



Insurance as an Alternative to Surety Bonds for Public Officials

January 2014



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Tennessee Advisory Commission on Intergovernmental Relations
226 Capitol Boulevard Building · Suite 508 · Nashville, Tennessee 37243
Phone: 615.741.3012 · Fax: 615.532.2443
E-mail: tacir@tn.gov · Website: www.tn.gov/tacir

INSURANCE AS AN ALTERNATIVE TO SURETY BONDS FOR PUBLIC OFFICIALS

Nathan Shaver, J.D.
Research Associate



Melissa Brown, M.Ed.
Senior Research Manager



Cliff Lippard, Ph.D.
Deputy Executive Director



Lynnise Roehrich-Patrick, J.D.
Executive Director



Teresa Gibson
Web Development & Publications Manager



Tennessee Advisory Commission on Intergovernmental Relations. This document was produced as an Internet publication.



State of Tennessee

Tennessee Advisory Commission on Intergovernmental Relations
226 Capitol Boulevard, Suite 508
Nashville, TN 37243



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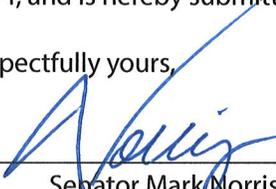
January 30, 2014

The Honorable Ken Yager
Chair, Senate State and Local Government Committee
301 6th Avenue North
Suite G-19 War Memorial Building
Nashville, TN 37243

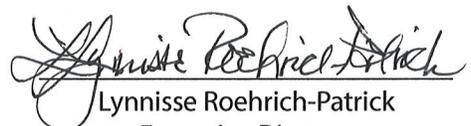
Dear Chairman Yager,

Transmitted herewith is a Commission report on Senate Bill 624 (Norris) [House Bill 1004 (Todd)] of the 108th General Assembly, which was sent to the Commission by the Senate State and Local Government Committee. The bill proposed changing current law to allow insurance as an alternative to individual surety bonds for local public officials. Although the report does not recommend the bill as written, it does recommend blanket surety bonds as an alternative to individual surety bonds. The report was approved by the Tennessee Advisory Commission on Intergovernmental Relations January 30, 2014, and is hereby submitted for your consideration.

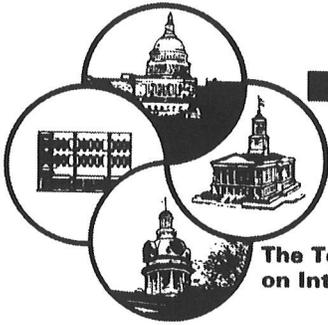
Respectfully yours,



Senator Mark Norris
Chairman



Lynnise Roehrich-Patrick
Executive Director



TACIR

The Tennessee Advisory Commission
on Intergovernmental Relations



226 Capitol Boulevard Bldg., Suite 508
Nashville, Tennessee 37243-0760
Phone: (615) 741-3012
Fax: (615) 532-2443
www.tn.gov/tacir

MEMORANDUM

TO: Commission Members

FROM:  Annisse Roehrich-Patrick
Executive Director

DATE: 30 January 2014

SUBJECT: Insurance as an Alternative to Surety Bonds for Public Officials—Final Report
for Approval

The attached report prepared in response to Senate Bill 624 by Senator Norris (House Bill 1004 by Todd), sent to the Commission to study by the Senate State and Local Government Committee, is submitted for your approval. The bill proposed changing current law to allow insurance as an alternative to individual surety bonds.

The report reflects the Commission's consensus that Senate Bill 624 is not needed, at least not in its current form. At the December meeting, the Commission expressed interest in allowing a form of coverage that was less expensive than individual surety bonds and easier to obtain while providing the same coverage and safeguards, including personal liability on the part of public officials. Included in the report is sample language for an amendment that would allow local governments to buy blanket surety bonds to meet all requirements for individual surety bonds for public officials. The final report also includes additional examples of counties in Georgia using blanket surety bonds.

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Alternatives to Surety Bonds for Public Officials

Good government depends on able, loyal, and dedicated public officials. Particularly for those officials who handle large amounts of money or have duties that, if not properly performed, could lead to financial loss for the government, safeguards are necessary to protect the public interest. To guard against the risk that public officials will not faithfully perform their duties and thereby protect public funds, governments have long required individual surety bonds—contracts in which a surety guarantees the governmental entity that the office holder will successfully perform his or her duties.

Individual surety bonds have been required in Tennessee since the 19th century to protect against losses caused when public officials do not faithfully perform their official duties. These bonds are intended to protect the public and compensate those suffering loss or injury by reason of misconduct or neglect in office.¹ These bonds do more than cover losses; they also encourage officials to perform the duties of office by holding them personally liable, giving them “skin in the game,” for any claims that are made against the bond. Sureties will require the public official to reimburse them the amount paid on the claim. The amount of the bond depends on the office and in some cases the amount of money handled by the office. Bond amounts range from \$2,000 for county surveyors to well over \$10 million for county trustees in Shelby and Davidson counties.

Tennessee law requires various local officials, mostly those serving county governments, to execute individual surety bonds as a prerequisite to taking office. The laws requiring these bonds appear in several parts of state law, covering 29 different offices of local government.² No state offices require individual surety bonds, although blanket coverage in the form of insurance is required for state officials and employees.³ County governments are also required to provide blanket coverage for all employees not covered by individual surety bonds. See appendix A. City governments are not.

Senate Bill 624 by Senator Norris [House Bill 1004 (Todd)], which was sent to the Commission by the Senate State and Local Government Committee, proposed changing current law to allow insurance as an alternative to individual surety bonds. See appendix B for a copy of the bill. The bill would allow a governmental entity to buy a policy or cover the same risk by

While surety bonds hold public officials personally responsible, and therefore provide an incentive to properly perform the duties of office, insurance policies do not.

¹ Holben et al. 2013.

² Titles 5, 6, 7, 8, 9, 13, 18, 49, 54, and 67 of the Tennessee Code Annotated each contain surety bond requirements for public officials.

³ Tennessee Code Annotated, Section 4-4-108.

It is not clear that insurance could provide the same safeguards as Tennessee's individual surety bond requirements, particularly as they relate to holding individual office-holders accountable.

participating in an insurance pool.⁴ The bill allows any one of three options: (1) government crime coverage, (2) employee dishonesty insurance, or (3) equivalent coverage that insures the faithful performance by officials and their employees of their fiduciary duties and responsibilities. The bill sets the minimum amount of coverage at \$400,000 per occurrence. According to the legislature's Fiscal Review Office, the bill could increase local governments' tort liability, which could increase their expenditure if the number of lawsuits increased. However, the cost of insurance should be less than the cost of surety bonds, but the likely difference is impossible to determine because the coverage limits and deductibles are unknown.

It is unclear whether an insurance policy can be written that provides the same coverage as Tennessee's public official surety bonds. However, even if such a policy could be written and found in the marketplace, it is widely believed that it would be prohibitively expensive. While other states allow insurance instead of surety bonds, no state requires the insurance to be the equivalent of Tennessee's surety bonds.⁵ If it did everything a surety bond did and was available at the same cost, it would essentially be a surety bond. In that case, there seems to be little advantage in providing insurance as an alternative.

The consensus of the Commission is that Senate Bill 624 is not needed, at least not in its current form. It is not clear that it would provide the same safeguards as Tennessee's individual surety bond requirements, particularly as they relate to holding individual office-holders accountable. The Commission would, however, endorse a provision allowing blanket coverage that is the equivalent of the individual surety bonds currently required, which could be less expensive and easier to administer. For example, the State of Virginia buys a bond that covers multiple officers, is conditioned on faithful performance of their duties, and holds them individually accountable by allowing the company selling the bond to recover any claim paid to the state because of the failure of any office holder to faithfully perform his or her duties. Appendix D includes a copy of Virginia's blanket surety bond. Georgia authorizes county governments to purchase similar bonds. Appendix E includes an example of how this might be done.

⁴ The bill refers to pools established pursuant to Tennessee Code Annotated, Section 29-20-401.

⁵ See appendix C for a copy of Tennessee's individual surety bond.

A Key Difference between Surety Bonds and Insurance—Personal Accountability

The choice among risk management tools can be seen as a decision about who will be liable for losses resulting from the actions of public officials, the official or the taxpayer. Surety bonds make the public official personally liable for losses. The various forms of insurance do not. A public official surety bond is a contract between three parties in which one party (the surety, a bond or insurance company) guarantees a second party (the obligee, a city or county) that a third party (the principal, a public official) will successfully perform his or her legal obligations. These bonds hold the principal personally liable for not faithfully performing the duties of office. There are two main types of public official surety bonds, individual surety bonds and blanket surety bonds. As the names suggest, individual surety bonds provide coverage for a single officer, while blanket surety bonds cover a group of officers. With both types, the official owes a duty of indemnification to the surety if the surety makes payment under the bond.

Most states require individual surety bonds for their county officials, and several allow for some form of blanket bond coverage in place of individual bond requirements.⁶ States' laws rarely define the term "blanket surety bond" or "blanket bond," and the phrase "blanket bond" is sometimes confusingly used to refer to a two-party contract that does not create an obligation on the part of the principal. When used in this manner, the contract is not a surety bond; it is insurance.

A handful of states allow for some form of insurance to be used in place of an official bond requirement. Insurance transfers the risk of loss from one party (e.g., a city or county) to another (e.g., an insurance company) in exchange for payment (premium). Insurance itself does not hold the official personally liable but transfers liability to the insurance company or insurance pool and, if the specific act is not covered, ultimately the taxpayer. Further, with insurance, taxpayers cover the cost of deductibles as well as premium payments. While surety bonds hold public officials personally responsible, and therefore provide an incentive to properly perform the duties of office, insurance policies do not.

Most states require individual surety bonds for their county officials, and several allow for some form of blanket bond coverage in place of individual bond requirements. A handful of states allow for some form of insurance to be used in place of an official bond requirement.

⁶ Appendix F summarizes other states' laws dealing with the type of risk management tools used by county governments for their public officials.

