

The Florida Senate
BILL ANALYSIS AND FISCAL IMPACT STATEMENT

(This document is based on the provisions contained in the legislation as of the latest date listed below.)

Prepared By: The Professional Staff of the Committee on Banking and Insurance

BILL: CS/SB 1120

INTRODUCER: Banking and Insurance Committee and Senator Abruzzo

SUBJECT: Motor Vehicle Service Agreement Companies

DATE: January 27, 2016

REVISED: _____

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	Matiyow	Knudson	BI	Fav/CS
2.			CM	
3.			RC	

Please see Section IX. for Additional Information:

COMMITTEE SUBSTITUTE - Substantial Changes

I. Summary:

CS/SB 1120 allows motor vehicle service agreements to warrant the following:

- The replacement of tires or wheels on a motor vehicle damaged as a result of encountering a road hazard.
- The replacement of a motor vehicle key or key fob.

The bill also clarifies that an “additive product” 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 effective date of the bill is July 1, 2016.

II. Present Situation:

Chapter 634, F.S., governs the regulation of warranty associations. Warranty associations include motor vehicle service agreement companies,¹ home warranty associations,² and service warranty associations.³ Each type of warranty association product is governed by applicable provisions of ch. 631, F.S., and is exempt from all other provisions of the Florida Insurance Code unless otherwise specified.⁴

¹ s. 634.011, F.S.

² s. 634.301, F.S.

³ s. 634.401, F.S.

⁴ ss. 634.023, 634.3025, and 634.4025, F.S.

Motor vehicle service agreements are defined as indemnifying the service agreement holder (owner) of the motor vehicle listed on the service agreement from losses caused by the failure or improper function of any mechanical or other component part arising out of the ownership, operation, and use of the motor vehicle.⁵ Included in the definition are agreements that provide for coverage issued in conjunction with an additive product applied to the motor vehicle, payment of vehicle protection expenses, and payment for paintless dent-removal services.

While a motor vehicle service agreement is not considered a traditional insurance product, it protects purchasers from future risks and associated costs. In Florida, motor vehicle service agreements are regulated by the Office of Insurance Regulation (OIR). The OIR's regulatory authority of warranty associations includes disapproval of noncompliant forms,⁶ investigation of complaints,⁷ and monitoring of reserve requirements,⁸ among other duties. The OIR is not, however, required to approve rates for such warranties.

III. Effect of Proposed Changes:

The bill allows motor vehicle service agreements to warrant the following:

- The replacement of tires or wheels on a motor vehicle damaged as a result of encountering a "road hazard." The bill defines "road hazard" to mean a danger that is encountered while operating a motor vehicle, which includes but is not limited to, potholes, rocks, wood debris, metal parts, glass, plastic, curbs, and composite scraps. Road hazard specifically 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.
- The replacement of a motor vehicle key or key fob if the key or key fob is inoperable, lost, or stolen.

The bill also:

- Clarifies that an "additive product" does not include a product applied to the exterior or interior surface of a motor vehicle to protect the appearance of the motor vehicle.
- Removes the reference to hail damage in the explanation for the process of paintless dent removal, which under current law and the bill may be the subject of a motor vehicle service agreement. There are other causes of damage covered under a motor vehicle service agreement for paintless dent removal, hail damage is just one of them. Naming just one cause (hail damage) in statute was viewed as not necessary without listing by name all the other causes.

The effective date of the bill is July 1, 2016.

⁵ s. 634.011(8), F.S.

⁶ See s. 634.1213, F.S.

⁷ See s. 634.141(2)(c), F.S.

⁸ See s. 634.141(2)(d), F.S.

IV. Constitutional Issues:

A. Municipality/County Mandates Restrictions:

None.

B. Public Records/Open Meetings Issues:

None.

C. Trust Funds Restrictions:

None.

D. Other Constitutional Issues:

None.

V. Fiscal Impact Statement:

A. Tax/Fee Issues:

None.

B. Private Sector Impact:

None.

C. Government Sector Impact:

None.

VI. Technical Deficiencies:

None.

VII. Related Issues:

None.

VIII. Statutes Affected:

This bill substantially amends section 634.011 of the Florida Statutes.

IX. Additional Information:

- A. **Committee Substitute – Statement of Substantial Changes:**
(Summarizing differences between the Committee Substitute and the prior version of the bill.)

CS by Banking and Insurance on January 26, 2016:

Removes lines 96-97 regarding other services approved by the Commissioner of Insurance.

- Clarifies the definition of “Road Hazard” 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.

- B. **Amendments:**

None.

This Senate Bill Analysis does not reflect the intent or official position of the bill’s introducer or the Florida Senate.
