

Amendment No. 1

COMMITTEE/SUBCOMMITTEE ACTION

ADOPTED	<u>    </u>	(Y/N)
ADOPTED AS AMENDED	<u>    </u>	(Y/N)
ADOPTED W/O OBJECTION	<u>    </u>	(Y/N)
FAILED TO ADOPT	<u>    </u>	(Y/N)
WITHDRAWN	<u>    </u>	(Y/N)
OTHER	<u>      </u>	

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1 Committee/Subcommittee hearing bill: Insurance & Banking  
 2 Subcommittee

3 Representative Webb offered the following:

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5 **Amendment (with title amendment)**

6 Remove everything after the enacting clause and insert:

7 Section 1. Subsections (1) and (2) of section 634.3077,  
 8 Florida Statutes, are amended, and subsection (5) is added to  
 9 that section, to read:

10 634.3077 Financial requirements.—

11 (1) An association licensed under this part shall maintain  
 12 a funded, unearned premium reserve account, consisting of  
 13 unencumbered assets, equal to a minimum of 25 percent of the  
 14 gross written premiums received by it from all warranty  
 15 contracts in force in this state. Such assets must ~~shall~~ be held  
 16 in the form of cash or invested in securities for investments as

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17 provided in part II of chapter 625. Such reserve account must be  
18 a separate auditable account for Florida contracts.

19 (2) An association shall maintain, at a minimum, net  
20 assets equal to one-sixth of the written premiums it receives  
21 for the issuance and delivery of any binder or warranty in  
22 force. Net assets may be less than one-sixth of the premiums  
23 written, provided the association has net assets of not less  
24 than \$500,000 and maintains a funded, unearned premium reserve  
25 account consisting of unencumbered assets equal to a minimum of  
26 40 percent of the gross written premiums received by it from all  
27 warranty contracts in force in this state, which must ~~shall~~ be  
28 held in the form of cash or invested in securities for  
29 investments as provided in part II of chapter 625. Such reserve  
30 account must be a separate auditable account for Florida  
31 contracts.

32 (5) An association operating in this state that issues  
33 home warranty or home service contracts in other states must  
34 comply with all financial requirement laws of such other states.

35 Section 2. Effective January 1, 2020, section 634.346,  
36 Florida Statutes, is created to read:

37 634.346 Home warranty coverage requirements.-

38 (1) A home warranty sold in this state may not exclude  
39 coverage because of the presence of rust or corrosion unless the  
40 rust or corrosion was a contributing cause of the mechanical  
41 breakdown or failure of a covered appliance, unit, or system.

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42       (2) A home warranty contract providing coverage for wear  
43 and tear failures of components of an HVAC system, which  
44 contains an exclusion of replacement coverage for any other  
45 functional components of the HVAC system on the basis of  
46 operational compatibility or operational efficiency requirements  
47 as set by the manufacturer, must:

48       (a) Set forth a disclosure in conspicuous boldfaced type  
49 that the home warranty contract does not cover replacement of  
50 functional components of HVAC systems for reasons of  
51 compatibility or efficiency requirements of the manufacturer  
52 unless additional coverage for such circumstance is purchased,  
53 and provide the website or telephone number for the consumer to  
54 contact to add such additional coverage to the home warranty  
55 contract; and

56       (b) Provide consumers the option to purchase additional  
57 coverage, for an additional charge, for the replacement of  
58 otherwise functional components of an HVAC system necessary to  
59 maintain the compatibility and operating efficiency requirements  
60 of the manufacturer.

61       Section 3. Subsections (1), (2), and (5) of section  
62 634.406, Florida Statutes, are amended, and subsection (8) is  
63 added to that section, to read:

64       634.406 Financial requirements.—

65       (1) An association licensed under this part shall maintain  
66 a funded, unearned premium reserve account, consisting of

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67 unencumbered assets, equal to a minimum of 25 percent of the  
68 gross written premiums received on all warranty contracts in  
69 force which are, wherever written in this state. Such reserve  
70 account must be a separate auditable account for Florida  
71 contracts. Such assets must ~~shall~~ be held as prescribed under  
72 ss. 625.301-625.340. For contracts in excess of 2 years which  
73 are offered by associations having net assets of less than  
74 \$500,000 and for which premiums are collected in advance for  
75 coverage in a subsequent year, 100 percent of the premiums for  
76 such subsequent years must ~~shall~~ be placed in the funded,  
77 unearned premium reserve account.

78 (2) An association utilizing an unearned premium reserve  
79 shall deposit with the department a reserve deposit for Florida  
80 contracts equal to 10 percent of the gross written premium  
81 received on all warranty contracts in force in this state. Such  
82 reserve deposit must ~~shall~~ be of a type eligible for deposit by  
83 insurers under s. 625.52. Request for release of all or part of  
84 the reserve deposit may be made quarterly and only after the  
85 office has received and approved the association's current  
86 financial statements, as well as a statement sworn to by two  
87 officers of the association verifying such release will not  
88 reduce the reserve deposit to less than 10 percent of the gross  
89 written premium. The reserve deposit required under this part  
90 must ~~shall~~ be included in calculating the reserve required by  
91 subsection (1). The deposit required in s. 634.405(1)(b) must

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92 ~~shall~~ be included in calculating the reserve requirements of  
93 this section.

94 (5) No warranty seller may allow its gross written  
95 premiums in force for contracts written in this state to exceed  
96 a 7-to-1 ratio to net assets.

97 (8) An association operating in this state that issues  
98 service warranty or service contracts in other states must  
99 comply with all financial requirement laws of such other states.

100 Section 4. Except as otherwise provided in this act, this  
101 act shall take effect July 1, 2019.

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**T I T L E A M E N D M E N T**

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Remove everything before the enacting clause and insert:

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A bill to be entitled

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An act relating to warranty associations; amending s.

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634.3077, F.S.; revising the basis for calculating the

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required assets in a home warranty association's

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premium reserve account; requiring that such reserve

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account be a separate auditable account; requiring

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home warranty associations to comply with other

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states' laws; creating s. 634.346, F.S.; prohibiting

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home warranties from excluding coverage because of the

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presence of rust or corrosion, except under certain

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117 | circumstances; specifying requirements for certain  
118 | home warranties providing coverage for HVAC system  
119 | components; amending s. 634.406, F.S.; revising the  
120 | basis for calculating the required assets in a service  
121 | warranty association's premium reserve account;  
122 | requiring that such reserve account be a separate  
123 | auditable account; revising the basis for calculating  
124 | a certain reserve deposit with the Department of  
125 | Financial Services; revising the requirements  
126 | regarding the ratio of gross written premiums to net  
127 | assets for service warranties; requiring service  
128 | warranty associations to comply with other states'  
129 | laws; providing effective dates.