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**Rules of  
Department of Insurance,  
Financial Institutions and  
Professional Registration**

**Division 200—Insurance Solvency and Company Regulation  
Chapter 18—Service Contracts**

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**Title 20—DEPARTMENT OF  
INSURANCE, FINANCIAL  
INSTITUTIONS AND  
PROFESSIONAL REGISTRATION  
Division 200—Insurance Solvency and  
Company Regulation  
Chapter 18—Service Contracts**

**20 CSR 200-18.010 Registration of Motor  
Vehicle Extended Service Contract Pro-  
viders**

*PURPOSE: The purpose of this rule is to effectuate the provisions of sections 385.200 to 385.220, RSMo, regarding the registration of all motor vehicle extended service contract providers in this state.*

(1) Each “provider,” as that term is used in sections 385.200 to 385.220, RSMo, shall register with the director by completing and filing an application for motor vehicle service contract provider registration. Effective January 1, 2008, each provider is required to register at the following times:

(A) Before issuing any “motor vehicle extended service contract,” as that term is used in section 385.200, RSMo, unless such issuance occurs in January 2008, in which case registration must occur between January 1 and February 1 of 2008; and

(B) Annually thereafter between January 1 and February 1.

(2) Each completed and filed application for registration must be accompanied by payment of a registration fee of five hundred dollars (\$500).

(3) Copies of a recommended, but not mandatory, application for motor vehicle service contract provider registration form are available at the department’s office, at the department website, [www.insurance.mo.gov](http://www.insurance.mo.gov), or by mailing a written request to the Department of Insurance, Financial Institutions and Professional Registration, PO Box 690, Jefferson City, MO 65102.

(4) For purposes of this rule and rule 20 CSR 200-18.020, the term “provider” refers only to the party that is contractually obligated to provide service under a motor vehicle extended service contract. Such term does not refer to an administrator or seller of the product that is not so obligated.

*AUTHORITY: section 385.218, RSMo Supp. 2007.\* Original rule filed June 26, 2006, effective Dec. 30, 2006. Amended: Filed Jan. 29, 2008, effective Sept. 30, 2008.*

*\*Original authority: 385.218, RSMo 2007.*

**20 CSR 200-18.020 Faithful Performance  
of a Motor Vehicle Extended Service Con-  
tract Provider’s Obligations**

*PURPOSE: The purpose of this rule is to effectuate the provisions of sections 385.200 to 385.220, RSMo, regarding assuring the faithful performance of a provider’s obligations to its contract holders.*

(1) Each provider who is contractually obligated to the service contract holder under the terms of a motor vehicle extended service contract shall:

(A) Insure all service contracts under a reimbursement insurance policy as provided in section 385.202.3(1), RSMo;

(B) Maintain a funded reserve account and place in trust with the director a financial security deposit as provided in section 385.202.3(2)(a) and (b), RSMo; or

(C) Maintain a net worth of at least one hundred (100) million dollars as provided in section 385.202.3(3)(a), RSMo, and provide the information required under section 385.202.3(3)(b), RSMo.

(2) To assure the faithful performance of a provider’s obligations to its contract holders:

(A) Each provider electing to insure all service contracts under a reimbursement insurance policy, as set forth in section 385.202.3(1), RSMo, and subsection (1)(A) of this rule, shall comply with the following requirements:

1. Any such policy shall be issued by an insurance company authorized to transact insurance in this state. As used in this paragraph, the term “insurance company authorized to transact insurance in this state” means either an insurance company with a valid certificate of authority from the director to transact liability insurance or a financially responsible risk retention group (RRG). A financially responsible RRG is any RRG that meets each of the following requirements:

A. Such RRG is registered with the director pursuant to sections 375.1080–375.1105, RSMo.

B. Such RRG files with the director its most recent sworn annual statement reporting at a minimum its balance sheet (assets and liabilities, surplus and other funds), income statement or statement of profit and loss (summary of operations), and cash flow statement, which annual statement:

(I) Was prepared with the consistent application of statutory accounting principles, as shown by the National Association of Insurance Commissioners’ (NAIC’s) *Accounting Practices and Procedures Manual* as provided in 20 CSR 200-1.020, with only

those deviations from such principles as are commonly allowed insurance companies which possess a certificate of authority from the director to transact liability insurance; and

(II) Has been, within five (5) years after the “as of” date of such annual statement, examined by this department or any other state insurance regulatory authority which was, at the time of the examination, accredited pursuant to the Financial Regulation Standards and Accreditation Program of the NAIC; and

