

26 authorizing providers to use an administrator or other
27 designee for administration of vehicle value
28 protection agreements; prohibiting vehicle value
29 protection agreements from being sold under certain
30 circumstances; specifying financial security
31 requirements for providers; prohibiting additional
32 financial security requirements from being imposed on
33 providers; creating s. 520.154, F.S.; requiring
34 vehicle value protection agreements to include certain
35 written disclosures in clear and understandable
36 language; requiring vehicle value protection
37 agreements to state the terms, restrictions, or
38 conditions governing cancellation by the provider or
39 the contract holder; specifying requirements for
40 notice by the provider, refund of fees, and deduction
41 of fees if the agreement is canceled; creating s.
42 520.155, F.S.; providing an exemption for vehicle
43 value protection agreements in connection with a
44 commercial transaction; creating s. 520.156, F.S.;;
45 providing noncriminal penalties; defining the term
46 "violations of a similar nature"; creating s. 520.157,
47 F.S.; defining the term "excess wear and use waiver";
48 providing an effective date.

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

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Section 1. Subsection (7) of section 520.02, Florida Statutes, is amended to read:

520.02 Definitions.—In this act, unless the context or subject matter otherwise requires:

(7) "Guaranteed asset protection product" means a loan, lease, or retail installment contract term, or modification or addendum to a loan, lease, or retail installment contract, under which a creditor agrees with or without a separate charge, to cancel or waive a customer's liability for payment of some or all of the amount by which the debt exceeds the value of the collateral that has incurred total physical damage or is the subject of an unrecovered theft. A guaranteed asset protection product may also provide, with or without a separate charge, a benefit that waives a portion of, or provides a customer with a credit towards, the purchase of a replacement motor vehicle.

Such a product is not insurance for purposes of the Florida Insurance Code. This subsection also applies to all guaranteed asset protection products issued before October 1, 2008.

Section 2. Paragraph (g) of subsection (11) of section 520.07, Florida Statutes, is amended, and paragraphs (h) and (i) are added to that subsection, to read:

520.07 Requirements and prohibitions as to retail installment contracts.—

(11) In conjunction with entering into any new retail

76 installment contract or contract for a loan, a motor vehicle
77 retail installment seller as defined in s. 520.02, a sales
78 finance company as defined in s. 520.02, or a retail lessor as
79 defined in s. 521.003, and any assignee of such an entity, may
80 offer, for a fee or otherwise, optional guaranteed asset
81 protection products in accordance with this chapter. The motor
82 vehicle retail installment seller, sales finance company, retail
83 lessor, or assignee may not require the purchase of a guaranteed
84 asset protection product as a condition for making the loan. In
85 order to offer any guaranteed asset protection product, a motor
86 vehicle retail installment seller, sales finance company, or
87 retail lessor, and any assignee of such an entity, shall comply
88 with the following:

89 (g) If a contract for a guaranteed asset protection
90 product is terminated, the entity shall refund to the buyer any
91 unearned fees paid for the contract unless the contract provides
92 otherwise. A refund is not due to a consumer who receives a
93 benefit under such product. In order to receive a refund, the
94 buyer must notify the entity of the event terminating the
95 contract and request a refund within 90 days after the
96 occurrence of the event terminating the contract. An entity may
97 offer a buyer a contract that does not provide for a refund only
98 if the entity also offers that buyer a bona fide option to
99 purchase a comparable contract that provides for a refund. An
100 entity may not deduct more than \$75 in administrative fees from

101 a refund made under this subsection.

102 (h) Guaranteed asset protection products may be cancelable
 103 or noncancelable after a free-look period as defined in s.
 104 520.152.

105 (i) If the termination of the guaranteed asset protection
 106 product occurs because of a default under the retail installment
 107 contract or contract for a loan, the repossession of the motor
 108 vehicle associated with the retail installment contract or
 109 contract for a loan, or any other termination of the retail
 110 installment contract or contract for a loan, the entity may pay
 111 any refund due directly to the holder or administrator and apply
 112 the refund as a reduction of the amount owed under the retail
 113 installment contract or contract for a loan, unless the buyer
 114 can show that the retail installment contract has been paid in
 115 full.

116 Section 3. Section 520.151, Florida Statutes, is created
 117 to read:

118 520.151 Florida Vehicle Value Protection Agreements Act.—
 119 Sections 520.151-520.156 may be cited as the "Florida Vehicle
 120 Value Protection Agreements Act."

121 Section 4. Section 520.152, Florida Statutes, is created
 122 to read:

123 520.152 Definitions.—As used in ss. 520.151-520.156,
 124 unless the context or subject matter otherwise requires, the
 125 term:

126 (1) "Administrator" means the person who is responsible
127 for the administrative or operational function of managing
128 vehicle value protection agreements, including, but not limited
129 to, the adjudication of claims or benefit requests by contract
130 holders.

