OHIO LEGISLATIVE SERVICE COMMISSION

Tom Wert

Fiscal Note & Local Impact Statement

Bill: H.B. 291 of the 132nd G.A. **Status:** As Enacted

Sponsor: Rep. Wiggam **Local Impact Statement Procedure Required:** No

Subject: Allows certain political subdivisions to purchase employee dishonesty and faithful performance of duty insurance policies rather than surety bonds

Local Fiscal Highlights

- Political subdivisions that purchase insurance policies to cover employee dishonesty in place of surety bonds may incur increased insurance premium costs but obtain better financial protection should a claim arise. This is because surety bonds that are required under current law have comparatively low coverage limits.

Detailed Fiscal Analysis

The bill authorizes certain counties, townships, or municipal corporations to purchase an "employee dishonesty and faithful performance of duty policy," or a coverage document issued by a joint self-insurance pool authorized under section 2744.081 of the Revised Code. This would be an alternative to obtaining a surety bond for an officer, official, employee, or appointee that under current law must be purchased to cover losses due to fraudulent or dishonest actions or the failure to perform a duty prescribed by law. Because the issuer of an insurance policy of this type bears the risk, premiums for this type of insurance are likely to be greater than premiums for a surety bond of an equal amount. As a result, political subdivisions that purchase a performance of duty policy in lieu of a surety bond may incur additional premium costs. However, the coverage limits under insurance policies that cover employee dishonesty are also higher, offering better protection should the political subdivision face a financial liability resulting from employee dishonesty. In contrast, because the political subdivision bears the risk under a surety bond and since those bonds can have quite low dollar limits, a political subdivision could face greater costs under an applicable claim.

The bill requires an employee dishonesty and faithful performance of duty policy or coverage document issued by a joint self-insurance pool purchased in lieu of a surety bond to provide the same amount of coverage or greater as is required for a surety bond under current law. Examples of surety bonds required under current law include: (1) for a county commissioner, a bond in a sum of not less than $5,000, (2) for a township trustee, a bond in the sum of $1,000, and (3) for the treasurer, auditor, and other officers or employees of a municipal corporation, a bond in the sum the legislative authority fixes by ordinance or resolution. Under current law, municipal corporations, under their constitutional power of local self-government, already have authority to decide whether to require that a municipal officer give some type of surety, and the amount of that surety. Additionally, a board of county commissioners may establish the amount of surety for a county treasurer and may require additional sureties on a previously accepted bond. Additional examples of sureties required under current law are provided in the LSC Bill Analysis.