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NASBP White Paper: Resident Agent Countersignature Laws Have Been Eradicated and Violate the Law in Every U.S. State

The purpose of this short white paper is to inform the reader that resident agent countersignature laws have been eradicated throughout the United States and its territories (with the exception of Guam, where it has not been challenged). Any bid, performance, or payment bond that requires a resident agent countersignature or a resident agent signature violates the law, as such requirements have been held unconstitutional by federal courts throughout the United States or have been repealed by state legislatures, because such requirements impermissibly favor licensed resident agents over licensed non-resident agents. It is not the countersignature requirement that is problematic; it is the *resident agent* countersignature requirement that violates the law.

The National Association of Surety Bond Producers (NASBP) is aware that officials in some state and local agencies are not informed about the illegality of resident agent countersignature mandates. These officials will improperly reject a bid based on lack of a required resident agent countersignature or improperly refuse to accept performance and payment bonds based on lack of a required resident agent countersignature. NASBP receives dozens of member requests each year to send comment letters to public agencies that have included the unlawful resident agent countersignature requirement in their surety bonds.

Countersignature laws date back to the early twentieth century when states passed the laws as a consumer protection measure. The regulations requiring non-resident agents to receive sign-off by a local resident agent were originally intended to ensure compliance with local insurance laws. Those regulations also meant that out-of-state agents had to pay local agents for their signatures. By the 1990s, technology made the countersignature laws an anachronism of regulation. The movement to repeal countersignature laws began in the 1990s and ended in 2008 when the Ninth Circuit struck down Nevada's countersignature law. This movement was spearheaded by The Council of Insurance Agents & Brokers.

One of the most well-known and widely quoted cases on this matter is *Council of Insurance Agents and Brokers v. Tom Gallagher*, 287 F. Supp. 2d 1302 (N.D. Fla. 2003), in which the U.S. District Court for the Northern District of Florida struck down a Florida statute that impermissibly favored resident agents. The district court determined that there was no rational basis for a distinction between Florida licensed resident agents and Florida licensed non-resident agents and declared unconstitutional the Florida statute at issue that discriminated against Florida-licensed non-resident agents.

Agency officials may want to have the agency's bond forms reviewed to ensure that its bonds do not contain an illegal resident agent signature or countersignature requirement. The bonds should contain a licensed (resident OR non-resident) agent requirement.