

Contractual Liability Policy (CLP) Checklist

(The requirements below must be met before the CLP can be used in place of a bond or, to exempt the entity from demonstrating the unearned premium reserve. If the qualifications below are not met, the CLP will not be compliant and can not be used for the benefits listed in Title 36 O.S. §6607.)

Contract Language and Provisions that must be included in the policy:

___ Policy must contain the provision that: “One hundred percent (100%) of the claim exposure” is covered by the policy.

___ The cancellation notice period must be, at least, 60 days prior to cancellation or nonrenewal of the policy.

___ Policy must contain the provision that: “in the event that the service warranty association is unable to fulfill its obligation under contracts issued in this state for any reason, including insolvency, bankruptcy, or dissolution, the insurer will pay losses and unearned premiums under such plans directly to the person making a claim under the contract”.

___ Policy must contain the provision that: “The insurer issuing the insurance policy shall assume full responsibility for the administration of claims in the event of the inability of the association to do so.

Insurer requirements to qualify to issue Contractual Liability Policies:

___ Insurer must be licensed, registered, or otherwise authorized to do business in this state.

___ Insurer rating must be a “B++” or better by A.M. Best Company Inc. (**This statutory requirement will be effective November 1, 2009**)

Title 36 O.S. §6607 (C) “The Insurer providing the insurance policy used to satisfy the financial responsibility requirements of subsection B of this section **must meet one of the following standards**”. Please select which of the requirements the insurer meets by placing an “X” on the line next to the section.

___ Insurer meets the requirements of number 1:

1. “The insurer shall, at the time the policy is filed with the Commissioner, and continuously thereafter:
 - a. maintain surplus as to policy holders and paid-in capital of at least Fifteen Million Dollars (\$15,000,000), and
 - b. annually file copies of the audited financial statements of the insurer, its NAIC Annual Statement, and the actuarial certification required by and filed in the state of domicile of the insurer”

OR

___ **Insurer meets the requirements of number 2:**

2. “The insurer shall, at the time the policy is filed with the Commissioner, and continuously thereafter:
 - a. maintain surplus as to policy holders and paid-in capital of less than Fifteen Million Dollars (\$15,000,000) but at least equal to Ten Million Dollars (\$10,000,000),
 - b. demonstrate to the satisfaction of the Commissioner that the company 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, and
 - c. annually file copies of the audited financial statements of the insurer, its NAIC Annual Statement, and the actuarial certification required by and filed in the state of domicile of the insurer”