



232946

LEGISLATIVE ACTION

Senate

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House

The Committee on Commerce and Tourism (Broxson) recommended the following:

Senate Amendment (with title amendment)

Delete lines 39 - 95
and insert:
provided in s. 625.52 and must be maintained in a separate auditable escrow account for the benefit of warranty holders residing in this state in a Florida bank, Florida savings and loan association, or Florida trust company or on deposit with the department ~~part II of chapter 625. Any escrow or other agreement between the association and a bank, a savings and loan~~



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11 association, or a trust company is subject to review by the
12 office and must state that the purpose of the account is to
13 protect warranty holders residing in this state. An association
14 must provide 10 days' advance notice to the office before any
15 withdrawal of funds from the escrow account.

16 (2) An association shall maintain, at a minimum, net assets
17 equal to one-sixth of the written premiums it receives for the
18 issuance and delivery of any binder or warranty in force. Net
19 assets may be less than one-sixth of the premiums written,
20 provided the association has net assets of not less than
21 \$500,000 and maintains a funded, unearned premium reserve
22 account consisting of unencumbered assets equal to a minimum of
23 40 percent of the gross written premiums received by it from all
24 warranty contracts in force in this state, which must shall be
25 held in the form of cash or invested in securities for
26 investments as provided in s. 625.52 and must be maintained in a
27 separate auditable escrow account for the benefit of warranty
28 holders residing in this state in a Florida bank, Florida
29 savings and loan association, or Florida trust company or on
30 deposit with the department ~~part II of chapter 625.~~ Any escrow
31 or other agreement between the association and a bank, a savings
32 and loan association, or a trust company is subject to review by
33 the office and must state that the purpose of the account is to
34 protect warranty holders residing in this state. An association
35 must provide 10 days' advance notice to the office before any
36 withdrawal of funds from the escrow account.

37 (5) An association operating in this state which issues
38 home warranty or home service contracts in other states must
39 comply with all financial requirement laws of such other states.



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

42 634.346 Home warranty coverage requirements.-

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

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

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

61 (b) Provide consumers the option to purchase additional
62 coverage, for an additional charge, for the replacement of
63 otherwise functional components of an HVAC system necessary to
64 maintain the compatibility and operating efficiency requirements
65 of the manufacturer.

66 Section 3. Subsections (1), (2), and (5) of section
67 634.406, Florida Statutes, are amended, and subsection (8) is
68 added to that section, to read:



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69 634.406 Financial requirements.-

70 (1) An association licensed under this part shall maintain
71 a funded, unearned premium reserve account, consisting of
72 unencumbered assets, equal to a minimum of 25 percent of the
73 gross written premiums received on all warranty contracts in
74 force which are, wherever written in this state. Such assets
75 must shall be held for the benefit of warranty holders residing
76 in this state as provided in s. 625.52 and must be maintained in
77 a Florida bank, Florida savings and loan association, or Florida
78 trust company in an escrow account or on deposit with the
79 department prescribed under ss. 625.301-625.340. Any such escrow
80 account or other agreement between the association and a bank,
81 savings and loan association, or trust company is subject to
82 review by the office and must state that the purpose of the
83 account is to protect warranty holders residing in this state.
84 An association must provide 10 days' advance notice to the
85 office before any withdrawal of funds from the escrow account.
86 For contracts in excess of

87
88 ===== T I T L E A M E N D M E N T =====

89 And the title is amended as follows:

90 Delete lines 5 - 19

91 and insert:

92 premium reserve account; specifying escrow
93 requirements for such assets; authorizing the Office
94 of Insurance Regulation to review agreements between
95 associations and certain financial institutions;
96 requiring associations to provide certain notice to
97 the office before withdrawing escrowed funds;



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98 requiring certain home warranty associations to comply
99 with other states' laws; creating s. 634.346, F.S.;
100 prohibiting home warranties from excluding coverage
101 because of the presence of rust or corrosion, except
102 under certain circumstances; specifying requirements
103 for certain home warranties providing coverage for
104 HVAC system components; amending s. 634.406, F.S.;
105 revising the basis for calculating the required assets
106 in a service warranty association's premium reserve
107 account; specifying escrow requirements for such
108 assets; authorizing the office to review agreements
109 between associations and certain financial
110 institutions; requiring associations to provide
111 certain notice to the office before withdrawing
112 escrowed funds; revising the basis for calculating a
113 certain