

CHAPTER.....

AN ACT relating to service contracts; revising provisions governing the issuance of a certificate of registration to a provider of a service contract; and providing other matters properly relating thereto.

Legislative Counsel’s Digest:

Under existing law, in order to be issued a certificate of registration, a provider who wishes to issue, sell or offer for sale any service contracts in this State must: (1) purchase a contractual liability insurance policy which insures the obligations of each service contract that the provider issues, sells or offers for sale and which is issued by an insurer that is not an affiliate of the provider and is authorized to transact insurance in this State; or (2) maintain, or be a subsidiary of a parent company that maintains, a net worth or stockholders’ equity of at least \$100,000,000. (NRS 690C.170) This bill removes the limitation on the issuance of a contractual liability insurance policy to a provider by an insured who is an affiliate of the provider by authorizing the contractual liability insurance policy to be issued by any insurer who is licensed, registered or otherwise authorized to transact insurance in this State. This bill also authorizes a provider to qualify for the issuance of a certificate of registration by: (1) maintaining a reserve account that contains at all times at least 40 percent of the unearned gross consideration received by the provider for any unexpired contracts; and (2) depositing security with the Commissioner of Insurance in the amount of \$25,000 or 10 percent of the unearned gross consideration received by the provider for any unexpired service contracts, whichever is greater.

EXPLANATION – Matter in *bolded italics* is new; matter between brackets ~~omitted material~~ is material to be omitted.

THE PEOPLE OF THE STATE OF NEVADA, REPRESENTED IN
SENATE AND ASSEMBLY, DO ENACT AS FOLLOWS:

Section 1. NRS 690C.170 is hereby amended to read as follows:

690C.170 To be issued a certificate of registration, a provider must comply with one of the following:

1. Purchase a contractual liability insurance policy which insures the obligations of each service contract the provider issues, sells or offers for sale. The contractual liability insurance policy must be issued by an insurer which is ~~not an affiliate of the provider and which is~~ *licensed, registered or otherwise* authorized to transact insurance in this state or pursuant to the provisions of chapter 685A of NRS. ~~or~~

2. *Maintain a reserve account and deposit with the Commissioner security as provided in this subsection. The reserve account must contain at all times an amount of money equal to at*



least 40 percent of the unearned gross consideration received by the provider for any unexpired service contracts. The Commissioner may examine the reserve account at any time. The provider shall also deposit with the Commissioner security in an amount that is equal to \$25,000 or 10 percent of the unearned gross consideration received by the provider for any unexpired service contracts, whichever is greater. The security must be:

(a) A surety bond issued by a surety company authorized to do business in this State;

(b) Securities of the type eligible for deposit pursuant to NRS 682B.030;

(c) Cash;

(d) An irrevocable letter of credit issued by a financial institution approved by the Commissioner; or

(e) In any other form prescribed by the Commissioner.

3. Maintain, or be a subsidiary of a parent company that maintains, a net worth or stockholders' equity of at least \$100,000,000. Upon request, a provider shall provide to the Commissioner a copy of the most recent Form 10-K report or Form 20-F report filed by the provider or parent company of the provider with the Securities and Exchange Commission within the previous year. If the provider or parent company is not required to file those reports with the Securities and Exchange Commission, the provider shall provide to the Commissioner a copy of the most recently audited financial statements of the provider or parent company. If the net worth or stockholders' equity of the parent company of the provider is used to comply with the requirements of this subsection, the parent company must guarantee to carry out the duties of the provider under any service contract issued or sold by the provider.

Sec. 2. This act becomes effective on January 1, 2014.

