



NATIONAL ASSOCIATION OF SURETY BOND PRODUCERS

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March 21, 2011

Chairman Garnet Coleman
House Committee on County Affairs
CAP GW. 17
P.O. Box 2910
Austin, TX 78768

Re: Section 18 HB 1694 Commissioners' Court to establish financial criteria for accepting surety companies

Dear Chairman Coleman:

On behalf of the National Association of Surety Bond Producers (NASBP), a national trade organization of professional surety bond producers and brokers, whose membership includes licensed resident bond agents conducting business in Texas, I am writing you regarding our concerns with HB 1694, specifically, Section 18, which would allow the Commissioners' Court to establish the financial criteria for accepting surety companies that provide bid, payment or performance bonds. It is unclear of the legislative intent of the bill and why the Commissioners' Court would assume the responsibility of reviewing the financial criteria of surety companies, which is the regulatory responsibility of the Texas Insurance Department.

As you are aware, the Texas Insurance Department's mission is to protect consumers and to ensure solvency in the marketplace. It licenses and regulates companies that write surety bonds in Texas and provides information to consumers on these companies. Furthermore, the Texas Insurance Department is responsible for performing periodic examinations of companies which write insurance in Texas to ensure that they are able to fulfill their contractual agreements with policyholders.

However, HB 1694 and its companion SB 413 appear to duplicate the regulatory authority of the Texas Insurance Department. As such, significant questions arise: Does the Commissioners' Court possess the knowledge and expertise to examine the financial criteria of surety insurers? Moreover, given the current economic problems, how would the state of Texas benefit from creating duplicative county agencies to perform a regulatory function that is already being performed well by the Texas Insurance Department? Would a duplicative regulatory scheme engender more confusion on the part of surety insurers and consumers making Texas a less attractive market?

In addition to the Texas Insurance Department, the National Association of Insurance Commissioners (NAIC) stands ready to assist state insurance regulators and consumers in serving the public interest. The NAIC's Consumer Information Source (CIS) provides information about insurance companies the consumer may consult before purchasing insurance.

Based on the concerns raised above, NASBP believes that Section 18 should be removed from the bills and the role of regulating sureties should remain under jurisdiction of the Texas Insurance Department. Section 18 creates a duplicative oversight and regulatory scheme that, if adopted, would lead to multiple, confusing and conflicting standards. Furthermore, it remains to be seen if counties would have the expertise and the manpower to enforce and administer these standards.

For the foregoing reasons, NASBP respectfully ask that you remove Section 18 from HB 1694.

Thank you for your consideration with this matter.

Sincerely yours,

A handwritten signature in black ink, appearing to read "Larry LeClair". The signature is written in a cursive, flowing style.

Larry LeClair
Director, Government Relations