

State of Florida



# Public Service Commission

-M-E-M-O-R-A-N-D-U-M-

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**DATE:** December 20, 1996  
**TO:** Kay Flynn, Records and Reporting  
**FROM:** Laura King, Communications  
**RE:** [REDACTED]

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Please file AT&T's letter dated October 28, 1996 in Docket File 960598-TP. The letter is in response to staff's clarification questions on certain pass/fail items in AT&T's proposal to provide relay service. If there are any questions, please call me.

DOCUMENT NUMBER-DATE

13597 DEC 20 1996

FPSC-RECORDS/REPORTING



**Maripat Brennan**  
National Account Manager  
Accessible Communications Services

Room 2A06  
745 Route 202/206  
Bridgewater, NJ 08807  
V/TTY: 908 231-6196  
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attmail!mbrennan

October 28, 1996

Mr. Richard N. Tudor  
Assistant Director  
Division of Communications  
Capital Circle Office Center  
2540 Shumard Oak Blvd.  
Tallahassee, FL 32399-0850



Dear Mr. Tudor:

We received your items for clarification concerning AT&T's proposal to provide relay service in Florida. Attached are AT&T's responses to the items. If additional information is needed you may contact me at the above number.

Sincerely,

A handwritten signature in cursive script that reads "Maripat Brennan".

## **AT&T's Responses to the FPSC's Items for Clarification Dated 10/18/96**

### **ITEM**

1. (RFP Item C.2 & A.5) Item C.2 of the RFP calls for the transmittal to clearly identify the complete legal name of the bidder. The only name used in the transmittal letter is "AT&T" which does not appear to be the complete legal name of the bidder. Please indicate the complete legal name of the bidder with whom the Florida Public Commission would contract.

### **AT&T RESPONSE**

The complete legal name is AT&T Communications of the Southern States, Inc.

### **ITEM**

2. (RFP Item C.2 & A.5) No certificate to provide local or interexchange service in Florida exists in just the name "AT&T"; please indicate the exact certificated name under which AT&T's relay service would provide (a) local service, (b) intrastate interexchange service and (c) interstate and international service.

### **AT&T RESPONSE**

For local service and intrastate interexchange service the certified name is AT&T Communications of the Southern States, Inc. For interstate and international service the certified names are AT&T Communications, Inc. and AT&T Corp. respectively.

### **ITEM**

3. (RFP Item 21) In the last sentence on page 60 of your proposal, you indicate that AT&T's platform will connect to Ultratec and Ameriphone equipment with no difficulty or extend connect timeframes. Please explain the phrase "or extend connect timeframes."

### **AT&T RESPONSE**

There are certain modem manufacturers that either enable the user to set the timeframe for connection or hardwire the connection timeframe above the practices set by the industry. AT&T's platform will hold in connect mode for 30 seconds while awaiting a handshake from the originating modem. The industry standard for connect mode timeframes is 15 seconds.

### **ITEM**

4. (RFP Item B.43) In Figure A (following p. 116) which is a sample report concerning incoming calls, your report does not appear to break down Spanish calls between baudot, ASCII, and voice. It appears that your report is not based on an actual breakdown among the three actual types of incoming calls; it is a breakdown by telephone number dialed. Thus, if a voice caller were to mistakenly call the baudot number, would your report mistakenly report that as a baudot call or correctly as a voice call? Likewise, if a Spanish call is received, can you identify whether it is a baudot, ASCII, or voice call? Provide a revised Figure A which would indicate a breakdown of all incoming calls as either baudot, ASCII or voice regardless of what telephone number is dialed initially by the caller and indicate if AT&T is able to report all incoming calls by actual type versus by access number dialed.

## **AT&T RESPONSE**

When selected as the provider of relay service in Florida, AT&T looks forward to meeting with the Commission to discuss/address report provisioning and to ensure that the Commission's reporting needs are satisfied.

- In response to the Commission's first point of concern, AT&T revised Figures A, B and H to eliminate the Spanish breakdown. AT&T will provide the following:
  - Figure A, English Calls
  - Figure A, Spanish Calls
  - Figure B, English Calls
  - Figure B, Spanish Calls
  - Figure H, Total Calls
  - Figure H, English Calls
  - Figure H, Spanish Calls
  
- In response to the Commission's second point of concern, if a voice caller mistakenly calls the Baudot number, AT&T's relay system switches and correctly counts it as a voice call. This example proves true in any misdirected call scenario. AT&T measures and counts a call based on the mode of communication utilized by the caller, not the number dialed.
  
- In response to the Commission's third point of concern, as explained in AT&T's response to the Commission's first point of concern, above, Spanish calls will be segmented and reported as Baudot, ASCII and voice.

## **ITEM**

5. (RFP Item B.43) At the bottom of Figures A & B there is a reference to "carriage". Please explain the meaning of that term as used in the reports.

## **AT&T RESPONSE**

"Carriage" as used by AT&T for reporting purposes is defined as "the act or process of transporting or carrying" (American Heritage Dictionary). AT&T utilizes this term to identify the specific designation of intrastate, interstate and international calls carried, respectively.

## **ITEM**

6. (RFP Item B.43) Figure D shows the percent of incoming calls answered in ten seconds but does not show the number. Please provide a revised Figure D which would provide that information as called for in Item B.43.c of the RFP.

## **AT&T RESPONSE**

AT&T misinterpreted the requirement in Item B.43.c of the RFP. AT&T has revised Figure D to include the number of incoming calls answered within 10 seconds.