Individual Surety Bonds—Current Statutory Requirements

Tennessee’s statutes requiring public official bonds give guidance on

- the officials required to give bond;
- the coverage and amount of the bond;
- the process for approval of the bonds, including the approving authority;
- the financial responsibility for paying the cost of the bonds; and
- the consequences of not providing a required bond.

Tennessee law requires local officials, mostly those serving county governments, to execute individual surety bonds as a prerequisite to taking office. Senate Bill 624 proposes allowing insurance as an alternative to these surety bonds.

Various local officials, mostly those serving county governments, are required to execute individual surety bonds as a prerequisite to taking office. The laws requiring these bonds appear in several parts of state law and cover 29 different offices of local government, including city managers, as well as city employees who handle money. With modified city-manager-council charters, the city council determines which employees must give a bond.⁷ Bond amounts for city employees are set locally. No state offices require individual surety bonds, although blanket coverage in the form of insurance is required for state officials and employees. County governments are also required to provide blanket coverage for all employees not covered by individual surety bonds. City governments are not.

In Tennessee, the surety bond process is regulated at every step. Title 8, Chapter 19 “Bond of Officers,” provides the general bond requirements, procedures, and authority for the issuance of the bonds. The requirements for specific officials and the sureties on their bonds are also controlled by statutory language. Tennessee law requires the Comptroller of the Treasury to prescribe forms for all bonds, subject to the approval of the Attorney General and Reporter.⁸ Tennessee also requires that the governmental entity pay for the bond,⁹ but also provides in the alternative that the official may deposit cash equal to the amount of the bond in place of a surety bond.¹⁰ City charters often have additional surety bond requirements for certain officers and employees who handle money. The charters also usually require the bond amounts to be set by a municipal legislative body or board. Surety bonds are typically sold by insurance companies, which are regulated by the Department of Commerce and Insurance.

⁷Tennessee Code Annotated, Section 8-35-411.

⁸ Tennessee Code Annotated, Section 8-19-101(b)(1).

⁹ Tennessee Code Annotated, Section 8-19-106.

¹⁰ Tennessee Code Annotated, Section 8-19-120.

Tennessee Code Annotated, Section 8-19-106, provides that “the respective counties shall pay the premiums for such bonds and the registration fees.” Statutes also generally require that the official must be bonded before taking office. For example, the statute for the county trustee states in part that “the county trustee may enter upon the discharge of the duties of office, after first giving bond, . . . and an oath for the faithful performance of the duties of the office.”¹¹ If the bond is not executed within the prescribed time, the individual must vacate the office.¹²

Amount of Bond

Tennessee statutes requiring individual surety bonds for public officials generally set minimum bond amounts. See table 1. The statutes make clear that local governments can require higher bond amounts. Public Chapter 315, Acts of 2013, increased the bond amounts for many officials. Bond amounts that are not set in statute may be determined in one of several different ways: based on revenue or population; or as determined by a court, county legislative body, or judge. Minimum bond amounts for certain positions that handle large sums of money are based on revenue. For example, a county trustee’s minimum bond amount “shall be based on the revenues as follows: (1) Four percent (4%) up to three million dollars (\$3,000,000) of the funds collected by the office; (2) Two percent (2%) of the excess over three million dollars (\$3,000,000) shall be added; and (3) The amounts indicated in subdivision (b)(1)-(2) shall be cumulative.”¹³ The bond amounts for some county trustees are several million dollars.

Table 1. Public Officials and Their Bond Amounts

Office/Agency	TCA Reference	Amount of Bond	Elect/Appoint
Assessor of Property	67-1-502 and 505	\$50,000	Elected. 4 years
Chancery Court Clerk and Master	18-2-201 through 213 and 18-5-101	\$50,000-\$100,000 Population based	Appointed. 6 years
Circuit/Criminal/Special/ General Sessions Clerk	18-2-201 through 213 and 18-4-101	\$50,000-\$100,000 Population based	Elected. 4 years
Commissioner/Receiver	18-2-201 through 213	Court determined	Court determined
Constable	8-10-101 and 106	\$4,000 to \$8,000 County discretion	Elected. 2 to 4 years
Coroner	8-9-101 and 103	\$2,500	Elected by County Board. 2 years
County Clerk	18-2-201 through 213 and 18-6-101 through 115	\$50,000-\$100,000 Population based	Elected. 4 years
County Engineer	54-9-131 and 132	\$10,000	Employed by Road Commission
County Executive/Mayor	5-6-101 and 109	\$100,000	Elected. 4 years
County Road Commission	54-9-116 and 119	Set by County Board	Elected. 1, 2, or 3 years
County Highway/Bridge Funds	54-4-103 (c)	\$100,000 or greater	
County Highway Superintendent/Chief Administrative Officer	54-7-105 and 108	\$100,000	Elected. 4 years
Development District	13-14-114	Revenue-based Calculation Formula	4 years. Some statutorily required. Some appointed by Senators.
Director of Accounts and Budgets (1957 Act)	5-13-103	\$100,000 or greater	Appointed by County Mayor
Director of Finance (1981 Act)	5-21-106 and 109	\$100,000 or greater	Appointed by Financial Management Committee

¹¹ Tennessee Code Annotated, Section 8-11-102.

¹² Tennessee Code Annotated, Section 8-19-117.

¹³ Tennessee Code Annotated, Section 8-11-103.

Office/Agency	TCA Reference	Amount of Bond	Elect/Appoint
E911 District	7-86-119	Revenue-based Calculation Formula	Appointment varies based on population size.
Human Resource Agency	13-26-110	Revenue-based Calculation Formula	4 years. Some statutorily required. Some appointed by Senators.
Public School Fiscal Agent	49-3-315(b)(3)	Revenue-based Calculation Formula	
Notary Public	8-16-101 through 104	\$10,000	Elected by County Board. 4 years
Process Server	8-8-108	\$5,000 (Shelby \$15,000)	Judicial Appointment
Purchasing Agent	5-14-103(c)	\$100,000 or greater	Appointed by County Mayor
Register of Deeds	8-13-101 through 103	\$50,000-\$100,000 Population based	Elected. 4 years
Sheriff	8-8-103	\$100,000 or greater	Elected. 4 years
Special Deputy	8-8-303	\$50,000	Appointed by Sheriff
Director of Schools	49-2-301 and 9-3-301(c) and 49-2-102	\$50,000 or greater	Appointed by Board of Education
Surveyor	8-12-101 and 102	\$2,000	Elected by County Board. 4 years
Trustee	8-11-101 through 103	Revenue-based Calculation Formula	Elected. 4 years
City Manager (and employees dealing with funds)	6-21-104 and 105	Set by ordinance of board of commissioners, except where the amount is prescribed in charter.	Appointed by Board of Commissioners
All city officers/employees dealing with funds (Modified City Manager-Council Charter)	6-35-411	Council sets the bond amount and determines who must have one.	

Source: Tennessee Code Annotated and Tennessee Comptroller of the Treasury.

Cost

The price of an individual surety bond depends on the bond amount required, the obligations the bond covers, and the background of the individual being bonded. Background checks include credit checks, criminal background checks, and a review of prior bonding history. The higher the bond amount, the higher the price for that bond. For example, Williamson County recently paid \$113 per year for the county clerk’s \$50,000 bond and \$6,000 per year for the county trustee’s near \$10 million bond.¹⁴

Coverage

Understanding what a public official surety bond covers in Tennessee requires analyzing (1) the bond, (2) the statute requiring the bond, (3) any statutes governing the conduct of the bonded official, and (4) applicable case law.¹⁵ The Comptroller of the Treasury’s website provides the

¹⁴ E-mail from Wayne Franklin, Risk Manager, Williamson County, Tennessee, October 15, 2013.

¹⁵ Shreves and Coffee 1997.

standard public official bond form, which includes the terms of the bond required by Tennessee law.¹⁶ The legislature provided the exact language that the surety bond must include:

In every case, provisions of this code to the contrary notwithstanding, the official bond of every county public official shall be conditioned as follows and not otherwise:

That if the _____(Principal) shall:

1. Faithfully perform the duties of the Office of _____County during such person's term of office or continuance therein; and
2. Pay over to the persons authorized by law to receive them, all moneys, properties, or things of value that may come into such principal's hands during such principal's term of office or continuance therein without fraud or delay, and shall faithfully and safely keep all records required in such principal's official capacity, and at the expiration of the term, or in case of resignation or removal from office, shall turn over to the successor all records and property which have come into such principal's hands, then this obligation shall be null and void; otherwise to remain in full force and effect.¹⁷

The first and most significant obligation in the bond is for the principal to "faithfully perform the duties of the office." Faithful performance of duties means fulfilling them without dishonesty, malfeasance, or negligence, and without damage to the governmental entity or the public, whether intentionally or negligently.¹⁸ The duties are the key. The duties are what the law defines them to be.¹⁹ Part 2 of the bond form, above, lists the broad duties that the official must perform. The statute establishing that general surety bond requirement also says that the duties that must be faithfully performed include the duties specified in the statutes that establish the specific offices.²⁰ For example, Tennessee Code Annotated, Section 8-11-104, lists several specific duties for county trustees. Other officials have similar statutes detailing the duties of office. Tennessee has a statute that broadly outlines the obligations covered by required official bonds at Section 8-19-301:

Faithful performance of duties means fulfilling them without dishonesty, malfeasance, or negligence, and without damage to the governmental entity or the public, whether intentionally or negligently. The duties are what the law defines them to be.

¹⁶ See appendix C.

¹⁷ Tennessee Code Annotated, Section 8-19-111(b).

¹⁸ Price, McDonnell, and Howald 2006.

¹⁹ Ibid.

²⁰ Tennessee Code Annotated, Section 8-19-111(c).

Typically, the governmental entity, such as the county, is the party that would file a claim against the public official's surety bond if there were a loss. However, Tennessee law provides that the public can make claims against the bond.

Every official bond executed under this code is obligatory on the principal and sureties thereon: (1) For any breach of the condition during the time the officer continues in office or in the discharge of any of the duties of such office; (2) For the faithful discharge of the duties which may be required of such officer by any law passed subsequently to the execution of the bond, although no such condition is expressed therein; (3) For the use and benefit of every person who is injured, as well by any wrongful act committed under color of such officer's office as by the failure to perform, or the improper or neglectful performance, of the duties imposed by law.

