

AMENDED IN ASSEMBLY MARCH 15, 1995

CALIFORNIA LEGISLATURE—1995-96 REGULAR SESSION

**ASSEMBLY BILL**

**No. 23**

**Introduced by Assembly Member Archie-Hudson**

December 5, 1994

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An act to ~~add Article 10 (commencing with Section 14080) to Chapter 1 of Part 5 of Division 3 of the Corporations Code, amend Section 1665 of the Insurance Code, relating to small businesses insurance.~~

LEGISLATIVE COUNSEL'S DIGEST

AB 23, as amended, Archie-Hudson. ~~Small-business: California Surety Bond Program Insurance: fire and casualty broker-agent bond.~~

~~Existing law provides for small business development corporations under the supervision of the Small Business Development Board and Office of Small Business within the Trade and Commerce Agency, with specified powers.~~

~~This bill would create the California Surety Bond Program for the purpose of providing surety bonds to California small businesses, operated by small business development corporations under the supervision of the Office of Small Business and the Small Business Development Board, as specified.~~

~~This bill would also create the California Small Business Surety Bond Fund that would be appropriated by the Legislature.~~

Existing law provides that the bond of a fire and casualty broker-agent shall be in the amount of \$5,000.

This bill would increase that bond amount to \$20,000.

Vote: majority. Appropriation: no. Fiscal committee: yes no. State-mandated local program: no.

The people of the State of California do enact as follows:

1 SECTION 1.—Article 10 (commencing with Section  
2 SECTION 1. Section 1665 of the Insurance Code is  
3 amended to read:

4 1665. The bond of a fire and casualty broker-agent  
5 shall be in the amount of ~~five~~ twenty thousand dollars  
6 ~~(\$5,000)~~ (\$20,000). The bond shall be contingent on the  
7 accounting by the fire and casualty broker-agent to any  
8 person requesting insurance, for moneys or premiums  
9 collected by the fire and casualty broker-agent when  
10 acting as a broker for insurance other than life.

11  
12 Article 10.—California Surety Bond Program

13  
14 14080.—(a) The California Surety Bond Program is  
15 hereby created for the purpose of providing surety bonds  
16 to California small businesses.

17 (b) The program shall be operated by small business  
18 development corporations under the supervision of the  
19 Office of Small Business and the Small Business  
20 Development Board.

21 (c) The California Small Business Surety Bond Fund is  
22 hereby created. Money in the fund shall be available for  
23 expenditure upon appropriation by the Legislature.

24 (d) As used in this article, the following terms have the  
25 following meanings:

26 (1) “Contract term” means the term of the contract,  
27 including the maintenance or warranty period required  
28 by the contract, and the period during which the surety  
29 may be liable for latent defects.

30 (2) “Fund” means the California Small Business  
31 Surety Bond Fund.



1 ~~(3) “Principal” means a small business entity that has~~  
2 ~~assets, income, or employees that do not exceed limits~~  
3 ~~established by the Office of Small Business in consultation~~  
4 ~~with the corporations and approved by the Small Business~~  
5 ~~Development Board pursuant to regulation or~~  
6 ~~administrative determination.~~

7 ~~(4) “Program” means the Small Business Surety Bond~~  
8 ~~Program.~~

9 ~~14081. (a) The corporation may execute and~~  
10 ~~perform bid, performance, and payment bonds as a~~  
11 ~~surety for the benefit of a principal in connection with a~~  
12 ~~contract. The corporation is not required to be a surety~~  
13 ~~company admitted under the Insurance Code, and is not~~  
14 ~~subject to regulation under that code or otherwise by the~~  
15 ~~Insurance Commissioner, but a bond issued by a~~  
16 ~~corporation may be used any time a bond of an admitted~~  
17 ~~surety is required.~~

18 ~~(b) A bond may not exceed a maximum liability of~~  
19 ~~three hundred fifty thousand dollars (\$350,000), and is~~  
20 ~~subject to the approval of the corporation, based on the~~  
21 ~~bond worthiness of the principal as determined by the~~  
22 ~~corporation’s review of the principal’s application~~  
23 ~~pursuant to guidelines established by the Office of Small~~  
24 ~~Business in consultation with the corporations and~~  
25 ~~approved by the Small Business Development Board.~~

26 ~~14082. (a) A principal may apply for financial~~  
27 ~~assistance from the program by submitting to the~~  
28 ~~corporation an application form provided by the Office~~  
29 ~~of Small Business.~~

30 ~~(b) The application shall include all of the following:~~

31 ~~(1) A detailed description of the project.~~

32 ~~(2) An itemization of known and estimated costs.~~

33 ~~(3) The total amount of investment required to~~  
34 ~~perform the contract.~~

35 ~~(4) The funds available to the principal for working~~  
36 ~~capital.~~

37 ~~(5) The amount of bonding assistance sought from the~~  
38 ~~corporation.~~



- 1 ~~(6) Information concerning the inability of the~~  
2 ~~principal to obtain adequate bonding on reasonable~~  
3 ~~terms through normal channels.~~
- 4 ~~(7) Information concerning the financial status of the~~  
5 ~~principal, including all of the following:~~
  - 6 ~~(A) A current balance sheet.~~
  - 7 ~~(B) A profit and loss statement.~~
  - 8 ~~(C) Credit references.~~
- 9 ~~(8) A schedule and the current status of all existing and~~  
10 ~~pending contracts.~~
- 11 ~~(9) Other relevant information that the corporation~~  
12 ~~requests.~~
- 13 ~~(c) The principal shall provide to the corporation~~  
14 ~~information, including statements from creditors,~~  
15 ~~employers, and other individuals who have personal~~  
16 ~~knowledge of the principal, that demonstrates all of the~~  
17 ~~following:~~
  - 18 ~~(1) The principal has a reputation for financial~~  
19 ~~responsibility, or if the principal is not an individual, that~~  
20 ~~a majority of the principal is owned by individuals with a~~  
21 ~~reputation for financial responsibility.~~
  - 22 ~~(2) The principal is a resident of California or has its~~  
23 ~~principal place of business in California.~~
  - 24 ~~(3) That a bond is required in order to bid on a~~  
25 ~~contract or to serve as a prime contractor or~~  
26 ~~subcontractor.~~
  - 27 ~~(4) The principal is unable to obtain adequate bonding~~  
28 ~~on reasonable terms and conditions from private sources,~~  
29 ~~and is unable to compete for the contract without the~~  
30 ~~assistance of the program.~~
- 31 ~~(d) After receipt of an application for assistance from~~  
32 ~~the program, the corporation may require that the~~  
33 ~~principal provide an audited balance sheet.~~

