

SENATE BILL REPORT

SB 6301

As Reported by Senate Committee On:
Financial Institutions & Insurance, January 27, 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: Senators Benton and Mullet.

Brief History:

Committee Activity: Financial Institutions & Insurance: 1/20/16, 1/27/16 [DPS].

SENATE COMMITTEE ON FINANCIAL INSTITUTIONS & INSURANCE

Majority Report: That Substitute Senate Bill No. 6301 be substituted therefor, and the substitute bill do pass.

Signed by Senators Benton, Chair; Angel, Vice Chair; Mullet, Ranking Minority Member; Fain, Hobbs, Litzow, Nelson and Roach.

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 Insurance Code (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

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

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;
- 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 Commissioner.

Certain types of agreements that resemble service contracts are specifically exempted from the Insurance 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 (Recommended Substitute): Agreements whereby a third party, contracted by an employer, provides mileage reimbursement and incidental maintenance and repairs to the employer's 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.

EFFECT OF CHANGES MADE BY FINANCIAL INSTITUTIONS & INSURANCE COMMITTEE (Recommended Substitute): The word "employer" is removed in the beginning of the sentence to avoid confusion as to which agreements are exempt from the insurance code.

Appropriation: None.

Fiscal Note: Not requested.

Committee/Commission/Task Force Created: No.

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

Staff Summary of Public Testimony on Original Bill: PRO: Client Reimbursement Services, LLC is a private company that assists employers when employees use personal vehicles for work related activities. It is not uncommon for an employer to reimburse an employee for mileage and incidental expenses. New companies offer reimbursement services as an off-the-shelf service to take care of all the administrative duties in reimbursing employees. CRS has gone national and sought clarification from insurance commissioners around the country that this product does not constitute insurance. OIC will not provide confirmation without a safe harbor in Washington law. This bill will simply clarify that this is not an insurance product.

Persons Testifying on Original Bill: PRO: Mel Sorensen, Reimbursement Services LLC.

Persons Signed In To Testify But Not Testifying: No one.