Some officials also have specific statutes addressing the scope of liability on the bonds, such as the county clerk: "The official bonds of clerks, executed under this code, are obligatory on the principal and sureties for every wrongful act or failure of duty in the clerk's official capacity, whether embraced in the condition of the bond or not, or growing out of a law passed subsequently to its execution."²¹

Claims against Surety Bonds

Typically, the governmental entity, such as the county, is the party that would file a claim against the public official's surety bond if there were a loss. However, Tennessee law provides that the public can make claims against the bond.²² Under an insurance policy, unless the policy specifically allows third-party recoveries, only the insured will be able to recover for a loss. Surety bond claims are rare and unexpected because of the screening process required. To have a claim against a bond, the governmental entity must show a loss. When a claim is made, the surety company investigates and, if it is a valid claim, will pay and then turn to the official for reimbursement.

Blanket Surety Bonds

Blanket surety bonds establish a three-party relationship with personal liability remaining with the official for any claims against the bond. Unfortunately, confusion is often created because the phrase "blanket bond" is sometimes used to refer to a two-party insurance contract, which does not create an obligation on the part of the official. For example, Tennessee Code Annotated, Section 4-4-108, requires a "blanket surety

²¹ Tennessee Code Annotated, Section 18-2-206.

²² Tennessee Code Annotated, Section 8-19-301 states that it is "for the use and benefit of every person who is injured."

bond” to cover certain state-level officers and employees, but an insurance policy is used.

Twenty-three states allow some form of blanket coverage instead of individual surety bonds.²³ Two states, New Hampshire and Virginia, require only blanket coverage. Of these, only Virginia and Georgia appear to require blanket surety bonds. Virginia buys a blanket surety bond that covers multiple state and local officers, conditioned on faithful performance of their duties, and holds them individually accountable by allowing the company selling the bond to recover any claim paid to the state because of the failure of any office-holder to faithfully perform his or her duties. A list of the positions covered, along with the dollar amounts of coverage for each position, is attached to the bond and submitted to the surety company. Their 2013-2014 blanket surety bond totals \$203,480,818 and covers approximately 1,119 state officials and local constitutional officers for an annual premium of \$467,976. The dollar amount of coverage for the positions ranges from \$3,000 to \$3 million.²⁴

Several counties in Georgia have taken advantage of the opportunity to use blanket surety bonds to meet their individual surety bond requirements. The risk management director of Augusta-Richmond County, Georgia, explained that the county uses a blanket surety bond to cover all officials with bond amounts of \$25,000 or less and buys individual surety bonds for those officials with bond amounts over \$25,000. This is required by the particular surety company the county uses and not because of state law. Before using the blanket surety bond, Augusta-Richmond County spent \$6,250 on individual bonds for those positions with bond amounts of \$25,000 or less. They now use a blanket bond to cover those same officials at a cost of \$1,026.²⁵

Georgia law makes clear that blanket bonds must be in surety form with the official personally liable for claims against the bond. The Augusta-Richmond County director explained their blanket surety bond is in surety form with the official held liable for repayment of anything the surety company pays out on claims and that coverage remains the same as with the individual surety bond. According to the director, administering the blanket bond is much simpler than the individual bond and managing it takes less time. Coverage is limited to those acts that the official (1) personally benefits financially from the act complained of; or (2) was personally aware of and had actual knowledge of the act complained of; had actual knowledge that the act was illegal, contrary to law, or the breach

Administering blanket bonds is much simpler than individual bonds, and managing them takes less time.

²³ See appendix F.

²⁴ Email from Don LeMond, November 22, 2013.

²⁵ Email from Sandy Wright, December 17, 2013.

In Cobb County, Georgia, the blanket surety bond provides the same coverage—the “faithful discharge of duties” including the accounting for all money and property received by them by virtue of such position—as the individual surety bonds, and because coverage is tied to the position, not the person, coverage is automatic once the official takes office.

Insurance, as proposed in Senate Bill 624, is allowed in six states.

of a duty imposed by law; and either acted to cause or failed to prevent the act complained of.²⁶

Cobb County, Georgia, also buys a blanket surety bond. Their county risk management director said the county uses the blanket surety bond because it simplifies the process and saves the county time and money. He said that using individual bonds made compliance with the law difficult because of public official turnover and retirements. The blanket surety bond provides the same coverage—the “faithful discharge of duties” including the accounting for all money and property received by them by virtue of such position—as the individual surety bonds, and because coverage is tied to the position, not the person, coverage is automatic once the official takes office.²⁷ This blanket surety bond covers positions with separate bond amounts ranging from \$1,000 to \$150,000. Cobb County, Georgia’s bond is shown in appendix G.

As demonstrated by Augusta-Richmond County and Cobb County, allowing local governments to use blanket surety bonds in place of multiple individual bonds could save local governments money while simplifying the process and providing the same coverage and safeguards. Appendix E gives an example of how this might be done in Tennessee.

Insurance as an Alternative to Surety Bonds

The use of other forms of risk management in place of individual public official surety bonds is not entirely novel. Other states have had alternative methods of risk management in place for years. The use of insurance to cover this risk, as proposed in Senate Bill 624, is allowed in six states. In addition to insurance, alternative methods include insurance pools and self-insurance.

Current Legislative Proposal

Senate Bill 624 would allow local governmental entities to purchase insurance instead of individual surety bonds or cover the same risk by participating in an insurance pool.²⁸ This bill was presented as a way to save local governments money, give them more flexibility, and reduce what some saw as too much governmental red tape. The bill allows for any one of three types of insurance coverage: (1) government crime coverage, (2) employee dishonesty insurance, or (3) equivalent coverage that insures the faithful performance by officials and their employees of their fiduciary duties and responsibilities. A certificate of insurance would “satisfy all

²⁶ Georgia Code, Section 45-4-24.

²⁷ E-mail from Brett LaFoy, December 16, 2013.

²⁸ This bill refers to pools established pursuant to Tennessee Code Annotated, Section 29-20-401.

requirements for the filing of the official bonds by the named officials.” The bill sets minimum coverage at \$400,000 per occurrence.

Comparison to Surety Bonds

Insurance policies that cover a group of officials would be easier to acquire than individual surety bonds for each official. The application process for surety bonds requires an investigation into the financial background of the official being bonded, typically with more investigation for larger bonds. The public official being bonded must complete a surety bond form at the statutorily defined dollar amount and file it with the appropriate office. An insurance policy covering a group of those officials would likely be easier to acquire because insurance companies do not typically investigate the individuals. With insurance, individuals are not investigated; the experience of the entire organization is considered instead. The insurance premium is based on that experience and the amount of coverage desired or required. Unlike individual surety bonds, insurance assumes losses will occur and is a mechanism to set money aside through premiums to cover them.

The actual cost of an insurance policy, as proposed by the bill, is currently unknown because a specific insurance policy was not provided to evaluate. While surety bonds are written in favor of the governmental entity, insurance is written in favor of the insurance company with many exclusions and exemptions. It is impossible to estimate costs based on types of policy coverage without knowing the exclusions and exemptions, as well as deductible amounts and other policy provisions. As written, the bill gives local governments great discretion in determining the contents of an insurance policy—such as deductible amounts, exclusions, and types of crimes covered—if they choose to use insurance instead of surety bonds. The result could be significant differences in coverage from county to county.

Moreover, the \$400,000 minimum amount of coverage required by the bill is much lower than the amounts required for many public officials, which concerns state officials. For example, county trustees, especially those in more-populated counties, have surety bond coverage amounts in the millions of dollars. Other states have encountered this same issue when allowing insurance in place of official bonds.

And with less cost comes less coverage. The bill’s fiscal note, while not giving a specific cost, does state that “insurance policies may ultimately be less expensive, but insurance comes with coverage limits and deductibles.” The fiscal note on the bill indicated that insurance might increase tort liability, but “there should be a recurring decrease in local government

Surety bonds are written in favor of the governmental entity; insurance is written in favor of the insurance company with many exclusions and exemptions.

The \$400,000 minimum amount of coverage required by Senate Bill 624 is much lower than the amounts required for many public officials.

expenditures because the cost associated with insurance policies are deemed less expensive than the cost associated with surety bonds.”

The biggest concern with allowing the use of insurance in place of individual surety bonds is the difference in how they assign risk. With insurance coverage, risk is transferred from the individual and the official would no longer have any “skin in the game.” In general, surety bonds make people individually accountable, while insurance does not. A surety bond will not be issued until the individual has been investigated, and the price of the bond will depend on what the investigation reveals. In fact, the bonding company may refuse to issue a bond if they consider the risk too great. In other words, everything depends on the individual. Further, it is unclear whether an insurance policy can be written that provides the same coverage as Tennessee’s public official surety bonds. Even if such policy could be written and found in the market place, it is widely believed that it would be prohibitively expensive. There are a number of other general differences between surety bonds and insurance policies. See table 2. For example, insurance policies are generally cancelable, while surety bonds may not be. The surety bond is issued for the term of office, whereas an insurance policy is

Table 2. Comparison of Insurance and Surety Bonds

Surety Bond	Insurance
Three party agreement. The surety guarantees the faithful performance of the principal to the obligee.	Generally, two party agreement. The insurance company agrees to pay the insured directly for certain losses incurred.
Losses not expected. The surety takes only those risks which its underwriting experience indicates is safe. A surety will usually look at the applicant’s credit, arrest, and bankruptcy history, as well as any previous bond claims made against the applicant.	Losses expected. Insurance rates are adjusted to cover losses and expenses as the law of averages fluctuates.
Losses recoverable. After a claim is paid, the surety expects to recoup its losses from the principal. This means the public official has “skin in the game,” and the risk of loss stays with the official.	Losses usually not recoverable. When an insurance company pays a claim, it usually doesn’t expect to get repaid by the insured. Risk of loss is transferred to the insurance company.
The cost of the bond covers expenses. A large portion of the surety bond price is really a service charge for weeding out unqualified candidates and for issuing the bond.	Premium covers losses and expenses. Insurance premiums are collected to pay for expected losses.
Sureties are selective.	Insurers cover most risks. The insurance agent generally tries to write a policy on anything that comes along (at the appropriate premium rate) and allows for a large volume to cover the risk.
2 or 3 page document.	Often a multipage document containing many exclusions and exemptions.
Written in favor of the state. Statute requires that the bond form be “prescribed by the Comptroller of the Treasury, with the approval of the Attorney General and Reporter.”*	Typically, written in favor of the insurance company.
Amount of Coverage: Bond amounts vary from \$2,000 to well over \$10 million depending on the applicable statutory requirements for the position. For some officials, this is a specific amount as stated in the law. For other officials, the amount is based on the amount of local revenues or on population. And for some, the amount of the bond is determined by the legislative body or presiding judge.	Amount of Coverage: Senate Bill 624 proposes that “any such policy shall have limits of not less than \$400,000 per occurrence.”

