

REVENUE: No revenue impact

FISCAL: Minimal fiscal impact, no statement issued

Action:	Do Pass as Amended and Be Printed Engrossed
Vote:	9 - 0 - 0
Yeas:	Doherty, Johnson, Keny-Guyer, Lively, Richardson, Smith, Thatcher, Vega Pederson, Holvey
Nays:	0
Exc.:	0
Prepared By:	Bob Estabrook, Administrator
Meeting Dates:	5/14, 5/28

WHAT THE MEASURE DOES: Expands definitions of “service contract” and “vehicle protection product” for purposes of regulation by Department of Consumer and Business Services.

ISSUES DISCUSSED:

- Regulation of service contracts and vehicle protection products under existing statute
- Variety of products and services available
- Current practice of Insurance Division interpreting how particular products fit into regulatory framework

EFFECT OF COMMITTEE AMENDMENT: Clarifies definitions of “obligor” and “warranty.”

BACKGROUND: Existing statute defines “service contract” as a contract or agreement to perform repair, replacement, or maintenance to property for a specific period of time when a defect in materials or workmanship, or normal wear and tear, result in damage to a covered vehicle. Existing statute defines “vehicle protection product” as a product, system or service designed to prevent a particular type of loss or damage to a vehicle from theft, accompanied by a written warranty and provided as a product or system installed on or applied to a vehicle or provided as a service for a specific vehicle.

Senate Bill 577 B adds additional vehicle-related products and services to the definitions of service contract and vehicle protection products, expanding and clarifying each definition. The measure allows a service contract to cover repairing and replacing tires or wheels damaged as a result of road hazards, the removal of certain dents that do not affect paint or finish, repairing chips or cracks in windshields, and replacing keys or key fobs without which the vehicle cannot operate. The measure also expands the definition of “vehicle protection product” to include any device, product, or substance designed to prevent loss or damage to a vehicle from a specific cause, with a specific exemption for products added to fuel or oil or applied to the vehicle’s engine, transmission or fuel system.