

FLORIDA HOUSE OF REPRESENTATIVES

BILL ANALYSIS

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BILL #: [CS/HB 367](#)

TITLE: Home and Service Warranty Association
Financial Requirements

SPONSOR(S): Conerly

COMPANION BILL: [CS/SB 282](#) (Truenow)

LINKED BILLS: None

RELATED BILLS: None

Committee References

[Insurance & Banking](#)

17 Y, 0 N, As CS



[Commerce](#)

SUMMARY

Effect of the Bill:

The bill allows both home warranty associations and service warranty associations to satisfy financial requirements using one or more contractual liability insurance policies from multiple insurers rather than only permitting a single contractual liability policy.

Additionally, the bill reduces the amount of information a service warranty association must file to document its eligibility for an exemption from reserve or contracting requirements.

The bill specifies that contracts covering accidental damage from handling must be backed by a contractual liability policy, except for associations exempt from reserve and insurance requirements under specific statutory provisions.

Fiscal or Economic Impact:

None

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ANALYSIS

EFFECT OF THE BILL:

The bill allows [home warranty associations](#) and [service warranty associations](#) to satisfy financial requirements using one or more contractual liability insurance policies from multiple insurers. (Section [1](#) and [2](#)).

Additionally, the bill allows a service warranty association to document its parent company's required net worth by submitting one of the following, rather than both:

- Audited financial statements, or
- SEC filings (or equivalent forms from a recognized stock exchange). (Section [2](#)).

The bill requires that all contracts providing coverage for accidental damage from handling be backed by a contractual liability policy as referenced in existing law. However, an exception is made for associations that are not required to establish an unearned premium reserve or maintain contractual liability insurance under specific statutory provisions. (Section [3](#)).

The effective date of the bill is January 1, 2026. (Section [4](#)).

STORAGE NAME: h0367a.IBS

DATE: 3/7/2025

RELEVANT INFORMATION

SUBJECT OVERVIEW:

A warranty is an assurance that a manufacturer or seller makes about the condition of its product.¹ A warranty means that a manufacturer or seller will replace or repair the product under certain instances. A warranty can be either express or implied.²

An express warranty is a verbal or written assurance for the product.³ On the other hand, an implied warranty is an unstated assurance that the product is made for its intended purpose.⁴ An implied warranty is in addition to an express warranty. However, an implied warranty may be negated or limited by an express warranty. There is no implied warranty if a seller states that the product is “as is”, “with all faults”, or similar language.⁵

The Office of Insurance Regulation (OIR)

Warranty associations and companies in Florida, including those associations selling home and service warranties, and those companies selling motor vehicle service agreements, are regulated by the Office of Insurance Regulation (OIR).⁶ OIR regulates the insurance industry in Florida. OIR is responsible for the regulation of all activities in the state concerning insurers and other risk bearing entities, including licensing, rates, policy forms, market conduct, claims, issuance of certificates of authority, solvency, viatical settlements, premium financing, and administrative supervision.⁷

While warranties are not considered traditional insurance products, OIR regulates warranty associations and companies similarly to the way in which it regulates insurers.⁸ Home and service warranty associations must be licensed by OIR⁹ and must maintain certain minimum financial standards in order to do warranty business in Florida.¹⁰

Home Warranties

A home warranty is a contract or agreement between the homeowner and the issuing company, safeguarding the homeowner from expenses related to the repair or replacement of structural components or appliances in the home.¹¹ This protection extends to issues caused by normal wear and tear or defects in these components or appliances.¹²

Home warranty contracts or agreements can be drafted by a Home Warranty Association licensed under [s. 634.303, F.S.](#), or by an authorized insurance company permitted to offer coverage in this category.¹³

¹ [s. 681.102\(22\), F.S.](#)

² 45 Fla. Jur 2d Sales and Exchanges of Goods § 156.

³ “An express warranty is created by an affirmation of fact or promise made by the seller to the buyer that relates to the goods, by any description of the goods that is made part of the basis of the bargain, or by any sample or model that is made part of the basis of the bargain.” S. [672.313, F.S.](#)

⁴ S. [672.314, F.S.](#)

⁵ S. [672.316, F.S.](#)

⁶ See ch. 634, F.S.

⁷ Florida Office of Insurance Regulation, *Organization and Operation*, <https://flor.com/about-us/organization-and-operation#:~:text=The%20Florida%20um%20financing%2C%20and%20administrative> (last visited Feb. 28, 2025). See also [s. 624.308, F.S.](#), and R. 690, et seq., F.A.C.]

⁸ See ch. 634, F.S.