Surety Bond	Insurance
<p>Tennessee’s official bonds allow any injured party to recover on the bond. Part (3) of 8-19-301 states that official bonds under this code are “for the use and benefit of every person who is injured, as well as by any wrongful act committed under color of such officer’s office as by the failure to perform, or the improper or neglectful performance, of the duties imposed by law.” Official bonds are not issued for the protection of the official himself, but rather to protect the government or the public from any injuries caused by the public official while in office.</p>	<p>Third party may not bring suit. Policy usually written to only allow recovery for the insured. That is, the policy is written for the sole benefit of the insured, the governmental entity.</p>
<p>Coverage: The statutes contain two basic obligations: (1) that the official faithfully discharge or perform the duties of the office; and (2) that the official truly account for and turn over public money, property, and records entrusted to the official by the duties of office. The public official bond covers the failure of the bonded official to carry out either one of these duties with the motives of the official being irrelevant. A breach of the bond can occur as the result of the failure to act, negligence of the principal, or intentional conduct, i.e., nonfeasance, misfeasance, and malfeasance. In essence, the failure to faithfully discharge one’s duties may be attributed to either failing to take a required act or failing to refrain from doing something which by its nature should not have been done. Provided that loss occurs to one entitled to recover on a bond, all liability on a public official bond is absolute and is predicated on breach of duty.</p>	<p>Coverage: In theory, insurance could cover everything that the bond covers. Senate Bill 624 proposes allowing the optional use of a policy of insurance or an agreement with an administrative agency or pool established pursuant to Tennessee Code Annotated, Section 29-20-401, that provides 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.</p>

*Tennessee Code Annotated, Section 8-19-101(b)(1).
Source: CNA Surety. 2012. “Suretyship: A Practical Guide to Surety Bonding,” <http://www.thebondexchange.net/Applications/Suretyship.pdf> (accessed January 17, 2014).

typically on an annual term. The government as well as the public can file a claim against the official’s surety bond. By contrast, under an insurance policy, unless third-party recoveries are specifically allowed by the policy, only the insured will be able to recover for a loss.

Crime or Dishonesty Insurance

The first two options offered by the bill are similar. Crime insurance, commonly referred to as fidelity insurance, typically protects organizations from loss of money, securities, or inventory resulting from crime. Claims often allege employee dishonesty, embezzlement, forgery, robbery, safe burglary, computer fraud, wire transfer fraud, counterfeiting, and other criminal acts. Employee dishonesty insurance typically covers theft of money, securities, or property, and is usually written with a per loss limit, a per employee limit, or a per position limit. Obviously, there is considerable overlap in what these two types of insurance cover, and the phrases are sometimes used interchangeably. Individuals cannot insure themselves against their own intentional unlawful acts. Consequently, with a crime or dishonesty policy, the governmental entity would be the insured and not the official.

The cost of crime or dishonesty insurance would likely be less than that of a bond; however, the coverage would also be less. For example, the typical crime- or dishonesty-type policy would not provide coverage for negligence or faithful performance of duties unless specific endorsements for those types of coverage were added to the policy, which could increase the price. Even if those endorsements were included, there would be exemptions and exclusions, thus limiting overall coverage.

Six states allow some form of crime insurance to be used in place of an official bond requirement. Four of the states—California, Colorado, Idaho, and Indiana—specifically require crime insurance to be used. Indiana requires that the crime insurance include an endorsement for “faithful performance.” Pennsylvania allows “crime-fidelity” insurance endorsed for “faithful performance” to be used in place of the individual bond. Utah allows a “fidelity bond or theft and crime insurance” to be used in instead of the individual bond requirements.

Equivalent coverage that insures the faithful performance by officials and their employees of their fiduciary duties and responsibilities” does not make insurance equivalent to surety bonds because the public official is not made accountable by it.

Insurance Equivalent to Surety Bond Coverage

The third option offered by the bill, “equivalent coverage that insures the faithful performance by officials and their employees of their fiduciary duties and responsibilities,” would appear to make insurance equivalent to surety bonds. It does not, because the public official is not made accountable by it. In order to recover losses by the public official, the insurance carrier or the governmental entity would have to press charges or take him to court. That issue aside, to provide equal coverage, multiple endorsements for various types of coverage would have to be included in the policy and, like a surety bond, it would have to have no deductible.

Since this specific type of insurance coverage has not been used in Tennessee, at best, only an estimate could be made on the cost of initial premiums. Insurance agents and state officials interviewed have indicated that the initial premiums could be high because there is no market experience in Tennessee with this particular type of insurance product and that, even if such a policy could be written and found in the marketplace, it would probably be prohibitively expensive.

Insurance Pools

Senate Bill 624 would also allow the insurance to be provided through an insurance pool established pursuant to Tennessee Code Annotated, Section 29-20-401. This section of the code was created to allow governmental entities to enter into “pooling” agreements to manage their liability exposure under the Tennessee Governmental Tort Liability Act. Pooling agreements allow the member entities to transfer their exposure for financial losses to

the group as a whole in return for payments to the pool.²⁹ In effect, they are privately held insurance companies, owned by the members, and not regulated by the state. The services related to the transfer of that risk are provided by the new entity, the pool, or by third parties (underwriters, excess carriers, etc.) retained by the pool.³⁰ The governmental entity and taxpayers are liable for losses not covered by the pool, and as with all insurance, the public official no longer has any “skin in the game.”

Pools are created and regulated differently from state-to-state, with some states regulating pools like insurance.³¹ State insurance regulation typically has four objectives: (1) ensuring that consumers are charged fair and reasonable prices for insurance products; (2) protecting the solvency of insurers; (3) preventing unfair practices and overreaching by insurers; and (4) guaranteeing the availability of coverage to the public.³² Using pools to provide coverage creates additional risks. The members of a pool have joint and several liability, meaning responsibility for each other’s claims in proportion to the payments made to the pool or as the pooling agreement states.

Pools are allowed to provide coverage in place of surety bonds for officials in six states. Arkansas established a state-run, statewide pool that provides coverage for all state and local officials in place of the previously required surety bonds. Their pool covers only losses up to \$250,000 caused by fraudulent or dishonest acts, and not the faithful performance of duties. North Dakota’s State Bonding Fund operates as a pool to provide coverage for public officials. Idaho allows counties and cities to provide coverage through an insurance pool instead of using individual surety bonds. The Idaho County Risk Management Program is a member-owned local government insurance pool that includes endorsements for faithful performance, which is broader than Arkansas’s coverage. Georgia, Maine, and New Jersey all allow different types of insurance pools to provide coverage as a substitute for official bonds.

Self-insurance—an Option Offered in Other States

Self-insurance, setting aside funds to cover potential future losses, is another risk management tool—while not specifically mentioned in the bill—that is used in other states. Four states allow self-insurance as a substitute for individual bonds for county officials. California, Illinois, Louisiana, and Texas allow local governments to self insure in place of surety bonds.

²⁹ Doucette 2001.

³⁰ Ibid.

³¹ Ibid.

³² Jerry 2001.

As with all insurance governmental entities and taxpayers are liable for losses not covered by pools.

Pools are allowed to provide coverage in place of surety bonds for officials in six states.

California, Illinois, Louisiana, and Texas allow local governments to self insure in place of surety bonds.

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Persons Interviewed

Phil Adams, Analyst
Tennessee Department of Commerce and Insurance

Jim Arnette, Director
Division of Local Government Audit
Tennessee Comptroller of the Treasury

Ashley Arnold, General Counsel
Insurors of Tennessee

Charles Bidek, Chief Executive Officer
Insurors of Tennessee

Mark Bowery, County Commissioner
Sullivan County, Tennessee

Drew Carpenter, Director
Risk Management Division
Arkansas Insurance Department

Kit Coffin, Risk Management Program Manager
Idaho Department of Administration

David Connor, Executive Director
Tennessee County Commissioners Association

Jim Cope, County Attorney
Rutherford County, Tennessee

Leah May Dennen, Sumner County Law Director
Sumner County, Tennessee

John Duncan, Manager
Property and Casualty Unit
Tennessee Department of Commerce and Insurance

John Evans, President
NGU Risk Management

Wayne Franklin, Risk Manager
Williamson County, Tennessee

Nathan Green, Lobbyist
RobinsonGreen, LLC

Brent Greer, County Mayor
Henry County, Tennessee
Commissioner, TACIR

Sarah Hiestand, Senior Counsel
Financial Division
Office of the Tennessee Attorney General and Reporter

Brian Hoffmeister, Director of Policy Analysis
Tennessee Department of Commerce and Insurance

Pat Hollingsworth, County Finance Officer
Henry County, Tennessee

Ann Holthoff, Risk Consultant
Risk Management Division
Arkansas Insurance Department

Josh Jones, Legal Consultant
University of Tennessee, Municipal Technical Advisory Service

Durema Kissam, Senior Commercial Surety Specialist
The Hartford

Robert T. (Bobby) Lee, General Counsel
Tennessee Comptroller of the Treasury

Brett LaFoy, Risk Management Director, Cobb County, Georgia

Don LeMond, Director of Risk Management
Virginia Department of the Treasury

Jerry Mason, General Counsel
Idaho Counties Risk Management Program

Libby McCroskey, Senior Legal Consultant
University of Tennessee, County Technical Assistance Service

Rachel Newton, Assistant General Counsel
Tennessee Comptroller of the Treasury

Lea Niebuhr, Senior Claims Examiner
RLI Corporation

Richard Norment, Assistant to the Comptroller for the Department of Audit
Tennessee Comptroller of the Treasury

Insurance as an Alternative to Surety Bonds for Public Officials

Mark Norris, State Senator
District 32, Tennessee
Chairman, TACIR

Mark Shambaugh, Branch Manager
RLI Corporation

Jack Spann
Spann Insurance

Melissa Stinson, Risk Management Director
Rutherford County, Tennessee

Curry Todd, State Representative
District 95, Tennessee

Joyce Welborn, Legislative Auditor
Tennessee Comptroller of the Treasury

Craig Wild, Clerk and Master
Cocke County, Tennessee

Greg Worley, Audit Review Manager
Tennessee Comptroller of the Treasury

Bob Wormsley, President/Chief Executive Officer
Local Government Insurance Pool

Sandy Wright, Risk Management Director
Augusta-Richmond County, Georgia

Appendix A: Tennessee Code Annotated, Section 8-19-101

8-19-101. Execution of bonds—Form—Blanket bonds.

