

February 20, 1961.
Insurance.

House File 403

By GRASSLEY and FISCHER of Grundy.

Passed House, Date 3-29-61

Passed Senate, Date 4-26-61

Vote: Ayes 94 Nays 0

Vote: Ayes 49 Nays 0

Approved 4-26-61

A BILL FOR

An Act relating to bid bonds issued in connection with any public or private contract.

Be It Enacted by the General Assembly of the State of Iowa:

- 1 Section 1. Section five hundred fifteen point fifty-eight
- 2 (515.58), Code 1958, is amended by striking the period (.) at
- 3 the end thereof and substituting the following: “; or to bid
- 4 bonds issued in connection with any public or private contract.”.

EXPLANATION OF HOUSE FILE 403

The requirement of a resident, licensed, insurance agent's countersignature of insurance and suretyship contracts has two principal objectives: to protect the interest of resident agents and to assure the payment of premium taxes. These objectives are not served by requiring countersignatures for bid bonds. A bid bond is an indemnity bond guaranteeing that the bid of a contractor bidding for a public or private contract is bona fide and it is forfeited if the bidder fails to enter into the contract if awarded. The forfeiture of the bond is in the amount of the damages, usually the difference between the successful contractor's bid and the next responsible bid. The premium for all the bid bonds written for a contractor for an entire year is only \$5, therefore, the premium taxes and resident agent's commissions generated by bid bonds are practically nil. The countersignature requirement for bid bonds is costly to all the parties concerned and serves no useful purpose. This exemption of bid bonds from the countersignature requirement is in line with the statutes of other states.

