

An Act

ENROLLED SENATE
BILL NO. 2074

By: Sparks of the Senate

and

Sullivan of the House

An Act relating to insurance; amending 36 O.S. 2001, Section 6607, as last amended by Section 3, Chapter 189, O.S.L. 2009 (36 O.S. 2009, Section 6607), which relates to the Service Warranty Insurance Act; specifying that certain insurer shall possess certain rating; repealing 36 O.S. 2001, Section 6607, as last amended by Section 52, Chapter 176, O.S.L. 2009 (36 O.S. 2001, Section 6607), which is a duplicate section; and declaring an emergency.

BE IT ENACTED BY THE PEOPLE OF THE STATE OF OKLAHOMA:

SECTION 1. AMENDATORY 36 O.S. 2001, Section 6607, as last amended by Section 3, Chapter 189, O.S.L. 2009 (36 O.S. Supp. 2009, Section 6607), is amended to read as follows:

Section 6607. A. An association licensed pursuant to the Service Warranty Insurance Act shall maintain a funded, unearned premium reserve account, consisting of unencumbered assets, equal to a minimum of twenty-five percent (25%) of the gross written premiums received on all warranty contracts in force, wherever written. In the case of multiyear contracts which are offered by associations having net assets of less than Five Hundred Thousand Dollars (\$500,000.00) for which premiums are collected in advance for coverage in a subsequent year, one hundred percent (100%) of the premiums for such subsequent years shall be placed in the funded, unearned premium reserve account. Additionally, an association establishing such reserve account shall also place in trust with the Insurance Commissioner a surety bond issued by an authorized surety having a value of not less than five percent (5%) of the gross

premium received, less claims paid, on the sale of the service warranties for all service contracts issued and in force in this state, but in no event shall the bond be less than Twenty-five Thousand Dollars (\$25,000.00).

B. An association shall not be required to establish an unearned premium reserve or demonstrate the minimum writing ratio required by subsection D of this section if it has purchased an insurance policy which demonstrates to the satisfaction of the Insurance Commissioner that one hundred percent (100%) of its claim exposure is covered by such policy and satisfies the requirements of this section. The insurance shall be obtained from an insurer that is licensed, registered, or otherwise authorized to do business in this state, that is rated B++ or better by A.M. Best Company, Inc., and that meets the requirements of subsection C of this section. For the purposes of this subsection, the insurance policy shall contain the following provisions:

1. In the event that the service warranty association is unable to fulfill its obligation under contracts issued in this state for any reason, including insolvency, bankruptcy, or dissolution, the insurer will pay losses and unearned premiums under such plans directly to the person making a claim under the contract;

2. The insurer issuing the insurance policy shall assume full responsibility for the administration of claims in the event of the inability of the association to do so; and

3. The policy may not be canceled or not renewed by either the insurer or the association unless sixty (60) days' written notice thereof has been given to the Commissioner by the insurer before the date of such cancellation or nonrenewal.

C. The insurer providing the insurance policy used to satisfy the financial responsibility requirements of subsection B of this section must meet one of the following standards:

1. The insurer shall, at the time the policy is filed with the Commissioner, and continuously thereafter:

- a. maintain surplus as to policyholders and paid-in capital of at least Fifteen Million Dollars (\$15,000,000.00), and
- b. annually file copies of the audited financial statements of the insurer, its NAIC Annual Statement, and the actuarial certification required by and filed in the state of domicile of the insurer; or

2. The insurer shall, at the time the policy is filed with the Commissioner, and continuously thereafter:

- a. maintain surplus as to policyholders and paid-in capital of less than Fifteen Million Dollars (\$15,000,000.00) but at least equal to Ten Million Dollars (\$10,000,000.00),
- b. demonstrate to the satisfaction of the Commissioner that the company maintains a ratio of net written premiums, wherever written, to surplus as to policyholders and paid-in capital of not greater than three to one, and
- c. annually file copies of the audited financial statements of the insurer, its NAIC Annual Statement, and the actuarial certification required by and filed in the state of domicile of the insurer.

D. No warrantor or warranty seller shall allow its gross written premiums to exceed seven to one ratio to net assets.

E. If the gross written premiums of a warrantor or a warranty seller exceed the required net asset ratios, the Commissioner may require, in addition to other measures as the Commissioner deems necessary, any one or more of the following:

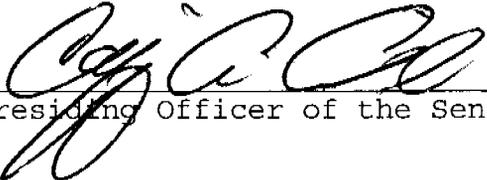
1. A complete review of financial condition;
2. An increase in deposit;
3. A suspension of any new writings; or

4. Capital infusion into the business.

SECTION 2. REPEALER 36 O.S. 2001, Section 6607, as last amended by Section 52, Chapter 176, O.S.L. 2009 (36 O.S. Supp. 2009, Section 6607), is hereby repealed.

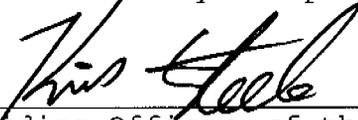
SECTION 3. It being immediately necessary for the preservation of the public peace, health and safety, an emergency is hereby declared to exist, by reason whereof this act shall take effect and be in full force from and after its passage and approval.

Passed the Senate the 8th day of March, 2010.



Presiding Officer of the Senate

Passed the House of Representatives the 19th day of April, 2010.



Presiding Officer of the House
of Representatives

OFFICE OF THE GOVERNOR

Received by the Governor this 20th
day of April, 2010,
at 1:35 o'clock P M.

By: [Signature]

Approved by the Governor of the State of Oklahoma the 22nd day of
April, 2010, at 4:40 o'clock P M.

[Signature]
Governor of the State of Oklahoma

OFFICE OF THE SECRETARY OF STATE

Received by the Secretary of State this
23rd day of April, 2010,
at 2:10 o'clock P M.

By: M. Susan Love