

Strategic solutions — surety

Vizient, Inc.



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Overview

Lockton Companies began more than 50 years ago specializing in contractors. Surety consulting remains a key area of expertise. Lockton's Surety operation is currently staffed with over 75 surety professionals, placing more than \$141 million (2018) in annualized surety premiums into the marketplace. All surety Associates maintain an active involvement in industry organizations, including NASBP, AGC, CFMA, ABC, and local surety Associations. Many have experience working for a surety company prior to joining Lockton, which provides for an understanding of the entire surety placement process and strengthens our surety relationships.

Lockton surety operations

Surety capabilities

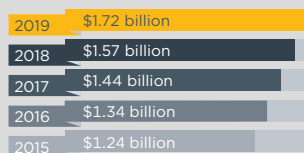
As a partner, Lockton continuously looks for ways to enhance our clients' surety and business relationships — a crucial component of this consultation is risk mitigation. Some of the solutions we routinely provide our clients include:

- Financial statement analysis with proprietary model.
- Risk financing options.
- Acquisition due diligence.
- Same day bond executions when needed.
- Client access to bond data, with options for Lockton to provide comprehensive program details and bonds lists upon request or to provide client access to information, allowing them to obtain customized data whenever they chose.
- Regular review of existing program — seeking to optimize capacity, improve terms where warranted and discover opportunities to replace other forms of financial assurance with bonds allowing our clients to reduce reliance on lines of credit and maximize cash.
- International surety placement.

Lockton by the numbers

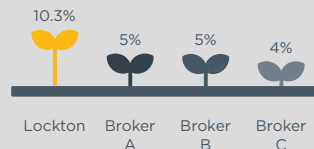
\$1.72B

Revenue



10.3%

Organic growth



7,500+

Associates



100+

Offices



52,000+

Clients



96%

Client retention
11% above the industry average



11 YEARS

Consecutively ranked
Best Places to Work in Insurance



\$5M+

Annual donation to
community charities



For the healthcare industry Lockton offers expertise with the following bonds

- Third-party administrator
- DMEPOS (Durable Medical Equipment)
- Appeal
- Self-insured Workers' Compensation
- Utility deposit
- Nursing home (Patient Trust Fund)
- License

Examples of Lockton's efforts to structure specific solutions to client bond needs



Obtained a Patient Trust Fund bond program for a nursing home group with a challenging balance sheet. Client has over 300 locations.



Lockton has provided many supersedeas bonds for clients to appeal court judgments, including a \$500+ million appeal bond with favorable terms for a top three national hospital group.



PE-owned healthcare client needed a \$5M ERISA 4204 bond to guarantee prior pension obligations. Lockton found a market to provide this very challenging bond with a significantly reduced amount of collateral.



Lockton has established and maintained Self-insured Workers' Compensation bonds for several large hospital groups. These bonds provided significant savings over the cost of letters of credit. The use of bonds allows the hospital to employ their LC capacity for other things.

New opportunities for bonds

Commercial surety has a long-standing appetite for replacing bank letters of credit with “pay on demand” surety bonds for a select group of commercial accounts. Selection criteria includes:

- Credit rating of BBB or higher.
- High net-worth and/or significant available liquidity.
- Excellent financial transparency.

It is common for surety bonds to replace letters of credit in an insurance program where the letters of credit are used to guarantee a paid loss retro or large deductible payment for the client. Surety bonds are also used to replace letters of credit for other financial assurance (self-insured Workers' Compensation, appeal, performance guarantees, etc.)

Advantages

- A bond improves credit capacity by reducing revolver usage, thus increasing financial flexibility.
- Surety program pricing is steady, unlike bank pricing for letters of credit which can be more volatile and may be more expensive.
- Pay on demand surety bonds are accepted by a number of insurance carriers, including ACE, AIG, Arch, Liberty, Zurich, Great West Casualty, The Hartford, Old Republic, Sentry, Travelers, XL, and others.

The Lockton surety difference

Lockton's primary objective is to provide consulting services to maximize our clients' bond program resources

- Maximizing capacity.
- Optimizing return on bond expenditures.

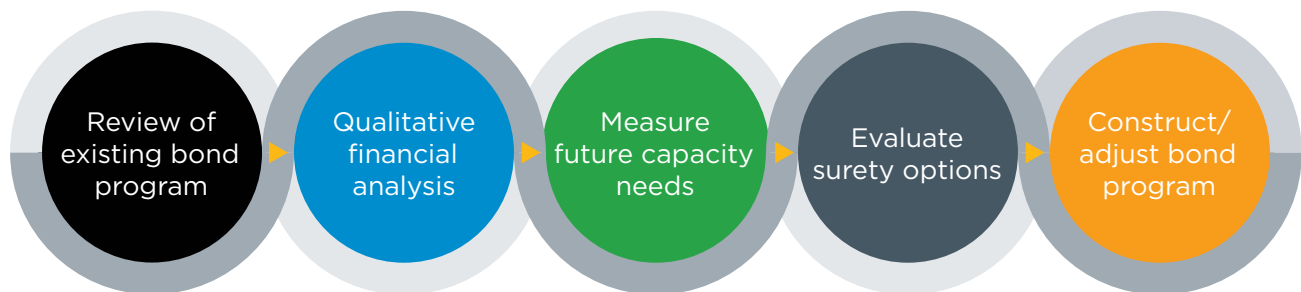
Surety operations function as a service center

- Top industry talent is a resource for our clients.
- Focus on consulting services helps clients to grow profitably and maximize relationships.
- Success tied to client satisfaction, not bottom line financial results.

Enhance surety relationship with strategic partnering process

- Proactive process built around open communication, collaboration, and understanding.
- Helps client calculate and manage business risks.
- Clear understanding and expectations allow both client and surety to operate with confidence.
- Surety encouraged to be a partner, not just a supporter.
- Market relationships built on respect, not leverage.

CUSTOMIZED PLAN — OPTIMAL RESULTS



RISK MANAGEMENT • EMPLOYEE BENEFITS • RETIREMENT SERVICES

Our Mission | To be the worldwide value and service leader in insurance brokerage, risk management, employee benefits and retirement services

Our Goal | To be the best place to do business and to work

