

367.708 Definitions for section -- Administrator may be utilized for compliance with KRS 367.701 to 367.709 -- Duties of provider as to vehicle value protection agreements -- Vehicle value protection agreement requirements. (Effective January 1, 2027)

- (1) As used in this section:
 - (a) "Administrator" means a person, other than a provider, that performs administrative or operational functions relating to vehicle value protection agreements, including the adjudication of claims or benefits requested by contract holders;
 - (b) "Provider" means a person that is obligated to provide a benefit under a vehicle value protection agreement; and
 - (c) "SEC" means the United States Securities and Exchange Commission.
- (2) A provider may, but shall not be required to, utilize an administrator to be responsible for any and all of the administration of a vehicle value protection agreement in compliance with KRS 367.701 to 367.709.
- (3) A vehicle value protection agreement shall not be sold unless the contract holder has been, or will be, provided access to a copy of the vehicle value protection agreement.
- (4) In order to ensure faithful performance under a vehicle value protection agreement, each provider shall comply with at least one (1) of the following paragraphs of this subsection:
 - (a) A provider shall insure all of its vehicle value protection agreements under an insurance policy that:
 1. Pays or reimburses if the provider fails to perform its obligations under any vehicle value protection agreement; and
 2. Is issued by an insurer;
 - (b) 1. A provider shall:
 - a. Maintain a funded reserve account for its obligations under all of its vehicle value protection agreements issued and outstanding in this state, which shall:
 - i. Contain not less than forty percent (40%) of the gross consideration received, less claims paid, on the sale of all in-force vehicle value protection agreements; and
 - ii. Be subject to examination and review by the Attorney General; and
 - b. Place a financial security deposit, in the form required by subparagraph 2. of this paragraph, in trust with the Attorney General that has a value of not less than the greater of the following:
 - i. Five percent (5%) of the gross consideration received, less claims paid, on the sale of all in-force vehicle value protection agreements; or
 - ii. Twenty-five thousand dollars (\$25,000).

2. The financial security deposit required under subparagraph 1.b. of this paragraph shall be in the form of one (1) of the following:
 - a. A surety bond issued by an authorized surety;
 - b. Securities of the type eligible for deposit by authorized insurers in this state;
 - c. Cash; or
 - d. A letter of credit issued by a qualified financial institution; or
- (c) 1. Subject to subparagraph 2. of this paragraph, a provider shall:
- a. Maintain, or together with its parent company maintain, a net worth of stockholder's equity of at least one hundred million dollars (\$100,000,000); and
 - b. Upon request, provide the Attorney General with a copy of the provider's or its parent company's:
 - i. Except as provided in subpart ii. of this subdivision, most recent Form 10-K or Form 20-F filed with the SEC within the last calendar year; or
 - ii. If the provider and its parent company does not file with the SEC, the audited financial statements of the provider or its parent company that show a net worth of the provider or its parent company of at least one hundred million dollars (\$100,000,000).
2. If the Form 10-K, Form 20-F, or audited financial statements of the provider's parent company are used to satisfy the requirements of subparagraph 1. of this paragraph, the parent company shall agree to guarantee the obligations of the provider under the vehicle value protection agreements sold by the provider in this state.
- (5) Except as provided in subsection (4) of this section, a provider shall not be subject to financial security requirements relating to vehicle value protection agreements.
- (6) A vehicle value protection agreement, other than a vehicle value protection agreement offered in connection with a commercial transaction, shall disclose the following in writing and in clear and understandable language that is easy to read:
- (a) That the following shall not be conditioned on the contract holder's purchase of an agreement:
 1. The extension of credit;
 2. The terms of a loan; or
 3. The terms of any related vehicle sale or lease;
 - (b) The name and address of:
 1. The provider and contract holder; and
 2. The administrator, if applicable;
 - (c) The terms and conditions of the agreement, including:
 1. The purchase price of the agreement, if any;
 2. The requirements for eligibility, conditions, and exclusions; and

3. The procedure the contract holder must follow, if any, to obtain a benefit under the agreement, including, if applicable, a telephone number or website and address where the contract holder may apply for vehicle value protection agreement benefits;
- (d) That the agreement is not a contract of insurance;
 - (e) That the contract holder:
 1. May cancel the agreement within a free look period of not less than thirty (30) days as specified in the agreement; and
 2. Will be entitled to a full refund of the purchase price paid by the contract holder, if any, if:
 - a. The borrower cancels the agreement during the free look period; and
 - b. A benefit has not been provided;
 - (f) Whether the agreement is cancellable after the free look period and the conditions under which it may be canceled, if applicable, including the procedures for requesting any refund of amounts paid;
 - (g) The terms, restrictions, and conditions governing a cancellation of the agreement by the provider or the contract holder prior to the termination or expiration of the agreement, which shall include:
 1. Except as provided in subparagraph 2. of this paragraph, the provider shall mail a written notice of the cancellation to the contract holder's last known address contained in the records of the provider at least five (5) days prior to the cancellation of an agreement by the provider;
 2. A provider shall not be required to provide prior notice of its cancellation of an agreement if the cancellation is due to:
 - a. Nonpayment of a provider fee;
 - b. A material misrepresentation by the contract holder to the provider or administrator; or
 - c. A substantial breach of duties by the contract holder under the terms of the agreement;
 3. A notice of cancellation of an agreement by a provider shall state:
 - a. The effective date of the cancellation; and
 - b. The reason for the cancellation;
 4. If the cancellation of an agreement by a provider is not due to nonpayment of a provider fee, the provider shall provide the contract holder with a refund of one hundred percent (100%) of the unearned pro rata provider fee paid by the contract holder, if any;
 5. If coverage under the agreement continues after a claim, any claims paid may be deducted from any refund; and
 6. The provider may charge a reasonable administrative fee not to exceed seventy-five dollars (\$75); and
 - (h) The methodology for calculating any refund of the unearned purchase price of

the agreement, if any, that will be due in the event of a cancellation, including that any refund may be reduced by claims paid.

Effective: January 1, 2027

History: Created 2026 Ky. Acts ch. 16, sec. 6, effective January 1, 2027.

Legislative Research Commission Note (1/1/2027). 2026 Ky. Acts ch. 16, sec. 24, provides that this statute shall apply to vehicle financial protection products that become effective on or after January 1, 2027.