**ITEM**

7. (RFP Item C.7) *Is it a correct reading of your proposal that there would not be any contractual relationship for relay between the Florida Public Service Commission and MATRIXX Marketing?*

**AT&T RESPONSE**

Yes, any contractual arrangements with MATRIXX MARKETING would be between MATRIXX and AT&T.

**ITEM**

8. (RFP Item C.6) *The RFP calls for the bid security deposit to be valid at least through January 31, 1997. There is no indication on your bid security that it will be valid through that date; please provide proof that the bid security deposit will be valid through that date.*

**AT&T RESPONSE**

AT&T lawyers suggested that the bid security deposit be changed to include the date of January 31, 1997. Enclosed is the new bid security deposit. AT&T requests that the previous deposit papers be returned to AT&T, Attn: Maripat Brennan, via overnight mail, if possible.

**ITEM**

9. (RFP Item B.5) *Page 15 of your proposal is not clear whether a voice caller erroneously dialing the TDD number would be answered, please confirm.*

**AT&T RESPONSE**

Voice customers who erroneously dial the TTY number or the ASCII number will be answered just as the TTY and ASCII callers would be answered if they dial the voice number in error.

**ITEM**

10. (RFP Item B.21) *Please confirm whether of not you will be able to receive and transmit in ASCII codes as well as baudot and voice.*

**AT&T RESPONSE**

AT&T will communicate (receive and transmit) with customers whether they are in Baudot, ASCII or a voice mode.

**ITEM**

11. (RFP Item C.6) *The RFP states that a bond shall be issued from a reliable surety company acceptable to the FPSC. Please provide evidence that your surety company can be expected to fulfill its bond obligation by providing a rating by a rating agency such as Best's.*

**AT&T RESPONSE**

Enclosed is the evidence showing that AT&T's surety company can fulfill the bond obligation.

FIGURE: A

**Florida Relay Service  
Incoming Call Detail/Carriage  
Sample Report  
00/00/00 to 00/00/00 (Daily by Month)**

English Calls

DAY	CALLS					MINUTES				
	Baudot	ASCII	Voice	TOTAL	*GA	Baudot	ASCII	Voice	TOTAL	*GA
1										
2										
3										
4										
5										
6										
7										
8										
9										
10										
11										
12										
13										
14										
15										
16										
17										
18										
19										
20										
21										
22										
23										
24										
25										
26										
27										
28										
29										
30										
31										
<b>TOTALS</b>										

\*GA (General Assistance) Calls are included in Incoming Call/Minute Totals

**Carriage:**

- Local
- Intra
- Inter/Intra

<b>Total Intra</b>										
Interstate										
International										
<b>TOTAL</b>										

**FIGURE: A**  
Spanish Calls

**Florida Relay Service  
Incoming Call Detail/Carriage  
Sample Report  
00/00/00 to 00/00/00 (Daily by Month)**

DAY	CALLS					MINUTES				
	Baudot	ASCII	Voice	TOTAL	*GA	Baudot	ASCII	Voice	TOTAL	*GA
1										
2										
3										
4										
5										
6										
7										
8										
9										
10										
11										
12										
13										
14										
15										
16										
17										
18										
19										
20										
21										
22										
23										
24										
25										
26										
27										
28										
29										
30										
31										
<b>TOTALS</b>										

\*GA (General Assistance) Calls are included in Incoming Call/Minute Totals

**Carriage:**

- Local
- Intra
- Inter/Intra

<b>Total Intra</b>										
Interstate										
International										
<b>TOTAL</b>										

FIGURE: B

English Calls

**Florida Relay Service  
Outgoing Call Detail/Carriage  
Sample Report  
00/00/00 to 00/00/00 (Daily by Month)**

DAY	CALLS						COMPLETED AVERAGE CALL LENGTH			
	Baudot	ASCII	Voice	COMPLETE	INCOMPLETE	TOTAL	Baudot	ASCII	Voice	TOTAL
1										
2										
3										
4										
5										
6										
7										
8										
9										
10										
11										
12										
13										
14										
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18										
19										
20										
21										
22										
23										
24										
25										
26										
27										
28										
29										
30										
31										
<b>TOTALS</b>										

\*GA (General Assistance) Calls are included in Incoming Call/Minute Totals

**Carriage:**

Local

Intra

Inter/Intra

<b>Total Intra</b>										
--------------------	--	--	--	--	--	--	--	--	--	--

Interstate

International

<b>TOTAL</b>										
--------------	--	--	--	--	--	--	--	--	--	--



FIGURE: B

Spanish Calls

**Florida Relay Service  
Outgoing Call Detail/Carriage  
Sample Report  
00/00/00 to 00/00/00 (Daily by Month)**

DAY	CALLS						COMPLETED AVERAGE CALL LENGTH			
	Baudot	ASCII	Voice	COMPLETE	INCOMPLETE	TOTAL	Baudot	ASCII	Voice	TOTAL
1										
2										
3										
4										
5										
6										
7										
8										
9										
10										
11										
12										
13										
14										
15										
16										
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18										
19										
20										
21										
22										
23										
24										
25										
26										
27										
28										
29										
30										
31										
<b>TOTALS</b>										

\*GA (General Assistance) Calls are included in Incoming Call/Minute Totals

**Carriage:**

- Local
- Intra
- Inter/Intra

<b>Total Intra</b>										
Interstate										
International										
<b>TOTAL</b>										

