STATE OF TENNESSEE

PUBLIC CHAPTER NO. 6

SENATE BILL NO. 17

By Stanley

Substituted for: House Bill No. 74

By Matlock, Sargent, Harwell, Armstrong, Fitzhugh, Pitts

AN ACT to amend Tennessee Code Annotated, Title 9, Chapter 4, relative to public funds.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF TENNESSEE:

SECTION 1. Tennessee Code Annotated, Section 9-4-103, is amended by deleting subdivision (10) in its entirety and by substituting instead the following:

(10) A surety bond issued by an insurance company licensed under the laws of the State of Tennessee meeting the following:

(A)(i) The company has a financial strength rating (also known as claims-paying ability) in one of the two highest categories by at least one nationally recognized statistical rating agency; and

(ii) Meets any other financial or participation criteria and conditions established by the state funding board;

(B) The company offering the surety bond and the form of the bond is approved by the state funding board;

(C) The amount of surety bond pledged by any one (1) state depository or qualified public depository in lieu of other eligible collateral shall not exceed thirty million dollars ($30,000,000) or fifty percent (50%) of all collateral for that institution required to be pledged to the state treasurer or to the collateral pool, whichever is lower;

(D) The treasurer shall monitor the financial strength rating of a qualified insurance company not less than weekly and at least annually, file a report with the state funding board and the collateral pool board, on the condition of the qualified insurance company. If the condition of an insurer changes to the extent that the issuer would no longer be qualified under the requirements of subdivision (A), the treasurer shall immediately notify the state funding board and the collateral pool board; and the insurer shall thereafter become disqualified;

(E) In the event an insurer becomes disqualified under subdivision (D), the state depository or qualified public depository using such insurer's surety bond shall be required within thirty (30) days notice from the treasurer to substitute other eligible collateral or to otherwise meet the required collateral level;

(F) Notwithstanding the disqualification of an insurer under subdivision (D) and (E), the surety bond of the insurer shall remain in effect until its expiration, non-renewal, or termination as otherwise permitted by law;

(G) In addition to such authority otherwise provided in this statute or by law, the state treasurer may require the state depository or qualified public depository to promptly pledge eligible collateral in lieu of the surety bond if the treasurer makes a finding that such additional collateral is necessary to protect public funds;

(H) A surety bond authorized in this subdivision may only be used to secure funds in the custody of the state treasurer or to secure funds covered by the collateral pool created under Part 5 of this chapter; and

(I) In the event that an issuer of surety bonds desires to withdraw from the program or to terminate a surety bond, the bond issuer shall give the state treasurer and the insured state depository or qualified public depository not less than sixty (60) days advance notice of the withdrawal, non-renewal, or cancellation of the bonds.

SECTION 2. This act shall take effect upon becoming a law, the public welfare requiring it.

PASSED: March 2, 2009

RON RAMSEY
SPEAKER OF THE SENATE

KENT WILLIAMS, SPEAKER
HOUSE OF REPRESENTATIVES

APPROVED this 16th day of March 2009

PHIL BREDESEN, GOVERNOR