SENATE BILL REPORT

SB 6451

AS REPORTED BY COMMITTEE ON FINANCIAL INSTITUTIONS & INSURANCE, FEBRUARY 7, 1992

Brief Description: Limiting surety liability.

SPONSORS: 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.

EFFECT OF PROPOSED SUBSTITUTE:

Further statutory clarity is provided.

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