(a) The official bonds of all state and county officers, now required by law to furnish official bonds, shall be executed by such officials as principal and may be executed by some surety company authorized to do business in the state of Tennessee, as surety.

(b) (1) The form of all official bonds of all state officials and employees and all county officials and employees shall be prescribed by the comptroller of the treasury, with the approval of the attorney general and reporter. Such prescribed forms shall be filed in the office of the secretary of state. All official bonds of all such officers and employees executed hereafter shall be in the prescribed form if one has been provided. To the extent any such official bond is not in the prescribed form, the same shall stand reformed by implication of law so as to comply with the prescribed form.

(2) Should the prescribed form be amended, the amendment shall affect only bonds and undertakings executed subsequently thereto. Bonds shall continue to be executed in their present form until a form is prescribed therefor under this law. Forms shall be prepared so as to comply with the requirements of statutes of Tennessee relating to such bonds. Where the conditions of bonds are prescribed by statute, the statute shall prevail.

(c) Nothing in this chapter or elsewhere in this code shall be construed as prohibiting the use by any county, municipality, or metropolitan government, of a blanket bond for coverage of two (2) or more of its officials. A separate rider or attachment to the blanket bond shall be prepared for each principal, and wherever in this chapter the term "bond" is used, it likewise includes a blanket bond and each rider or attachment thereto. Each rider or attachment to a blanket bond shall be signed by the named principal, shall be acknowledged by the bond sureties, shall expressly incorporate the conditions stated in § 8-19-111, shall refer specifically to the blanket bond of which it is a part, and shall be filed, approved, and otherwise processed in the manner required for bonds under this chapter.

(d) The governing body of any county by a two-thirds (2/3) vote shall elect whether or not the county officials of the county shall make a surety bond or a bond with two (2) or more good sureties, approved by the legislative body, prior to the time such official is inducted and sworn into office.

(e) County governments are required to obtain and maintain blanket surety bond coverage for all county employees not covered by individual bonds referenced elsewhere in statute. The minimum amount of such blanket bonds shall be one hundred fifty thousand dollars (\$150,000).

HISTORY: Acts 1941, ch. 138, § 1; C. Supp. 1950, § 1839.1; Acts 1957, ch. 289, § 1; 1976, ch. 616, § 1; 1978, ch. 620, § 1; 1978, ch. 689, §§ 6, 12; impl. am. Acts 1978, ch. 934, §§ 7, 36; T.C.A. (orig. ed.), § 8-1901; Acts 2013, ch. 315, § 30.

Amendments: The 2013 amendment added(e).

Appendix B: Senate Bill 624

SENATE BILL 624

By Norris

AN ACT to amend Tennessee Code Annotated, Title 8 and Title 29, relative to insurance to protect against certain acts and omissions by government officials and employees.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF TENNESSEE:

SECTION 1. Tennessee Code Annotated, Section 8-19-101, is amended by adding a new subsection as follows:

(e)

(1) Notwithstanding any law to the contrary, a governmental entity may obtain and pay the premiums or other costs with respect to a policy of insurance issued by an insurance company duly authorized to do business in this state or an agreement with an administrative entity or pool established pursuant to § 29-20-401, that provides 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. Any such policy maintained shall have limits of not less than four hundred thousand dollars (\$400,000) per occurrence.

(2) A policy satisfying the requirements set forth in subdivision (e)(1) shall be deemed to be a blanket official bond for each official or office identified in the policy for all purposes, including § 4-4-108 and this section. A certificate of insurance evidencing the officials and offices covered, the amount of coverage maintained, and the type of coverage provided shall be filed with the office of the comptroller of the treasury, and in the case of county officials, the register's office

Insurance as an Alternative to Surety Bonds for Public Officials

for the county in which the official is located. A certificate of insurance shall satisfy all requirements for the filing of the official bond by the named officials.

SECTION 2. Tennessee Code Annotated, Section 29-20-406, is amended by adding a new subsection as follows:

(c) Any governmental entity is authorized to obtain and pay the premiums for a government crime insurance policy or an employee dishonesty insurance policy that insures the faithful performance by officials and their employees of their duties and responsibilities.

SECTION 3. This act shall take effect upon becoming law, the public welfare requiring it.

Appendix C: Tennessee's Individual Bond Form



SURETY'S BOND NO. _____

STATE OF TENNESSEE
COUNTY OF _____
OFFICIAL STATUTORY BOND
FOR
COUNTY PUBLIC OFFICIALS
OFFICE OF _____

KNOW ALL MEN BY THESE PRESENTS:

That _____ of _____ (City or Town),
County of _____ Tennessee, as Principal, and _____
as Surety, are held and firmly bound unto **THE STATE OF TENNESSEE** in the full amount of
_____ Dollars (\$ _____) lawful money of the
United States of America for the full and prompt payment whereof we bind ourselves, our representatives, successors and assigns,
each jointly and severally, firmly and unequivocally by these presents.

WHEREAS, The said Principal was duly ___elected ___appointed to the office of _____ of and
for _____ County for the ___ year term beginning on the ___ day of _____, 2____ and ending on
the ___ day of _____, 2____.

NOW, THEREFORE, THE CONDITION OF THIS OBLIGATION IS SUCH:

- That if the said _____, Principal, shall:
1. Faithfully perform the duties of the office of _____ of _____
County during such person's term of office or his continuance therein; and,
 2. Pay over to the persons authorized by law to receive them, all moneys, properties, or things of value that may come into such
Principal's hands during such Principal's term of office or continuance therein without fraud or delay, and shall faithfully and
safely keep all records required in such Principal's official capacity, and at the expiration of the term, or in case of resignation
or removal from office, shall turn over to the successor all records and property which have come into such Principal's hands,
then this obligation shall be null and void; otherwise to remain in full force and effect.

WITNESS our hands and seals this _____ day of _____, 2____.

WITNESS – ATTEST:

PRINCIPAL:

COUNTERSIGNED BY:

Tennessee Resident Agent

SURETY:
by: _____

(Attach evidence of authority to execute bond)

ACKNOWLEDGEMENT OF PRINCIPAL

STATE OF TENNESSEE
COUNTY OF _____

Before me, a Notary Public, of the State and County aforesaid, personally appeared _____,
to me known (or proved to me on the basis of satisfactory evidence) to be the individual described in the foregoing bond as
Principal, and who, upon oath acknowledged that such individual executed the foregoing bond as such individual's free act
and deed.

Witness my hand and seal this _____ day of _____, 2____.
My Commission Expires: _____, 2____.

Notary Public (over)

ACKNOWLEDGEMENT OF SURETY

STATE OF _____
COUNTY OF _____

Before me, a Notary Public, of the State and County aforesaid, personally appeared _____ with whom I am personally acquainted and, who, upon oath, acknowledged himself/herself to be the individual who executed the foregoing bond on behalf of _____, the within named Surety, a corporation duly licensed to do business in the State of Tennessee, and that he/she as such individual being authorized so to do, executed the foregoing bond on behalf of the Surety, by signing the name of the corporation by himself/herself as such individual.

Witness my hand and seal this _____ day of _____, 2_____.

My Commission Expires:

_____, 2_____.

Notary Public

APPROVAL AND CERTIFICATION

SECTION I. (Applicable to all County Officials except Clerks of all Courts)

Bond and Sureties approved by _____, County Executive/Mayor of _____ County, on this _____ day of _____, 2_____.

Signed:

County Executive/Mayor

CERTIFICATION:

I, _____, County Clerk of _____ County, hereby certify that the foregoing bond was approved by the Legislative Body of said county, in open session on the _____ day of _____, 2_____, and entered upon the minutes thereof.

Signed:

County Clerk

SECTION II. (Applicable to all Clerks of all Courts)

CERTIFICATION:

This is to certify that I have examined the foregoing bond and found the same to be sufficient and in conformity to law, that the sureties on the same are good and worth the penalty thereof and that the same has been entered upon the minutes of said court.

Signed:

Judge of the _____ Court of and for said County on this _____ day of _____, 2_____.

SECTION III. (Applicable to all County Officials' Bonds)

FOR USE BY REGISTER OF DEEDS

SECTION IV. (Applicable to all County Officials Bonds)

ENDORSEMENT:

Filed with the Office of the County Clerk, County of _____, this _____ day of _____, 2_____

Signed:

County Clerk

Form Prescribed by the Comptroller of the Treasury, State of Tennessee
Form Approved by the Attorney General, State of Tennessee

Appendix D: Virginia's Schedule Blanket Bond

**PUBLIC OFFICIAL
SCHEDULE BOND
(Continuous for Indefinite Term)**

**Travelers Casualty and Surety Company of America
One Tower Square, Hartford, CT 06183**

Bond No. 105999054

KNOW ALL MEN BY THESE PRESENTS, that **Travelers Casualty and Surety Company of America**, of Hartford, Connecticut, a corporation organized and existing under the laws of the State of Connecticut, hereinafter called the Surety, is held and firmly bound unto **Commonwealth of Virginia**, hereinafter called the Obligee, in the sums as set forth in the schedule forming part of this bond, or as hereafter added to said schedule as hereinafter provided, for the payment of which said sums the Surety binds itself, its successors and assigns, firmly by these presents.

