

By Senator Wise

5-1175-05

See HB 97

1                                   A bill to be entitled  
2           An act relating to motor vehicle service  
3           agreement companies; amending s. 634.041, F.S.;  
4           providing an exception to a prohibition against  
5           service agreement companies using certain  
6           reserves and contractual liability insurance  
7           simultaneously; authorizing service agreement  
8           companies maintaining certain net assets to use  
9           certain reserves and certain contractual  
10          liability coverage insurance simultaneously;  
11          providing a requirement; providing an effective  
12          date.

14 Be It Enacted by the Legislature of the State of Florida:

16           Section 1. Subsection (9) of section 634.041, Florida  
17 Statutes, is amended to read:

18           634.041 Qualifications for license.--To qualify for  
19 and hold a license to issue service agreements in this state,  
20 a service agreement company must be in compliance with this  
21 part, with applicable rules of the commission, with related  
22 sections of the Florida Insurance Code, and with its charter  
23 powers and must comply with the following:

24           (9)(a) In meeting the requirements of this part,  
25 except as provided in paragraph (b), a service agreement  
26 company may not utilize both the 50-percent reserve and  
27 contractual liability insurance simultaneously. However, a  
28 company may have contractual liability coverage on service  
29 agreements previously sold and sell new service agreements  
30 covered by the 50-percent reserve, and the converse of this is

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1 also allowed. A service agreement company must be able to  
2 distinguish how each individual service agreement is covered.

3 (b) A service agreement company that maintains net  
4 assets of at least \$5 million may use simultaneously the  
5 50-percent reserve and the contractual liability coverage for  
6 specific blocks of new service agreements produced by specific  
7 salespersons. A service agreement company must be able to  
8 distinguish how each individual service agreement is covered.

9 Section 2. This act shall take effect July 1, 2005.

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