

# SENATE BILL REPORT

## HB 2356

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As of February 23, 2016

**Title:** An act relating to employer agreements to reimburse certain employee costs for the use of personal vehicles for business purposes.

**Brief Description:** Concerning employer agreements to reimburse certain employee costs for the use of personal vehicles for business purposes.

**Sponsors:** Representatives Kirby and Vick.

**Brief History:** Passed House: 2/16/16, 97-0.

**Committee Activity:** Financial Institutions & Insurance: 2/24/16.

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### SENATE COMMITTEE ON FINANCIAL INSTITUTIONS & INSURANCE

**Staff:** Shani Bauer (786-7468)

**Background:** Insurance and insurance transactions are governed by the Insurance Code (Code). Among other things, the Code requires: (1) that insurers meet certain financial requirements; and (2) that agents, solicitors, and brokers of insurance comply with specified licensing standards. Financial and criminal penalties may result from noncompliance.

Certain transactions that fall within the definition of insurance have been addressed by exemptions from the Code or the creation of a specific regulatory structure.

Entities regulated under these chapters may not be required to comply with the same capitalization and reserve requirements, reporting and solvency oversight, and claims handling practices as are required of an insurer selling a traditional insurance product. Service contracts are one of the products that are regulated less stringently than insurance products under the Code.

A service contract is a contract for separately stated consideration for a specified duration to perform the repair, replacement or maintenance of property or to indemnify a person for the repair, replacement, or maintenance of property. A service contract is also defined to include a contract for separately stated consideration for a specified duration to perform one or more of the following motor vehicle related services, among other things:

- the repair or replacement of tires or wheel damage;
- the removal of certain dents, dings, or creases on a motor vehicle;

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- the repair or replacement of windshields as a result of damage caused by road hazards;
- the replacement of a motor vehicle key or key fob; and
- other services approved by rule of the Insurance Commissioner.

Certain types of agreements that resemble service contracts are specifically exempted from the Code, including those provisions relating to service contracts. Those agreements include:

- warranties;
- maintenance agreements; and
- service contracts for products with a purchase price less than \$50 if the service contract was purchased within 60 days of the product purchase.

**Summary of Bill:** Agreements whereby an employer, or a third party contracted by an employer, provides mileage reimbursement and incidental maintenance and repairs to its employees for personal vehicles used for business purposes, are exempt from the Insurance Code, provided that such agreement does not include indemnification or repairs for a loss caused by theft, collision, fire, or other peril typically covered in the comprehensive section of an automobile policy.

**Appropriation:** None.

**Fiscal Note:** Available.

**Committee/Commission/Task Force Created:** No.

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