



Department of Consumer and Business Services

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House Committee on Consumer Protection and Government Efficiency

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SENATE BILL 577

Written Testimony Submitted by the
Insurance Division
Department of Consumer and Business Services

The Insurance Division of the Department of Consumer and Business Services submits this written testimony for the record on Senate Bill 577 (SB 577). This information provides background and general information to understand the context of the changes proposed in SB 577.

SB 577 makes changes that affect two existing regulatory programs. Statutes to regulate service contracts were first enacted in 1995. Service contracts currently include a contract or agreement to repair, replace or maintain property for operational or structural failure that results from defect in materials, workmanship or normal wear and tear. Currently, “service contracts” are limited to agreements to perform or indemnify the repair, replacement or maintenance of property for merchandise sold to the consumer.

House Bill 3386 in 2007 established a program to regulate vehicle protection product warranties. “Vehicle protection products” are limited to products, systems or services that are designed to prevent loss or damage to a vehicle from theft.

Both programs allows for limited regulation of the products or services by the Department of Consumer and Business Services (DCBS) in lieu of the much heavier regulation were these products to fall within the purview of the Insurance Code. The sale of service contracts and vehicle protection products are exempt from the Insurance Code generally and a producer license is not required to sell them.

However, both service contract and vehicle protection product statutes include clear requirements to establish financial responsibility or to provide a reimbursement insurance policy to protect consumers.

There are additional ancillary products and services that are not currently defined under either ORS 646A.154 or ORS 646A.430.

Under the provisions of SB 577 a number of changes to these programs are made.

Service Contracts:

- The definition of “service contracts” is expanded to include provisions for services not involving the direct sale of merchandise, including:
 - Repairing or replacing tires or wheels;
 - Removing dents, dings creases or other damage through a process of paintless dent removal;
 - Repairing chips or cracks or replacing motor vehicle windshields; and
 - Replacing motor vehicle key or fobs that are inoperable, lost or stolen.
- The expanded definition specifically excludes coverage for repairing damage to or replacing components of interior paint or finish unless the service contract provides the services in connection to a vehicle protection product.
 - The A-Engrossed bill incorporates amendments that were necessary to adjust the applicable definition of “obligor” to meet the

expanded definition of “service contract.” Under current law, the definition of “obligor,” like the existing definition of “service “contract” is tied to services involving the direct sale of merchandise.

Vehicle Protection Products:

- The bill also broadens the definition of “vehicle protection product” to include a protective chemical, substance, device, product, system or service that is:
 - Designed to prevent loss or damage to a vehicle from a specific cause; and
 - Accompanied by a written warranty that will reimburse a consumer as a result of the product’s failure.
- A list of products or similar or related products now included in the definition is provided.
- The definition of “vehicle protection product” excludes fuel or oil additive, or chemical products applied to an engine, transmission or fuel system.

The revisions to service contract and vehicle protection product definitions made by SB 577 will allow for the sale of additional products to Oregon consumers with the same oversight that is currently carried out for these products today.

For additional information, please contact Cece Newell at 503-947-7203 or Gail Gage at 503-947-7038.

