u>	<u>Coverage Type</u>	<u>State</u>	<u>Premium</u>
IP Law Firm	E&O	GA	\$84,903
Condo Association	Property	GA	\$75,200
Car Dealership	EPL	LA	\$12,785
Apartments	GL	TX	\$12,576
Foreclosure Consultant	Misc. E&O	SC	\$11,750
Temporary Agency	GL	AL	\$10,247
Vacant Building	Property	NC	\$8,820
Chain Restaurant	EPL	AL	\$8,245
Hospital Management	Allied Medical	OH	\$6,700
Millright Union	Fiduciary Liability	AL	\$6,000
Software Developer	Technology E&O	MS	\$4,998
Logging Contractor	Equipment	AL	\$3,450
Bio-Tech Firm	D&O/EPL	TN	\$2,996
<u>SPECIALTY BROKERAGE</u>	<u>Coverage Type</u>	<u>State</u>	<u>Premium</u>
Roofing Contractor	GL	FL	\$79,000
Industrial Contactor	GL & POLL	FL	\$62,000
Residential GC	GL	GA	\$48,000
Demolition Contractor	GL	AZ	\$45,000
Property Manager	GL	OH	\$35,000
Demolition Contractor	Umbrella	AZ	\$22,500



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finding that they must spend thousands of dollars to defend themselves, often from frivolous charges which could cost an average of \$25,000 - \$50,000 to close.

Make sure you offer your insureds this important coverage; otherwise your E&O is on the line. If you offered it to them before and they declined it, this is a good time to offer it again. Pricing is at an all time low, and we have a 1 page application to complete for quotation purposes. Call us if you have any questions, or need additional information.

Employment Practices Liability Quick Quote

Name of Company _____

Address Incl. Zip: _____

Nature of Business: _____

1) Year started in business: _____ Coverage in effect now? Yes _____ No _____

If "Yes" please provide details: Carrier: _____ Limits: _____ Retro Date: _____

Deductible: _____ Premium: _____

2) Do you have an employment handbook? Yes _____ No _____

3) Do you have an Anti-Discrimination and Anti-Harassment statement? Yes _____ No _____

4) Do you use an employment application? Yes _____ No _____

5) Have you closed, downsized, laid off, reduced staff, sold, merged or acquired any company in the last 12 months, or plan to do in the next 12 months?

Yes _____ No _____ If "Yes", please provide details: _____

6) a. Have you been involved in any complaints, (inc: EEOC) suits or claims in the past three years involving employment related claims? Yes _____ No _____

b. Are you aware of any past or present incidents that could result in a claim? Yes _____ No _____

If yes, we need 1) name of the claimant 2) details of the claim, (including the nature of the allegations), 3) current status of the claim, (open or closed) 4) any legal expenses incurred or paid and 5) any settlement paid by you or an insurance company, on a separate sheet of paper. We must have all of this information to provide a quotation.

7) Total number of employees broken out by state (if more states, use another sheet of paper)

State: Full time _____ Part time _____ Temporary _____ Independent Contractors _____

State: Full time _____ Part time _____ Temporary _____ Independent Contractors _____

*This is for an indication only and subject to review, receipt and acceptance of a properly completed signed and dated long form application and detailed claims history. **WE CAN NOT BIND FROM THIS INDICATION.** Please note terms may change if the information on the long form application differs from the information shown above.*

Contact Dale Borer 800-424-0132 dborer@allstarfg.com

Outdoor Underwriters Endorsements

Ed Wilson and Tom Skaggs have been working hard and it has really paid off! They have partnered with the following associations as well as Weyerhaeuser, Anderson Tully Co., American Forest Management, Resource Mgmt. Service, RMK Timberland Group, Timberland Investment Resources, Plum Creek, and Hancock. Well done!



Alabama Forest Owners Association



American Tree Farm Service



Arkansas Forestry Association



Louisiana Forestry Association



Maryland Forests Association



National Woodland Owner Association



National Wild Turkey Federation



Tennessee Forestry Association



Virginia Forestry Association



Quality Deer Management Association