

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

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

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

16           634.041 Qualifications for license.--To qualify for and  
 17 hold a license to issue service agreements in this state, a  
 18 service agreement company must be in compliance with this part,  
 19 with applicable rules of the commission, with related sections  
 20 of the Florida Insurance Code, and with its charter powers and  
 21 must comply with the following:

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

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29 | agreement company must be able to distinguish how each  
30 | individual service agreement is covered.

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

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