(III) Shows that on the basis of such statutory accounting principles, the RRG maintains at least one million six hundred thousand dollars (\$1,600,000) in surplus as regards policyholders, has deposited with the insurance regulatory authority of its state of domicile for the security of all its policyholders and creditors cash or securities valued at no less than eight hundred thousand dollars (\$800,000), and is not in a hazardous financial condition;

2. Either:

A. No such policy may have any deductible or retention payable by the policyholder or claimant under the policy; or

B. To the extent that any such policy has a deductible or retention payable by the policyholder or claimant under the policy, the provider must either:

(I) Maintain a funded reserve account and place in trust with the director a financial security deposit as provided in section 385.202.3(2)(a) and (b), RSMo, and this rule, for the difference between the amount paid by or on behalf of the service contract holder for the service contract and the amount paid by or on behalf of the provider for the reimbursement insurance policy; or

(II) Maintain a net worth of at least that percentage of one hundred (100) million dollars which is determined by dividing the difference between the total amount paid by or on behalf of all service contract holders for the service contracts insured under the reimbursement insurance policy and the total amount paid by or on behalf of the provider for the reimbursement insurance policy by the total amount paid by or on behalf of all service contract holders for the service contracts insured under the reimbursement insurance policy and provide the information required under section 385.202.3(3)(b), RSMo.

3. Any such policy shall contain a provision that requires the insurer issuing such policy to provide the director with at least sixty (60) days prior notice of insurer’s termination of such policy by delivering notice to the Consumer Affairs Division.



(B) Each provider electing to maintain a funded reserve account, as set forth in section 385.202.3(2)(a), RSMo, and subsection (1)(B) of this rule, shall establish and maintain such account in accordance with each of the following requirements:

1. Such account shall be maintained in cash or cash equivalent in either:

A. A “qualified United States financial institution” as that term is defined in section 375.246.3(2), RSMo; or

B. Such other financial institution as specifically approved in writing by the director;

2. At least forty percent (40%) of gross considerations received on the sale of each service contract shall be deposited into such account;

3. No check or draft may be drawn on such account, except for:

A. The payment of a claim under a service contract for which at least forty percent (40%) of the gross consideration was deposited into such account; or

B. Payment to the provider at the expiration of a service contract of any positive balance of the difference between the sums deposited into such account under such contract and the claims paid from such account under such contract, provided, however, that no such payment may be made to the provider if after such payment the balance in such account would be less than the difference between forty percent (40%) of the total gross considerations received under all such contracts and the claims paid on all such contracts; or

C. Such payment as the director may specifically approve in writing; and

4. Any cash withdrawal from or check or draft payable to cash or bearer drawn on such account shall be presumed in violation of this rule, unless sufficient written evidence is maintained showing that such withdrawal, check or draft was made for one of the purposes listed in subparagraphs (2)(B)3.A., B., or C. above.

(C) Each provider placing in trust with the director a financial security deposit, as set forth in section 385.202.3(2)(b), RSMo, and subsection (1)(B) of this rule, shall comply with the following requirements:

1. The amount of such deposit shall at least equal the greater of five percent (5%) of the gross consideration received, less claims paid, on the sale of all service contracts issued and in force or twenty-five thousand dollars (\$25,000); and

2. To the extent, if any, that such deposit consists of:

A. Cash or securities as permitted by section 385.202.3(2)(b)b or c, RSMo, such

deposit shall be made with the same depository and upon the same terms and conditions as the capital deposits of insurance companies domiciled in this state, except that the amount of the deposit will be determined by the provisions of section 385.202.3(2)(b), RSMo and this rule;

B. A surety bond, as provided in section 385.202.3(2)(b)a, RSMo, that shall be acceptable only if the bond is completed on the Bond of Motor Vehicle Service Contract Provider Form (Form SC-1) and is filed with the director along with the provider’s completed provider exhibit; or

C. A letter of credit, as provided in section 385.202.3(2)(b)d, RSMo, that shall comply with the following requirements:

(I) The letter of credit must be issued by a “qualified financial institution” as defined in section 375.246.3(1), RSMo, or such other financial institution as specifically approved in writing by the director; and

(II) The terms of the letter of credit must comply with the terms and conditions for letters of credit stated in subsections (A), (B), (C), and (D) of section (9) of 20 CSR 200-2.100, including, but not limited to, the requirements that such letter of credit be clean, irrevocable, and unconditional, except that the beneficiary shall be the director and his or her successors in office.