**FIGURE D:**

**Florida Relay Service  
Incoming/Average Call Performance  
Sample Report  
00/00/00 to 00/00/00 Daily By Month**

DAY	CALLS	AVERAGE			AVERAGE LENGTH OF CALL			
	Incoming in 10 sec.	Blockage	Answer Spd.	% Incoming in 10 Sec.	Baudot	ASCII	Voice	Total
1								
2								
3								
4								
5								
6								
7								
8								
9								
10								
11								
12								
13								
14								
15								
16								
17								
18								
19								
20								
21								
22								
23								
24								
25								
26								
27								
28								
29								
30								
31								
<b>TOTALS</b>								

FIGURE. H

Florida Relay Service  
 Year to Date Summary  
 Sample Report  
 by Year

Total Calls

PERFORMANCE DATA	JAN	FEB	MARCH	APRIL	MAY	JUNE	JULY	AUG	SEPT	OCT	NOV	DEC	YTD
<b>Incoming Calls</b>													
Baudot													
ASCII													
Voice													
<b>Total Incoming Calls</b>													
<b>Outgoing Calls</b>													
Baudot													
ASCII													
Voice													
<b>Total Outgoing Calls</b>													
<b>Outgoing Completed Average Call Length</b>													
Baudot													
ASCII													
Voice													
<b>Total Average Call Length</b>													
<b>Session Call Carriage (Break-Out)</b>													
Local													
Intralata													
Interlata/Intrastate													
<b>TOTAL INTRASTATE (Billable)</b>													
Interstate													
International													
<b>TOTAL CALLS</b>													
<b>Session Minute Carriage (Break-Out)</b>													
Local													
Intralata													
Interlata/Intrastate													
<b>TOTAL INTRASTATE (Billable)</b>													
Interstate													
International													
<b>TOTAL Minutes</b>													
<b>Answer Performance</b>													
Blockage													
Average Answer Speed (Seconds)													
% Calls Answered In 10 (Seconds)													

FIGURE: H

English Calls

**Florida Relay Service  
Year to Date Summary  
Sample Report  
by Year**

<b>PERFORMANCE DATA</b>	<b>JAN</b>	<b>FEB</b>	<b>MARCH</b>	<b>APRIL</b>	<b>MAY</b>	<b>JUNE</b>	<b>JULY</b>	<b>AUG</b>	<b>SEPT</b>	<b>OCT</b>	<b>NOV</b>	<b>DEC</b>	<b>YTD</b>
<b>Incoming Calls</b>													
Baudot													
ASCII													
Voice													
<b>Total Incoming Calls</b>													
<b>Outgoing Calls</b>													
Baudot													
ASCII													
Voice													
<b>Total Outgoing Calls</b>													
<b>Outgoing Completed Average Call Length</b>													
Baudot													
ASCII													
Voice													
<b>Total Average Call Length</b>													
<b>Session Call Carriage (Break-Out)</b>													
Local													
Intralata													
Interlata/Intrastate													
<b>TOTAL INTRASTATE (Billable)</b>													
Interstate													
International													
<b>TOTAL CALLS</b>													
<b>Session Minute Carriage (Break-Out)</b>													
Local													
Intralata													
Interlata/Intrastate													
<b>TOTAL INTRASTATE (Billable)</b>													
Interstate													
International													
<b>TOTAL Minutes</b>													
<b>Answer Performance</b>													
Blockage													
Average Answer Speed (Seconds)													
% Calls Answered In 10 (Seconds)													

FIGURE: H

Spanish Calls

Florida Relay Service  
 Year to Date Summary  
 Sample Report  
 by Year

PERFORMANCE DATA	JAN	FEB	MARCH	APRIL	MAY	JUNE	JULY	AUG	SEPT	OCT	NOV	DEC	YTD
<b>Incoming Calls</b>													
Baudot													
ASCII													
Voice													
<b>Total Incoming Calls</b>													
<b>Outgoing Calls</b>													
Baudot													
ASCII													
Voice													
<b>Total Outgoing Calls</b>													
<b>Outgoing Completed Average Call Length</b>													
Baudot													
ASCII													
Voice													
<b>Total Average Call Length</b>													
<b>Session Call Carriage (Break-Out)</b>													
Local													
Intralata													
Interlata/Intrastate													
<b>TOTAL INTRASTATE (Billable)</b>													
Interstate													
International													
<b>TOTAL CALLS</b>													
<b>Session Minute Carriage (Break-Out)</b>													
Local													
Intralata													
Interlata/intrastate													
<b>TOTAL INTRASTATE (Billable)</b>													
Interstate													
International													
<b>TOTAL Minutes</b>													
<b>Answer Performance</b>													
Blockage													
Average Answer Speed (Seconds)													
% Calls Answered In 10 (Seconds)													



Certified Copy

# SEABOARD SURETY COMPANY

ADMINISTRATIVE OFFICES, BEDMINSTER, NEW JERSEY

0000 2551

No. 11056

## POWER OF ATTORNEY

**KNOW ALL MEN BY THESE PRESENTS:** That SEABOARD SURETY COMPANY, a corporation of the State of New York, has made, constituted and appointed and by these presents does make, constitute and appoint **John Goodloe or Thomas W. Patrick, Jr. or Bruce E. Carr or Nancy H. Zaleski or John L. Lubatti**

of **Fort Lauderdale, Florida**

its true and lawful Attorney-in-Fact, to make, execute and deliver on its behalf insurance policies, surety bonds, undertakings and other instruments of similar nature as follows: **Without Limitations**

Such insurance policies, surety bonds, undertakings and instruments for said purposes, when duly executed by the aforesaid Attorney-in-Fact, shall be binding upon the said Company as fully and to the same extent as if signed by the duly authorized officers of the Company and sealed with its corporate seal, and all the acts of said Attorney-in-Fact, pursuant to the authority hereby given, are hereby ratified and confirmed.