WHEREAS, the Obligee desires to have the various officers, employees or other incumbents, all hereinafter called the Principals, as named in the schedule, or as hereafter added to said schedule as hereinafter provided, bonded for the faithful performance of their duties in the capacities and in the amounts set opposite their respective names in said schedule.

NOW, THEREFORE, THE CONDITION OF THIS OBLIGATION IS SUCH that if each Principal named in the schedule or hereafter added to the schedule, as hereinafter provided, shall faithfully perform the duties of his/her office or employment, as required by law, and at the expiration of his/her term or employment shall pay over and deliver all money, records, and property that may come into his/her possession, then this obligation to be void; otherwise to remain in full force and effect.

PROVIDED, HOWEVER, that this bond is executed and accepted subject to the following agreements and limitations:

FIRST: As to Principals named in the attached schedule, the Surety shall not be liable for losses occurring prior to the date of this bond, and as to Principals hereafter added to the schedule, as hereinafter provided, the Surety shall not be liable for losses occurring prior to the effective dates of such additions to the schedule.

SECOND: The Obligee may, during the continuance of this bond, add other Principals to the schedule, by giving written notice to the Surety, and may likewise increase or decrease the amounts of suretyship as to any Principal or Principals, by giving like written notice to the Surety. Such additions of Principals, and increases or decreases of the suretyship on Principals, shall be effective on the date when the Surety shall receive written notice thereof from the Obligee.

THIRD: The aggregate liability of the Surety on account of any one Principal shall in no event exceed the largest single amount for which said Principal is at any time bonded hereunder, regardless of the number of years this bond, or the renewals thereof, shall continue in force; nor shall the Surety be liable for an amount in excess of the amount for which said Principal is bonded during the period when the loss occurred.

FOURTH: Upon the payment of any loss on any Principal under this bond, the Obligee shall, to the extent of the payment so made, assign to the Surety the claim of the Obligee against said Principal.

FIFTH: This bond shall remain in full force and effect until canceled and terminated by either the Obligee or the Surety as follows:

- (1) The Obligee may cancel and terminate this bond either in its entirety or as to any individual Principal or Principals by giving the Surety written notice, in which event the cancellation and termination shall be effective on the date when the Surety shall receive such notice.
- (2) The Surety may cancel and terminate this bond either in its entirety or as to any individual Principal or Principals by giving written notice to the Obligee, in which event the cancellation and termination shall be effective thirty (30) days after the Obligee shall have received such notice.

IN WITNESS WHEREOF, **Travelers Casualty and Surety Company of America** has caused this bond to be signed by its Attorney-in-Fact, and its corporate seal to be hereunto affixed this 27th day of September, 2013.

Travelers Casualty and Surety Company of America

By: _____

Wayne G. McVaugh, Attorney-in-Fact



CITY AND COUNTY CONSTITUTIONAL OFFICERS

2013 - 2014 Term

LOCATION	TREASURER/ FINANCE DIRECTOR	CLERK OF THE COURT	COMM. OF THE REVENUE	SHERIFF/ JAIL SUPER./ JAIL OFFICER
ACCOMACK COUNTY (Accomac VA)	\$ 500,000	\$ 350,000	\$ 3,000	\$ 30,000
ALBEMARLE COUNTY (Charlottesville VA)	\$ 750,000	\$ 3,000,000	\$ 3,000	\$ 30,000
ALEXANDRIA CITY (Alexandria VA)	\$ 1,500,000	\$ 2,100,000	\$ 3,000	\$ 30,000
ALLEGHANY COUNTY (Covington VA)	\$ 400,000	\$ 103,000	\$ 3,000	\$ 30,000
AMELIA COUNTY (Amelia VA)	\$ 300,000	\$ 1,110,000	\$ 3,000	\$ 30,000
AMHERST COUNTY (Amherst VA)	\$ 500,000	\$ 1,450,000	\$ 3,000	\$ 30,000
APPOMATTOX COUNTY (Appomattox VA)	\$ 400,000	\$ 115,430	\$ 3,000	\$ 30,000
ARLINGTON COUNTY (Arlington VA)	\$ 1,000,000	\$ 3,000,000	\$ 3,000	\$ 30,000
AUGUSTA COUNTY (Verona VA)	\$ 750,000	\$ 1,200,000	\$ 3,000	\$ 30,000
BATH COUNTY (Warm Springs VA)	\$ 300,000	\$ 103,000	\$ 3,000	\$ 30,000
BEDFORD CITY (Bedford VA)	\$ 500,000	\$ 103,000	\$ 3,000	\$ 30,000
BEDFORD COUNTY (Bedford VA)	\$ 750,000	\$ 1,500,000	\$ 3,000	\$ 30,000
BLAND (Bland VA)	\$ 300,000	\$ 105,000	\$ 3,000	\$ 30,000
BOTETOURT COUNTY (Fincastle VA)	\$ 500,000	\$ 270,000	\$ 3,000	\$ 30,000
BRISTOL CITY (Bristol VA)	\$ 500,000	\$ 645,000	\$ 3,000	\$ 30,000
BRUNSWICK COUNTY (Lawrenceville VA)	\$ 400,000	\$ 300,000	\$ 3,000	\$ 30,000
BUCHANAN COUNTY (Grundy VA)	\$ 400,000	\$ 450,000	\$ 3,000	\$ 30,000
BUCKINGHAM COUNTY (Buckingham VA)	\$ 400,000	\$ 330,000	\$ 3,000	\$ 30,000
BUENA VISTA CITY (Buena Vista VA)	\$ 500,000	\$ 395,000	\$ 3,000	\$ 30,000
CAMPBELL COUNTY (Rustburg VA)	\$ 750,000	\$ 1,000,000	\$ 3,000	\$ 30,000
CAROLINE COUNTY (Bowling Green VA)	\$ 400,000	\$ 400,000	\$ 3,000	\$ 30,000
CARROLL COUNTY (Hillsville VA)	\$ 400,000	\$ 1,525,000	\$ 3,000	\$ 30,000
CHARLES CITY COUNTY (Charles City VA)	\$ 300,000	\$ 265,000	\$ 3,000	\$ 30,000
CHARLOTTE COUNTY (Charlotte Ct. House)	\$ 400,000	\$ 1,000,000	\$ 3,000	\$ 30,000
CHARLOTTESVILLE CITY (Charlottesville VA)	\$ 500,000	\$ 550,000	\$ 3,000	\$ 30,000
CHESAPEAKE CITY (Chesapeake VA)	\$ 500,000	\$ 3,000,000	\$ 3,000	\$ 30,000
CHESTERFIELD COUNTY (Chesterfield VA)	\$ 1,000,000	\$ 2,485,000	\$ 3,000	\$ 30,000
CLARKE COUNTY (Berryville VA)	\$ 400,000	\$ 135,000	\$ 3,000	\$ 30,000
CLIFTON FORGE CITY (Clifton Forge VA)	\$ 500,000	\$ 103,000	\$ 3,000	\$ 30,000
COLONIAL HEIGHTS CITY (Colonial Heights VA)	\$ 500,000	\$ 103,000	\$ 3,000	\$ 30,000
COVINGTON CITY (Covington VA)	\$ 500,000	\$ 103,000	\$ 3,000	\$ 30,000

Statute Authorizing Virginia's Blanket Surety Bond Program

§ 2.2-1840. Blanket surety bond plan for state and local employees

A. Subject to the approval of the Governor, the Division shall establish a program of blanket surety bonding to provide surety for the faithful performance of duty for all state employees required by statute to be bonded, and for other agency employees handling funds or having access to funds whose function, in the opinion of the agency head and the Division, should be bonded.

B. Local employees, including superintendents and jail officers of regional jail facilities as described in § 53.1-110, local constitutional officers, and those employees of the Supreme Court for whom the Commonwealth pays all or part of the costs of surety bonds shall be required to participate in the blanket surety bond program adopted by the Division through the Comptroller and the Compensation Board. The Division shall exclude clerks of the circuit court with respect to the moneys they hold pursuant to § 8.01-582 insofar as coverage is provided under § 2.2-1841 for their faithful performance concerning those moneys. Before implementing the program, the Division shall determine that the program will be of less cost to the Commonwealth than the aggregate of individual bonds costs.

C. The blanket surety bonding plan for state employees shall be submitted to the Governor for approval prior to implementation.

D. Employees or officers of a public service authority created under the Virginia Water and Sewer Authorities Act (§ 15.2-5100 et seq.) may participate in the blanket surety bond program adopted by the Division through the Comptroller and the Compensation Board whenever any federal or state agency lends or guarantees funds to a public service authority created under the Virginia Water and Sewer Authorities Act where the funds are utilized in the construction or capitalization of projects authorized under the Act, and there is a condition of the loan or guarantee that those employees or officers of the authority who have access to the funds be bonded. Participation by such employees or officers shall be approved by the governing body of the county or city that created the authority or is a member of the authority, with approval of the Division.

Appendix E: Example of Amendment to Establish Blanket Surety Bonds as an Alternative to Individual Surety Bonds

AN ACT to amend Tennessee Code Annotated, Title 8, Chapter 19 relative to bonding and insurance requirements for local government officials.

