# SENATE BILL REPORT

# SSB 6451

## AS PASSED SENATE, FEBRUARY 12, 1992

**Brief Description:** Limiting surety liability.

**SPONSORS:** Senate Committee on Financial Institutions & Insurance (originally sponsored by Senators von Reichbauer, Vognild and Rasmussen)

**SENATE COMMITTEE ON FINANCIAL INSTITUTIONS & INSURANCE**

**Majority Report:** That Substitute Senate Bill No. 6451 be substituted therefor, and the substitute bill do pass.
Signed by Senators von Reichbauer, Chairman; Erwin, Vice Chairman; Moore, Owen, Pelz, Sellar, and Vognild.

**Staff:** Tom Fender (786-7414)

**Hearing Dates:** February 7, 1992

**BACKGROUND:**

Surety bonds are issued by a surety to guarantee the contract performance of a principal. As such, they do not indemnify the principal for tortious acts that may be committed in the course and scope of the principal's business activity.

Regardless, there have been attempts to treat surety bonds as insurance for negligent acts by certain trial courts. It is therefore the desire of the surety industry to clarify the statutory language in the interest of eliminating frivolous legal actions.

**SUMMARY:**

Additional statutory notice is provided that a surety bond is not a contract for tort liability insurance.

**Appropriation:** none

**Revenue:** none

**Fiscal Note:** none requested

**TESTIMONY FOR:**

Will eliminate frivolous legal actions and reduce the cost of providing these bonds.

**TESTIMONY AGAINST:** None

**TESTIFIED:** PRO: Doug Bohlke, Contractor Bonding & Insurance Company; Basil Badley, AIA