

Committee on Banking and Insurance

CS/HB 925 — Warranty Associations

by Insurance and Banking Subcommittee and Rep. Webb and others (CS/SB 1690 by Banking and Insurance Committee and Senator Broxson)

The bill reduces the amount of the unearned premium reserve that a service warranty association and a home warranty association must maintain under Florida law. Under the bill, such warranty associations must maintain an unearned premium reserve equal to a minimum of 25 percent of gross written premiums received from warranty contracts written in this state. Under current law, the unearned premium reserve must equal at least 25 percent of gross written premiums received from all its warranty contracts in force. The bill requires the unearned premium reserve account be a separate auditable account. The bill provides that a home warranty association or a service warranty association that operates in Florida and other states must also comply with the financial requirement laws of those states.

The bill prohibits a home warranty contract from excluding coverage due to the presence of rust or corrosion if such rust was not a contributing cause of the mechanical breakdown or failure of the covered appliance, unit, or system.

The bill also requires home warranty companies that cover HVAC parts replacements, but that do not cover manufacturer-recommended compatibility or efficiency requirements to:

- State in conspicuous boldface type that the contract does not provide replacement coverage for components necessary to maintain the compatibility and efficiency requirements recommended by the manufacturer unless the consumer purchases additional coverage. The contract must also state the website or phone number where a consumer may purchase additional coverage; and
- Provide the consumer with the option, at an additional cost, to purchase replacement coverage for components necessary to maintain the compatibility and efficiency requirements.

If approved by the Governor, these provisions take effect July 1, 2019, except where otherwise provided.

Vote: Senate 40-0; House 109-0