

# ALASKA STATE LEGISLATURE

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## **HB 206 Sponsor Statement**

House Bill 206 is legislation being pursued to bring Alaska's regulation of motor vehicle service contracts into line with how the industry is regulated by a majority of the rest of the country. The proponents of this legislation include members of the Service Contract Industry Council, a national trade association representing the service contract industry, such as Ford Motor Company, Ally Financial, General Motors, CNA National Warranty Co., and Toyota Financial Services.

HB 206 is based upon model legislation that has been enacted in over 30 states across the country and sets forth a fair and comprehensive regulatory framework for motor vehicle service contracts that protect consumers and ensures the long-term viability of the motor vehicle service contract industry. Current Alaska law is unclear at best as to how a motor vehicle service contract provider is to do business in the state. HB 206 would set forth a clear path for how a service contract provider is regulated in Alaska that is consistent with the treatment of the industry in the substantial majority of the states around the country.

HB 206 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. In addition, the scope of the legislation has been narrowed to limit its applicability to motor vehicle service contracts as consumer goods and home service contracts have been exempted from regulation by the Legislature.

The legislation includes the following primary sections:

- Defines terms related to the service contract industry;
- Establishes requirements for doing business including registration of providers and financial responsibility options for qualifying as such;
- Consumer disclosure requirements;
- Disclosure requirements for reimbursement insurance policies issued to back service contract providers;
- Record keeping requirements;

- Prohibited practices; and
- Enforcement provisions.

The industry supports such legislation as it provides regulatory certainty and increased uniformity for motor vehicle service contract programs, creates a level-playing field for providers to transact motor vehicle service contracts, and provides consumer protections.

To offer motor vehicle service contracts, 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. HB 206 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 of the purchase price. Other consumer disclosures 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.

In summary, HB 206 is a good bill not only for motor vehicle service contract providers in that it provides clear directives as to how the industry is regulated but is also good for the consumers of Alaska in that the bill creates a regulatory structure that allows the Division of Insurance regulatory oversight to ensure that Alaskan consumers are treated uniformly with other state consumers when purchasing a motor vehicle service contract.

I urge you to support HB 206.