

SENATE BILL REPORT

SHB 2553

As Reported By Senate Committee On:
Financial Institutions, Housing & Consumer Protection, February 22, 2006

Title: An act relating to regulating service contracts and guarantee protection products.

Brief Description: Regulating service contracts and protection product guarantees.

Sponsors: House Committee on Financial Institutions & Insurance (originally sponsored by Representatives Kirby and Morrell; by request of Insurance Commissioner).

Brief History: Passed House: 2/14/06, 97-1.

Committee Activity: Financial Institutions, Housing & Consumer Protection: 2/22/06 [DPA].

SENATE COMMITTEE ON FINANCIAL INSTITUTIONS, HOUSING & CONSUMER PROTECTION

Majority Report: Do pass as amended.

Signed by Senators Fairley, Chair; Berkey, Vice Chair; Benson, Brandland, Finkbeiner, Franklin, Keiser, Schmidt and Spanel.

Staff: Joanne Conrad (786-7472)

Background: Insurance products are regulated in Washington State, under Title 48 RCW. However, there are some products that are similar in effect to insurance, but act more as service contracts or product guarantees. Examples include "vehicle protection products," such as "LoJack," "Club" or other antitheft devices.

In 1999, a law was enacted regulating service contracts, in order to protect consumers. Service contract providers are not required to be fully regulated as insurers, but are allowed to choose among several solvency options, in order to protect the public. The options include insurance of the service contract with "reimbursement insurance;" maintenance of a reserve account and financial security deposit with the Office of the Insurance Commissioner (OIC); or parent company minimum net worth requirements.

Summary of Amended Bill: Service contracts regulated by the OIC are expanded to include motor vehicle service contracts. Providers of "protection product guarantees" register with the OIC, and are subject to regulatory oversight and sanctions. To assure financial responsibility, "Risk Retention Groups" may insure the providers, with reimbursement insurance. The OIC also requires recordkeeping, and form filing with specific disclosures, and may investigate service contract and protection product providers and take enforcement action.

The Consumer Protection Act applies, giving consumers additional legal remedies for violations.

Amended Bill Compared to Original Bill: Technical and clarifying changes are made, for consistency in wordage. Motor vehicle manufacturers and their wholly owned subsidiaries are exempted from some requirements, such as filing audited financial statements. Adoption of the act does not imply that vehicle product warranties were insurance products prior to the effective date of the act.

Appropriation: None.

Fiscal Note: Available.

Committee/Commission/Task Force Created: No.

Effective Date: The bill takes effect on October 1, 2006.

Testimony For: This industry should be regulated for consumer protection. Warranties of car protection products should be regulated in a reasonable manner.

Testimony Against: None.

Who Testified: PRO: Jim Tompkins, OIC; Mel Sorensen, National Vehicle Protection Assn.
CON: No one.