

Questions Regarding Senate Bill 624

State officials are not against the use of insurance as an alternative to an individual surety bond.

Concerns were expressed about the bill as drafted.

Senate Bill 624	Question	Addressing the Issue
The bill would allow a policy of insurance as an option to an individual surety bond.	Would there be a standard insurance policy to be used across the state?	The Department of Commerce and Insurance and the Attorney General's Office could work together to develop a standard policy.
	Would insurance provide the same coverage as a surety bond?	Insurance policy coverage requirements could be set by statute. An insurance agent and an attorney could work together to compare surety bond coverage to a potential insurance policy to ensure coverage is the same.
	What would be the effect on local government's liability under the Governmental Tort Liability Act with allowing insurance or pools to provide this coverage?	Include language in the bill that the use of an insurance policy or pool coverage in lieu of a surety bond will not affect liability under the Governmental Tort Liability Act.
	Would citizens be able to sue against an insurance policy? Tennessee statute specifically allows the public to recover against a bond for any person who is injured.	State officials indicate that this a difference between public official bonds and insurance. An insurance policy is for the benefit of the policy holder, i.e. the governmental entity, and not a citizen. Tennessee's official bond, as stated in statute at Section 8-19-301(3), is "for the use and benefit of every person who is injured."

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	Who would be paid on the insurance claim? Could the State be added as a third party on the insurance policy? The State is the payee on surety bonds.	It may require a change in statute for the state to be named as a third party on an insurance policy.
	There are coverage limits and deductibles associated with insurance policies.	Standard coverage limits and deductibles on an insurance policy may need to be set in statute.
	How long can claims be filed against the insurance policy once the official has left office?	An endorsement could be purchased that would extend the length of time in which claims could be filed.
Insurance can be issued by an administrative entity or pool established per Tennessee Code Annotated, Section 29-20-401.	Pools are not regulated by the Department of Commerce and Insurance. There would be no assurance that the pool coverage would be the same as a surety bond.	Statute may be required to set risk coverage requirements. Regulate pools.
Any insurance policy maintained shall have limits of not less than \$400,000.	Policy minimums in bill are too low.	State officials could determine suitable amounts of coverage.

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<p>Part (1) of the bill provides for the type of coverage to be provided: "government crime coverage, employee dishonesty insurance coverage, or equivalent coverage that insures the faithful performance by officials and their employees of their fiduciary duties and responsibilities." However, Section 2, part (c) states that the governmental entities are authorized to pay the premiums for "a government crime insurance policy or an employee dishonesty insurance policy that insures the faithful performance by officials and employees."</p>	<p>The bill has inconsistent language leading to confusion on what coverage is allowed to be paid for by local governments.</p>	<p>Reword the bill.</p>