SERVING THE INDUSTRY SINCE 1908

THE SURETY & FIDELITY ASSOCIATION OF AMERICA

The Surety & Fidelity Association of America (SFAA) urge the Michigan House to reject Senate Bill 320. If passed and signed into law, SB 320 would eliminate important bond protections that have historically protected the state against the risk of brewers and liquor manufactures defaulting on their license or tax obligations. Maintaining these critical bond requirements will ensure manufacturers of beer, wine or mixed spirit drinks are able to fulfill their important regulatory obligations to the state.

The excise tax and license bond, historically required for brewers and liquor manufacturers in Michigan, provide certainty that licensees will perform their regulatory obligations as required by the state. Furthermore, the bond requirements also serve as a prequalification mechanism to ensure the state will only receive applicants who are capable of complying with the statutory obligations for a license. The prequalification a surety provides plays a significant role in preventing losses by ensuring only qualified candidates are able to move forward in the application process with the state. Surety companies play an important role in checking the credentials of potential license holders before they can do business to ensure that they are qualified in addition to providing reimbursement mechanism for losses, up to the penal sum of the bond, if the licensee defaults on its obligations.

SB 320 removes the important protection bonds provide to the state in the event that a manufacturer of beer, wine or mixed spirit fails to perform its required obligations. Removing the excise tax bond eliminates the regulatory entities' primary recourse to recoup owed taxes in the event that a brewery or liquor producer goes out of business. These entities should be held accountable for taxes owed to the state in the event of a default.

Additionally, SB 320 would remove onsite alcohol consumption license bond and the bond required in connection with using liquor for industrial manufacturing purposes. This requirement is one of the only avenues for a regulatory entity to properly enforce its license requirements. If the brewer or liquor manufacturer refuse to pay for fees associated with required licenses, the State is currently able to recoup the cost from the bond. If the bond requirement is removed the regulatory entity loses its primary avenue to ensure compliance with licensure requirements.

For the above-stated reasons, SFAA opposes Senate Bill 320.

SFAA is a non-profit corporation whose member companies collectively write the majority of surety and fidelity bonds in the United States. SFAA is a licensed rating or advisory organization in all states and is designated by state insurance departments as a statistical agent for the reporting of premium and loss statistics for fidelity and surety bonds. SFAA's members are sureties on the vast majority of bonds in the United States and California, and they include a number of companies active in providing surety bail bonds and immigration bonds.

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