

FINAL BILL REPORT

HB 1704

FULL VETO

Synopsis as Enacted

Brief Description: Regulating service contracts and protection product guarantees.

Sponsors: Representatives Kirby, Vick, Ryu and Dufault.

House Committee on Consumer Protection & Business
Senate Committee on Business, Financial Services & Trade

Background:

Service contracts and protection product guarantees are regulated by the Insurance Commissioner (Commissioner).

Service Contracts and Protection Product Guarantees.

A service contract is a contract or agreement entered into, for any specific duration, to either provide or compensate for the repair, replacement, or maintenance of property when there is an issue due to a defect in materials or workmanship, or normal wear and tear.

Providers of service contracts specifically relating to motor vehicles are subject to similar requirements as other service contract providers.

A protection product guarantee is a written agreement to replace or repair a product that a protection product was designed to protect or pay incidental costs resulting from a protection product's failure to perform. A "protection product" is a substance, device, or system that is designed to protect another product from damage, such as a coating intended to protect paint from sun damage.

Financial Responsibility for Service Contract and Protection Product Providers.

Service contract and protection product guarantee providers must be registered with the Commissioner. The Commissioner may refuse a registration if he or she determines that a provider is not, among other things, financially responsible. Financial responsibility may be demonstrated by insuring contracts or guarantees with a reimbursement insurance policy.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not part of the legislation nor does it constitute a statement of legislative intent.

Reimbursement Insurance Policies.

A reimbursement insurance policy is an insurance policy issued to a provider to reimburse, or to pay on behalf of the provider, all contractual obligations a provider incurs under the terms of an insured contract or guarantee. These policies may be referred to as commercial liability insurance products, and each policy must be filed with and be approved by the Commissioner.

Reimbursement insurance policies must fully insure a provider's obligations under a service contract or protection product guarantee, rather than partially insure or insure only in the event a provider defaults and is unable to perform its obligations under a contract or guarantee.

Reimbursement insurance policies issued, sold, or offered for sale in Washington or sold to consumers in Washington, must state that the insurer that issued the policy will reimburse or pay on behalf of the provider all sums the provider is legally obligated to pay.

Summary:

Reimbursement Insurance Policies.

Reimbursement insurance policies for service contracts or protection product guarantees must either fully insure the obligations of a provider or insure payment on behalf of a provider only in the event the provider defaults and is unable to perform the service contract or protection product guarantee.

Reimbursement insurance policies issued, sold, or offered for sale in Washington, or sold to consumers in Washington, must state that the insurer issuing the policy will either reimburse the provider or pay on behalf of the provider if the provider is unable to perform under the contract or guarantee.

Obligations of Service Contract and Protection Product Guarantee Providers.

Service contract and protection product guarantee providers may use one or more reimbursement insurance policies, issued by one or more insurers, to demonstrate financial responsibility. Each reimbursement insurance policy must be filed with and approved by the Commissioner.

Votes on Final Passage:

House	97	0
Senate	46	2