

Spec Sheet

Home Service Contract Registration

Regulations: 36 OS 3750 - 6755

Statutes Link for Statutes <https://www.oscn.net/applications/oscn/index.asp?ftdb=STOKST&level=1>

36 OS 6752 Definitions

Home service contract or **home warranty** means a contract or agreement for a separately stated consideration for a specific duration to perform the service, repair, replacement or maintenance of property or indemnification for service, repair, replacement or maintenance, for the operational or structural failure of any residential property due to a defect in materials, workmanship, inherent defect or normal wear and tear, with or without additional provisions for incidental payment or indemnity under limited circumstances. Home service contracts may provide for the service, repair, replacement, or maintenance of property for damage resulting from power surges or interruption and accidental damage from handling and may provide for leak or repair coverage to house roofing systems. Home service contracts and home warranties are not insurance in this state or otherwise regulated under the Insurance Code.

Administrator means the person who is responsible for the administration of home service contracts, or the home service contracts plan, who may promote the contract under their own private label or brand if the provider is clearly identified on the contract, or who is responsible for any submission required by the Oklahoma Home Service Contract Act.

Consumer means a natural person who buys other than for purposes of resale any tangible personal property that is distributed in commerce and that is normally used for personal, family or household purposes and not for business or research purposes.

Person means an individual, partnership, corporation, incorporated or unincorporated association, joint stock company, reciprocal, syndicate or any similar entity or combination of entities acting in concert.

Provider fee means the consideration paid for a home service contract.

Reimbursement insurance policy means a policy of insurance issued to a provider to either provide reimbursement to the provider under the terms of the insured home service contracts issued or sold by the provider or, in the event of the provider's nonperformance, to pay on behalf of the provider all covered contractual obligations incurred by the provider under the terms of the insured home service contracts issued or sold by the provider.

Warranty means a warranty made solely by the manufacturer, importer or seller of property or services including builders on new home construction, without consideration, that is not negotiated or separated from the sale of the product and is

incidental to the sale of the product, that guarantees indemnity for defective parts, mechanical or electrical breakdown, labor or other remedial measures, such as repair or replacement of the property or repetition of services.

Registration fees:

\$1,200 every three years

\$2,250 Anti-Fraud Fee every three years

2% Administrative Fee of gross fees received on the sale of all home service contracts issued in this state during the preceding calendar quarter or \$3,000 annual flat fee if the provider maintains a Contractual Liability Policy (CLP).

36 § 6753 Registration Application Requirements

Initial and/or renewal application

- Current License # (renewal only)
- List Legal name and all DBA or trade names (each name must be registered with the Oklahoma Secretary of State and in good standing).
- Reserve Account - maintain a funded reserve account for its obligations under its contracts issued and outstanding in this state. The reserves shall not be less than forty percent (40%) of gross consideration received, less claims paid, on the sale of the service contract for all in-force contracts. The reserve account shall be subject to examination and review by the Commissioner.
- Financial Security Deposit - place in trust with the Commissioner a financial security deposit, having a value of not less than five percent (5%) of the gross consideration received, less claims paid, on the sale of the service contract for all service contracts issued and in force, but not less than Twenty-five Thousand Dollars (\$25,000.00), consisting of one of the following:
 - (1) a surety bond issued by an authorized surety
 - (2) securities of the type eligible for deposit by authorized insurers in this state,
 - (3) a letter of credit issued by a qualified financial institution, or
 - (4) another form of security prescribed by rule promulgated by the Commissioner
- Minimum Net Worth - Maintain, or together with its parent company maintain, a net worth or stockholders' equity of Twenty-five Million Dollars (\$25,000,000.00), excluding goodwill, intangible assets, customer lists and affiliated receivables. Submit one of the following requirements:
 - 1) Upon request - submit a copy of the provider's or the provider's parent company's most recent Form 10-K or Form 20-F filed with the Securities and Exchange Commission (SEC) within the last calendar year, or if the company does not file with the SEC, a copy of the company's financial statements, which shows a net worth of the provider or its parent company of at least Twenty-five Million Dollars (\$25,000,000.00) based upon Generally Accepted Accounting Principles (GAAP) accounting standards. If the provider's parent company's Form 10-K, Form 20-F, or financial statements are filed to meet the provider's financial stability requirement, then the parent company shall agree to guarantee the obligations of the provider relating to service contracts sold by the provider in this state; or
 - 2) CLP – purchase 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. 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 the policy shall meet one of the following options:
 - (1) Option 1 - maintain surplus as to policyholders and paid-in capital of at least Fifteen Million Dollars (\$15,000,000.00), and annually file copies of the audited financial statements of the insurer, its National Association of Insurance Commissioners (NAIC) Annual Statement, and the actuarial certification required by and filed in the state of domicile of the insurer; or

- (2) Option 2 - maintain surplus as to policyholders and paid-in capital of less than Fifteen Million Dollars (\$15,000,000.00), 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 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.

CLP must contain the following statements:

- 1) If the provider is unable to fulfill its obligation under contracts issued in this state for any reason, including insolvency, bankruptcy, or dissolution, the insurer shall pay losses and unearned premiums under such plans directly to the person making the 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 provider to do so, and
- 3) The policy shall not be canceled or not renewed by either the insurer or the provider unless sixty (60) days' written notice thereof has been given to the Commissioner by the insurer before the date of such cancellation or nonrenewal

36 § 6754 Service Contracts - must be filed and approved by the OID Rate & Form Division.

36 § 6755 Periodic Examination by Commissioner - Enforcement of Act - Penalties for Violation

- The Commissioner may take action which is necessary or appropriate to enforce the provisions of the Oklahoma Home Service Contract Act and the orders of the Commissioner and to protect service contract holders in this state.