

LEGISLATIVE UPDATES / SERVICE CONTRACTS

October-November 2022

The information provided in this legislative update summarizes legislation recently passed, introduced and currently pending. Each bill has been summarized to highlight the pertinent parts that may have an effect on certain F&I products.

This legislative update is created for internal purposes, based on information provided by service contract industry trade association publications and industry discussions conducted by such trade associations. As a courtesy, this legislative update is made available to certain clients to share with their regulatory advisors. Clients should use this information only as a guide for topics to be discussed in more detail with their legal and regulatory advisors.

ARIZONA

Draft Rule: R21-93

Subject: Implementation of new Rules for the Service Company Act

Date Filed: 08/17/2021

Effective Date: PENDING

Summary:

The draft rules are intended to capture the current statutory requirements enacted in the Service Company Act last year under SB1049 and HB2443. The SCIC has met with the Arizona Department of Insurance ("AZ DOI") on numerous occasions this year and over the past year to address member concerns regarding the scope of the proposed Rule exceeding the statutory changes that were implemented in 2021.

Based on the Second Supplemental Rule received on 9/12/2022, we do not anticipate these rules will require the need to revise and refile our service contract forms.

DELAWARE

Bill No.: HB 429

Subject: GAP contracts

Date Filed: 5/17/2022

Effective Date: PASSED – EFFECTIVE 10/14/2022

Summary:

This legislation is being pursued by GAPA.

Expressly authorizes a GAP agreement to be offered as a service contract.

MASSACHUSETTS

Bill No.: HB 1065

Subject: Third Party obligor Vehicle Service Contracts

Date Filed: 2/19/2021

Effective Date: PENDING

Summary:

Would authorize 3rd party motor vehicle service contracts under the existing service contract law. The bill includes "ancillary" (i.e., T&W, PDR, Key, Windshield r/r) within the definition of a service contract. Massachusetts long standing position is that a VSC must be offered under a D/O structure. The association is anticipating some movement on this bill sometime after Thanksgiving but most likely not until the end of December.

NEW YORK

Bill No.: SB 9099 (Companion Bill AB 10629)

Subject: PDR – Rate filing

Date Filed: 05/09/2022

Effective Date: PENDING (If passed would be effective immediately upon passage)

Summary:

Current law requires provider fees (retail rates) for Paintless Dent Repair ("PDR") service contracts be filed with the State. This bill would exempt PDR service contract from this requirement.

NEW YORK

Bill No.: SB 9101 (Companion Bill AB 10529)

Subject: Multiple CLIPS

Date Filed: 05/09/2022

Effective Date: PENDING (If passed would be effective immediately upon passage)

Summary:

Current law requires a service contract Provider must insure ALL its obligations under 1 CLIP, thus prohibiting a Provider from using multiple insurers to insure their obligations. This bill would remove this restriction and allow a Provider to utilize multiple CLIPs to insure their service contract obligations.

NEW YORK

Bill No.: SB 3580

Subject: Anti-Theft Product Warranties

Date Filed: 01/30/2021

Effective Date: PENDING (effective date unclear)

Summary:

This bill adds a new section (Article 79-A) to create framework and regulation of theft protection products. UPDATE: The bill was re-referred to Insurance January 5, 2022.

NEW YORK

Bill No.: AB 7210

Subject: Service Contract - Law Amendment

Date Filed: 4/29/2021

Effective Date: PENDING (effective date unclear)

Summary:

The bill amends the current excess wear and use portion of the service contract definition to add express authorization for such products to cover tires, paint cracks or chips, exterior dents or scratches, windshield cracks or chips, and exterior parts. The bill was re-referred to Insurance January 5, 2022.