

**RULES OF
DEPARTMENT OF COMMERCE AND INSURANCE
DIVISION OF REGULATORY BOARDS
TENNESSEE HOME IMPROVEMENT COMMISSION**

**CHAPTER 0765—2
FINANCIAL RESPONSIBILITY**

TABLE OF CONTENTS

0765—2—.01 Bonds

0765—2—.01 BONDS

- (1) Bonds shall be written on a form approved by the Insurance Commissioner, available through the Commission, which shows the name of the principal as it appears on the license application.
- (2) Description of Bonds.
 - (a) Cash Bonds.

Cash bonds may not include personal checks.
Cash bonds may include:

 1. Currency, which shall be deposited with the State Treasurer, subject to the order of the Commission, and which may not earn interest;
 2. Cashier's check, certificate of deposit for a term of at least 2 years or certified check:
 - (i) Issued by a financial institution;
 - (ii) Showing the name of the purchaser, and
 - (iii) Assigned and payable to the Commission.
 3. Savings and loan association certificates, passbook or share accounts, credit union or share accounts, passbook savings or other similar accounts assigned and payable to the Commission, which shall be issued for periods of not less than 1 year and accompanied by delivery of the certificate passbook, share account, certificate, passbook or other similar account to the Commission.
 - (b) Property Bond
 1. A property bond shall be the assignment to the Commission by an owner applicant of an interest of ten thousand dollars (\$10,000.00) in real property located in Tennessee; and submission of a title search showing any encumbrances on the property.
 2. The Commission may require the applicant to submit an appraisal of the property to ascertain that the unencumbered value of the property is at least ten thousand dollars (\$10,000).
 - (c) Surety Bond.
 1. A surety bond shall be in the amount of ten thousand dollars (\$10,000), issued to a contractor by an approved insurance company authorized to do business in

(Rule 0765-2-.01, continued)

Tennessee, for the benefit of a claimant, who has been damaged by the contractor's breach of a home improvement contract. If the bond ceases to be in effect, the contractor's license shall become invalid.

2. The commission may refuse to accept a bond written for a contractor by a surety which has failed to meet its obligations under this subtitle.

(d) Letter of Credit.

1. A bond in the form of an irrevocable letter of credit shall be an agreement, between a financial institution and a contractor on record at the Commission wherein the financial institution agrees to extend an irrevocable line of credit amounting to ten thousand dollars (\$10,000), for the purpose of honoring claims filed with the Commission.
2. The irrevocable letter of credit shall show the name of the financial institution extending the credit and the name of the applicant or contractor to whom the letter of credit was issued as it appears on the applicant's or contractor's license application.

(3) Release of Bond.

A bond may not be released until whichever occurs last:

- (a) One year after the inactivation, expiration or revocation of contractor's license;
- (b) After the pending claims against the licensee filed during the period described in 3(a) have been heard and satisfied, or dismissed.

Authority: T.C.A. §§ 62—37—108(j) and 62—37—115(4). **Administrative History:** Original rule filed November 30, 1989; effective January 14, 1990. Amendment filed December 12, 1994; effective April 30, 1995.