

**THE SURETY & FIDELITY ASSOCIATION OF AMERICA**

**MEMORANDUM**

**TO:** Government Affairs Advisory Committee

**FROM:** Daniel Wanke

**RE:** Fidelity Bond Legislation

**DATE:** April 8, 2015

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There are 38 states and the District of Columbia in session. In all states except New Jersey and Virginia, the 2015 sessions are the start of a new two-year session. The following report compiles and summarizes pre-filed and introduced fidelity bond legislation that SFAA is tracking as of April 8, 2015. For additional information on how SFAA is addressing these bills, as necessary, with the AIA, the local surety associations and other interested parties, please visit the Government Relations page of the SFAA website at [www.surety.org](http://www.surety.org).

<b>Jurisdiction</b>	<b>Bill Number</b>	<b>Recent History</b>	<b>Issue</b>	<b>SFAA Summary</b>
AL	HB 241	03/11/2015 HB 241 has been introduced.	Fidelity Bonds— Homeowners Associations	HB 241 would establish requirements for homeowners associations. The organizational documents for the association would have to provide for fidelity bonds for any person or entity who has custody or control of the association's funds. (03/17)
CT	HB 6875	04/01/2015 HB 6875 has been reported from the Legislative Commissioners' Office.	Fidelity Bond— Background Checks	HB 6875 would revise the existing law to prohibit an employer or its agent, representative or designee from requiring an employee or prospective employee to complete employment application forms that contain a question on the person's criminal history, or to disclose any arrest, charge, or conviction if the records have not been erased. The employer also could not ask questions on the forms about any nonviolent misdemeanor where the arrest, criminal charge or conviction occurred less than five years ago until it is determined that the applicant is otherwise qualified for the position. The applicant could not be denied employment solely for such

				misdemeanors nor could existing employees be discharged solely for this reason. (04/02)
IL	3538	03/26/2015 HB 3538 passed the House Revenue & Finance Committee.	Fidelity Bond— Poker Runs	HB 3538 would eliminate the fidelity bond requirement for poker runs. The law requires the manager of the poker run to obtain a fidelity bond in an amount that the licensing authority determines. The bond must be in favor of the organization and is conditioned on the manager's honesty in the performance of his or her duties. (02/27)
KS	SB 240	04/02/2015 The Senate has agreed to the conference report for SB 240.	Fidelity Bonds— Depository Institutions	SB 240 would revise the insurance and bonding requirements for banks that accept customer deposits by repealing the blanket fidelity bond requirement for banks that do not insure their deposits through the Federal Deposit Insurance Corporation (FDIC) and insure their deposits through a private insurer. The law requires the bond to cover the bank's officers and employees in an amount of not less than 100% of the average total amount of all deposits in the bank. The bill would eliminate the option to insure deposits with a private insurer and would mandate that state banks insure their deposits through the FDIC. The bill would allow state banks to post a surety bond to insure the amount of their deposits that are in excess of the FDIC's coverage limit. (03/25)
MT	SB 53	03/25/2015 SB 53 has been enacted.	Fidelity Bond— Credit Unions	SB 53 revises the requirements of the members of the board of directors for a credit union to eliminate an option granted under prior law to provide the blanket fidelity bond coverage required under current law only for its treasurer that otherwise is required to cover the credit union's directors, officers, employees, members of an official committee, or other agents. The new law becomes effective October 1, 2015. (04/01)

NC	HB 514/ SB 563	04/02/2015 HB 514/SB 563 have been introduced.	Fidelity Bond— Community Association Managers	<p>HB 514/SB 563 would require community association managers to be covered by a fidelity bond or insurance policy in an amount not to exceed \$2 million. The bond would have to cover the manager and all of its employees engaged in accounting related to the association's funds and would have to protect such funds that are in the manager or its employees' custody. The company issued the bond could cancel the bond with 30 days' written notice, or with 10 days' notice in the case of non-payment of premium.</p> <p>The bill also would require private community association managers schools to be licensed and post a \$5,000 surety bond conditioned on compliance with the applicable laws, the fulfillment of the school's agreements with its students for providing instruction, and the refund of any tuition or fees for failing to provide instruction. (04/02)</p>
NH	SB 57	04/01/2015 SB 57 passed the Senate and is scheduled for a hearing in the House Commerce and Consumer Affairs Committee on 4/8/15.	Fidelity Bond—Unit Owners' Associations	<p>SB 57 would require a unit owners' association to maintain insurance or a fidelity bond for all persons who control or disburse funds for the association. The insurance policy or fidelity bond would have to cover the maximum funds that will be in the custody of the association or its management agent at any one time. (03/28)</p>
OR	SB 1	03/06/2015 SB 1 has been enacted.	Fidelity Bond— Public Officials	<p>SB 1 eliminates the Oregon Health Insurance Exchange Corporation whose executive director must furnish a fidelity bond. With the elimination of this corporation and its officials, the bond requirement has been eliminated as well. (03/10)</p>
UT	HB 24	03/27/2015 HB 24 has been enacted.	Fidelity Bond— Statute of Limitations	<p>HB 24 revises the statute of limitations for making claims on the fidelity bonds to specify that the current three-year statute of limitations for insurance policies would run from the date the insurer first denies all or part of a claim made under a fidelity bond. SFAA recommended an amendment so that the inception of a loss or cause of action under a fidelity bond is the earlier of the date the insurer denies all or part of the claim. The claim is</p>

				deemed denied if the insured is in breach of any obligations under the bond to file a proof of loss. Otherwise the insured could extend the statute of limitations indefinitely by not filing a proof of loss. This was an insurance department bill, however, in response to alleged claims handling problems involving credit unions. The new law becomes effective May 12, 2015. (04/03)
UT	SB 143	03/30/2015 SB 143 has been enacted.	Fidelity Bond—Title Insurance Agencies	SB 143 increases the minimum amount of the fidelity bond, liability insurance, or equivalent “financial protection” required for title insurance agencies from \$50,000 to \$250,000. The new law becomes effective June 12, 2015. (03/31)
WY	HB 61	03/02/2015 HB 61 has been enacted.	Fidelity Bond—Trust Companies	HB 61 regulates chartered family trust companies. The new law requires directors or managers of a chartered family trust company to obtain fidelity bonds in an amount not less than \$1 million on any of the company’s active officers, managers, members acting in a managerial capacity, and employees. The bond indemnifies the company against loss because of any dishonest, fraudulent or criminal act or omission by any of these persons. The new law becomes effective July 1, 2015. (03/03)