

810-5-12-.02 Surety Bond and Surety Bond Continuation form for New and Used Motor Vehicle Dealers, Motor Vehicle Wholesalers, Motor Vehicle Reconditioners, and Motor Vehicle Rebuilders.

(1) Section 40-12-398, Code of Alabama 1975, requires new and used motor vehicle dealers, motor vehicle wholesalers, motor vehicle reconditioners, and motor vehicle rebuilders to execute and deliver to the Department a surety bond. The surety bond shall be executed by a surety company authorized to do business in the State of Alabama. The bond shall be conditioned that the new or used motor vehicle dealer, wholesaler, motor vehicle reconditioner, or motor vehicle rebuilder shall comply with the conditions of any contract made by such dealer in connection with the sale or exchange of any motor vehicle and shall not violate any of the provisions of law relating to the conduct of the business for which he is licensed. Such bond shall be payable to the commissioner and to his/her successors in office, and shall be in favor of any person who shall recover any judgment for any loss as a result of any violation of the conditions previously described in this rule. The amount of the surety bond is twenty-five thousand dollars (\$25,000) for new motor vehicle dealers and ten thousand dollars \$10,000 for used motor vehicle dealers, wholesalers, motor vehicle reconditioners and motor vehicle rebuilders.

(2) The surety bond form shall contain the following information:

(a) Legal name of business and trade name or DBA (if applicable) and mailing address.

(b) Name(s) and signature(s) of representative(s) of business authorized to execute surety bond on behalf of the business.

(c) The name and address of the surety company providing the coverage.

(d) The effective date and the expiration date of the bond coverage. (See Section 4)

(e) The issue date of the bond.

(f) The original signature of an agent of the surety company.

(3) BOND REQUIREMENTS:

(a) The bond must be accompanied by an original power of attorney form, indicating that the agent is authorized to execute the bond on behalf of the surety company.

(b) The bond form and power of attorney must have the same issue date.

(c) The bond form shall be an original with original signatures. No facsimiles, photocopies, letters or phone calls are acceptable substitutes for the original bond.

(4) COVERAGE PERIOD: The coverage may not be for a period of more than one year. It must not begin prior to October 1 and must expire on September 30 of the same license year (required for new surety bonds and surety bond continuation certificates).

(5) Section 40-12-398, Code of Ala. 1975, requires new motor vehicle dealers, used motor vehicle dealers, motor vehicle wholesalers, motor vehicle reconditioners, and motor vehicle rebuilders to provide a new surety bond or proper continuation certificate at the beginning of each license year. A new bond shall conform with the requirements as set out in Sections one through five of this rule. A surety bond continuation certificate may be filed in lieu of a new surety bond provided that the following requirements are met:

(6) ACCEPTANCE OF CONTINUATION CERTIFICATE: A proper continuation certificate will be accepted, provided:

(a) Applicant was licensed and in good standing in the previous license year.

(b) Applicant has previously provided a proper original bond form or a proper continuation certificate for each subsequent license year. There can be no lapse in bond coverage since the original bond was presented to the Department.

(7) The continuation form shall provide the following information:

(a) The name of the surety company providing coverage.

(b) The bond number as assigned on the original bond form.

(c) The dollar amount of the extended bond coverage.

(d) Legal name of business and trade name or DBA (if applicable) and mailing address.

(e) Name(s) and signature(s) of representative(s) of business authorized to execute surety bond on behalf of the business.

(f) The effective date and the expiration date of the extended coverage. (See Section 4)

(g) The issue date of the continuation certificate.

(8) ORIGINAL CONTINUATION CERTIFICATE REQUIREMENTS: The continuation certificate must contain the original signature of an authorized agent of the

surety company, or the original seal of the surety company. The agent's copy will not be accepted.

(9) Effective August 1, 2012, all surety bonds and surety bond continuation certificates will be generated for completion upon receipt of the motor vehicle used or new car dealer, motor vehicle wholesaler, motor vehicle reconditioner or motor vehicle rebuilder regulatory license application and the required fee(s) (see rule 810-5-12-.01). Altered or recreated surety bonds and surety bond continuation certificates are not acceptable.

Author: Mike Gamble

Authority: Sections 40-2A-7(a)(5), 40-12-392 and 40-12-398, Code of Alabama 1975.

History: New rule: Filed July 30, 2012, effective September 3, 2012.