This appointment is made pursuant to the following By-Laws which were duly adopted by the Board of Directors of the said Company on December 8th, 1927, with Amendments to and including January 15, 1962 and are still in full force and effect.

### ARTICLE VII, SECTION 1:

**"Policies, bonds, recognizances, stipulations, consents of surety, underwriting undertakings and instruments relating thereto,** Insurance policies, bonds, recognizances, stipulations, consents of surety and underwriting undertakings of the Company, and releases, agreements and other writings relating in any way thereto or to any claim or loss thereunder, shall be signed in the name and on behalf of the Company

(a) by the Chairman of the Board, the President, a Vice-President or a Resident Vice-President and by the Secretary, an Assistant Secretary, a Resident Secretary or a Resident Assistant Secretary; or (b) by an Attorney-in-Fact for the Company appointed and authorized by the Chairman of the Board, the President or a Vice-President to make such signature; or (c) by such other officers or representatives as the Board may from time to time determine.

The seal of the Company shall if appropriate be affixed thereto by any such officer, Attorney-in-Fact or representative."

**IN WITNESS WHEREOF,** SEABOARD SURETY COMPANY has caused these presents to be signed by one of its Vice-Presidents, and its corporate seal to be hereunto affixed and duly attested by one of its Assistant Secretaries, this **9th** day of **July**, 19**91**.



Attest:

(Seal)

*Sia A. Ripoli*  
Assistant Secretary

SEABOARD SURETY COMPANY,

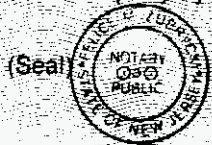
By

*Michael B. Keegan*  
Vice-President

STATE OF NEW JERSEY  
COUNTY OF SOMERSET

ss..

On this **9th** day of **July**, 19**91**, before me personally appeared **Michael B. Keegan**, a Vice-President of SEABOARD SURETY COMPANY, with whom I am personally acquainted, who, being by me duly sworn, said that he resides in the State of **New Jersey**; that he is a Vice-President of SEABOARD SURETY COMPANY, the corporation described in and which executed the foregoing instrument; that he knows the corporate seal of the said Company; that the seal affixed to said instrument is such corporate seal; that it was so affixed by order of the Board of Directors of said Company, and that he signed his name thereto as Vice-President of said Company by like authority.



FELICE M. ZUBRYCKI  
NOTARY PUBLIC OF NEW JERSEY  
My Commission Expires June 4, 1996

*[Signature]*  
Notary Public

### CERTIFICATE

I, the undersigned Assistant Secretary of SEABOARD SURETY COMPANY do hereby certify that the original Power of Attorney of which the foregoing is a full, true and correct copy, is in full force and effect on the date of this Certificate and I do further certify that the Vice-President who executed the said Power of Attorney was one of the Officers authorized by the Board of Directors to appoint an attorney-in-fact as provided in Article VII, Section 1, of the By-Laws of SEABOARD SURETY COMPANY.

This Certificate may be signed and sealed by facsimile under and by authority of the following resolution of the Executive Committee of the Board of Directors of SEABOARD SURETY COMPANY at a meeting duly called and held on the 25th day of March 1970.

**"RESOLVED:** (2) That the use of a printed facsimile of the corporate seal of the Company and of the signature of an Assistant Secretary on any certification of the correctness of a copy of an instrument executed by the President or a Vice-President pursuant to Article VII, Section 1, of the By-Laws appointing and authorizing an attorney-in-fact to sign in the name and on behalf of the Company surety bonds, underwriting undertakings or other instruments described in said Article VII, Section 1, with like effect as if such seal and such signature had been manually affixed and made, hereby is authorized and approved."

**IN WITNESS WHEREOF,** I have hereunto set my hand and affixed the corporate seal of the Company to these presents this **25th** day of **OCTOBER**, 19**96**.



*Sia A. Ripoli*  
Assistant Secretary

Form 957 (Rev. 7/84)

**SURETY**

Surety

Seaboard Surety Company  
Burn Mill Rd. and Rm. 206  
Bridgewater, NJ 07821-0751

**PROPOSAL BOND**

Know all Men by these Presents:

THAT WE, AT&T Communications Inc., Rm. 2A02, 745 Rt. 202/206, Bridgewater, NJ 08807 as principal, and SEABOARD SURETY COMPANY, a corporation under the laws of the State of New York, having its principal place of business in the City of New York, New York, as surety, are held and firmly bound unto Florida Public Service Commission Capital Circle Office Center, 2540 Schumard Oak Blvd, Tallahassee, FL 32399-0850 as obligee, in the sum of Five Hundred Thousand and 00/100 (\$500,000.00) DOLLARS, lawful money of the United States of America, for the payment of which, well and truly to be made, we bind ourselves, our heirs, executors, administrators, successors and assigns, jointly and severally, firmly by these presents.

