

# FINAL BILL REPORT

## ESHB 3032

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Synopsis as Enacted

**Brief Description:** Defining normal wear and tear for a motor vehicle for the purpose of a service contract.

**Sponsors:** House Committee on Financial Institutions & Insurance (originally sponsored by Representatives Simpson and Bailey).

**House Committee on Financial Institutions & Insurance**  
**Senate Committee on Financial Institutions, Housing & Insurance**

### **Background:**

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.

In 1990 a chapter was created in the Code to regulate motor vehicle service contracts. In 1999 a chapter in the Code was created for the regulation of service contracts. In 2006 the service contract chapter was overhauled, motor vehicle service contracts and "protection products" were included, and the motor vehicle service contracts chapter was repealed.

A "service contract" is a contract to perform the repair, replacement, or maintenance of property or the payment for the repair, replacement, or maintenance for operational or structural failure due to a defect in materials or workmanship, or normal wear and tear.

### Registration.

Service contract providers must register with the Insurance Commissioner (Commissioner). Persons selling and marketing service contracts are not required to register with the Commissioner unless they are service contract providers. The Commissioner may suspend or revoke the registration of a service contract provider for failure to comply with the specific requirements.

### Regulatory Oversight.

A service contract provider must meet requirements regarding:

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- financial responsibility;
- record-keeping;
- form filings;
- disclosures; and
- refunds to consumers within 30 days of purchase if no claim is made.

Penalties for Violations.

The Commissioner may take enforcement actions for violations of the service provider statutes. A violation of the service contract chapter is also a violation of the Consumer Protection Act.

**Summary:**

The definition of "service contract" is modified to include a contract or agreement sold for separate consideration for the repair or replacement of tires or wheels damaged as a result of coming into contact with ordinary road hazards including but not limited to potholes, rocks, wood debris, metal parts, glass, plastic, or composite scraps.

Tire or wheel manufacturers and motor vehicle manufacturers are exempt from the requirements of the service contract chapter.

**Votes on Final Passage:**

House	95	0
Senate	45	0

**Effective:** June 10, 2010