



# County Technical Assistance Service

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## Insurance as a Substitute for Bonds

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Dear Reader:

The following document was created from the CTAS electronic library known as e-Li. This online library is maintained daily by CTAS staff and seeks to represent the most current information regarding issues relative to Tennessee county government.

We hope this information will be useful to you; reference to it will assist you with many of the questions that will arise in your tenure with county government. However, the *Tennessee Code Annotated* and other relevant laws or regulations should always be consulted before any action is taken based upon the contents of this document.

Please feel free to contact us if you have questions or comments regarding this information or any other e-Li material.

Sincerely,

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## Insurance as a Substitute for Bonds

**Reference Number:** CTAS-2205

Counties are authorized to purchase insurance policies in place of bonds for both officials and employees. Purchase of such insurance policies is purely optional and at the discretion of the county legislative body. The county legislative body can opt to cover all or some of the county's officials and employees using insurance rather than bonds.

Under the amended law, codified at T.C.A. § 8-19-101, should a county choose to purchase insurance, the insurance policy must provide minimum coverage of \$400,000 per occurrence and provide government crime coverage, employee dishonesty insurance coverage, or equivalent coverage that insures the lawful performance by officials and their employees of their fiduciary duties and responsibilities. Each covered official and office must be listed in the policy. The statute lists the officials who may be covered by an insurance policy. A policy of insurance is deemed to be a blanket official bond for each office and official identified in the policy. A certificate of insurance or a policy or endorsement shall satisfy the requirement for the filing of the official bond by the named officials.

In the event that the policy of insurance maintained by the county ceases to provide coverage to the officeholder for any reason, the officeholder has thirty (30) days from the date of termination of coverage to file a bond or other proof of insurance coverage.

Choosing the insurance option does not affect the liability limits provided in the Tennessee Governmental Tort Liability Act.

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