

# SENATE BILL REPORT

## HB 1704

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As of February 21, 2022

**Title:** An act relating to the regulation of service contracts and protection product guarantees.

**Brief Description:** Regulating service contracts and protection product guarantees.

**Sponsors:** Representatives Kirby, Vick, Ryu and Dufault.

**Brief History:** Passed House: 2/14/22, 97-0.

**Committee Activity:** Business, Financial Services & Trade: 2/22/22.

### Brief Summary of Bill

- Allows service contract providers and protection product guarantee providers to use more than one reimbursement insurance policy to cover their obligations and liabilities.

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### SENATE COMMITTEE ON BUSINESS, FINANCIAL SERVICES & TRADE

**Staff:** Kellee Gunn (786-7429)

**Background:** Providing Proof of Financial Responsibility for Service Contracts and Protection Product Guarantees on Consumer Goods and Motor Vehicles. Service Contracts. Service contracts are agreements entered into to either provide, or compensate for, a certain repair, replacement, or maintenance of property when there is an issue due to a defect in materials, workmanship, or normal wear and tear.

To show financial responsibility to the state, service contract providers may choose one of the following options to ensure obligations and liabilities are paid:

- insure contracts with a reimbursement insurance policy or through a risk retention group;
- maintain a reserve account along with a security deposit, held by the Office of the Insurance Commissioner (OIC); or

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- maintain or have a parent company with a maintained net worth of \$100 million.

*Protection Product Guarantees.* Protection product guarantees are written agreements to repair or replace a product upon failure of the product to perform under the terms of the guarantee. Protection product guarantee providers must insure contracts with a reimbursement insurance policy or through a risk retention group to show financial responsibility, in addition to other financial requirements.

Both service contracts and protection product guarantees are regulated by OIC.

Reimbursement Insurance Policies for Service Contract and Protection Product Guarantee Providers. Reimbursement insurance policies that insure service contracts and protection product guarantees must reimburse or pay on behalf of the provider all sums the provider is legally obligated to pay. Reimbursement policies must fully insure, rather than partially insure, the obligations of the service contract provider or protection product providers. These insurance policies may also be called commercial liability insurance products, or CLIPs.

**Summary of Bill:** Service contract providers and protection product guarantee providers may use more than one reimbursement insurance policy to cover their obligations and liabilities.

**Appropriation:** None.

**Fiscal Note:** Available.

**Creates Committee/Commission/Task Force that includes Legislative members:** No.

**Effective Date:** Ninety days after adjournment of session in which bill is passed.