

REQUIRING NATIONAL BANKS TO OBTAIN INDEMNITY  
BONDS FROM STATE-QUALIFIED BONDING COM-  
PANIES

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APRIL 26 (calendar day, APRIL 27), 1934.—Ordered to be printed

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Mr. NEELY, from the Committee on the Judiciary, submitted the  
following

## REPORT

[To accompany S. 2915]

The Committee on the Judiciary, to whom was referred Senate bill 2915, the purpose of which is to require national banks to obtain their indemnifying bonds from State-qualified bonding companies, after mature consideration, very respectfully report it to the Senate with the recommendation that it be passed.

The object of the proposed legislation is concisely stated in the bill as follows:

Hereafter every national banking association shall obtain all bonds indemnifying the association against misfeasance by its officers or employees, or against theft, burglary, larceny, or other misappropriation or loss of the funds of such association, from insurance or bonding companies duly qualified by the State in which such association is located to do business therein.

Every State in the Union requires American surety and bonding companies to comply with its laws as a condition precedent to such companies doing business in the State in question.

In the year 1932, by virtue of the laws of the various States, the American companies paid into State treasuries a total premium tax of \$11,613,626.28. The minimum tax of \$6,630.27 was paid to the State of Nevada and the maximum of more than 2½ million dollars was paid to the State of New York.

In the same year and from the same source California received more than a million dollars; Pennsylvania, Massachusetts, and New Jersey each more than three fourths of a million dollars; and Illinois and Ohio each received more than a half a million dollars. Connecticut, Indiana, Michigan, and Missouri each received almost \$300,000; Texas and Wisconsin each received more than \$200,000; Iowa, North Carolina, Oklahoma, Tennessee, Vermont, and Virginia each received more than \$100,000.

Every State in the Union has provided means whereby process commencing suit may be legally served on every American surety company which does business therein.

The American companies regularly maintain approximately 100,000 agents and 30,000 other employees.

Thirty of the qualified companies paid their employees, in the year 1933, \$48,300,831 in salaries and wages.

At least one great foreign insurance association, which actively and successfully competes with the American companies for the business of writing indemnifying bonds throughout the United States, has legally qualified to do business in only one State in the Union, Illinois. This association maintains practically no agents or employees in this country. It pays no premium taxes in any State excepting Illinois. And, excepting Illinois, there is no State in the Union in which process commencing suit against it can be legally served.

This foreign company and every other foreign company will be required, if the bill is enacted into law, to pay its fair proportion of premium taxes into the treasury of each State in which it supplies indemnifying bonds to national banking associations.

The bill does not seek to create a monopoly in favor of the American companies; it does not propose to confer a single favor upon them, or to provide them a single advantage. Nor does it seek to bar any foreign company or association from participating in the writing of surety bonds for national banking associations.

The sole purpose of the legislation is to eliminate the notoriously unfair advantage which the foreign company in question has long enjoyed and still enjoys over the American companies, and to require it to bear its equitable share of the burdens which are now borne exclusively by the American companies and from which the latter have no means of escape.

The effect of the bill, if it becomes a law, will simply be to equalize the conditions under which the foreign carriers of insurance and American surety companies may compete for the American business of writing bonds for national banking associations.

