

**523C.5 Financial responsibility — demonstration requirements.**

In order to assure the faithful performance of a service company's obligations to its contract holders in this state, a licensed service company shall demonstrate financial responsibility to the commissioner by satisfying one of the following, as evidenced by the service company:

1. Insuring all motor vehicle service contracts and residential service contracts offered for sale in this state under a reimbursement insurance policy that complies with [section 523C.6](#).

2. Doing both of the following:

a. Maintaining a funded reserve account for the service company's obligations under any issued and outstanding service contracts in this state, in an amount no less than forty percent of gross consideration received, less claims paid, for the sale of all service contracts issued and in force in this state. The reserve account shall be subject to examination and review by the commissioner.

b. Placing in trust with the commissioner a financial security deposit in an amount no less than five percent of the gross consideration received by the service company, less claims paid, for the sale of all motor vehicle service contracts and residential service contracts issued and in force in this state, but not less than twenty-five thousand dollars, consisting of one of the following:

(1) Cash.

(2) Securities of the type eligible for deposit by insurers authorized to transact business in this state.

(3) Certificates of deposit.

(4) A surety bond issued by an authorized surety company.

(5) Another form of security as prescribed by the commissioner by rule.

3. Doing both of the following:

a. Maintaining, on its own or together with a parent company, a minimum net worth or stockholders' equity of one hundred million dollars or more.

b. Upon request from the commissioner, providing either:

(1) A copy of the service company's financial statements.

(2) If the service company's financial statements are consolidated with those of its parent company, a copy of the parent company's most recent form 10-K or form 20-F filed with the federal securities and exchange commission within the last calendar year, or if the parent company does not file with the federal securities and exchange commission, a copy of the parent company's audited financial statements showing a net worth of at least one hundred million dollars. If the service company's financial statements are consolidated with those of its parent company, the service company shall also provide a copy of a written agreement by the parent company guaranteeing the obligations of the service company under motor vehicle service contracts and residential service contracts issued and outstanding by the service company in this state.

[83 Acts, ch 87, §6](#); [88 Acts, ch 1112, §705](#); [92 Acts, ch 1078, §3](#); [2012 Acts, ch 1023, §157](#); [2019 Acts, ch 142, §5, 19](#)

Referred to in [§523C.3](#), [523C.7](#), [523C.9](#), [523C.15](#)