

OFFICE OF LEGISLATIVE RESEARCH
PUBLIC ACT SUMMARY



PA 19-83—SB 815

Higher Education and Employment Advancement Committee

AN ACT ALLOWING INSURANCE POLICIES IN LIEU OF SURETY BONDS

SUMMARY: This act allows the Connecticut Health and Educational Facilities Authority (CHEFA) and its subsidiary, the Connecticut Higher Education Supplemental Loan Authority (CHESLA), to each obtain an insurance policy or policies in lieu of a surety bond to cover the authority if certain individuals fail to faithfully perform their duties.

Prior law required (1) each CHEFA board member to execute a \$50,000 surety bond, and the executive director and other authorized officers to execute a \$100,000 surety bond, and (2) the CHESLA chairperson, vice-chairperson, executive director, other board members authorized to handle funds or sign checks, and any other authorized officer to execute a \$50,000 surety bond. Alternatively, the law requires the CHEFA and CHESLA board chairpersons to each execute a blanket position bond covering their executive director, board members, and other authority employees. The authorities must pay the cost of each such bond (see BACKGROUND).

The act allows CHEFA or CHESLA to choose to obtain an insurance policy instead of a surety bond; if so, the policy must be in the penal sum of at least \$100,000 for each occurrence (see BACKGROUND). The policy must cover the applicable authority if the executive director or other officer, employee, or board member performing specific directorial acts fails to faithfully perform his or her duties. The authority must determine any applicable deductible or self-insured retention (see BACKGROUND) and pay the coverage cost of the policy.

The act also makes two technical changes.

EFFECTIVE DATE: July 1, 2019

BACKGROUND

Position Bond

A position bond compensates a company in the event of employee fraud, including the theft of money, securities, or property. The bond limits the coverage to each position named in the policy, regardless of how many people hold that position.

Penal Sum

Similar to an insurance policy limit, a penal sum is the maximum amount of money a surety company will pay out under a bond.

OLR PUBLIC ACT SUMMARY

Self-Insured Retention

Self-insured retention is the dollar amount specified in a liability insurance policy that the insured must pay before the insurance policy will respond to the loss.