SIGNED, sealed and dated this 25th day of October 1996

WHEREAS, the said principal is herewith submitting its proposal for Florida Telecommunications Relay Service

THE CONDITION OF THE ABOVE OBLIGATION IS SUCH, that if the aforesaid principal shall be awarded the contract upon said proposal and shall within the required number of days after the notice of such award enter into a contract and give bond for the faithful performance of the contract, then this obligation shall be null and void; otherwise the principal and surety will pay unto the obligee the difference in money between the amount of the bid of the said principal and the amount for which the obligee may legally contract with another party to perform the said work if the latter amount be in excess of the former; but in no event shall the surety's liability exceed the penal sum hereof.

This Bond is Valid until 1/31/97.

*original returned by RARC 1/6/97*

AT&T Communications Inc. Principal  
Judith M. Wright, Treasury Manager  
By: Judith M. Wright  
SEABOARD SURETY COMPANY  
By: Nancy H. Zaleski  
NANCY H. ZALESKI AGENT & Attorney-in-Fact





**Insurance Company:** Seaboard Surety Co

**Domicile:** United States  
**Parent:** Name: St. Paul Group  
**Business:** Insurance  
**Financials:** See Below

**FINANCIAL REPORT** (year ending 12/31/94 - 000's omitted)

BALANCE SHEET	1994	1993	1992
Liquid Assets	250,135	223,685	196,943
Debtors	3,664	10,712	14,807
Other Assets	18,352	18,170	23,756
<b>Total Assets</b>	<b>272,151</b>	<b>252,567</b>	<b>235,506</b>
Surplus	126,809	118,660	101,301
Technical Reserves	60,749	52,272	53,366
Other Liabilities	84,593	81,635	80,839
<b>Total Liabilities</b>	<b>272,151</b>	<b>252,567</b>	<b>235,506</b>

INCOME STATEMENT			
Gross Premium Written	108,199	105,325	109,802
Net Premium Written	65,654	60,365	58,580
Net Premium Earned	59,976	60,494	56,798
Losses	21,394	12,018	20,495
Expenses	38,225	35,760	30,426
Underwriting Result	357	12,716	5,875
Investment Income	16,441	14,964	15,368
Other Gains (Losses)	(1,619)	(2,470)	(3,701)
<b>Profit Before Tax</b>	<b>15,179</b>	<b>25,210</b>	<b>17,542</b>

KEY RATIOS			
1. Net Premium : Surplus	51.8%	50.9%	57.8%
2. Reserves : Net Premium	92.5%	86.6%	91.1%
3. Reserves : Surplus	47.9%	44.1%	52.7%
4. Net Premium : Gross Premium	60.7%	57.3%	53.4%
5. Combined Ratio	95.2%	81.0%	90.1%
6. Profitability (Pre-Tax)	12.4%	22.9%	17.3%

<p><b>Business Type Mix:</b> (1994 Net Premium Basis)</p> <table style="margin-left: auto; margin-right: auto;"> <tr> <td>Surety</td> <td>88.3%</td> </tr> <tr> <td>Other Liability</td> <td>9.8%</td> </tr> <tr> <td>All Other</td> <td>2.0%</td> </tr> </table>	Surety	88.3%	Other Liability	9.8%	All Other	2.0%	<p><b>Ratings:</b></p> <table style="margin-left: auto; margin-right: auto;"> <tr> <td>A.M. Best:</td> <td>A+8</td> </tr> <tr> <td>S &amp; P:</td> <td>AA+</td> </tr> <tr> <td>Moody's:</td> <td></td> </tr> </table>	A.M. Best:	A+8	S & P:	AA+	Moody's:	
Surety	88.3%												
Other Liability	9.8%												
All Other	2.0%												
A.M. Best:	A+8												
S & P:	AA+												
Moody's:													

This information is provided by Sedgwick as a service to our clients from public data obtained through OneSource. It has not been subjected to independent verification or audit. Sedgwick cannot take responsibility for any error in the data nor do we recommend that the above information is sufficient for qualifying the security of any market.

*This is 1994 rating info.  
 95 rating info is  
 attached to the bond.*



SURETY ACKNOWLEDGMENT

STATE OF FLORIDA

COUNTY OF BROWARD

On OCTOBER 25, 1996, before me personally came NANCY H. ZALESKI,  
to me known who being by me duly sworn did depose and  
say that he resides in FT. LAUDERDALE, BROWARD CTY, FL, that he is Attorney-  
in-fact of SEABOARD SURETY COMPANY  
the corporation described in, and which executed the within  
instrument; that he knows the seal of said corporation; that the seal  
affixed by order of the Board of Directors of said corporation, and  
that he signed his name thereto by like order; and that the said  
company has received from the Superintendent of Insurance of the  
State of New York, and that such certificate has not been revoked.

*Charlotte Ann Carter*  
NOTARY

CHARLOTTE ANN CARTER  
NOTARY PUBLIC, STATE OF FLORIDA  
COMMISSION NO. 477663  
COMISSION EXPIRES JULY 2, 1999

subject to aggregates, and \$300,000 each windstorm occurrence for a reinsurance premium of 20% of the net policy premium. The largest net amount retained on any one occurrence is \$100,000. Outside reinsurance is then placed by St. Paul Fire and Marine Insurance Company on business it assumes under this agreement.

The company also has a reinsurance agreement with St. Paul Fire and Marine Insurance Company to assume certain business for policies effective on or after January 1, 1991.

