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1
 2 An act relating to warranty associations; amending ss.
 3 634.121 and 634.312, F.S.; authorizing electronic
 4 transmission of service agreements and home
 5 warranties; providing requirements for electronic
 6 transmission; providing notice requirements; amending
 7 s. 634.406, F.S.; revising criteria authorizing
 8 premiums of certain service warranty associations to
 9 exceed their specified net assets limitations;
 10 revising requirements relating to contractual
 11 liability policies that insure warranty associations;
 12 amending s. 634.414, F.S.; providing requirements for
 13 the delivery of service warranty contracts; providing
 14 notice requirements; providing an effective date.

15
 16 Be It Enacted by the Legislature of the State of Florida:

17
 18 Section 1. Subsection (6) of section 634.121, Florida
 19 Statutes, is amended to read:

20 634.121 Forms, required procedures, provisions.—

21 (6) Each service agreement, which includes a copy of the
 22 application form, must be mailed, ~~or~~ delivered, or
 23 electronically transmitted to the agreement holder within 45
 24 days after the date of purchase. Electronic transmission of a
 25 service agreement constitutes delivery to the agreement holder.
 26 The electronic transmission must notify the agreement holder of

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27 his or her right to receive the service agreement via United
28 States mail rather than electronic transmission. If the
29 agreement holder communicates to the service agreement company
30 electronically or in writing that he or she does not agree to
31 receipt by electronic transmission, a paper copy of the service
32 agreement shall be provided to the agreement holder.

33 Section 2. Subsection (2) of section 634.312, Florida
34 Statutes, is amended to read:

35 634.312 Forms; required provisions and procedures.—

36 (2) Subject to the insurer's or home warranty
37 association's requirement as to payment of premium, every home
38 warranty must ~~shall~~ be mailed, ~~or delivered,~~ or electronically
39 transmitted to the warranty holder within ~~not later than~~ 45 days
40 after the effectuation of coverage, and the application is part
41 of the warranty contract document. Electronic transmission of a
42 home warranty constitutes delivery to the warranty holder. The
43 electronic transmission must notify the warranty holder of his
44 or her right to receive the home warranty via United States mail
45 rather than electronic transmission. If the warranty holder
46 communicates to the home warranty association electronically or
47 in writing that he or she does not agree to receipt by
48 electronic transmission, a paper copy of the home warranty shall
49 be provided to the warranty holder.

50 Section 3. Subsections (6) and (7) of section 634.406,
51 Florida Statutes, are amended to read:

52 634.406 Financial requirements.—

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53 (6) An association that ~~which~~ holds a license under this
 54 part ~~and which does not hold any other license under this~~
 55 ~~chapter~~ may allow its premiums for service warranties written
 56 under this part to exceed the ratio to net assets limitations of
 57 this section if the association meets all of the following:

58 (a) Maintains net assets of at least \$750,000.

59 (b) Uses ~~Utilizes~~ a contractual liability insurance policy
 60 approved by the office that:

61 1. ~~which~~ Reimburses the service warranty association for
 62 100 percent of its claims liability and is issued by an insurer
 63 that maintains a policyholder surplus of at least \$100 million;
 64 or

65 2. Complies with subsection (3) and is issued by an
 66 insurer that maintains a policyholder surplus of at least \$200
 67 million.

68 (c) The insurer issuing the contractual liability
 69 insurance policy:

70 ~~1. Maintains a policyholder surplus of at least \$100~~
 71 ~~million.~~

72 ~~1.2.~~ Is rated "A" or higher by A.M. Best Company or an
 73 equivalent rating by another national rating service acceptable
 74 to the office.

75 ~~3. Is in no way affiliated with the warranty association.~~

76 ~~2.4.~~ In conjunction with the warranty association's filing
 77 of the quarterly and annual reports, provides, on a form
 78 prescribed by the commission, a statement certifying the gross

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79 written premiums in force reported by the warranty association
 80 and a statement that all of the warranty association's gross
 81 written premium in force is covered under the contractual
 82 liability policy, regardless of whether ~~or not~~ it has been
 83 reported.

