



House of Representatives

File No. 690

General Assembly

January Session, 2009

(Reprint of File No. 39)

Substitute House Bill No. 6356
As Amended by House
Amendment Schedule "A"

Approved by the Legislative Commissioner
April 16, 2009

AN ACT AMENDING THE EXTENDED WARRANTY STATUTES.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. Subsection (d) of section 42-260 of the general statutes is
2 repealed and the following is substituted in lieu thereof (*Effective*
3 *October 1, 2009*):

4 (d) (1) An extended warranty shall not be issued, sold or offered for
5 sale unless the extended warranty provider is insured under an
6 extended warranty reimbursement insurance policy issued by an
7 insurer authorized to do business in this state or the extended
8 warranty provider can demonstrate that reserves for claims contained
9 in the provider's financial statements are not in excess of one-half of a
10 provider's audited net worth. If such reserves are in excess of one-half
11 of a provider's net worth, the reserves shall be held in trust by an
12 independent trustee and certified annually as adequate by an actuary.

13 (2) The extended warranty reimbursement insurance policy shall
14 cover the obligations under the extended warranty sold by the
15 extended warranty provider during the period of time that such

16 provider's insurance policy is in force.

17 (3) An insurer authorized to issue an extended warranty
 18 reimbursement insurance policy in this state shall, at the time the
 19 policy is filed with the Insurance Commissioner as set forth in
 20 subsection (c) of section 38a-676 and continuously thereafter: (A)
 21 Maintain a surplus as to policyholders and paid-in capital of not less
 22 than fifteen million dollars; (B) demonstrate to the satisfaction of said
 23 commissioner that the company maintains a ratio of net written
 24 premiums, wherever written, to a surplus as to policyholders and
 25 paid-in capital of not greater than three to one; and (C) annually file
 26 with the Insurance Commissioner copies of such insurer's audited
 27 financial statements, its National Association of Insurance
 28 Commissioners' Annual Statement and the actuarial certification
 29 required by and filed in such insurer's state of domicile.

This act shall take effect as follows and shall amend the following sections:		
Section 1	October 1, 2009	42-260(d)

The following Fiscal Impact Statement and Bill Analysis are prepared for the benefit of the members of the General Assembly, solely for purposes of information, summarization and explanation and do not represent the intent of the General Assembly or either chamber thereof for any purpose. In general, fiscal impacts are based upon a variety of informational sources, including the analyst's professional knowledge. Whenever applicable, agency data is consulted as part of the analysis, however final products do not necessarily reflect an assessment from any specific department.

OFA Fiscal Note

State Impact: None

Municipal Impact: None

Explanation

This bill alters requirements related to extended warranty insurance policies and does not result in a fiscal impact.

House "A" modifies the requirements of the underlying bill and does not result in a fiscal impact.

The Out Years

None

Sources: 2/10/09 Public Hearing Testimony

OLR Bill Analysis**sHB 6356 (as amended by House "A")******AN ACT AMENDING THE EXTENDED WARRANTY STATUTES.*****SUMMARY:**

This bill requires an insurer issuing an extended warranty reimbursement insurance policy in Connecticut to meet certain requirements when filing a policy form with the insurance commissioner and continuously thereafter.

Specifically, it requires an extended warranty insurer to:

1. maintain surplus and paid-in capital of at least \$15 million;
2. demonstrate to the insurance commissioner's satisfaction that it maintains a ratio of net written premiums to surplus and paid-in capital that does not exceed three to one; and
3. annually file with the commissioner copies of (a) its audited financial statements, (b) the annual statement it files with the National Association of Insurance Commissioners, and (c) any actuarial certification that it must file with its domicile state.

*House Amendment "A" (1) decreases the required surplus and paid-in capital from \$20 million to \$15 million; (2) changes the required ratio of premiums to surplus and paid-in capital from two to one to three to one; and (3) clarifies that the provisions of the bill apply to insurance policy forms required by the commissioner for insurance policies and contracts, other than fidelity, surety or guaranty bonds, and any endorsement modifying such policies or contracts.

EFFECTIVE DATE: October 1, 2009

BACKGROUND

Definitions

The law defines “extended warranty” as a contract or agreement to perform or indemnify a product’s repair, replacement, or maintenance in case of an operational or structural failure that a defect in material, skill, or workmanship or normal wear and tear caused in exchange for a price separate from that charged for the product’s lease or purchase price.

An “extended warranty reimbursement insurance policy” is an insurance policy covering an extended warranty provider’s obligations and liabilities under an extended warranty the provider sold.

An “extended warranty provider” is a person who (1) issues, makes, provides, or offers an extended warranty to a buyer and (2) is contractually obligated under the warranty to provide service. It excludes a retail seller if (1) the seller, or its subsidiary, manufactured the product the warranty covers; (2) the extended warranty it offers or sells obligates the manufacturer or its subsidiary, distributor, or importer to provide the service or indemnity the warranty requires; or (3) under the warranty’s terms, the seller performs at least 90% of the repair service.

Policy Forms

Insurers must file insurance policies and contracts, other than fidelity, surety or guaranty bonds, and any endorsement modifying such policies or contracts with the insurance commissioner for his review prior to use (CGS § 38a-676(c)).

Existing Requirements

By law, an extended warranty cannot be issued, sold, or offered unless the extended warranty provider (1) is insured under an extended warranty reimbursement insurance policy an insurer authorized to do business in Connecticut issued or (2) can demonstrate that its claim reserves do not exceed 50% of its audited net worth. If they do, the provider must have an independent trustee hold the

reserves in trust and an actuary annually certify their adequacy. The law does not apply to a home warranty contract or home warranty service agreement.

The law requires an extended warranty provider to file with the insurance commissioner a copy of its (1) extended warranty form and (2) extended warranty reimbursement insurance policy or certification from a certified public accountant attesting to the adequacy of its claim reserves.

COMMITTEE ACTION

Insurance and Real Estate Committee

Joint Favorable

Yea 18 Nay 1 (02/19/2009)