



MVAPA

MOTOR VEHICLE ANCILLARY PRODUCTS ASSOCIATION

To: Members of the House Committee on Consumer Protection and Government Efficiency

From: Motor Vehicle Ancillary Products Association

Date: May 14, 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 and passed unanimously in that chamber. 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.

MVAPA, like the Oregon State Legislature, believes that our industry works best in the context of a consumer-friendly model. Oregon's service contract statute 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.

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 certain ancillary products. The products specified in the legislation offer 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 typical 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.

Because Senate Bill 577 amends existing law, ancillary service contract and protection product providers will be subject to the same consumer protection requirements currently applied to service contract and vehicle protection product providers. Already—and under Senate Bill 577—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. These requirements will be equally applicable to ancillary service contract and protection products under Senate Bill 577.

As a final note, we understand that the Committee on Consumer Protection and Government Efficiency will be reviewing a proposed amendment, -6, to Senate Bill 577. This amendment, which is a product of our discussions with the Insurance Division, would amend the definition of “obligor” as used within the service contract statute to simplify the Insurance Division’s license and forms review process. The subtraction of language from the existing definition of “obligor” will ensure compatibility with the changes already reflected in Senate Bill 577.

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,



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