

SB20- 140

Senator Holbert and Representative Melton

Bill clarifying opening a surety bond only upon finding of fraud.

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What the Bill Does:

Clarifies that bonds usage continues to reflect the historic practice of only opening claims in the case of fraud and consumer harm—would update statutory language.

Restricts a case from being opened for nonfraudulent issues such as a service contract dispute, limited

warranty claims, failure to disclose, advertising, using an incorrect sales form, etc.

Why is this bill necessary?

In recent years, lawsuits have named bond companies in cases where fraud has not occurred. The bond company has no obligation to pay out on a claim in these instances. Since the dealer agreement with the bond company requires the dealer to indemnify the bond company, the lawsuit produces **unwarranted and burdensome costs for the Auto Industry.**



What is a Surety Bond?

Provides **consumer protection** when a dealer is found acting fraudulently that results in consumer financial harm.

All automobile dealers are required to obtain a \$50,000 surety bond and renew the bond annually.

All salespeople are also required to obtain a \$15,000 bond and renew each year as well.

