



Caterpillar Insurance Company

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March 11, 2014

Via Hand Delivery

Honorable Gabrielle LeDoux
Representative
State Capitol, Room 416
Juneau, Alaska 99801-1182

Re: House Bill 206

Dear Representative LeDoux:

On behalf of Caterpillar Insurance Company, I would like to express our **support** of the above-referenced legislation being pursued by the Service Contract Industry Council, a trade association representing the service contract industry nationally. By way of background, Caterpillar Insurance Company is a long time licensed service contract provider across the nation. The SCIC is a national trade association whose member companies include insurers, manufacturers, service contract providers, administrators and retailers offering service contracts covering motor vehicles, homes and consumer goods throughout the country.

House Bill 206 provides a framework to regulate motor vehicle service contracts that is consistent with the national trend for the regulation of these products which ensures full disclosure to consumers and the financial responsibility of providers. This legislation is largely based upon the Model Service Contracts Act adopted by the National Association of Insurance Commissioners (NAIC). Changes have been made to the NAIC model to better reflect industry practices and to address drafting oversights which became apparent during initial consideration or implementation of this legislation in the first states to pursue adoption of the model act. The SCIC Model Act, or some version of it, has been adopted in over 35 states nationally.

Caterpillar Insurance Company supports this act on grounds that the legislation provides regulatory certainty and increased uniformity for service contract providers trying to do business in Alaska, creates a level-playing field for providers to transact service contracts, and provides consumer protections.

Under this legislation, providers must either purchase reimbursement insurance which covers 100% of their outstanding service contract liabilities or demonstrate a net worth of at least \$100 million. These financial stability requirements are similar to those adopted by the NAIC. However this model includes significantly enhanced capital and surplus requirements, not contained in the NAIC model, for any insurer who issues a reimbursement insurance policy further ensuring the protection of Alaskan consumers.

The legislation protects consumers by requiring providers to allow consumers to review the contract after purchase and cancel within a specified period of time and receive a full refund

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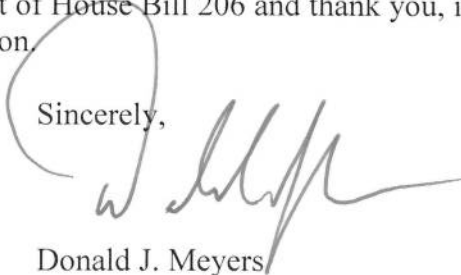
of the purchase price along with providing consumers with a right of cancellation of a motor vehicle service contract during the entire term of a service contract sold.

Other important consumer disclosures required by this legislation require motor vehicle service contracts to identify the provider and its insurance company, if applicable, the product covered, the cost of the motor vehicle service contract, the benefits and exclusions, any deductible amounts, cancellation and transfer rights, and other disclosures intended to inform consumers of their rights under motor vehicle service contracts sold in Alaska.

In summary, this bill is a good bill not only for motor vehicle service contract providers by providing a regulatory framework consistent with the treatment of the industry by the rest of the country but also for the consumers of Alaska in that the bill creates a regulatory structure that allows the Division of Insurance appropriate regulatory oversight to ensure that consumers are protected and that providers under motor vehicle service contracts sold have the financial wherewithal to make good on promises made under the terms of such service contracts.

We request your continued support of House Bill 206 and thank you, in advance, for your support of this important piece of legislation.

Sincerely,

A handwritten signature in black ink, appearing to read 'Donald J. Meyers', written over a circular stamp or mark.

Donald J. Meyers
Vice President, General Counsel and
Secretary