

THE GENERAL ASSEMBLY OF PENNSYLVANIA

SENATE BILL

No. 1229 Session of 2020

INTRODUCED BY LAUGHLIN, TARTAGLIONE, PITTMAN, MENSCH, HUTCHINSON, AUMENT AND HUGHES, JULY 13, 2020

SENATOR SCAVELLO, BANKING AND INSURANCE, AS AMENDED, OCTOBER 21, 2020

AN ACT

1 Amending the act of May 17, 1921 (P.L.682, No.284), entitled "An
2 act relating to insurance; amending, revising, and
3 consolidating the law providing for the incorporation of
4 insurance companies, and the regulation, supervision, and
5 protection of home and foreign insurance companies, Lloyds
6 associations, reciprocal and inter-insurance exchanges, and
7 fire insurance rating bureaus, and the regulation and
8 supervision of insurance carried by such companies,
9 associations, and exchanges, including insurance carried by
10 the State Workmen's Insurance Fund; providing penalties; and
11 repealing existing laws," in general provisions relating to
12 insurance companies, associations and exchanges, further
13 providing for service contract exclusion.

14 The General Assembly of the Commonwealth of Pennsylvania
15 hereby enacts as follows:

16 Section 1. Section 358 of the act of May 17, 1921 (P.L.682,
17 No.284), known as The Insurance Company Law of 1921, is amended
18 to read:

19 Section 358. Service Contract Exclusion.--(a) The
20 marketing, sale, offering for sale, issuance, making, proposing
21 to make and administration of a service contract, maintenance
22 agreement, guaranteed asset protection waiver or vehicle theft
23 protection product warranty shall not be construed to be the

1 business of insurance and shall be exempt from regulation as
2 insurance.

3 (b) For purposes of this section, except when the context
4 clearly indicates otherwise:

5 "Guaranteed asset protection waiver" means a contractual
6 agreement in which a creditor agrees for a separate charge to
7 cancel or waive all or part of amounts due on a borrower's
8 finance agreement in the event of a total physical damage loss
9 or unrecovered theft of the motor vehicle, which agreement must
10 be part of, or a separate addendum to, the finance agreement.

11 "Incidental costs" means expenses specified in a vehicle
12 theft protection program warranty that are incurred by the
13 warranty holder due to the failure of a vehicle theft protection
14 program to perform as provided in the contract. Incidental costs
15 may be reimbursed in either a fixed amount specified in the
16 vehicle theft protection program warranty or by use of a formula
17 itemizing specific incidental costs incurred by the warranty
18 holder.

19 "Maintenance agreement" means a contract of limited duration
20 that provides for scheduled maintenance only.

21 "Road hazard" means a hazard that is encountered while
22 driving a motor vehicle, which may include potholes, rocks, wood
23 debris, metal parts, glass, plastic, curbs or composite scraps.

24 "Service contract" means [a] as follows:

25 (1) A contract or an agreement for a separately stated
26 consideration for a specific duration to perform the service,
27 repair, replacement or maintenance of property or
28 indemnification for service, repair, replacement or maintenance,
29 for the operational or structural failure due to a defect in
30 materials, workmanship or normal wear and tear with or without

1 additional provisions for incidental payment of indemnity under
2 limited circumstances, including, but not limited to, towing,
3 rental and emergency road service.

4 (2) The term also includes a contract or agreement that
5 provides one or more of the following:

6 (i) The repair or replacement of tires or wheels on a motor
7 vehicle damaged as a result of coming into contact with road
8 hazards.

9 (ii) The removal of dents, dings or creases on a motor
10 vehicle that can be repaired using the process of paintless dent
11 removal without affecting the existing paint finish and without
12 replacing vehicle body panels, sanding, bonding or painting.

13 (iii) The repair of chips or cracks in, or the replacement
14 of, motor vehicle windshields as a result of damage caused by
15 road hazards.

16 (iv) The replacement of a motor vehicle key or key fob in
17 the event that the key or key fob becomes inoperable or is lost
18 or stolen.

19 (v) In conjunction with a LEASE OF A motor vehicle leased <--
20 for use, the repair, replacement or maintenance of property, or
21 indemnification for repair, replacement or maintenance, due to
22 excess wear and use, damage for items such as tires, paint
23 cracks or chips, interior stains, rips or scratches, exterior
24 dents or scratches, windshield cracks or chips, missing interior
25 or exterior parts or excess mileage that result in a lease-end
26 charge, or any other charge for damage that is deemed as excess
27 wear and use by a lessor under a motor vehicle lease, as long as
28 the payment does not exceed the purchase price of the vehicle.

29 (3) Service contracts may provide for the service, repair,
30 replacement or maintenance of property for damage resulting from

1 power surges or accidental damage from handling, provided,
2 however, that an insurance company providing coverage or payment
3 for towing, rental, emergency road service or mechanical
4 breakdown insurance shall not be considered to be providing a
5 service contract; and further provided that automobile club
6 coverage or payment of towing, rental or emergency road service
7 shall not be considered a service contract and shall not be
8 regulated as insurance.

9 "Vehicle theft protection product" means as follows:

10 (1) A device or system that:

11 (i) is installed on or applied to a motor vehicle;

12 (ii) is designed to prevent loss or damage to a motor
13 vehicle from theft; and

14 (iii) includes a vehicle theft protection program warranty.

15 (2) The term does not include fuel additives, oil additives
16 or other chemical products applied to the engine, transmission
17 or fuel system or the interior or exterior surfaces of a motor
18 vehicle.

19 "Vehicle theft protection product warranty" means a written
20 agreement by a warrantor that provides upon failure of the
21 vehicle theft protection product to prevent loss or damage to a
22 motor vehicle from theft that the warrantor will pay to or on
23 behalf of the warranty holder specified incidental costs as a
24 result of the failure of the vehicle theft protection product to
25 perform pursuant to the terms of the vehicle theft protection
26 product warranty.

27 Section 2. This act shall take effect in 60 days.