⁹ Ss. 634.303 and [634.403, F.S.](#) Neither the Florida Insurance Code nor this section grants permission for any home warranty association to conduct insurance business beyond what is specifically defined as home warranty or to participate in any other form of insurance. Any engagement in alternative insurance types requires explicit authorization through a certificate of authority issued by the office under the provisions of the Florida Insurance Code. S. [634.325, F.S.](#)

¹⁰ Ss. [s. 634.3077, F.S.](#) and [634.406, F.S.](#)

¹¹ S. [634.301\(2\), F.S.](#)

¹² *Id.*

¹³ S. [634.303, F.S.](#)

Service Warranty

A Service Warranty is a warranty, guarantee, extended warranty, or maintenance service contract lasting one year or more that covers the cost of repair, replacement, or maintenance of a consumer product in exchange for a premium payment.¹⁴

A service warranty contract may be issued by a licensed Service Warranty Association, as authorized under S. [634.403, F.S.](#), or by an insurance company authorized to provide this type of coverage.¹⁵

Service warranty rates are not regulated or approved by the Florida Office of Insurance Regulation (OIR).¹⁶ As required by [s. 634.414, F.S.](#), every service agreement sold in Florida must include a written disclosure informing consumers that the rate charged is not subject to OIR regulation.¹⁷ This disclosure may be included in the service agreement itself or provided separately at the time of purchase.¹⁸

How Home and Service Warranty Associations Work in Florida

In Florida, companies that sell home warranties and service warranties are regulated under Ch. 634, and are commonly referred to as warranty associations. These businesses collect fees from customers in exchange for providing coverage and must comply with financial regulations to ensure they can pay claims when required.

To meet Florida's financial requirements, warranty associations have two options:

1. Maintain an Unearned Premium Reserve
 - A portion of the money collected from customers must be set aside in a reserve fund to cover future claims.¹⁹
2. Purchase Contractual Liability Insurance (CLI)
 - Instead of maintaining a reserve, a warranty association can purchase a CLI from an insurer.²⁰
 - CLI guarantees that if the warranty association is unable to fulfill its obligations (due to insolvency, bankruptcy, or other financial issues), the insurer will cover the claims.²¹
 - CLI must be obtained from an insurer authorized to do business in Florida or approved by the OIR as financially capable of covering obligations.²²

Financial Requirements for Home and Service Warranty Associations

To ensure warranty associations remain financially stable and capable of meeting their obligations to consumers, Florida law imposes additional financial requirements.

Premium-to-Net-Assets Ratio

- Warranty associations cannot have gross written premiums that exceed seven times their available assets (a 7-to-1 ratio).²³
- If a company exceeds this limit, it must meet stricter financial conditions, such as maintaining higher net assets or purchasing CLI from an insurer with significant financial reserves.²⁴

Net Worth Requirements

- Some warranty associations must maintain a minimum level of net assets to demonstrate financial stability.²⁵

¹⁴ S. [634.401, F.S.](#)

¹⁵ Consumer Services, *Service Warranty Overview*, <https://myfloridacfo.com/division/consumers/understanding-insurance/service-warranty-overview>, (Last visited Feb. 18, 2025).

¹⁶ *Id.*

¹⁷ *Id.*

¹⁸ *Id.*

¹⁹ S. [634.3077\(1\), F.S.](#), and S. [634.406\(3\), F.S.](#)

²⁰ S. [634.406\(3\), F.S.](#)

²¹ S. [634.406\(3\)\(a\), F.S.](#)

²² S. [634.406\(3\), F.S.](#)

²³ S. [634.406\(4\), F.S.](#)

²⁴ S. [634.406\(4\)\(b\), F.S.](#)

²⁵ S. [634.406\(6\)\(a\), F.S.](#)

- Companies exceeding the 7-to-1 ratio must hold at least \$750,000 in net assets and secure CLI from an insurer with a policyholder surplus of at least \$100 million or \$200 million, depending on circumstances.²⁶

Exemptions for Large Companies

- Warranty associations (or their parent companies) with a net worth of at least \$100 million may be exempt from maintaining an unearned premium reserve or purchasing CLI.²⁷
- These companies must submit audited financial statements and regular financial reports to regulators to prove they meet the exemption criteria.²⁸

BILL HISTORY

COMMITTEE REFERENCE	ACTION	DATE	STAFF DIRECTOR/ POLICY CHIEF	ANALYSIS PREPARED BY
Insurance & Banking Subcommittee	17 Y, 0 N, As CS	3/5/25	Lloyd	Herrera
THE CHANGES ADOPTED BY THE COMMITTEE:	requires that contracts covering accidental damage from handling must be backed by contractual liability insurance, unless issued by an association exempt from the applicable financial requirements.			
Commerce Committee				

THIS BILL ANALYSIS HAS BEEN UPDATED TO INCORPORATE ALL OF THE CHANGES DESCRIBED ABOVE.

²⁶ S. [634.406\(6\)\(b\), F.S.](#)

²⁷ S. [634.406\(7\)\(a\), F.S.](#)

²⁸ S. [634.406\(7\)\(a\)\(1\), F.S.](#)