**BALANCE SHEET**

**ADMITTED ASSETS (\$000)**

	12/31/94	12/31/93	'94%	'93%
Cash & short-term invest	18,849	9,082	4.4	2.4
Bonds	362,664	336,340	85.2	88.1
Total invested assets	381,513	345,422	89.6	90.5
Premium balances	31,426	13,276	7.4	3.5
Accrued interest	6,788	6,174	1.6	1.6
All other assets	5,886	16,692	1.4	4.4
Total assets	425,613	381,565	100.0	100.0

**LIABILITIES, SURPLUS & OTHER FUNDS (\$000)**

	12/31/94	12/31/93	'94%	'93%
Loss & LAE reserves	222,086	205,834	52.2	53.9
Unearned premiums	72,821	63,554	17.1	16.7
Conditional reserve funds	2,709	774	0.6	0.2
All other liabilities	26,095	21,150	6.1	5.5
Total liabilities	323,712	291,312	76.1	76.3
Capital & assigned surplus	4,000	4,000	0.9	1.0
Unassigned surplus	97,902	86,253	23.0	22.6
Total policyholders' surplus	101,902	90,253	23.9	23.7
Total liabilities & surplus	425,613	381,565	100.0	100.0

**SUMMARY OF 1994 OPERATIONS (\$000)**

Statement of Income	12/31/94	Funds Provided from Operations	12/31/94
Premiums earned	118,588	Premiums collected	108,797
Losses incurred	57,924	Losses paid	46,397
LAE incurred	18,836	LAE paid	14,865
Undrw expense incrd	37,919	Undrw expense paid	37,881
Div to policyholders	33	Div to policyholders	122
Net underwrtg income	3,876	Underwrtg cash flow	9,532
Net investment income	24,124	Investment income	24,164
Other income/expense	262	Other income/expense	262
Pre-tax oper income	28,261	Pre-tax cash operations	33,957
Income taxes	5,785	Income taxes	-6,468
Realized capital gains	28		
Net income	22,503	Net oper cash flow	27,488

**SUPPLEMENTAL INVESTMENT DATA**

(at December 31, 1994)

**Bond Portfolio Analysis**

Asset Class	% of Total Bonds	Public (%)	Private (%)	Avg. Maturity (Yrs)	Class 3-6 (%)	Class 3-6 (% of PHS)	Struc. Secur. (% of PHS)
Governments	27.5	100.0	...	9.8	...	...	...
Tax-Exempt	56.6	98.9	1.1	9.6	0.2	0.3	...
Corporates	15.9	94.5	5.5	6.1	...	...	...
Total all bonds	100.0	98.5	1.5	9.1	0.1	0.3	...

**SUPPLEMENTAL REINSURANCE DATA**

(at December 31, 1994)

**REINSURANCE RECOVERABLES (\$000)**

	Unpaid Losses	IBNR	Unearned Premiums	Other Recvbles*	Total Reins Recvbles
US Affiliates	122,233	74,960	28,286	...	225,479
Grand Total	122,233	74,960	28,286	...	225,479

\* Includes Commissions and Paid Losses less Funds Withheld.

**Significant Reinsurers:** The sole reinsurer was St. Paul Fire and Marine Insurance Company, an affiliate.

**The St. Paul Companies**

**SEABOARD SURETY COMPANY**

New York, NY

Burnt Mills Road and Route 206, Bedminster, NJ 07921

Mail: P.O. Box 751, Bedminster, NJ 07921

Tel: 908-658-3500 Telefax: 908-658-4795 AMB#: 00823 NA

**CURRENT BEST'S RATING / FPR**

Based on our current opinion of the company's financial condition and performance, it is assigned a Best's Rating of A+ (Superior). The Financial Size Category is Class VIII. Refer to the Preface for explanation of Best's Rating system and procedure. Rating Effective 1995.

**RATING RATIONALE**

Seaboard Surety Company, Bedminster, NJ, had its A+ Best's Rating affirmed. The rating affirmation reflects the company's operating performance, favorable balance sheet liquidity, very strong position and strong leadership position within its core market. Positive rating factors are derived from the combined St. Paul position as a leading underwriter of surety bonds in the United States, as management's disciplined underwriting approach and expertly profitable niche surety, and specialty insurance markets. The company's year underwriting performance has been outstanding, generating a combined ratio of 85. Seaboard Surety, a specialized subsidiary of the Seaboard Insurance Group, has extremely strong capitalization with net worth of \$127 million supported by \$127 million of surplus at year-end 1994. The rating outlook for the company is stable.

**Best's Rating History and Key Statistics**

Year	Best's Rating/FPR	Financial Indicators			
		Net Premiums Written	Pretax Operating Income	Net Income	Admitted Assets
1990	A+ c	57,803	27,946	19,468	217,000
1991	A+	54,653	27,808	20,926	225,000
1992	A+	58,580	17,553	14,201	213,000
1993	A+	60,365	25,139	18,049	252,000
1994	A+	65,654	15,067	10,591	272,000

Year	Comb. Ratio	Profitability		Leverage		
		Inv. Yield (%)	POI to NPE (%)	BCAR (%)	NPW to PHS	Net Leverage
1990	80.2	8.7	48.1	...	0.8	2.8
1991	79.2	8.1	48.3	...	0.6	2.8
1992	90.1	7.6	30.9	...	0.6	1.8
1993	80.9	6.9	41.6	...	0.5	1.8
1994	95.2	6.8	25.1	152.2	0.5	...
5-Yr Avg	85.2	7.6	38.7	...	...	...

(\*) Data reflected within all tables of this report has been compiled from the company's statutory statement. Within several financial tables of this report, this data is compared against the Fidelity & Surety Industry Composite.

