

Committee on Banking and Insurance

HB 291 — Warranty Associations

by Rep. Santiago (SB 496 by Senator Simpson)

Under the bill, the parameters for delivery of motor vehicle service agreements, home warranties, and service warranty contracts are consistent and the same. The bill allows the electronic delivery of motor vehicle service agreements, home warranties, and service warranty contracts. The bill specifies electronic transmission of motor vehicle service agreements, home warranty agreements, and service warranty agreements constitutes delivery of the agreement to the purchaser. All electronic transmissions of agreements must include a notice to the purchaser indicating the purchaser's right to receive a paper copy of the agreement. If the purchaser notifies the company that he or she does not agree to an electronic transmission of the agreement, a paper copy must be sent via US mail to the purchaser. The bill requires service warranty contracts to be hand delivered, delivered by US mail, or electronically delivered. Current law does not require any method of delivery for a service warranty contract. The same delivery requirements apply to motor vehicle service agreements and home warranties under the bill.

The bill allows service warranty associations an additional exemption from the required 7-to-1 ratio of gross written premium to net assets. Under the bill, a service warranty association licensed in any other part of ch. 634, F.S., can be exempt for the 7-to-1 premium to assets ratio for the service warranty premium written under part III, if the association has an insurance policy covering all claims after the point of the association's insolvency under s. 634.406(3), F.S. The insurer issuing the policy must maintain a minimum capital surplus of \$200 million and an "A" or higher A.M. Best rating. The bill eliminates a current prohibition in s. 634.406(6)(c)3., F.S., that bans affiliations between contractual liability insurers and warranty associations.

Additionally, the bill removes an exemption for writing ratio requirements that applies to nationally traded companies issuing in states other than Florida in s. 634.406(7), F.S. The OIR indicates a majority of these national companies choose to receive their exemption through s. 634.406(6), F.S., and those effected by the change in the bill will be able to do the same.

If approved by the Governor, these provisions take effect July 1, 2014.

Vote: Senate 40-0; House 115-0