WHEREAS, it is the intention of the General Assembly that blanket surety bonds covering two or more public officials within a single contract be allowed as a substitute for separately executed individual surety bonds in order to reduce issuance and administrative costs incurred in holding public officials individually accountable under the state's surety bonding requirements; now, therefore,

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF TENNESSEE:

Section 1. Amend Tennessee Code Annotated, Section 8-19-101 by deleting subsection (c) in its entirety and by substituting instead the following:

(c)

(1) Notwithstanding any other provision of law to the contrary, any county, municipality, metropolitan government, or other political subdivision of this state, including independent school districts, may use a blanket surety bond to meet the bonding requirements imposed on its officers by this code. As used in this chapter, "blanket surety bond" means a bond that

(A) covers two (2) or more officers who are otherwise required by law to be bonded;

(B) specifies the positions covered, their corresponding statutory bond amounts as required by this code, the dates of coverage, and the persons or entities to whom or to which the bond is payable; and

(C) meets the requirements of this chapter, including the terms of the bond as specified in Section 8-19-111 and the liability imposed on the officer as principal on the bond by Section 8-19-301.

(2) The bond shall be filed and recorded in the office of the county clerk. Such signing, filing, and recording shall be in lieu of any other endorsement, signing, filing, approval, or recording otherwise required by law for individual bonds.

(3) No local government's purchase of a blanket surety bond shall alter its immunity, liability, or responsibility under the Governmental Tort Liability Act compiled in title 29, chapter 20.

Section 2. Tennessee Code Annotated, Section 8-19-101(e), is amended by deleting the words "blanket surety bond" and substituting instead the words "government crime insurance" and by deleting the words "blanket bond" and substituting instead the words "government crime insurance."

Section 3. This act shall take effect January 1, 2015, the public welfare requiring it.

Appendix F: Risk Management Tools in Other States, County Government

State	Bonds	Blanket Bond	Insurance	Pool	Self-insurance
Alabama	Positions required to be bonded specified by statute or county commission.	At the discretion of county commission.			
Alaska					
Arizona	Officers may be required to give bond.				
Arkansas				Self-insured pool.	
California	Positions required to provide bond specified in statute. Amounts set by board of supervisors.	Master bond in lieu of individual bond.	Crime insurance policy in lieu of individual bonds.		The board of supervisors may adopt a program of self-insurance in lieu of bond.
Colorado	Positions required to provide bond specified in statute.		Crime insurance coverage in lieu of bonds.		
Connecticut	Connecticut has counties but no associated government structure.				
Delaware	Positions required to provide bond specified in statute.	Office of Law may recommend blanket bonds or may recommend comprehensive coverage for all in lieu of bonds.			
Florida	Board of county commissioners may require any officer to be bonded.				
Georgia	Positions required to provide bond specified in statute.	Blanket bonds in lieu of individual bonds.		In lieu of bond, an "interlocal risk management agency" acting as a pool can provide coverage.	
Hawaii	An official bond may be required.				

Insurance as an Alternative to Surety Bonds for Public Officials

State	Bonds	Blanket Bond	Insurance	Pool	Self-insurance
Idaho	Positions requiring bond specified in statute.	Blanket corporate surety bond in lieu of individual bonds.	Crime insurance policy in lieu of individual bond.	Insurance covering public officials can be provided by a pool in lieu of individual bond.	
Illinois	Positions requiring bond specified in statute.				Counties that self-insure under the Local Governmental Tort Immunity Act may also self-insure in lieu of official bonds.
Indiana	Positions requiring bond specified in statute.	By ordinance, blanket bond in lieu of individual bond.	By ordinance, crime insurance policy endorsed to include faithful performance in lieu of individual bond.		
Iowa	Positions accountable for county funds may be bonded.	Blanket bonds in lieu of individual bonds.			
Kansas	Positions required to provide bond specified in statute.	Blanket bonds allowed in lieu of individual bonds.			
Kentucky	Those handling public funds must be bonded.	Blanket bonds in lieu of individual bonds.			
Louisiana	Positions required to provide bond specified by statute.				The office of risk management may self-insure bonds for public officers.
Maine	Positions required to provide bond specified in statute.			Public sector self-funded risk pool used in lieu of official bond.	
Maryland	Positions required to provide bond specified in statute.	Blanket bonds in lieu of individual bonds.			

State	Bonds	Blanket Bond	Insurance	Pool	Self-insurance
Massachusetts	Positions required to provide bond specified in statute.				
Michigan	Positions required to provide bond specified in statute.	Discretion of county board of commissioners to use blanket bond or combination of blanket and individual bonds.			
Minnesota	County board can require a surety bond for officials.	In counties more than 250,000 (except for Ramsey County) a schedule or position bond may be used in lieu of individual bonds. Blanket bond also allowed for county treasurer's office.			
Mississippi	Positions required to provide bond specified in statute.				
Missouri	Positions required to provide bond specified in statute.				
Montana	All elected and appointed officers and employees must be bonded.	Allowed to use blanket bonds in lieu of individual bonds.			
Nebraska	Positions required to provide bond specified in statute. The county clerk may require bonds of some positions.	May use a schedule, position, blanket bond or undertaking in lieu of individual bonds or a single corporate surety fidelity, schedule, position, or blanket bond or undertaking.			

Insurance as an Alternative to Surety Bonds for Public Officials

State	Bonds	Blanket Bond	Insurance	Pool	Self-insurance
Nevada	Positions required to provide bond specified in statute.	Blanket fidelity bond or blanket position bonds in lieu of individual bond, except for county treasurer.			
New Hampshire		Specific positions must be covered by a blanket undertaking from a corporate surety.			
New Jersey	Surety bond required for those handling public funds.	Blanket bond allowed in lieu of individual bonds.		A joint insurance fund can provide blanket bond coverage in lieu of individual bonds.	
New Mexico	Positions required to provide a bond specified in statute.				
New York	Positions required to provide an official undertaking specified in statute.				
North Carolina	Positions required to provide bond specified in statute and those who handle more than \$100 must give bond as determined by the local governing board.	Blanket faithful performance bonding in lieu of individual bonds.			
North Dakota		Blanket bond issued through the State Bonding Fund.		State Bonding Fund.	
Ohio	Positions required to provide bond specified in statute.	Blanket bond used in lieu of an individual bond except for certain positions.			

State	Bonds	Blanket Bond	Insurance	Pool	Self-insurance
Oklahoma	Positions required to provide bond specified in statute.	Blanket bonds allowed in lieu of individual bonds and can be provided through a specified item in an all risk insurance policy.			
Oregon	By ordinance, may require public officials to file an official undertaking.				
Pennsylvania	Positions required to provide bond specified in statute.	Schedule or blanket bond allowed in lieu of individual bond.	Crime-fidelity insurance with endorsement for faithful performance in lieu of individual bond.		
Rhode Island	No county government. Municipalities handle all local government affairs.				
South Carolina	Positions required to provide bond are specified in statute.	Fidelity bond covering all or portion of officials and employees in lieu of individual bond.			
South Dakota	Positions required to provide bond specified in statute. The board of commissioners may require additional bonds.				
Tennessee	Positions required to provide official bond specified in statute.	All county employees not covered by an individual official bond must be covered by a blanket surety bond.			

Insurance as an Alternative to Surety Bonds for Public Officials

State	Bonds	Blanket Bond	Insurance	Pool	Self-insurance
Texas	Positions required to provide bond specified in statute.				May self-insure in lieu of individual bonds if approved by local governing body and county judge.
Utah	County legislative body determines who shall be bonded.		Counties allowed to use fidelity bond or theft and crime insurance in lieu of individual bonds.		
Vermont	Positions required to provide official bond specified in statute.				
Virginia		Blanket surety bond program established that covers all levels of government.			
Washington	Positions required to provide an official bond specified in statute.				
West Virginia	Positions required to provide official bond specified in statute.	Blanket bonds allowed in lieu of individual bonds.			
Wisconsin	Positions required to provide official bond specified in statute.	Schedule or blanket bonds allowed in lieu of individual bonds.			
Wyoming	Positions required to provide bond specified in statute and those receiving county revenue may be required to be bonded.				

Appendix G: Blanket Surety Bond for Cobb County, Georgia



Old Republic Surety Company Old Republic Insurance Company

(CHECK APPLICABLE COMPANY HEREINAFTER REFERRED TO AS THE SURETY)

PUBLIC OFFICIAL SCHEDULE BOND

(Position Form)

Bond No. APO2121617

THIS BOND CANCELS BOND NUMBER APO212957 ISSUED EFFECTIVE 7/1/2012

THE OBLIGATION

1. KNOW ALL MEN BY THESE PRESENTS, that Old Republic Surety Company, a Wisconsin corporation, authorized to transact business as Surety, in the State of Georgia as Surety, is held and firmly bound unto Per Attached Schedule #1 as Obligee, in the respective sums set opposite the positions listed in the appropriate schedule, or in an endorsement, for the payment of which well and truly to be made the Surety does hereby bind itself, its successors, and assigns, firmly by these presents.

SIGNED, SEALED AND DATED the 17th day of January, 2013.

CONDITION OF THE OBLIGATION

2. The condition of this obligation is such that if each employee occupying any such position shall faithfully discharge the duties thereof while such position is covered hereunder and shall promptly account for and pay over, according to law, all money or property received by them by virtue of such position or, in default thereof, shall pay all damages, costs, and expenses resulting from such default or defaults, then this obligation shall be void, otherwise to remain in full force and effect, subject, however, to the terms and conditions hereinafter set forth.

WHEN COVERAGE EFFECTIVE

3. This bond shall be effective as of January 1, 2013. Positions named in the attached schedule are covered on and after the effective date; positions added by being included in a new schedule identified by the signature of the Surety by an Officer or Attorney-in-Fact and attached as of any premium anniversary date, shall be covered on and after that anniversary date; positions added by endorsement shall be covered on and after the date specified therein.

EXTENT OF SURETY'S LIABILITY

4. The coverage on each position is continuous from the inception of coverage to termination thereof, and the coverage for separate periods shall not be cumulative. The liability of the Surety for the failure of any employee to account for and pay over shall be limited to the failure to account for and pay over funds actually in such employee's possession during the period within which he is covered. If the coverage on any position for separate periods be for different amounts, the maximum liability of the Surety for all defaults of any employee who may occupy that position shall not exceed the largest amount of coverage in force during any period within which defaults shall have occurred, nor shall the coverage for one period be available for defaults occurring within any other period. A failure to account in one period shall not be considered a default occurring during that period unless the funds were actually in the possession of the employee during such period. If an employee occupy, at one time or at different times, two or more covered positions, the maximum liability of the Surety for all defaults of that employee shall not exceed in the aggregate the largest amount of coverage on any position in which defaults of that employee shall have occurred, nor shall the coverage for one position be available for defaults in any other position.

