

# Legislative Analysis



## SERVICE CONTRACTS FOR MOTOR VEHICLES AND OTHER CONSUMER PRODUCTS

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**House Bill 4467 (Substitute H-4)**  
**Sponsor: Rep. Frank D. Foster**  
**Committee: Insurance**

**Complete to 11-27-13**

### A SUMMARY OF HOUSE BILL 4467 AS REPORTED FROM COMMITTEE

The bill would amend the Insurance Code to specify that a service contract is not insurance or the business of insurance and is not subject to the code.

The bill contains a lengthy definition of the term "service contract."

As used in the bill, "service contract" means a written contract that is sold for stated consideration for a specific duration to perform or provide reimbursement for the repair, replacement, or maintenance of a *consumer product* or for the operational or structural failure of the consumer product due to a defect in materials, workmanship, accidental damage from handling, or normal wear and tear, with or without additional provisions for incidental payment of indemnity under limited circumstances, including, but not limited to, towing, rental and emergency road service.

Under the bill, the term "service contract" would also include a contract or agreement sold for a stated consideration for a specific duration that provides for any of the following:

- (a) The repair or replacement or indemnification for the repair or replacement of a motor vehicle for the operational or structural failure of one or more parts or systems of the motor vehicle brought about by the failure of an additive product to perform as represented.
- (b) The repair or replacement of tires or wheels on a motor vehicle damaged as a result of coming into contact with road hazards, including, but not limited to, potholes, rocks, wood debris, metal parts, glass, plastic, curbs, or composite scraps.
- (c) The removal of dents, dings, or creases on a motor vehicle that can be repaired using the process of paintless dent removal without affecting the existing paint finish and without replacing vehicle body panels, sanding, bonding, or painting.
- (d) The repair of small motor vehicle windshield chips or cracks, or if a windshield cannot be repaired, the replacement of the windshield.
- (e) The replacement of an inoperable, lost, or stolen motor vehicle key or key fob.

The term "consumer product" is defined in the bill as any tangible personal property that is distributed in commerce and is normally used for personal, family, or household purposes, including any tangible personal property intended to be attached to or installed in any real property without regard to whether it is so attached or installed.

Proposed MCL 500.125

**FISCAL IMPACT:**

The bill would have no significant fiscal impact on the state or local units of government.

**POSITIONS:**

The Service Contract Industry Council supports the bill. (11-14-13)

The Department of Insurance and Financial Services is neutral on the bill. (11-14-13)

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