**BUSINESS REVIEW**

Seaboard is a nationwide specialist in the surety bond business, which are less than 15% of its business. The company's business is underwritten to accommodate the company's bonding operations. Coverages written include advertising agents and brokers, directors and officers liability, owners and contractors, railroad protective liability and fidelity and burglary. Business is written from approximately 1,200 agents or representatives.

Effective January 1, 1992, the surety operation of St. Paul Fire and Marine Insurance Company was merged with Seaboard Surety Company. The new company does business as St. Paul Surety, writing business in the United States. The company is a member of the American Surety Company, St. Paul Fire & Marine Insurance Company, Seaboard Insurance Company and St. Paul Guardian Insurance Company. The company is a leading underwriter of surety bonds in the United States. The operation is managed by Seaboard and its headquarters is in Bedminster, New Jersey office. The company maintains offices throughout the United States and one in London, England. A subsidiary, Seaboard Surety Company of Canada, is located in Montreal, Quebec.

**Affiliations:** The company is a member of the American Surety Association and the Surety Association of America.

**BUSINESS PRODUCTION AND PROFITABILITY**

Premiums Written—	% of Total NPW	Pure Loss Ratio	Loss & LAE Res.
88,052	57,950	88.3	40,299
18,216	6,413	9.8	17,359
1,831	1,291	2.0	3,063
108,099	65,654	100.0	60,722

Premium Writings by State (\$000): New York, \$17,213 (8.4%); Texas, \$8,905 (8.2%); Massachusetts, \$9,040 (8.4%); Florida, \$5,502 (5.1%); Virginia, \$5,496 (5.1%); and 48 other states, \$17,355 (47.5%). Aggregate other alien, \$2,332 (2.2%).

**FINANCIAL PERFORMANCE**

Seaboard Surety's overall earnings over the past five years, generating a pretax return on revenue of more than 10%, and reflecting generally strong underwriting results. The company's operating returns substantially outperform its industry peers, which average a pretax return on

**PROFITABILITY ANALYSIS**

Company				Industry Composite			
POI to NPE	Net Inc. (%)	Comb. Ratio	Oper. Ratio	POI to NPE	Net Inc. (%)	Comb. Ratio	Oper. Ratio
48.1	33.5	80.2	50.5	24.7	17.8	90.1	74.0
48.3	36.3	79.2	50.2	22.8	17.3	90.0	74.5
30.9	25.0	90.1	63.0	19.5	16.3	90.4	77.2
41.6	29.8	80.9	56.2	16.8	12.8	91.0	79.4
23.1	17.7	95.2	67.8	15.9	11.0	95.4	83.9
38.7	28.4	85.2	57.6	19.6	...	91.5	78.1

The company's underwriting results remain strong, with a combined ratio of 85, and outperform industry peers by more than 10%. Premium writings increased \$5.3 million in 1994, and were diversified into miscellaneous surety and specialty liability lines. A small loss was generated in 1994, as the loss ratio almost doubled. Despite this increase, loss experience remains favorable compared to industry results, and expenses remain under control, bettering the combined ratio by three percentage points.

**UNDERWRITING EXPERIENCE**

Loss Ratios			Expense Ratios				
Pure Loss	LAE	Loss & LAE	Net Comm.	Other Exp.	Total Exp.	Div. Pol.	Comb. Ratio
8.6	14.2	22.8	14.4	41.6	55.9	1.5	80.2
9.2	12.6	21.8	11.0	44.4	55.4	2.0	79.2
22.5	13.6	36.1	12.9	39.1	51.9	2.1	90.1
14.6	5.2	19.9	19.5	39.8	59.2	1.8	80.9
20.6	15.1	35.7	20.7	37.5	58.2	1.3	95.2
15.1	12.1	27.2	15.9	40.3	56.2	1.7	85.2

The company's historic investment performance has been strong, with a relatively stable level of investment income, despite market volatility. The investment portfolio is very conservative, reflecting the investment philosophy of its parent, the St. Paul Group. This has enabled Seaboard to generate relatively strong investment yields of 7.5% over the past five years, while maintaining a high quality investment portfolio.

**INVESTMENT INCOME ANALYSIS**

Company (\$000)			Industry Composite		
Realized Capital Gains	Unrealized Capital Gains	Inv. Inc. Growth (%)	Total Yield (%)	Inv. Inc. Growth (%)	Inv. Yield (%)
35	1,006	9.8	8.7	9.2	11.8
-54	91	-3.1	8.1	8.2	0.6
-11	1,235	-8.0	7.6	8.2	-6.8
71	441	-2.6	6.9	7.1	-4.9
113	-449	9.9	6.8	6.6	4.6
...	...	4.7	7.6	7.8	4.3

**INVESTMENT PORTFOLIO ANALYSIS**

1994 Inv. Amounts (\$000)	% of Invested Assets		Annual % Change
	1994	1993	
137,956	52.2	45.8	26.3
99,054	37.5	43.4	-4.3
13,124	5.0	4.6	19.1
10,229	3.9	4.5	-4.2
3,827	1.4	1.8	-8.3
264,191	100.0	100.0	10.8

**CAPITALIZATION**

The company's capital generation, with surplus growth of 100% over the past five years, has been more than adequate to

support its controlled business growth during that period. Solid investment income supported by capital gains in several of the past few years, have supplemented strong underwriting results, despite consistent dividend payment to its parent, St. Paul Group, in excess of \$5 million annually. Given the strong operating returns consistently generated by the company, internally-funded surplus growth is expected to continue and will be more than able to adequately support the dividend payments.

