



Licensing and e-Commerce
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 Web site: www.license.state.tx.us

May 8, 2002

Name
 Address

Re: NOTICE OF INSUFFICIENT REIMBURSEMENT INSURANCE POLICY

Subject: Reimbursement Insurance Policy # (FFC-9000015)

Dear Mr. :

The Department has received your application with the enclosed reimbursement insurance policy, however the Department is unable to approve your application. The insurance policy submitted was not completed or signed. Upon review of your reimbursement insurance policy, the Department has determined that it is insufficient to ensure the faithful performance of your obligations to consumers under the insured vehicle protection products issued or sold by the warrantor.

Please be advised that the provisions of Sections 7 and 8 of the Regulation of Certain Vehicle Protection Product Warrantors, Article 9035, Texas Civil Statutes (the Act), require a reimbursement insurance policy to cover all claims arising from vehicle protection products issued or sold by the warrantor before the date of cancellation of the policy. Reimbursement insurance policy # (policy #), however, does not meet this requirement because it includes provisions which would relieve the insurer of its duty to pay claims as required by Sections 7 and 8 of the Act.

The following endorsement will suffice to bring your reimbursement insurance policy into compliance with Sections 7 and 8 of the Act:

"Notwithstanding any other definition, term, condition, limitation, exclusion, endorsement or other provision of this policy or any other insurance policy: (1) the Named Company shall reimburse or pay on behalf of the Insured (Warrantor) any covered amounts the Warrantor is legally obligated to pay or shall provide the service that the Warrantor is legally obligated to perform according to the Warrantor's obligations under any insured vehicle protection product issued or sold by the Warrantor during the term of this policy; and (2) if the covered amounts are not paid or the covered service is not provided to a consumer within 60 days after the consumer provides proof of loss, payment shall be made directly from the Named Company to the consumer or the Named Company shall provide the required service.

For the purposes of this endorsement, an "insured vehicle protection product" shall mean any vehicle protection product as defined in Section 2(8), Article 9035, Texas Civil Statutes, including a written warranty or warranty agreement, that is issued or sold by the Warrantor during the term of this policy, which shall be from the effective date of this policy until the effective date of cancellation of this policy. Any provision of this policy

which limits in any way the Named Company's absolute obligation to reimburse or pay on behalf of the Warrantor any covered amounts the Warrantor is legally obligated to pay, or to provide any service that the Warrantor is legally obligated to provide or perform, under an insured vehicle protection product, is hereby amended to conform in all respects to the Warrantor's obligations to the consumer imposed by such vehicle protection product or by Section 8(a)(1) and (2), Article 9035, Texas Civil Statutes. Further, in the event that any provision of this policy cannot be amended to conform to the vehicle protection product or Section 8(a)(1) and (2) as specified herein, such provision in this policy shall not apply to the Named Company's absolute obligations to the consumer, and the terms of the vehicle protection product shall control the determination of the Named Company's obligation to pay the consumer, not the provisions of this policy. Neither the Warrantor's failure to comply with a term of this policy nor any definition, term, condition, limitation, exclusion, endorsement, or other provision of this policy or any other policy shall relieve the Named Company from those obligations imposed on the Provider in the vehicle protection products issued or sold by the Warrantor during the term of this policy. Similarly, no defense related to this policy that otherwise would be available to the Named Company against the Warrantor shall apply to or defeat the Named Company's obligations to pay or perform, on behalf of the Warrantor for the benefit of the consumer, as specified in any insured vehicle protection product."

Additionally, you will need to furnish documentary proof to the Department that the above-referenced insurance policy is currently in effect.

The Department cannot process your application until you provide a reimbursement insurance policy or other financial security that complies with the requirements of the Act and Rules of the Department. If I do not receive a reimbursement insurance policy or other financial security from you that satisfies these requirements within fifteen (15) days from the date of this letter, your application will be closed. Please be advised that operating as a vehicle protection product warrantor without meeting the financial security requirements of the Act would be a violation of the Act and the Rules of the Department. If you operate without a registration, your case will be forwarded to the Enforcement Division.

Feel free to contact me if you have any questions. I appreciate your cooperation and look forward to hearing from you.

Sincerely,

Lisa Houdek, Licensing Supervisor
Licensing and e-Commerce Division
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