(D) Each provider maintaining a net worth of one hundred (100) million dollars and establishing such net worth through the provider’s parent company, as set forth in section 385.202.3(2)(b), RSMo, and subsection (1)(C) of this rule, shall comply with the following requirements with respect to the guaranty of the parent company:

1. The guaranty shall be in writing and shall conform to the Guaranty of Motor Vehicle Service Contract Obligations Form (Form SC-2); and

2. The guaranty shall be filed with the director along with the provider’s completed provider exhibit.

(3) Forms. The following forms have been adopted and approved for filing with the director under this rule:

(A) The Bond of Motor Vehicle Service Contract Provider Form (Form SC-1), revised on January 2, 2008; and

(B) The Guaranty of Motor Vehicle Service Contract Provider Obligations Form (Form SC-2), revised on May 19, 2008. Copies of the forms are available at the department’s office, at the department website, [www.insurance.mo.gov](http://www.insurance.mo.gov), or by mailing a written request to the Department of Insurance, Financial Institutions and Professional

Registration, PO Box 690, Jefferson City, MO 65102.

*AUTHORITY: section 385.218, RSMo Supp. 2007.\* Original rule filed June 26, 2006, effective Dec. 30, 2006. Amended: Filed Jan. 29, 2008, effective Sept. 30, 2008.*

*\*Original authority: 385.218, RSMo 2007.*

**20 CSR 200-18.030 Licensure of Motor Vehicle Extended Service Contract Producers**

*PURPOSE: This rule effectuates and aids in the interpretation of sections 385.200 to 385.220, RSMo, by defining “affiliated entities,” “authorized employees,” and “subsidiaries,” and setting the fees for applications.*

(1) Definitions. As used in section 385.206, RSMo, the following terms shall mean:

(A) “Administrative fee,” a fee charged by a motor vehicle service contract provider upon the cancellation of a motor vehicle extended service contract by a service contract holder;

(B) “Affiliated entity,” any company in the same corporate system as a parent, or a member organization by virtue of common ownership, control, operation, or management;

(C) “Authorized employee,” an individual who meets the following criteria:

1. Is employed full-time or part-time by one (1) of the following entities listed in section 385.206, RSMo: a motor vehicle dealer; a manufacturer of motor vehicles; a federally insured depository institution; a lender; a provider; or an administrator under contract to effect coverage, collect provider fees, and settle claims on behalf of a provider;

2. Has been granted authority by such entity to sell, offer, negotiate, or solicit motor vehicle extended service contracts in Missouri on behalf of the entity;

3. Is not an employee or independent contractor of any person, except an administrator, required to hold a motor vehicle extended service contract producer license under section 385.206, RSMo, in order to sell, offer, negotiate, or solicit a motor vehicle extended service contract in Missouri; and

4. Is identified by the entity as an “authorized employee” in a record available to the director under section 385.210, RSMo; and

(D) “Subsidiary,” an affiliated entity that is under the control of a provider.

(2) Application and Fees. Application for a



motor vehicle extended service contract producer license shall include the following, as applicable:

(A) Initial Licensure.

1. Individual motor vehicle extended service contract producer.

A. A completed application form, as prescribed by the director.

B. Twenty-five dollar- (\$25-) application fee.

2. Business entity motor vehicle extended service contract producer.

A. A completed application form, as prescribed by the director.

B. One hundred dollar- (\$100-) application fee; and

(B) Renewal.

1. Individual motor vehicle extended service contract producer.

A. A completed renewal application form, as prescribed by the director, submitted no fewer than sixty (60) calendar days prior to the license expiration date.

B. Twenty-five dollar- (\$25-) application fee;

2. Business entity.

A. A completed renewal application form, as prescribed by the director, submitted no fewer than sixty (60) calendar days prior to the license expiration date.

B. One hundred dollar- (\$100-) application fee.

*AUTHORITY: sections 374.045, 385.207, and 385.218, RSMo Supp. 2011.\* Emergency rule filed Dec. 29, 2011, effective Jan. 9, 2012, expired July 6, 2012. Original rule filed Dec. 29, 2011, effective Aug. 30, 2012.*

*\*Original authority: 374.045, RSMo 1967, amended 1993, 1995, 2008; 385.207, RSMo 2011; and 385.218, RSMo 2007.*

#### **20 CSR 200-18.110 Registration of Service Contract Providers (Non-Motor Vehicle)**

*PURPOSE: This rule effectuates the provisions of sections 385.300 to 385.320, RSMo, regarding the registration of all service contract providers in this state.*

(1) Each “provider,” as that term is used in sections 385.300 to 385.320 RSMo, shall register with the director by completing and filing an application for service contract provider registration. Effective January 1, 2008, each provider is required to register at the following times:

(A) Before issuing any “service contract,” as that term is used in section 385.300, RSMo, unless such issuance occurs in January 2008, in which case registration must

occur between January 1 and February 1 of 2008; and

(B) Annually thereafter between January 1 and February 1.

