

SERVICE CONTRACTS FOR MOTOR VEHICLES, ETC.

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House Bill 4467

Sponsor: Rep. Frank D. Foster

Committee: Insurance

Complete to 11-6-13

A SUMMARY OF HOUSE BILL 4467 AS INTRODUCED 3-19-13

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.

Further, under the bill, a person would not be required to obtain a certificate of authority or a license to administer or market, sell, offer for sale, issue, make, or proposed to make service contracts to consumers.

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

As used in the bill, "service contract" means a contract or agreement for a separately stated consideration for a specific duration to perform the repair, replacement, or maintenance of property or indemnification for repair, replacement, or maintenance, for the operational or structural failure of *any motor vehicle, residential property, or other property* 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, and road hazard protection. Service contracts may provide for the repair, replacement, or maintenance of property for damage resulting from power surges or interruption.

The term would include other services and products, as determined by the director of the Department of Insurance and Financial Services (DIFS). Under the bill, the term "service contract" would also include a contract or agreement sold for a separately 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 repair of damage to the interior components of a motor vehicle caused by wear and tear, if the contract or agreement expressly excludes the replacement of any part or component of a motor vehicle's interior.

(f) The replacement of an inoperable, lost, or stolen motor vehicle key or key fob.

FISCAL IMPACT:

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

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