

TECHNICAL UPDATE



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CAPP Crime and Public Officials' Liability Coverage in Lieu of Bonds

In 2010 and 2013, legislation was enacted to allow counties to purchase crime insurance in lieu of surety bonds for elected officials, staff, other named insureds, and public trustees.

This legislation saves CAPP member counties money by not purchasing bonds because CAPP member county-named insureds have \$10 million in public officials' liability (E&O) coverage and \$1 million in crime coverage. These coverages are greater than the prior statutory bond requirements and are provided through CAPP coverage at no additional charge.

CAPP NAMED INSUREDS

Those individuals who were or are now elected or appointed officials of the Named Insureds, including members of their governing bodies or any other committees, trustees, boards, or commissions of the Named Insureds; district attorneys, their assistants, and staff while acting for or on behalf of district attorneys; agents, volunteers, and Useful Public Servants; all of the foregoing while acting for or on behalf of the Named Insureds.

Exception: Members of the following boards or commissions are not Insureds: Housing Authorities, Port Authorities, School Boards, or Railroad Boards.

PURPOSE OF LEGISLATION ALLOWING CRIME COVERAGE

Surety bonds were initially meant to protect taxpayers against wrongdoings on the part of county officials. However, the surety bond protection became outdated and did not offer as much protection.

Indemnification clauses in the surety bond contracts require the county or the county official to reimburse the court costs that the surety bond company takes on, even if the lawsuit is thrown out of court. Insurance contracts do not have such personal indemnification clauses. Additionally, using insurance instead of sureties is preferred because, in the past, a county official could be held personally liable for court costs resulting from a frivolous lawsuit.

GRANT APPLICATIONS

In some instances, when applying for a grant, the county may be required to secure a bond as a condition of receiving the grant. In these cases, the county should purchase a bond to move forward with the project. You should ask the grant agency if your CAPP coverage will suffice, but they may still require a bond.

ACTIVITIES OUTSIDE OF CAPP COVERAGE

If you participate on a board that is not insured by CAPP and are required to have a surety bond, a bond will need to be purchased for that purpose.

WHAT THIS MEANS FOR COUNTIES

CAPP member counties save money by not having to purchase bonds while obtaining greater protection than bonds afford. Refer to C.R.S. 30-10-110 for detailed information on crime coverage in lieu of bonds. For more information, contact CTSI at (303) 861 0507.