(2) Each completed and filed application for registration must be accompanied by payment of a registration fee of three hundred dollars (\$300).

(3) Copies of a recommended, but not mandatory, application for service contract provider registration form are available at the department’s office, at the department website, [www.insurance.mo.gov](http://www.insurance.mo.gov), or by mailing a written request to the Department of Insurance, Financial Institutions and Professional Registration, PO Box 690, Jefferson City, MO 65102.

(4) For purposes of this rule and rule 20 CSR 200-18.020, the term “provider” refers only to the party that is contractually obligated to provide service under a service contract. Such term does not refer to an administrator or seller of the product that is not so obligated.

*AUTHORITY: section 385.318, RSMo Supp. 2007.\* Original rule filed Jan. 29, 2008, effective Sept. 30, 2008.*

*\*Original authority: 385.318, RSMo 2007.*

#### **20 CSR 200-18.120 Faithful Performance of a Service Contract Provider’s Obligations (Non-Motor Vehicle)**

*PURPOSE: This rule effectuates the provisions of sections 385.300 to 385.320, RSMo, regarding assuring the faithful performance of a provider’s obligations to its contract holders.*

(1) Each provider who is contractually obligated to the service contract holder under the terms of a service contract shall:

(A) Insure all service contracts under a reimbursement insurance policy as provided in section 385.302.4(3), RSMo;

(B) Maintain a funded reserve account and place in trust with the director a financial security deposit as provided in section 385.302.4(1)(a) and (b), RSMo; or

(C) Maintain a net worth of at least one hundred (100) million dollars as provided in section 385.302.4(2)(a), RSMo, and provide the information required under section 385.302.4(2)(b), RSMo.

(2) To assure the faithful performance of a provider’s obligations to its contract holders:

(A) Each provider electing to insure all service contracts under a reimbursement insurance policy, as set forth in section 385.302.4(3), RSMo, and subsection (1)(A) of this rule, shall comply with the following requirements:

1. Any such policy shall be issued by an insurance company authorized to transact insurance in this state. As used in this paragraph, the term “insurance company authorized to transact insurance in this state” means either an insurance company with a valid certificate of authority from the director to transact liability insurance or a financially responsible risk retention group. A financially responsible risk retention group is any risk retention group (RRG) that meets each of the following requirements:

A. Such RRG is registered with the director pursuant to sections 375.1080 to 375.1105, RSMo.

B. Such RRG files with the director its most recent sworn annual statement reporting at a minimum its balance sheet (assets and liabilities, surplus and other funds), income statement or statement of profit and loss (summary of operations), and cash flow statement, which annual statement:

(I) Was prepared with the consistent application of statutory accounting principles, as shown by the National Association of Insurance Commissioners’ (NAIC’s) *Accounting Practices and Procedures Manual* as provided in 20 CSR 200-1.020, with only those deviations from such principles as are commonly allowed insurance companies which possess a certificate of authority from the director to transact liability insurance; and

(II) Has been, within five (5) years after the “as of” date of such annual statement, examined by this department or any other state insurance regulatory authority which was, at the time of the examination, accredited pursuant to the Financial Regulation Standards and Accreditation Program of the NAIC; and

(III) Shows that on the basis of such statutory accounting principles, the RRG maintains at least one million six hundred thousand dollars in surplus as regards policyholders, has deposited with the insurance regulatory authority of its state of domicile for the security of all its policyholders and creditors cash or securities valued at no less than eight hundred thousand dollars (\$800,000), and is not in a hazardous financial condition;

2. Either:

A. No such policy may have any deductible or retention payable by the policyholder or claimant under the policy; or



B. To the extent that any such policy has a deductible or retention payable by the policyholder or claimant under the policy, the provider must either:

(I) Maintain a funded reserve account and place in trust with the director a financial security deposit as provided in section 385.302.4(1)(a) and (b), RSMo, and this rule, for the difference between the amount paid by or on behalf of the service contract holder for the service contract and the amount paid by or on behalf of the provider for the reimbursement insurance policy; or

(II) Maintain a net worth of at least that percentage of one hundred (100) million dollars which is determined by dividing the difference between the total amount paid by or on behalf of all service contract holders for the service contracts insured under the reimbursement insurance policy and the total amount paid by or on behalf of the provider for the reimbursement insurance policy by the total amount paid by or on behalf of all service contract holders for the service contracts insured under the reimbursement insurance policy and provide the information required under section 385.302.4(2)(b), RSMo.

