



Merchants Bonding Company

Minnesota Notary Bonds

Author

The author of this document is Jim Holter. In the spirit of disclosure of credentials, Holter's background is as follows:

- Currently employed by Merchants Bonding Company as the Commercial Surety Manager and Assistant Vice President. Merchants Bonding Company writes surety bonds nationwide and is rated as one of the 25 largest surety writers in the United States.
- 19 years of experience in the surety industry working for Western Surety Company and Merchants Bonding Company as an underwriter, manager and producer.
- Holter holds an Bachelors Degree from the University of South Dakota and an Associated Degree in Fidelity and Surety Bonding (AFSB).

The purpose of this document is to estimate and provide numbers associated with a notary bond in Minnesota.

Introduction

30 of the 50 states in the United States require a notary bond as a prerequisite to becoming commissioned as a notary. The bond protects the public to ensure the faithful performance of the notary.

A bond is an inexpensive form of consumer protection.

We advocate strengthening the notary's commission by the mandate of a bond as a prerequisite to hold the office of Notary Public in State of Minnesota. The lack of a bond diminishes the role of the notary and leaves the public unprotected.

Estimated Minnesota Numbers

- There are approximately 94,000 notaries in the state of Minnesota.
- The estimated average cost of a \$25,000 notary bond will be \$50 for a five year term or \$10 per-year, per-notary.
- The estimated range of the bond premium will likely be \$30 to \$100 for a five year term (depending on the surety).
- Of that cost, an estimated 30% - 40% commission will be paid to local insurance agencies for producing the business. This is money that stays in the local economy.
- An estimated 3.1% will be paid in claims for protection to the public for improper acts of a notary.
- 3.1% is the national, five-year, average loss-ratio for notary bonds according the Surety and Fidelity Association of America. The actual loss ratio will depend on the laws and rules surrounding the notary and related transactions in Minnesota.

Notary Bond Premium & Loss Numbers – National – (from the Surety and Fidelity Association of America)

Calendar Year	Direct Written Premium	Direct Earned Premium	Direct Losses Incurred
2002	\$17,924,721	\$16,920,211	\$633,591
2003	\$18,779,628	\$17,583,275	\$490,986
2004	\$20,211,036	\$18,212,531	\$592,897
2005	\$21,682,022	\$18,991,880	\$486,246
2006	\$23,726,007	\$20,185,178	\$681,730

Other Considerations

- Adequate limits on the notary bond are necessary to make the bond effective. Notary limits in some states have failed to keep pace with inflation. As inflation overtakes the bond penalty, the protection becomes less significant. One of the keys to an effective notary bond is establishing an adequate limit to the bond.
- Many notaries become a notary due to their occupation or employment. The fees and premium are often absorbed by the employer leaving little cost to the individual.

- The uncertainty in the real estate market provides new evidence in favor of a bond. There is evidence of a claims trend regarding notary products involving real estate transactions. This is primarily due to the increasing trend of identity theft and mortgage fraud. This is also related to the decline in real estate values and the sub-prime mortgage issues. In states without a bond, no consumer protection is provided if the notarizations were improper.
- Electronic notarization is a new trend in the process of notarization. The uncertainty regarding the process of electronic notarization provides an additional argument for a bond requirement. As notaries and regulators learn how to notarize electronically and regulate electronic notarization a bond will provide a monetary safeguard to the public for the mistakes made as the new processes and technologies mature.

Recommendation

The Task Force should establish a forum for additional members of the surety industry to offer input and information on the necessity of the bond, prior to making any recommendations.

Please contact me with questions or concerns regarding this information.

Jim Holter
Commercial Surety Manager
Merchants Bonding Company
2100 Fleur Drive
Des Moines, IA 50321
800 678 8171
jholter@merchantsbonding.com