84 ~~(7) A contractual liability policy must insure 100 percent~~
 85 ~~of an association's claims exposure under all of the~~
 86 ~~association's service warranty contracts, wherever written,~~
 87 ~~unless all of the following are satisfied:~~

88 ~~(a) The contractual liability policy contains a clause~~
 89 ~~that specifically names the service warranty contract holders as~~
 90 ~~sole beneficiaries of the contractual liability policy and~~
 91 ~~claims are paid directly to the person making a claim under the~~
 92 ~~contract;~~

93 ~~(b) The contractual liability policy meets all other~~
 94 ~~requirements of this part, including subsection (3) of this~~
 95 ~~section, which are not inconsistent with this subsection;~~

96 ~~(c) The association has been in existence for at least 5~~
 97 ~~years or the association is a wholly owned subsidiary of a~~
 98 ~~corporation that has been in existence and has been licensed as~~
 99 ~~a service warranty association in the state for at least 5~~
 100 ~~years, and:~~

101 ~~1. Is listed and traded on a recognized stock exchange; is~~
 102 ~~listed in NASDAQ (National Association of Security Dealers~~
 103 ~~Automated Quotation system) and publicly traded in the over-the-~~
 104 ~~counter securities market; is required to file either of Form~~

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105 ~~10-K, Form 100, or Form 20-C with the United States Securities~~
 106 ~~and Exchange Commission; or has American Depository Receipts~~
 107 ~~listed on a recognized stock exchange and publicly traded or is~~
 108 ~~the wholly owned subsidiary of a corporation that is listed and~~
 109 ~~traded on a recognized stock exchange; is listed in NASDAQ~~
 110 ~~(National Association of Security Dealers Automated Quotation~~
 111 ~~system) and publicly traded in the over-the-counter securities~~
 112 ~~market; is required to file Form 10-K, Form 100, or Form 20-C~~
 113 ~~with the United States Securities and Exchange Commission; or~~
 114 ~~has American Depository Receipts listed on a recognized stock~~
 115 ~~exchange and is publicly traded;~~

116 ~~2. Maintains outstanding debt obligations, if any, rated~~
 117 ~~in the top four rating categories by a recognized rating~~
 118 ~~service;~~

119 ~~3. Has and maintains at all times a minimum net worth of~~
 120 ~~not less than \$10 million as evidenced by audited financial~~
 121 ~~statements prepared by an independent certified public~~
 122 ~~accountant in accordance with generally accepted accounting~~
 123 ~~principles and submitted to the office annually; and~~

124 ~~4. Is authorized to do business in this state; and~~

125 ~~(d) The insurer issuing the contractual liability policy:~~

126 ~~1. Maintains and has maintained for the preceding 5 years,~~
 127 ~~policyholder surplus of at least \$100 million and is rated "A"~~
 128 ~~or higher by A.M. Best Company or has an equivalent rating by~~
 129 ~~another rating company acceptable to the office;~~

130 ~~2. Holds a certificate of authority to do business in this~~

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131 ~~state and is approved to write this type of coverage; and~~
 132 ~~3. Acknowledges to the office quarterly that it insures~~
 133 ~~all of the association's claims exposure under contracts~~
 134 ~~delivered in this state.~~
 135
 136 ~~If all the preceding conditions are satisfied, then the scope of~~
 137 ~~coverage under a contractual liability policy shall not be~~
 138 ~~required to exceed an association's claims exposure under~~
 139 ~~service warranty contracts delivered in this state.~~
 140 Section 4. Subsection (4) is added to section 634.414,
 141 Florida Statutes, to read:
 142 634.414 Forms; required provisions.-
 143 (4) Each service warranty contract must be mailed,
 144 delivered, or electronically transmitted to the warranty holder
 145 within 45 days after the date of purchase. Electronic
 146 transmission of a service warranty contract constitutes delivery
 147 to the warranty holder. The electronic transmission must notify
 148 the warranty holder of his or her right to receive the contract
 149 via United States mail rather than electronic transmission. If
 150 the warranty holder communicates to the service warranty company
 151 electronically or in writing that he or she does not agree to
 152 receipt by electronic transmission, a paper copy of the contract
 153 shall be provided to the warranty holder.
 154 Section 5. This act shall take effect July 1, 2014.