

ASSEMBLY BILL NO. 213—ASSEMBLYMAN BOBZIEN

MARCH 7, 2013

Referred to Committee on Commerce and Labor

SUMMARY—Revises provisions governing the issuance of a certificate of registration to a provider of a service contract. (BDR 57-759)

FISCAL NOTE: Effect on Local Government: No.
Effect on the State: Yes.

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EXPLANATION – Matter in *bolded italics* is new; matter between brackets ~~omitted material~~ is material to be omitted.

AN ACT relating to service contracts; allowing a provider to qualify for the issuance of a certificate of registration by maintaining a reserve account and depositing certain security with the Commissioner of Insurance; and providing other matters properly relating thereto.

Legislative Counsel's Digest:

1 Under existing law, in order to be issued a certificate of registration, a provider
2 who wishes to issue, sell or offer for sale any service contracts in this State must:
3 (1) purchase a contractual liability insurance policy which insures the obligations of
4 each service contract that the provider issues, sells or offers for sale; or (2)
5 maintain, or be a subsidiary of a parent company that maintains, a net worth or
6 stockholders' equity of at least \$100,000,000. (NRS 690C.170) Without revising
7 those provisions of existing law, this bill reenacts provisions, repealed in the 2011
8 Legislative Session, that allow a provider to qualify for the issuance of a certificate
9 of registration by: (1) maintaining a reserve account that contains at all times at
10 least 40 percent of the gross consideration received by the provider for any
11 unexpired contracts, less any claims paid on those contracts; and (2) depositing
12 security with the Commissioner of Insurance in the amount of \$25,000 or 5 percent
13 of the gross consideration received by the provider for any unexpired service
14 contracts, less any claims paid on those contracts, whichever is greater.



THE PEOPLE OF THE STATE OF NEVADA, REPRESENTED IN
SENATE AND ASSEMBLY, DO ENACT AS FOLLOWS:

Section 1. NRS 690C.170 is hereby amended to read as follows:

690C.170 To be issued a certificate of registration, a provider must comply with one of the following:

1. Purchase a contractual liability insurance policy which insures the obligations of each service contract the provider issues, sells or offers for sale. The contractual liability insurance policy must be issued by an insurer which is not an affiliate of the provider and which is authorized to transact insurance in this state or pursuant to the provisions of chapter 685A of NRS. ~~1-01~~

2. *Maintain a reserve account and deposit with the Commissioner security as provided in this subsection. The reserve account must contain at all times an amount of money equal to at least 40 percent of the gross consideration received by the provider for any unexpired service contracts, less any claims paid on those unexpired service contracts. The Commissioner may examine the reserve account at any time. The provider shall also deposit with the Commissioner security in an amount that is equal to \$25,000 or 5 percent of the gross consideration received by the provider for any unexpired service contracts, less any claims paid on the unexpired service contracts, whichever is greater. The security must be:*

(a) A surety bond issued by a surety company authorized to do business in this State;

(b) Securities of the type eligible for deposit pursuant to NRS 682B.030;

(c) Cash;

(d) An irrevocable letter of credit issued by a financial institution approved by the Commissioner; or

(e) In any other form prescribed by the Commissioner.

3. Maintain, or be a subsidiary of a parent company that maintains, a net worth or stockholders' equity of at least \$100,000,000. Upon request, a provider shall provide to the Commissioner a copy of the most recent Form 10-K report or Form 20-F report filed by the provider or parent company of the provider with the Securities and Exchange Commission within the previous year. If the provider or parent company is not required to file those reports with the Securities and Exchange Commission, the provider shall provide to the Commissioner a copy of the most recently audited financial statements of the provider or parent company. If the net worth or stockholders' equity of the parent company of the provider is used to comply with the requirements of this subsection,



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- 1 the parent company must guarantee to carry out the duties of the
- 2 provider under any service contract issued or sold by the provider.
- 3 **Sec. 2.** This act becomes effective on January 1, 2014.

