

SENATE BILL REPORT

SB 6332

As Reported By Senate Committee On:
Financial Institutions, Insurance & Housing, February 5, 1998

Title: An act relating to motor vehicle lubricant or chemical treatment product warranties.

Brief Description: Warranting motor vehicle lubricants.

Sponsors: Senators Winsley, Prentice, Heavey and Hale.

Brief History:

Committee Activity: Financial Institutions, Insurance & Housing: 1/22/98, 2/5/98 [DPS].

SENATE COMMITTEE ON FINANCIAL INSTITUTIONS, INSURANCE & HOUSING

Majority Report: That Substitute Senate Bill No. 6332 be substituted therefor, and the substitute bill do pass.

Signed by Senators Winsley, Chair; Benton, Vice Chair; Finkbeiner, Hale, Heavey and Prentice.

Staff: Dave Cheal (786-7576)

Background: Enforcement duties for the Motor Vehicle Service Contract Act are shared between the office of the Insurance Commissioner and the Attorney General's office. The purpose of the act is to protect the rights of contract purchasers through certain disclosures, right to return the contract for a reason, and to have the contracts fully insured.

A motor vehicle service contract is an agreement paid for over and above the lease or purchase price of the vehicle to provide protection against the cost of the covered operational or structural failure. Mechanical breakdown insurance, or roadside assistance, is excluded from the definition.

Various disclosures are required including the fact that the contract must be fully insured, and the means by which a service contract holder may file a claim.

A motor vehicle service contract must provide for a return of the contract within 30 days with full refund, subject to a cancellation fee not exceeding \$25.

Failure to comply with the act is a per se violation of the Consumer Protection Act.

Summary of Substitute Bill: The insurance code is amended to exclude a manufacturer of a motor vehicle lubricant or chemical treatment product who issues an agreement warranting the performance of the product in connection with the sale of the product.

The Motor Vehicle Service Contract Act is amended to expressly exclude a lubricant product warranty. Lubricant product warranty— is defined as an agreement that warrants the

performance of a motor vehicle lubricant or chemical treatment manufactured by the warrantor, that is issued in connection with the sale of the product, no separate charge is made for the agreement and the warrantor has a net worth of \$50 million or more.

Application of the act is to sales occurring after the effective date.

A study is required.

Substitute Bill Compared to Original Bill: Prospective application is designated. A Senate committee study is mandated.

Appropriation: None.

Fiscal Note: Not requested.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Testimony For: Selling a product and a warranty together should not be considered a vehicle service contract.

Testimony Against: A product of minimal value sold together with a guarantee at a cost of several hundred dollars is in reality a motor vehicle service contract regardless of what the vendor may label it. The consumer protection provisions of the motor vehicle service contract law should apply to products— of this type. The main thing being sold is the service contract, not the product.

Testified: PRO: Basil Badley, W. International; CON: Jim Tompkins, Office of the Insurance Commissioner; Peter Maier, Maier and Severance.