



April 10, 2012

TO: Honorable Don Coram  
Colorado House of Representatives

REF: **Tow Truck Carrier/Operator  
Surety License & Permit Bond – Tiered System (i.e. bond amount)**

Dear Representative Coram:

We've had the opportunity to visit with some sureties, doing business in Colorado, about their position on a potential tiered system for tow truck operators. The results were quite favorable and are as follows:

- While it is not a widespread practice, it is also not uncommon for there to be a tiered system of bonding requirements for particular enterprises/industries. The most notable example of this kind of a system is in New York, which has a tiered bonding system for used motor vehicle dealers. The bonds are at \$10,000 for small operators, \$25,000 for medium size operators and \$50,000 for large operators. The bond is based upon the volume of business the dealer did in the previous year. By all accounts, this system has worked well for the state, the dealers and the consumers. The sureties also believe the system would work well in Colorado for tow truck operators.
- We believe most sureties, who are currently a market for license and permits bonds in Colorado, will also be a market for this bond.
- Sureties underwriting practices vary, yet all approaches queried should make the approval process relatively easy for tow truck operators. For example, we were advised by a number of sureties that they will write the \$10,000 bond without a credit check, some would require indemnity from the operator, some would use an estimate of net worth, some would use an agent's recommendation and some might check credit, especially for the higher bond penalty.
- The \$10,000 bond would likely be priced at \$100 with a few sureties possibly charging up to \$200.
- Sureties believe this bond would be readily available.

The surety industry looks forward to assisting governmental employees and tow truck operators with this potential new tiered system. If the bond industry can be of any more help to legislators, please let us know. Thank you for your efforts and time devoted to this matter!

Sincerely,

BOND GUARANTEE GROUP, INC.

Darren Doucet, AFSB  
President