

Chapter 284-110 WAC
SERVICE CONTRACTS AND
PROTECTION PRODUCT GUARANTEES

WAC 284-110-010 Solvency defined. (1) RCW 48.110.030 (service contract providers) and RCW 48.110.055 (protection product guarantee providers) require that a service contract providers and protection product guarantee providers be solvent on a stand-alone basis in order to be registered and continue to issue contracts in this state.

(2) For the purposes of chapter 48.110 RCW and this chapter “solvent” means:

(a) Having a minimum net worth of five hundred thousand dollars assets more than liabilities. In determining its net worth, the service contract provider or protection product guarantee provider:

(i) May only include those unencumbered assets which it owns directly in its own name;

(ii) Must include as a liability:

(A) An amount equal in the aggregate to provide for all unearned service contract or protection product guarantee fees;

(B) An amount for payment of all expected claims and claims which have been incurred, whether reported or unreported, which are unpaid and for which the service contract provider or protection product guarantee provider is or may be liable, which amount must be held in a reserve account(s) legally owned by the service contract provider or protection product guarantee provider which has unencumbered access to the funds at all times; and

(b) The service contract provider or protection product guarantee provider is able to pay its debts as the debts become due.

WAC 284-110-020 Certified financial statement. RCW 48.110.030 and RCW 48.110.055 permit service contract providers and protection product guarantee providers to submit financial statements certified as accurate by two or more officers of the service contract provider or product guarantee provider in lieu of audited financial statements in certain circumstances. These certified financial statements must be prepared in accordance with generally accepted accounting principles (GAAP) and include all the financial statements, information and documents that audited financial statements would include with the only difference being that rather than being prepared and signed by an independent auditor, the statements are signed by the two officers.

WAC 284-110-030 Parental guarantee.

Service contract providers must utilize the prescribed parental guarantee forms that are available on the Commissioner's website.

WAC 284-110-040 Reporting of material change.

RCW 48.110.030(6) requires that a service contract provider registered by the commissioner must keep its information submitted to the commissioner current by reporting all material changes to the information within thirty days after the end of the month in which the change occurs. RCW 48.110.055(7) requires that a protection product guarantee provider registered by the commissioner must keep its information submitted to the commissioner current by reporting all material changes to the information within thirty days after the end of the month in which the change occurs. In addition to material changes to its financial statement, the following are deemed material changes that must be reported:

- (1) The service contract provider or protection product guarantee provider does not meet the solvency requirement required by chapter 48.110 RCW and this chapter; or
- (2) If service contract provider is using parental guarantee to meet its financial obligations and the parent net's worth goes under one hundred million dollars.

AMENDATORY SECTION

WAC 284-20C-005 Definitions that apply to this chapter. The definitions in this section apply throughout this chapter:

- (1) "Complete filing" means a package of information containing motor vehicle service contracts, supporting information, documents and exhibits.
- (2) "Contract" means a service contract covering motor vehicles, as described in chapter 48.110 RCW. Under this definition:
 - (a) "Motor vehicle" means the same as in RCW 48.110.020(7), and only includes vehicles that are self-propelled by a motor; and
 - (b) "Service contract" means the same as in RCW 48.110.020(18).
- (3) "Date filed" means the date a complete motor vehicle service contract filing has been received and accepted by the commissioner.
- (4) "Filer" means a person, organization or other entity that files motor vehicle service contracts with the commissioner.
- (5) "Objection letter" means correspondence sent by the commissioner to the filer that:

(a) Requests clarification, documentation or other information;

(b) Explains errors or omissions in the filing; or

(c) Disapproves a motor vehicle service contract under RCW 48.110.073.

(6) "SERFF" means the System for Electronic Rate and Form Filing. SERFF is a proprietary National Association of Insurance Commissioners (NAIC) computer-based application that allows filers to create and submit rate, rule and form filings electronically to the commissioner.

(7) "Service contract provider" or "provider" means the same as in RCW 48.110.020(20).

(8) "Type of insurance" means a specific type of insurance listed in the *Uniform Property and Casualty Product Coding Matrix* published by the NAIC and available at www.naic.org.

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