



MVAPA

MOTOR VEHICLE ANCILLARY PRODUCTS ASSOCIATION

To: Members of the Senate Committee on General Government, Consumer, and Small Business Protection

From: Motor Vehicle Ancillary Products Association

Date: March 27, 2013

RE: **Senate Bill 577**

On behalf of its members, the Motor Vehicle Ancillary Products Association (MVAPA) would like to express its **support** of the above-referenced legislation introduced by Senator Chuck Thomsen. MVAPA has worked with Senator Thomsen, Oregon Automobile Dealers, and the Oregon Department of Consumer and Business Services' Insurance Division to ensure that Senate Bill 577 takes a fair and balanced approach toward regulation of the industry.

By way of background, MVAPA is a national trade association with member companies that include providers, retailers, administrators, and insurers of motor vehicle ancillary products, which include ancillary service contracts and protection products. Collectively, MVAPA's members represent the leading companies in the ancillary products industry. The MVAPA's member companies offer over 80% of the ancillary products available in the marketplace today and include Ally Insurance (formerly GMAC Insurance Holdings), AmTrust Financial Services, Assurant Solutions, Automobile Protection Corporation (APCO), Toyota Motor Insurance Services, CNA National Warranty Co., and Nation Safe Drivers. MVAPA's primary goal is to establish a uniform, balanced regulatory landscape across jurisdictions, one that minimizes confusion or dispute about the regulatory status of ancillary products.

Senate Bill 577 amends Oregon's definitions for "service contract" and "vehicle protection products" to incorporate a more specific, more comprehensive treatment of the service contract industry and to recognize ancillary products. The ancillary products specified in the amendment to existing law will provide regulatory certainty for ancillary product providers, will make these products more readily available to consumers, and will ensure that existing consumer protections will be equally applied to ancillary product providers.

For consumers, ancillary products provide an opportunity to purchase service- or part-specific protection tailored to fit particular consumer needs. Like traditional service contracts, ancillary service contracts and protection products cover failures not covered by a manufacturer's warranty or traditional insurance products, offering some protection for consumers where none is otherwise available. Unlike traditional service contracts, however, ancillary service contracts and protection products are designed to offer targeted services and products that fit the needs of the consumer. Many ancillary service contract and protection

products also provide for technical support and other enhanced protections not otherwise available on the market.

Senate Bill 577 represents the opportunity to effectively graft these valuable ancillary service contracts and protection products into the well-established regulatory framework of service contracts and vehicle protection products. Oregon requires service contract and vehicle protection product providers to register with the Department of Consumer and Business Services, to file contractual forms complete with mandatory consumer disclosures for Department approval, maintain accurate and complete records of all service contracts, and ensure faithful performance of its contractual obligations to the satisfaction of the Department. §§ 646A.154; 646A.436-440, Or. Stat. As proof of financial stability, service contract providers must establish either a net worth of at least \$100 million or a reimbursement insurance policy covering all service contracts. § 646A.154(5), Or. Stat. Vehicle protection product providers, similarly, must secure and submit proof of a reimbursement insurance policy covering all product warranties. § 646A.438, Or. Stat. Under Senate Bill 577, ancillary service contract and protection product providers will be subject to the same requirements currently applied to service contract and vehicle protection product providers, with the benefits of regulatory certainty for the providers and wider availability for the consumer.

Oregon's service contract was passed in part to "[e]ncourage innovation in the marketing and development of more economical and effective means of providing services under service contracts, while placing the risk of innovation on the obligors rather than on consumers." § 646A.15(1)(b), Or. Stat. Senate Bill 577 continues that approach, encouraging consumer choice in the market but only after placing the risk of innovation on industry. MVAPA embraces that approach, lobbies for this approach in other states, and believes the industry will benefit only under a consumer-friendly model.

We hope that you will favorably consider Senate Bill 577. Senate Bill 577 provides a balanced regulatory framework with appropriate oversight of industry and consumer protections while fostering regulatory certainty for ancillary product providers in Oregon. Thank you, in advance, for your support of this important piece of legislation.

Sincerely,

A handwritten signature in black ink, appearing to read "D. Osborne", written in a cursive style.

David R. Osborne
Assistant Executive Director
Motor Vehicle Ancillary Products Association