



## Cancellation Guidelines

To assist in understanding the numerous and diverse rules for bond cancellations, we have developed the following guidelines. There are many exceptions to the rules, so please contact your underwriting office with any specific questions.

1. First year premiums are usually considered fully earned.
2. Bonds that renew with a renewal bond or continuation certificate (in other words they're not continuous in nature) are cancellable upon the return of the original bond, renewal bond or continuation certificate. In the absence of the original renewal document, send written verification from the obligee (state, county, city, etc.) that the bond was not filed or used.
3. Many continuous bonds contain a cancellation clause which allows us to send notice of cancellation or nonrenewal to the obligee. Our notice must comply with the terms of the cancellation clause and conform to any applicable state laws. You can normally determine if there is a cancellation clause by reading the bond form.
4. Some continuous bonds **do not** contain a cancellation clause, so the only way we can cancel them is upon receipt of a letter of release from the obligee. The obligee's letter should state the principal's name, bond number, and the date our liability is considered terminated.
5. Probate Bonds usually require a court order to terminate our liability. Send us a copy of the Final Order of Discharge to cancel this type of bond.
6. Public Official Bonds written to coincide with a term of office require a signed letter of release from an official of the jurisdiction. That official must have the proper authority to release the bond.
7. Many state laws have been enacted in recent years which restrict us from effecting cancellation or nonrenewal except under specified circumstances. Providing us with a reason for cancellation is helpful for determining if we are allowed by law to do so.

Please contact your underwriting office if you would like to have any of these rules explained in more detail or if you have a question about how the above rules affect a specific bond.



## The Bond Exchange

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