ADDITION OF
POSITIONS —
CHANGE OF
AMOUNTS

5. Positions may be added to the schedule, or the amount of coverage on a position may be changed, upon the written application of the Obligee; such addition or change shall not be effective until the Surety has executed and mailed to the Obligee an endorsement accepting such addition or change, nor until the effective date specified therein.

TEMPORARY
AUTOMATIC
COVERAGE

6. Any newly created position shall be covered automatically for the first sixty days for the smallest amount for which any position of that class is then covered, but in no event for more than Five Thousand Dollars (\$5000), or if there be no other position of that class, for the largest amount for which any position is then covered, but in no event for more than Five Thousand Dollars (\$5000). Recovery under this clause for defaults of any occupant of any such position may not be made unless claim be filed with the Surety within ten days after the expiration of such sixty day period, nor if during such sixty day period such position be covered by schedule or addition thereto as hereinbefore provided.

DISCOVERING
AND REPORTING
LOSS, OR FACTS
INDICATING
LOSS

7. Upon discovery by the Obligee of any loss, or of facts indicating loss, the Obligee shall promptly, and in any event within ten days thereafter, notify the Surety thereof by registered mail addressed to the Surety.

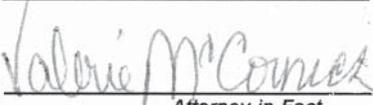
TERMINATION

8. The coverage on any position shall terminate if such position is omitted from the schedule attached as of any anniversary date. The coverage on any employee shall terminate when the employment terminates or the Obligee discovers or becomes aware of any default committed by such employee. The coverage on any employee, or on any position, or the bond in its entirety, may be terminated by written notice from either of the parties to the other. Such notice from the Surety shall become effective thirty days after receipt thereof by the Obligee; such notice from the Obligee shall become effective immediately upon receipt thereof by the Surety.

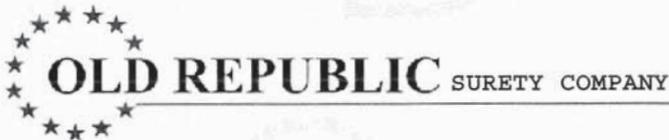
CHANGES IN
PRINTED
PROVISIONS —
HOW MADE

9. The liability of the Surety shall not be affected by any attempt by anyone representing or purporting to represent the Surety to construe or interpret this bond, nor by any change in the printed provisions of the bond made otherwise than by written instrument duly executed by a Vice-President of the Surety or by a printed endorsement duly executed by an Attorney-in-Fact.

Old Republic Surety Company

By  _____
Attorney-in-Fact
Valerie McCormick

PUBLIC OFFICIALS BONDS REQUIRED BY COBB COUNTY					
Schedule #1 Part of Bond #APO2121617 effective 1/1/2014					
Position	Amount Required	No. of Positions	Payable to	Policy Term	
Clerk of State Court	\$25,000	1	Cobb County	01/01/2013 - 01/01/2014	
Public Safety/Police	\$1,000	670	Cobb County	01/01/2013 - 01/01/2014	
Receiver of Child Support	\$150,000	1	Cobb County	01/01/2013 - 01/01/2014	
Deputy Receiver-Child support	\$150,000	1	Cobb County	01/01/2013 - 01/01/2014	
Treasurer of Law Library	\$25,000	1	Cobb County	01/01/2013 - 01/01/2014	
Treasurer of Witness Fund	\$25,000	1	Cobb County	01/01/2013 - 01/01/2014	
County Surveyor	\$1,000	1	Cobb County	01/01/2013 - 01/01/2014	
County Coroner	\$12,500	1	Cobb County	01/01/2013 - 01/01/2014	
County Treasurer/Director of Finance	\$50,000	1	Cobb County	01/01/2013 - 01/01/2014	
Tax Commissioner/ Collector	\$100,000	1	Cobb County	01/01/2013 - 01/01/2014	
ADR Board Administrator	\$25,000	1	Cobb County ADR	01/01/2013 - 01/01/2014	
Chief Deputy Clerk of Superior Ct	\$150,000	1	Clerk of Superior Court	01/01/2013 - 01/01/2014	
Deputy Tax Commissioners	\$50,000	11	Tax Commissioner	01/01/2013 - 01/01/2014	
Chief Deputy Sheriff	\$5,000	1	Cobb County Sheriff	01/01/2013 - 01/01/2014	
Sheriff's Deputies	\$5,000	610	Cobb County Sheriff	01/01/2013 - 01/01/2014	
Commission Chairman	\$50,000	1	Ordinary/Probate Judge	01/01/2013 - 01/01/2014	
Commissioner	\$10,000	1	Ordinary/Probate Judge	01/01/2013 - 01/01/2014	
Commissioner	\$10,000	1	Ordinary/Probate Judge	01/01/2013 - 01/01/2014	
Commissioner	\$10,000	1	Ordinary/Probate Judge	01/01/2013 - 01/01/2014	
Commissioner	\$10,000	1	Ordinary/Probate Judge	01/01/2013 - 01/01/2014	



POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS: That OLD REPUBLIC SURETY COMPANY, a Wisconsin stock insurance corporation, does make, constitute and appoint:

THOMAS H. STONE, JEANETTE RODRIGUEZ, LINETTE RIVERA, DOUGLAS E. BARNETTE, MATTHEW J. STEVENS, VALERIE MCCORMICK, OF WINTER PARK, FL

its true and lawful Attorney(s)-in-Fact, with full power and authority, not exceeding \$20,000,000, for and on behalf of the company as surety, to execute and deliver and affix the seal of the company thereto (if a seal is required), bonds, undertakings, recognizances or other written obligations in the nature thereof, (other than bail bonds, bank depository bonds, mortgage deficiency bonds, mortgage guaranty bonds, guarantees of installment paper and note guaranty bonds, self-insurance workers compensation bonds guaranteeing payment of benefits, asbestos abatement contract bonds, waste management bonds, hazardous waste remediation bonds or black lung bonds), as follows:

ALL WRITTEN INSTRUMENTS IN AN AMOUNT NOT TO EXCEED AN AGGREGATE OF FIVE MILLION DOLLARS(\$5,000,000)----- FOR ANY SINGLE OBLIGATION, REGARDLESS OF THE NUMBER OF INSTRUMENTS ISSUED FOR THE OBLIGATION.

and to bind OLD REPUBLIC SURETY COMPANY thereby, and all of the acts of said Attorneys-in-Fact, pursuant to these presents, are ratified and confirmed. This document is not valid unless printed on colored background and is multi-colored. This Power of Attorney is signed and sealed by facsimile under and by the authority of the following resolutions adopted by the board of directors of the OLD REPUBLIC SURETY COMPANY on February 18, 1982.

RESOLVED that, the president, any vice-president, or assistant vice president, in conjunction with the secretary or any assistant secretary, may appoint attorneys-in-fact or agents with authority as defined or limited in the instrument evidencing the appointment in each case, for and on behalf of the company to execute and deliver and affix the seal of the company to bonds, undertakings, recognizances, and suretyship obligations of all kinds; and said officers may remove any such attorney-in-fact or agent and revoke any Power of Attorney previously granted to such person.

RESOLVED FURTHER, that any bond, undertaking, recognizance, or suretyship obligation shall be valid and binding upon the Company (i) when signed by the president, any vice president or assistant vice president, and attested and sealed (if a seal be required) by any secretary or assistant secretary; or (ii) when signed by the president, any vice president or assistant vice president, secretary or assistant secretary, and countersigned and sealed (if a seal be required) by a duly authorized attorney-in-fact or agent; or (iii) when duly executed and sealed (if a seal be required) by one or more attorneys-in-fact or agents pursuant to and within the limits of the authority evidenced by the Power of Attorney issued by the company to such person or persons.

RESOLVED FURTHER, that the signature of any authorized officer and the seal of the company may be affixed by facsimile to any Power of Attorney or certification thereof authorizing the execution and delivery of any bond, undertaking, recognizance, or other suretyship obligations of the company; and such signature and seal when so used shall have the same force and effect as though manually affixed.

IN WITNESS WHEREOF, OLD REPUBLIC SURETY COMPANY has caused these presents to be signed by its proper officer, and its corporate seal to be affixed this 9TH day of JANUARY, 2013.

Phyllis M. Johnson
Assistant Secretary



Gerald C. Leach
President

STATE OF WISCONSIN, COUNTY OF WAUKESHA-SS

On this 9TH day of JANUARY, 2013, personally came before me, Gerald C. Leach and Phyllis M. Johnson, to me known to be the individuals and officers of the OLD REPUBLIC SURETY COMPANY who executed the above instrument, and they each acknowledged the execution of the same, and being by me duly sworn, did severally depose and say; that they are the said officers of the corporation aforesaid, and that the seal affixed to the above instrument is the seal of the corporation, and that said corporate seal and their signatures as such officers were duly affixed and subscribed to the said instrument by the authority of the board of directors of said corporation.



Kathryn R. Pearson
Notary Public

My commission expires: 9/28/2014

CERTIFICATE

I, the undersigned, assistant secretary of the OLD REPUBLIC SURETY COMPANY, a Wisconsin corporation, CERTIFY that the foregoing and attached Power of Attorney remains in full force and has not been revoked; and furthermore, that the Resolutions of the board of directors set forth in the Power of Attorney, are now in force.

92-0015



Signed and sealed at the City of Brookfield, WI this 17th day of Jan, 2013

James E. Phernoy
Assistant Secretary

OLD REPUBLIC SURETY CORP.

THIS DOCUMENT HAS A COLORED BACKGROUND AND IS MULTICOLORED ON THE FACE. THE COMPANY LOGO APPEARS ON THE BACK OF THIS DOCUMENT AS A WATERMARK. IF THESE FEATURES ARE ABSENT, THIS DOCUMENT IS VOID.

ORSC 22204 (9-10)
ORSC #22851