

FINAL BILL REPORT

HB 2356

C 125 L 16
Synopsis as Enacted

Brief Description: Concerning employer agreements to reimburse certain employee costs for the use of personal vehicles for business purposes.

Sponsors: Representatives Kirby and Vick.

House Committee on Business & Financial Services
Senate Committee on Financial Institutions & Insurance

Background:

Service Contracts Generally.

Insurance and insurance transactions are governed by the Insurance Code (Code). Among other things, the Code requires: (1) that insurers meet certain financial requirements; and (2) that agents, solicitors, and brokers of insurance comply with specified licensing standards. Financial and criminal penalties may result from noncompliance.

Certain products and transactions that otherwise fall within the definition of insurance are exempted from the Code and specifically regulated under separate chapters. 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. Persons regulated under these chapters may not have to be licensed or have the same degree of training.

Service contracts are one of the types of products that are regulated less stringently than insurance products under the Code. A service contract is a contract for separate consideration for a specific duration to:

- repair, replace, or maintain property; or
- indemnify for the repair, replacement, or maintenance of property.

Examples of service contracts include motor vehicle service plans offered by auto dealers that provide a period of maintenance or repair or a protection plan offered by an electronics manufacturer.

Exemptions from Regulation as Service Contracts.

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

Some plans, products, and services that might otherwise meet the definition of a service contract are exempt from regulation as such. These include:

- warranties;
- maintenance;
- service contracts for tangible property worth less than \$50;
- vehicle mechanical breakdown insurance;
- service contracts to businesses or governments; and
- certain home heating fuel service contracts.

Summary:

Contracts in which a third party contracted by an employer agrees to reimburse its employees for mileage, maintenance, and repairs for personal vehicles used for business purposes are exempt from regulation as insurance. However, there is no exemption if the agreement provides indemnification for repairs for a loss caused by theft, collision, fire, or other peril typically covered by comprehensive auto insurance.

Votes on Final Passage:

House	97	0	
Senate	48	0	(Senate amended)
House	96	0	(House concurred)

Effective: June 9, 2016