**CAPITAL GENERATION ANALYSIS**

Year	Pretax Operating Income	Total Inv. Gains	Source of Surplus Growth		Change in PHS	PHS Growth (%)
			Net Contrib. Capital	Other Net of Tax		
1990	27,946	1,042	-5,270	-14,509	9,208	14.6
1991	27,808	37	-5,169	-2,407	20,269	28.1
1992	17,553	1,224	-5,270	-4,642	8,865	9.6
1993	25,139	512	-5,270	-3,022	17,359	17.1
1994	15,067	-336	-5,270	-1,311	8,149	6.9
5-Yr	113,512	2,478	-26,249	-25,892	63,850	...

**Overall Capitalization:** The company's capitalization is strong with a Best's Capital Adequacy Ratio of 152%, which compares favorably with many of its medium surety peers, and strongly supports its rating level. The strong capitalization is reflective of the company's low asset risk profile and conservative underwriting leverage, which is enhanced by substantial economic value embedded within its loss reserves. Over the past five years, the company's capitalization has steadily improved as evidenced by consistent improvement in gross underwriting leverage from a high of 5.1 in 1990 to 2.5 currently.

**QUALITY OF SURPLUS**

Year	% of Year-End Surplus			Dividend Requirements		
	Year-End PHS	Cap. Stock/Contrib. Cap.	Unassigned Other Surplus	Stockholder Divs	Div. to POI (%)	Div. to Net Inc. (%)
1990	72,167	27.7	72.3	-5,270	-18.9	-27.1
1991	92,436	21.6	78.4	-5,270	-19.0	-25.2
1992	101,301	19.7	80.3	-5,270	-30.0	-37.1
1993	118,660	16.8	83.2	-5,270	-21.0	-29.2
1994	126,809	17.7	82.3	-5,270	-35.0	-49.8

**Underwriting Leverage:** The company's underwriting leverage, with premium and loss reserve leverage of 0.5 times and 0.6 times surplus respectively, at year-end 1994, compare favorably with its industry peers, and reflects management's commitment to conservative underwriting and loss reserve management, as evidenced by consistent reserve adequacy. Surplus growth of more than 100% over the past five years has been more than adequate to support the conservative premium growth and maintain a low level of premium leverage.

**LEVERAGE ANALYSIS**

Year	Company			Industry Composite					
	BCAR (%)	NPW to PHS	Res. to PHS	Net Lev.	Gross Lev.	NPW to PHS	Res. to PHS	Net Lev.	Gross Lev.
1990	...	0.8	0.8	2.8	5.1	1.0	74.8	2.5	3.2
1991	...	0.6	0.6	2.0	3.6	0.9	65.8	2.3	2.9
1992	...	0.6	0.5	1.9	3.3	0.9	61.8	2.3	2.9
1993	...	0.5	0.4	1.6	2.6	0.9	59.2	2.2	2.8
1994	152.2	0.5	0.5	1.6	2.5	0.9	61.2	2.2	2.8

**Reserve Quality:** Seaboard's carried loss reserve position is strong with significant accident year redundancies recorded over the past several years, reflective of the company's conservative reserving practices.

**LOSS & ALAE RESERVE DEVELOPMENT**

Calendar Year	Orig. Loss Reserves	Developed Reserves Thru '94	Develop. to Orig. (%)	Develop. to PHS (%)	Develop. to NPE (%)	Unpaid Reserves @ 12/94	Unpaid Res. to Develop. (%)
1989	56,462	41,884	-25.8	-23.2	79.8	12,636	30.2
1990	56,768	47,714	-15.9	-12.5	82.1	14,689	30.8
1991	51,775	45,064	-13.0	-7.3	78.2	17,933	39.8
1992	50,865	39,024	-23.3	-11.7	68.7	23,197	59.4
1993	49,747	48,786	-1.9	-0.8	80.6	38,688	79.3
1994	58,202	58,202	...	...	97.0	58,202	100.0

**Reinsurance Utilization:** The company maintains an extensive reinsurance program, comprised of quota share treaties, excess of loss treaties and working layers. The composition of the program utilizes a mix of domestic reinsurers as well as Lloyd's of London. As a writer of surety, fidelity and specialty lines, the company does not have any exposure to traditional catastrophes. Furthermore, management is proactive in its management of large loss exposures.

**CEDED REINSURANCE ANALYSIS**

Year	Company			Industry Composite			
	Ceded Reins. Total	Bus. Reins. Ret. (%)	Recov. to PHS (%)	Ceded Reins. to PHS (%)	Bus. Reins. Ret. (%)	Recov. to PHS (%)	Ceded Reins. to PHS (%)
1990	165,574	48.8	145.3	229.4	78.5	38.9	69.7
1991	147,464	50.4	106.6	159.5	80.8	35.6	60.3
1992	144,131	53.4	97.7	142.3	81.0	36.4	61.2
1993	125,348	57.3	70.2	105.6	82.5	34.8	58.5
1994	110,858	60.7	55.2	87.4	83.6	37.0	58.0

**STATE OF NEW JERSEY**

**COUNTY OF UNION**

On this 28th day of October, 1996, before me personally came Judith M. Wright to me known and who, being duly sworn by me, did depose and say that (he) (she) resides at Berkeley Heights; and that (he) (she) is the Treasury Manager of the corporation described in and that executed the foregoing instrument.

Margaret P. Durston  
(Notary Public)