131 (2) "Commercial transaction" means a transaction in which
132 the motor vehicle subject to the transaction is used primarily
133 for business or commercial purposes.

134 (3) "Contract holder" means a person who is the purchaser
135 or holder of a vehicle value protection agreement.

136 (4) "Finance agreement" means a loan, retail installment
137 sales contract, or lease for the purchase, refinancing, or lease
138 of a motor vehicle.

139 (5) "Free-look period" means the period of time,
140 commencing on the effective date of the contract, during which
141 the buyer may cancel the contract for a full refund of the
142 purchase price. This period may not be shorter than 30 days.

143 (6) "Motor vehicle" has the same meaning as provided in s.
144 520.02.

145 (7) "Provider" means a person that is obligated to provide
146 a benefit under a vehicle value protection agreement. A provider
147 may function as an administrator or retain the services of a
148 third-party administrator.

149 (8) "Vehicle value protection agreement" includes a
150 contractual agreement that provides a benefit toward either the

151 reduction of some or all of the contract holder's current
 152 finance agreement deficiency balance or the purchase or lease of
 153 a replacement motor vehicle or motor vehicle services upon the
 154 occurrence of an adverse event to the motor vehicle, including,
 155 but not limited to, loss, theft, damage, obsolescence,
 156 diminished value, or depreciation. The term does not include
 157 guaranteed asset protection products as defined in s. 520.02.
 158 Such a product is not insurance for the purposes of the Florida
 159 Insurance Code.

160 Section 5. Section 520.153, Florida Statutes, is created
 161 to read:

162 520.153 Requirements and prohibitions as to vehicle value
 163 protection agreements.—

164 (1) Vehicle value protection agreements may be offered,
 165 sold, or given to consumers in this state in compliance with
 166 this act.

167 (2) Notwithstanding any other law, any amount charged or
 168 financed for a vehicle value protection agreement is not
 169 considered a finance charge or interest and must be separately
 170 stated in the finance agreement and in the vehicle value
 171 protection agreement.

172 (3) The extension of credit, the terms of credit, or the
 173 terms of the related motor vehicle sale or lease may not be
 174 conditioned upon the consumer's payment for or financing of any
 175 charge for a vehicle value protection agreement. However, a

176 vehicle value protection agreement may be discounted or given at
 177 no charge in connection with the purchase of other noncredit
 178 related goods or services.

179 (4) A provider may use an administrator or other designee
 180 to administer a vehicle value protection agreement.

181 (5) A vehicle value protection agreement may not be sold
 182 or given to any person unless he or she has been or will be
 183 provided access to a copy of such vehicle value protection
 184 agreement at a reasonable time after such vehicle value
 185 protection agreement is sold or given.

186 (6) A vehicle value protection agreement may not be sold
 187 or given if coverage is duplicative of another vehicle value
 188 protection agreement sold or given to a person or duplicative of
 189 a guaranteed asset protection product.

190 (7) Each provider shall do one of the following:

191 (a) Insure all of its vehicle value protection agreements
 192 under a policy that pays or reimburses the contract holder in
 193 the event the provider fails to perform its obligations under
 194 the vehicle value protection agreement. The insurer must be
 195 licensed or otherwise authorized or eligible to do business in
 196 this state;

197 (b) Maintain a funded reserve account for its obligations
 198 under its contracts issued and outstanding in this state. The
 199 reserves may not be less than 40 percent of gross consideration
 200 received, less claims paid, on the sale of the vehicle value

201 protection agreement for all in-force contracts in this state.
202 The reserve must be placed in trust with the office and have a
203 financial security deposit valued at not less than 5 percent of
204 the gross consideration received, less claims paid, on the sale
205 of the vehicle value protection agreements for all vehicle value
206 protection agreements issued and in force in this state, but at
207 least \$25,000. The reserve account must consist of one of the
208 following:

- 209 1. A surety bond issued by an authorized surety;
- 210 2. Securities of the type eligible for deposit by insurers
211 as provided in s. 625.52;
- 212 3. Cash; or
- 213 4. A letter of credit issued by a qualified financial
214 institution; or

215 (c) Maintain, or together with its parent corporation
216 maintain, a net worth or stockholders' equity of \$100 million
217 and, upon request, provide the office with a copy of the
218 provider's or the provider's parent company's Form 10-K or Form
219 20-F filed with the Securities and Exchange Commission within
220 the last calendar year, or if the company does not file with the
221 Securities and Exchange Commission, a copy of the company's
222 audited financial statements, which must show a net worth of the
223 provider or its parent company of at least \$100 million. If the
224 provider's parent company's Form 10-K, Form 20-F, or financial
225 statements are filed to meet the provider's financial security

226 requirement, the parent company must agree to guarantee the
 227 obligations of the provider relating to vehicle value protection
 228 agreements sold by the provider in this state.