3. Any such policy shall contain a provision that requires the insurer issuing such policy to provide the director with at least sixty (60) days prior notice of insurer's termination of such policy by delivering notice to the Consumer Affairs Division.

(B) Each provider electing to maintain a funded reserve account, as set forth in section 385.302.4(1)(a), RSMo, and subsection (1)(B) of this rule, shall establish and maintain such account in accordance with each of the following requirements:

1. Such account shall be maintained in cash or cash equivalent in either:

A. A "qualified United States financial institution" as that term is defined in section 375.246.3(2), RSMo; or

B. Such other financial institution as specifically approved in writing by the director;

2. At least forty percent (40%) of gross considerations received on the sale of each service contract shall be deposited into such account;

3. No check or draft may be drawn on such account, except for:

A. The payment of a claim under a service contract for which at least forty percent (40%) of the gross consideration was deposited into such account; or

B. Payment to the provider at the expiration of a service contract of any positive balance of the difference between the sums deposited into such account under such contract and the claims paid from such account

under such contract, provided, however, that no such payment may be made to the provider if after such payment the balance in such account would be less than the difference between forty percent (40%) of the total gross considerations received under all such contracts and the claims paid on all such contracts; or

C. Such payment as the director may specifically approve in writing; and

4. Any cash withdrawal from or check or draft payable to cash or bearer drawn on such account shall be presumed in violation of this rule, unless sufficient written evidence is maintained showing that such withdrawal, check or draft was made for one (1) of the purposes listed in subparagraphs (2)(B)3.A, B, or C above.

(C) Each provider placing in trust with the director a financial security deposit, as set forth in section 385.302.4(1)(b), RSMo, and subsection (1)(B) of this rule, shall comply with the following requirements:

1. The amount of such deposit shall at least equal the greater of five percent (5%) of the gross consideration received, less claims paid, on the sale of all service contracts issued and in force or twenty-five thousand dollars (\$25,000); and

2. To the extent, if any, that such deposit consists of:

A. Cash or securities as permitted by section 385.302.4(1)(b)b or c, RSMo, such deposit shall be made with the same depository and upon the same terms and conditions as the capital deposits of insurance companies domiciled in this state, except that the amount of the deposit will be determined by the provisions of section 385.302.4(1)(b), RSMo and this rule;

B. A surety bond, as provided in section 385.302.4(1)(b)a, RSMo, that shall be acceptable only if the bond is completed on the Bond of Service Contract Provider Form (Form SC-3) and is filed with the director along with the provider's completed provider exhibit; or

C. A letter of credit, as provided in section 385.302.4(1)(b)d, RSMo, that shall comply with the following requirements:

(I) The letter of credit must be issued by a "qualified financial institution" as defined in section 375.246.3(1), RSMo, or such other financial institution as specifically approved in writing by the director; and

(II) The terms of the letter of credit must comply with the terms and conditions for letters of credit stated in subsections (A), (B), (C) and (D) of section (9) of 20 CSR 200-2.100, including, but not limited to, the requirements that such letter of credit be clean, irrevocable and unconditional, except

that the beneficiary shall be the director and his or her successors in office.

(D) Each provider maintaining a net worth of one hundred (100) million dollars and establishing such net worth through the provider's parent company, as set forth in section 385.302.4(2)(b), RSMo, and subsection (1)(C) of this rule, shall comply with the following requirements with respect to the guaranty of the parent company:

1. The guaranty shall be in writing and shall conform to the Guaranty of Service Contract Obligations Form (Form SC-4); and

2. The guaranty shall be filed with the director along with the provider's completed provider exhibit.

(3) Forms. The following forms have been adopted and approved for filing with the director under this rule:

(A) The Bond of Service Contract Provider Form (Form SC-3), revised on January 2, 2008; and

(B) The Guaranty of Service Contract Obligations Form (Form SC-4), revised on May 19, 2008. Copies of the forms are available at the department's office, at the department website, [www.insurance.mo.gov](http://www.insurance.mo.gov), or by mailing a written request to the Department of Insurance, Financial Institutions and Professional Registration, PO Box 690, Jefferson City, MO 65102.

*AUTHORITY: section 385.318, RSMo Supp. 2007.\* Original rule filed Jan. 29, 2008, effective Sept. 30, 2008.*

*\*Original authority: 385.318, RSMo 2007.*