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# STATE OF CONNECTICUT

## INSURANCE DEPARTMENT

### Testimony

#### Insurance and Real Estate Committee

February 14<sup>th</sup> 2013

Honorable Members of the Committee;

The Insurance Department appreciates the intent but opposes HB 5633, An Act Concerning Surety Bail Bond Agents. The intent of this legislation is to allow for an inactive status for a Surety Bail Bond Agent's license, and to exempt from examination and statutorily mandated fees any agent who has not executed any bail bonds in a given year.

The Department is concerned that it would have no way to administer it in a manner that is fair to the bail bond industry and provides the safeguards that have been put in place since the last time the laws related to bail bond producers were amended. The Department believes the proposed procedure is unworkable.

The concept advanced by HB 5633 is unprecedented and inconsistent with any other of the many license types regulated by the Department. Current laws do not allow the Department to place any license in "inactive" status. Rather all licensees are identified by either an "active" or "cancelled" license status. Adding a new category would require manual monitoring and processing and changes to the Department's computer systems, all of which would cause additional work and without the commensurate positive outcome. More importantly, the Department has no access to a database of executed bonds; consequently, it would be extremely difficult to confirm that an agent has met all the requirements, as provided in the bill, so that her or his license may be placed in "inactive" status. In order to obtain such information, our agency would need to make special requests to the pertinent court clerk's office, which would have to research available records for the relevant period, i.e. a year, and would have to manually produce a report, with added burden and substantial inconvenience to that office as well.

Passage of this legislation may offer an unfair advantage to certain bond agents. It is conceivable that some bail bond agents could use such system to circumvent current requirements. For example, any bail bond agent with a license in "inactive" status could continue to solicit business, and then refer the bond to another bond agent and receive a referral fee for the business. These "inactive" status bail bond persons would not be responsible to provide reports, account for transactions or pay for assessment fees. In effect, any bail bond agent bent on gaming the system would still be able to conduct business, generate income and gain a comparative advantage over other agents by not having to pay the same fee structure as other active status bond agents everybody else be subject to the same legal requirements as other active status bond agents.

As you may know, the payment of the annual assessment and all the reporting requirements currently in place are crucial underpinnings of the Public Act 11-45. This Act established the fee to cover the cost of audits and proper monitoring of the bail bond industry through a number of mechanisms designed to prevent abuses. The audits ensure that the provisions of the new law are being followed and a number of its requirements allow for proper monitoring. It is important to note that surety bail bond agents are required to keep records for at least three years from the date of disposition of the case.

Exempting some bond agents from audits or from complying with all the requirements of P.A. 11-45 is ill advised because it would provide the opportunity for a wayward bail bond agent to abuse the system. Such a proposal makes it virtually impossible for the Department to verify the conditions to place licensees in an "inactive" status and, effectively provides a loophole that would facilitate the circumvention of the very safeguards that were put in place to prevent abuses in the bail bond industry.

The Department urges the Committee to reject this legislation.