



NATIONAL ASSOCIATION OF SURETY BOND PRODUCERS

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March 27, 2023

RE: Statement of strong opposition to S.F. 2218, “A bill for an act relating to agriculture; establishing a grain indemnity account...”

Submitted to Committee Administrator, Hunter Pederson at hunter.pederson@senate.mn.

Dear Chair Putnam, Vice Chair Kupec, Ranking Member Westrom, and members of the Senate Agriculture, Broadband & Rural Development Committee:

On behalf of the National Association of Surety Bond Producers ([NASBP](http://www.nasbp.org)), a national trade association representing firms employing surety bond producers, including licensed resident and non-resident agents placing surety bonds, including bonds for licensed grain buyers and warehouse operators, in the State of Minnesota, we strongly oppose S.F. 2218, which would create an indemnity account in lieu of adequate surety bond requirements. NASBP believes this legislation is inapposite to the best interests of the State and those of grain sellers and of buyers.

Sureties provide invaluable third-party prequalification of entities to ensure that such entities meet licensing requirements and possess the financial wherewithal to perform obligations. Surety prequalification is extensive, not a just a single point in time snapshot, as bonds in these instances are continuous until cancelled. Such thorough examination is important to ensure requisite and on-going financial strength of bonded enterprises. It is worth noting that larger bond amounts garner higher underwriting scrutiny.

NASBP firmly believes that the legislation, as currently drafted, would be fiscally imprudent, as it removes responsible, ongoing, third-party financial prequalification of grain buyers and warehouse operators through surety bond requirements in most instances, thereby inadvertently increasing the likelihood of future insolvencies. We urge you to examine the existing statutory bond requirements, as such requirements need to be reviewed periodically (state bond limits in this regard have not changed in approximately 20 years) and most likely increased to comport with current costs and liabilities, but such critical bond protections should not be eliminated or supplanted, particularly if the proposed legislative solution at best serves to address an unfortunate outcome, rather than the root cause, of the presenting problem.

Further, establishing an indemnity account in lieu of adequate bond requirements to confront losses of insolvent grain buyers and warehouse operators only serves to increase overall costs, making Minnesota taxpayers and grain sellers, collectively, assume additional fiscal responsibility for such insolvencies, as opposed to the transfer of such risks to responsible sureties. NASBP also is concerned that Department of Agriculture does not possess the knowledge or resources to administer claims effectively and efficiently and that such burden is unnecessary if an adequate bonding regime is in place.

For the foregoing reasons, NASBP strongly opposes this legislation, and we ask the Committee also to oppose the bill and to study further the best options to address grain buyer and warehouse operator defaults.

Please feel free to contact me should you have questions regarding this statement. I may be reached at 240-200-1272 or by email at lleclair@nasbp.org.

Respectively submitted for your consideration,

A handwritten signature in cursive script that reads "Larry LeClair".

Larry LeClair
Director, Government Relations