229 (8) A financial security requirement other than those
 230 imposed in subsection (7) may not be imposed on vehicle value
 231 protection agreement providers.

232 Section 6. Section 520.154, Florida Statutes, is created
 233 to read:

234 520.154 Disclosures.—

235 (1) A vehicle value protection agreement must disclose in
 236 writing, in clear, understandable language, all of the
 237 following:

238 (a) The name and address of the provider, contract holder,
 239 and administrator, if any.

240 (b) The terms of the vehicle value protection agreement,
 241 including, but not limited to, the purchase price to be paid by
 242 the contract holder, if any, the requirements for eligibility
 243 and conditions of coverage, and any exclusions.

244 (c) Whether the vehicle value protection agreement may be
 245 canceled by the contract holder during a free-look period as
 246 defined in s. 520.152, and that, in the event of cancellation,
 247 the contract holder is entitled to a full refund of the purchase
 248 price, if any, so long as no benefits have been provided.

249 (d) The procedure the contract holder must follow, if any,
 250 to obtain a benefit under the terms and conditions of the

251 vehicle value protection agreement, including, if applicable, a
252 telephone number, website, or mailing address where the contract
253 holder may apply for a benefit.

254 (e) Whether the vehicle value protection agreement is
255 cancellable after the free-look period and the conditions under
256 which it may be canceled, including the procedures for
257 requesting any refund of the unearned purchase price paid by the
258 contract holder. In the event that the agreement is cancelable,
259 it must include the methodology for calculating any refund due
260 of the unearned purchase price of the vehicle value protection
261 agreement.

262 (f) That the extension of credit, the terms of the credit,
263 or the terms of the related motor vehicle sale or lease may not
264 be conditioned upon the purchase of the vehicle value protection
265 agreement.

266 (2) A vehicle value protection agreement must state the
267 terms, restrictions, or conditions governing cancellation of the
268 vehicle value protection agreement before the termination or
269 expiration date of the vehicle value protection agreement by
270 either the provider or the contract holder. The provider of the
271 vehicle value protection agreement shall mail a written notice
272 to the contract holder at the last known address of the contract
273 holder contained in the records of the provider at least 5 days
274 before cancellation by the provider, which notice must state the
275 effective date of the cancellation and the reason for the

276 cancellation. However, such prior notice is not required if the
 277 reason for cancellation is nonpayment of the provider fee, a
 278 material misrepresentation by the contract holder to the
 279 provider or administrator, or a substantial breach of duties by
 280 the contract holder relating to the covered motor vehicle or its
 281 use. If a vehicle value protection agreement is canceled by the
 282 provider for a reason other than nonpayment of the provider fee,
 283 the provider must refund to the contract holder 100 percent of
 284 the unearned pro rata provider fee paid by the contract holder,
 285 if any. If coverage under the vehicle value protection agreement
 286 continues after a claim, any refund may reflect a deduction for
 287 claims paid and, at the discretion of the provider, an
 288 administrative fee of not more than \$75.

289 Section 7. Section 520.155, Florida Statutes, is created
 290 to read:

291 520.155 Commercial transactions exempt.—Sections 520.154
 292 and 520.156 do not apply to vehicle value protection agreements
 293 offered in connection with a commercial transaction.

294 Section 8. Section 520.156, Florida Statutes, is created
 295 to read:

296 520.156 Penalties.—A provider, an administrator, or any
 297 other person who willfully and intentionally violates ss.
 298 520.151-520.155 commits a noncriminal violation, as defined in
 299 s. 775.08(3), punishable by a fine not to exceed \$500 per
 300 violation and not more than \$10,000 in the aggregate for all

301 violations of a similar nature. For purposes of this section,
 302 the term "violations of a similar nature" means violations that
 303 consist of the same or similar course of conduct, action, or
 304 practice, irrespective of the number of times the action,
 305 conduct, or practice, determined to be a violation of ss.
 306 520.151-520.155 occurred.

307 Section 9. Section 520.157, Florida Statutes, is created
 308 to read:

309 520.157 Excess wear and use waiver.—For purposes of this
 310 section, the term "excess wear and use waiver" means a
 311 contractual agreement wherein a lessor agrees, regardless of
 312 whether subject to a separate fee, to cancel or waive all or
 313 part of amounts that may become due under a lease agreement as a
 314 result of excess wear and use of a motor vehicle, which
 315 agreement must be part of, or a separate addendum to, the lease
 316 agreement. Such waivers may also cancel or waive amounts due for
 317 excess mileage.

318 Section 10. This act shall take effect October 1, 2024.