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2005
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CHAMBER ACTION

1 The Insurance Committee recommends the following:

2
3 **Council/Committee Substitute**

4 Remove the entire bill and insert:

5 A bill to be entitled

6 An act relating to motor vehicle service agreement
7 companies; amending s. 634.041, F.S.; providing an
8 exception to a prohibition against service agreement
9 companies using certain reserves and contractual liability
10 insurance simultaneously; authorizing service agreement
11 companies maintaining certain net assets to use certain
12 reserves or certain contractual liability coverage
13 insurance; providing a definition; providing a
14 requirement; amending s. 634.136, F.S.; providing an
15 additional recordkeeping requirement for service agreement
16 companies; providing an effective date.

17
18 Be It Enacted by the Legislature of the State of Florida:

19
20 Section 1. Subsection (9) of section 634.041, Florida
21 Statutes, is amended to read:

22 634.041 Qualifications for license.--To qualify for and
23 hold a license to issue service agreements in this state, a

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24 | service agreement company must be in compliance with this part,
 25 | with applicable rules of the commission, with related sections
 26 | of the Florida Insurance Code, and with its charter powers and
 27 | must comply with the following:

28 | (9)(a) In meeting the requirements of this part, except as
 29 | provided in paragraph (b), a service agreement company may not
 30 | utilize both the 50-percent reserve and contractual liability
 31 | insurance simultaneously. However, a company may have
 32 | contractual liability coverage on service agreements previously
 33 | sold and sell new service agreements covered by the 50-percent
 34 | reserve, and the converse of this is also allowed. A service
 35 | agreement company must be able to distinguish how each
 36 | individual service agreement is covered.

37 | (b) A service agreement company that maintains net assets
 38 | of at least \$7.5 million may use the 50 percent reserve or the
 39 | contractual liability coverage for specific blocks of new
 40 | service agreements. For purposes of this subsection, the term
 41 | "specific blocks of new service agreements" means the service
 42 | agreements sold by a single designated licensed salesperson. A
 43 | service agreement company must be able to distinguish how each
 44 | individual service agreement is covered.

45 | Section 2. Subsection (4) of section 634.136, Florida
 46 | Statutes, is amended to read:

47 | 634.136 Office records required.--Each licensed motor
 48 | vehicle service contract company, as a minimum requirement for
 49 | permanent office records, shall maintain:

50 | (4) A detailed service agreement register, in numerical
 51 | order by service agreement number, of agreements in force, which

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52 | register shall include the following information: service
53 | agreement number, date of issue, issuing dealer, name of
54 | agreement holder, description of motor vehicle, service
55 | agreement period and mileage, gross premium, commission to
56 | salespersons, commission to dealer, ~~and net premium,~~ and whether
57 | the agreement is covered by contractual liability insurance or
58 | the unearned premium reserve account.

59 | Section 3. This act shall take effect July 1, 2005.