

**HOUSE OF REPRESENTATIVES
FINAL BILL ANALYSIS**

BILL #:	CS/HB 875	FINAL HOUSE FLOOR ACTION:	
SPONSOR(S):	Insurance & Banking Subcommittee; Stark; Santiago and others	117 Y's	0 N's
COMPANION BILLS:	CS/SB 1120	GOVERNOR'S ACTION:	Approved

SUMMARY ANALYSIS

CS/HB 875 passed the House on February 3, 2016, and subsequently passed the Senate on March 2, 2016.

Motor vehicle service agreement companies are one type of warranty association and are governed by the provisions in Part I, Chapter 634, Florida Statutes. Motor vehicle service agreements generally provide vehicle owners with protection when the manufacturer's warranty expires. While a warranty is not considered a traditional insurance product, it protects purchasers from future risks and associated costs. In Florida, warranty associations are regulated by the Office of Insurance Regulation (OIR). The OIR's regulatory authority of warranty associations includes licensure, investigation of complaints, and monitoring of reserve requirements, among other duties. However, the OIR is not required to approve forms or rates for warranties.

Under current law, motor vehicle service agreements indemnify the agreement holder against loss caused by failure of any mechanical or other component part, or any mechanical or other component part of the motor vehicle that does not function as it was originally intended. The term "motor vehicle service agreement" also includes any contract that provides: for coverage which is issued in conjunction with an additive product applied to the motor vehicle that is the subject of such agreement; for payment of vehicle protection expenses (such as meeting applicable deductibles and providing for temporary replacement vehicle rental expenses); and for the payment for paintless dent-removal services.

As defined in statute, "additive product" means any fuel supplement, oil supplement, or any other supplement product added to a motor vehicle for the purpose of increasing or enhancing the performance or improving the longevity of such motor vehicle. The bill modifies this definition to indicate the term does not include a product applied to the exterior or interior surface of a motor vehicle to protect the appearance of the motor vehicle. The bill also deletes the definition of "paintless dent-removal" but still allows the process to be considered part of a motor vehicle service agreement.

The bill also changes and expands coverage provided in a motor vehicle service agreement to include: a) repair or replacement of tires or wheels on a motor vehicle damaged as a result of encountering a road hazard (and defines the term); b) removal of dents, dings, or creases on a motor vehicle that may be repaired using the process of paintless dent removal without affecting the existing paint finish and without using replacement body panels, or sanding, bonding, or painting; and c) replacement of a motor vehicle key or key fob if the key or key fob is inoperable, lost, or stolen.

The bill was approved by the Governor on March 10, 2016, ch. 2016-60, L.O.F., and will become effective on July 1, 2016.

I. SUBSTANTIVE INFORMATION

A. EFFECT OF CHANGES:

Motor vehicle service agreement companies are one type of warranty association and are governed by the provisions in Part I, Chapter 634, Florida Statutes. Motor vehicle service agreements generally provide vehicle owners with protection when the manufacturer's warranty expires. While a warranty is not considered a traditional insurance product, it protects purchasers from future risks and associated costs. In Florida, warranty associations are regulated by the Office of Insurance Regulation (OIR). The OIR's regulatory authority of warranty associations includes approval of forms, investigation of complaints, and monitoring of reserve requirements, among other duties. However, the OIR is not required to approve rates for warranties.

Under current law, motor vehicle service agreements indemnify the agreement holder against loss caused by failure of any mechanical or other component part, or any mechanical or other component part of the motor vehicle that does not function as it was originally intended. The term "motor vehicle service agreement" also includes any contract that provides: for coverage which is issued in conjunction with an additive product applied to the motor vehicle that is the subject of such agreement; for payment of vehicle protection expenses (such as meeting applicable deductibles and providing for temporary replacement vehicle rental expenses); and for the payment for paintless dent-removal services.¹

As defined in statute, "additive product" means any fuel supplement, oil supplement, or any other supplement product added to a motor vehicle for the purpose of increasing or enhancing the performance or improving the longevity of such motor vehicle.² The bill modifies this definition to indicate the term does not include a product applied to the exterior or interior surface of a motor vehicle to protect the appearance of the motor vehicle.

The bill deletes the definition of "paintless dent-removal" but still allows the process to be considered part of a motor vehicle service agreement. In revising the process, the bill makes two changes. Currently, coverage for paintless dent-removal is predicated on services being provided by a company whose primary business is providing such services. The bill eliminates this condition, thereby allowing greater flexibility in who offers the service. The second change removes hail damage as a specific example of a cause of a dent, ding and crease. However, because the new language that provides coverage for removal of dents, dings, or creases on a motor vehicle that may be repaired is not limited in any way, this should not affect the right to provide or receive coverage for hail damage. In effect, this change removes superfluous language.

The bill also changes and expands coverage provided in a motor vehicle service agreement to include: a) repair or replacement of tires or wheels on a motor vehicle damaged as a result of encountering a road hazard³; b) removal of dents, dings, or creases on a motor vehicle that may be repaired using the process of paintless dent removal without affecting the existing paint finish and without using replacement body panels, or sanding, bonding, or painting; and c) replacement of a motor vehicle key or key fob if the key or key fob is inoperable, lost, or stolen.

II. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT

¹ s. 634.011(8), F.S.

² s. 634.011(2), F.S.

³ "Road hazard" means a danger that is encountered while operating a motor vehicle. The term includes, but is not limited to, potholes, rocks, debris, metal parts, glass, plastics, curbs and composite scraps. The term does not include any damage caused by collision with another vehicle, vandalism, or other causes usually covered under the comprehensive or collision coverages provided by an automobile physical damage policy.

A. FISCAL IMPACT ON STATE GOVERNMENT:

1. Revenues:

None.

2. Expenditures:

None.

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues:

None.

2. Expenditures:

None.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

None.

D. FISCAL COMMENTS:

None.