

523C.6 Reimbursement insurance policy requirements — insurer qualifications.

1. *Requirements.* A reimbursement insurance policy insuring a motor vehicle service contract or residential service contract issued, sold, or offered for sale in this state shall provide for all of the following:

a. The reimbursement insurance policy shall obligate the insurer that issued such policy to reimburse or pay on behalf of the service company any covered sums that the service company is legally obligated to pay according to the terms of the contract or, in the event of nonperformance by the service company, provide the service which the service company is legally obligated to perform according to the terms of the service contract, which shall be conspicuously stated in the reimbursement insurance policy.

b. The reimbursement insurance policy shall entitle a service contract holder to make a claim directly against the insurance policy if the service company fails to pay or provide service on a claim within sixty days after proof of loss is filed with the service company.

c. The insurer that issued a reimbursement insurance policy shall be deemed to have received the premiums upon the payment of the total purchase price of the service contract by the service contract holder.

2. *Termination.* As applicable, an insurer that issued a reimbursement insurance policy shall not terminate the policy unless a written notice has been received by the commissioner and by each applicable service company. The notice shall fix the date of termination at a date no earlier than ten days after receipt of the notice by the commissioner. The termination of a reimbursement insurance policy shall not reduce the issuer's responsibility for a service contract issued by an insured service company prior to the date of termination.

3. *Indemnification or subrogation.* [This section](#) does not prevent or limit the right of an insurer that issued a reimbursement insurance policy to seek indemnification from or subrogation against a service company if the insurer pays or is obligated to pay a service contract holder sums that the service company was obligated to pay pursuant to the provisions of a service contract or pursuant to a contractual agreement.

4. *Premium tax liability.* Payments for the purchase price of a service contract by a service contract holder shall be exempt from premium tax. However, premiums shall be subject to premium tax.

5. *Qualifications of insurer.* An insurer issuing a reimbursement insurance policy under [this chapter](#) shall be authorized, registered, or otherwise permitted to transact business in this state and shall meet one of the following requirements:

a. At the time the policy is filed with the commissioner, and continuously thereafter, the insurer maintains surplus as to policyholders and paid-in capital of at least fifteen million dollars and annually files copies of the insurer's financial statements, national association of insurance commissioners annual statement, and actuarial certification, if required and filed in the insurer's state of domicile.

b. At the time the policy is filed with the commissioner and continuously thereafter, the insurer does all of the following:

(1) Maintains surplus as to policyholders and paid-in capital of less than fifteen million dollars but at least ten million dollars.

(2) Demonstrates to the satisfaction of the commissioner that the insurer 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.

(3) Files copies annually of the insurer's financial statements, national association of insurance commissioners annual statement, and actuarial certification, if required and filed in the insurer's state of domicile.

[83 Acts, ch 87, §7; 88 Acts, ch 1112, §706; 92 Acts, ch 1078, §4; 99 Acts, ch 166, §12; 2019 Acts, ch 142, §6, 19](#)

Referred to in [§523C.5](#)