

Bill Summary

COMMITTEE: Banking and Insurance

DATE: 5/24/10

PRIME SPONSOR: D. White

BILL NO: SB1334

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PRINTER'S NO: 1903

A. Synopsis:

SB1334 amends the Insurance Company Law by specifically exempting service contracts from insurance law.

B. Summary:

The marketing, sale, offering for sale, issuance, making, proposing to make and administration of a service contract will be exempt from regulation as insurance.

A service contract is an agreement to perform a repair, replacement, or maintenance for the operational failure of a product due to material defect, workmanship, or normal wear and tear. Service contracts include items such as DVD player extended warranties, warranties on a home furnace, or even extended warranties on an automobile. This legislation would clarify the exemption of service contracts from insurance law.

In 1995, the National Association of Insurance Commissioners (NAIC) determined service contracts were not insurance and may be regulated by states if they choose. Currently, most other states have specific service contract laws already in place.

The act will take effect in 60 days.