RCW 48.110.050 Obligations of service contract provider or protection product guarantee provider—Limited application. (1) Service contracts shall not be issued, sold, or offered for sale in this state or sold to consumers in this state unless the service contract provider has:

(a) Provided a receipt for, or other written evidence of, the purchase of the service contract to the contract holder; and

(b) Provided a copy of the service contract to the service contract holder within a reasonable period of time from the date of purchase.

(2) In order to either demonstrate its financial responsibility or assure the faithful performance of the service contract provider's or protection product guarantee provider's obligations to its service contract holders or protection product guarantee holders, every service contract provider or protection product guarantee provider shall comply with the requirements of one of the following:

(a) Insure each service contract or protection product guarantee under a reimbursement insurance policy issued by an insurer holding a certificate of authority from the commissioner or a risk retention group, as defined in 15 U.S.C. Sec. 3901(a)(4), as long as that risk retention group is in full compliance with the federal liability risk retention act of 1986 (15 U.S.C. Sec. 3901 et seq.), is in good standing in its domiciliary jurisdiction, and is properly registered with the commissioner under chapter 48.92 RCW. The insurance required by this subsection must meet the following requirements:

(i) The insurer or risk retention group must, at the time the policy is filed with the commissioner, and continuously thereafter, maintain surplus as to policyholders and paid-in capital of at least $15,000,000 and annually file audited financial statements with the commissioner; and

(ii) The commissioner may authorize an insurer or risk retention group that has surplus as to policyholders and paid-in capital of less than $15,000,000, but at least equal to $10,000,000, to issue the insurance required by this subsection if the insurer or risk retention group demonstrates to the satisfaction of the commissioner that the company maintains a ratio of direct written premiums, wherever written, to surplus as to policyholders and paid-in capital of not more than three to one;

(b)(i) Maintain a funded reserve account for its obligations under its service contracts or protection product guarantees issued and outstanding in this state. The reserves shall not be less than 40 percent of the gross consideration received, less claims paid, on the sale of the service contract or protection product for all in-force contracts or protection product guarantees. The reserve account shall be subject to examination and review by the commissioner; and

(ii) Place in trust with the commissioner a financial security deposit, having a value of not less than five percent of the gross consideration received, less claims paid, on the sale of the service contract or protection product for all service contracts or protection product guarantees issued and in force, but not less than $25,000, consisting of one of the following:

(A) A surety bond issued by an insurer holding a certificate of authority from the commissioner;

(B) Securities of the type eligible for deposit by authorized insurers in this state;

(C) Cash;

(D) An irrevocable evergreen letter of credit issued by a qualified financial institution; or

(E) Another form of security prescribed by rule by the commissioner; or

(c)(i) Maintain, or its parent company maintain, a net worth or stockholder's equity of at least $100,000,000; and

(ii) Upon request, provide the commissioner with a copy of the service contract provider's or protection product guarantee provider's or, if using the net worth or stockholder's equity of its parent company to satisfy the $100,000,000 requirement, the service contract provider's or protection product guarantee provider's parent company's most recent form 10-K or form 20-F filed with the securities and exchange commission within the last calendar year, or if the company does not file with the securities and exchange commission, a copy of the service contract provider's or protection product guarantee provider's or, if using the net worth or stockholder's equity of its parent company to satisfy the $100,000,000 requirement, the service contract provider's or protection product guarantee provider's parent company's most recent audited financial statements, which shows a net worth of the service contract provider or protection product guarantee provider or its parent company of at least $100,000,000. If the service contract provider's parent company's form 10-K, form 20-F, or audited financial statements are filed with the commissioner to meet the service contract provider's or protection product guarantee provider's financial stability requirement, then the parent company shall agree to guarantee the obligations of the service contract provider or protection product guarantee provider relating to service contracts or protection products sold by the service contract provider or protection product guarantee provider in this state. A copy of the guarantee shall be filed with the commissioner. The guarantee shall be irrevocable as long as there is in force in this state any contract or any obligation arising from service contracts or protection product guarantees guaranteed, unless the parent company has made arrangements approved by the commissioner to satisfy its obligations under the guarantee.

(3) Service contracts shall require the service contract provider to permit the service contract holder to return the service contract within 20 days of the date the service contract was mailed to the service contract holder or within 10 days of delivery if the service contract is delivered to the service contract holder at the time of sale, or within a longer time period permitted under the service contract. Upon return of the service contract to the service contract provider within the applicable period, if no claim has been made under the service contract prior to the return to the service contract provider, the service contract is void and the service contract provider shall refund to the service contract holder, or credit the account of the service contract holder with the full purchase price of the service contract. The right to void the service contract provided in this subsection is not transferable and shall apply only to the original service contract purchaser. A 10 percent penalty per month shall be added to a refund of the purchase price that is not paid or credited within 30 days after return of the service contract to the service contract provider. This subsection (3) does not apply to service contracts on motor vehicles. [2025 c 50 s 2; 2016 c 224 s 3; 2006 c 274 s 6; 1999 c 112 s 6.]