



National Association of Surety Bond Producers

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Senate Finance Committee (FIN)
3 East, Miller Senate Building
11 Bladen Street
Annapolis, MD 21401-1991

Chairman Thomas M. Middleton
3 East Miller Senate Office Building
11 Bladen St., Annapolis, MD 21401

Vice-Chairman John C. Astle
123 James Senate Office Building
11 Bladen St., Annapolis, MD 21401

RE: NASBP's Strong Opposition to SB 851(Conway)

Dear Chairman Middleton, Vice-Chairman Astle, and Members of the Senate Finance Committee:

The National Association of Surety Bond Producers (NASBP), a national trade association of professional surety bond producers, whose membership includes businesses employing licensed surety bond producers placing bid, performance, and payment bonds in Maryland and elsewhere in the United States, strongly opposes Senate Bill 851, which proposes a registration system for individual sureties seeking to issue surety bonds in Maryland.

As background, in 2006 the Maryland General Assembly enacted a law to permit individual sureties (i.e., natural persons, not authorized surety companies) to write surety bonds for prime contracts on state public works projects without obtaining a certificate of authority as an authorized insurer from the Maryland Insurance Administration (MIA). This law was set to sunset in 2009, but was extended to September 2014. In December of 2013, the MIA released a study of individual and corporate surety activity in the State, which included among its conclusions that corporate sureties had increased the writing of small businesses in Maryland, that corporate sureties were a vibrant market in Maryland, that individual sureties had written very few bonds since the effective date of the 2006 law, and that individual sureties had engaged in situations of misrepresentations and fraudulent conduct in various states throughout the country.

Legislation has been introduced this session, SB 337 (Conway), to extend the 2006 law until 2019, which would permit individual sureties to continue to write surety bonds on certain contracts in the State without having to obtain a certificate of authority from the MIA and be subject to its jurisdiction. NASBP strongly opposes SB 337, as it would continue to permit an unregulated surety market in Maryland at the expense of the welfare of Maryland taxpayers and consumers.

NASBP also strongly opposes SB 851, as it simply requires a registration process, which is not equivalent to the process for obtaining a certificate of authority from the Maryland Insurance Commissioner. More specifically, NASBP objects to SB 851 because:

- It contemplates a registration requirement that is deficient and, for example, does not even address the standards to deny registration and entry into the state;
- It infers that individual sureties can write subcontract bonds, which is beyond the current scope of the 2006 law; and
- It does not require the necessary due diligence by the MIA to conduct an initial investigation and ongoing investigations into character, experience, abilities and financial assets and wherewithal to write surety bonds and to pay and manage claims against these bonds that are required of corporate sureties that have a Certificate of Authority from the MIA to do business in Maryland.

NASBP believes that it is vital for purposes of protecting consumers and taxpayers that all insurers should be subject to adequate oversight and control of the MIA and that **no insurer should be exempt from having to obtain a certificate of authority as a prerequisite to conducting surety business in the State of Maryland.**

SB 851 provides no protections to the State or consumers, nor does it provide any oversight of individual sureties. For these reasons and those set forth above, we urge an **UNFAVORABLE REPORT** on SB 851.

Please feel free to contact Larry LeClair, Director, Government Relations, at 202-686-3700 or at lleclair@nasbp.org if you have any further questions.