



STATE OF CONNECTICUT

INSURANCE DEPARTMENT

Testimony Insurance and Real Estate Committee March 1, 2016

House Bill No. 5235 An Act Concerning Surety Bail Bond Agents.

Senator Crisco, Representative Megna, Ranking Members, and members of the Insurance and Real Estate Committee, the Insurance Department would like to thank the Committee for introducing this initiative on our behalf and raising, **House Bill No. 5235 An Act Concerning Surety Bail Bonds Agents**, and appreciates the opportunity to provide the following testimony.

This bill intends to bring the industry to a level regulatory field with that of other industries regulated by the Department. This bill would do three things:

1. Allow the Department to strengthen enforcement of the annual \$450 assessment fee,
2. Change the sweep date on remaining assessment fee funds from the end of the fiscal year to the end of the calendar year, and
3. Regulate continuing education requirements for the industry.

The first provision of this bill will cause the license of a surety bail bond agent to automatically expire on February 1st if the surety bail bond agent fails to pay the \$450 annual fee by the January 31st deadline. In this scenario, the license will be immediately reinstated if the fee is received not later than 10 days after the expiration of the license. Currently the Department can address such failure only within the framework set by the Uniform Administrative Procedure Act. Given the extended period of time necessary to take action against licensees who violate the insurance laws required by the Uniform Administrative Procedure Act, **bondsmen are currently able to delay payment of their annual fee for several months** by delaying payment until just before any administrative action is taken to suspend or revoke their license.

The second provision of this bill relates to the retention of funds allotted for the audit of the business practices of surety bail bond agents. Currently, the Department only has the funds from January 31st until June 30th. This would extend the period from June 30th until December 31st of the same year. **The Auditors of Public Accounts 2014 Annual Report¹ made the following comment:**

"...fees are due on January 31st of each year, limiting the Insurance Department to a six-month window to transact from the fund."

About the Connecticut Insurance Department: The mission of the Connecticut Insurance Department is to protect consumers through regulation of the industry, outreach, education and advocacy. The Department recovers an average of more than \$4 million yearly on behalf of consumers and regulates the industry by ensuring carriers adhere to state insurance laws and regulations and are financially solvent to pay claims. The Department's annual budget is funded through assessments from the insurance industry. For every dollar of direct expense, the Department brings in about \$7.45 to the state in revenues. Each year, the Department returns more than \$215 million in assessments, fees and penalties to the state's General Fund.

The payment of the annual fee is crucial to the Department's ability to regulate the industry because it makes it possible to cover the cost of audits and proper monitoring of the bail bond industry through a number of mechanisms designed to prevent abuses. Audits ensure that the provisions of the laws relating to surety bail bond agents are being followed and current requirements fulfilled. The proposed amendment would extend the statutory time in which the Department can use the funds in the account from the end of the fiscal year to the end of the calendar year, thus extending the period over which the Department is able to perform bail bond audits.

Finally, some of the issues that the Department has encountered in regulating the bail bond industry arise due to misinformation in the industry regarding applicable laws, regulations and correct business practices. In this respect, the Department believes that proper training of a continuous nature will eliminate such issues and will benefit the public, the Department and the industry by establishing uniform performance standards. To accomplish this goal, the third provision of the proposed bill gives the authority to the Commissioner to institute a program of continuing education for surety bail bond agents.

The Department thanks the Insurance and Real Estate Committee Chairs and members for the opportunity to submit testimony on H.B. 5235.

i

https://www.cga.ct.gov/apa/reports/annual/Annual%20Report%20to%20the%20Connecticut%20General%20Assembly_20150130_CY2014.pdf

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