

SESSION OF 2017

**SUPPLEMENTAL NOTE ON HOUSE BILL NO. 2233**

As Amended by House Committee on Insurance

**Brief\***

HB 2233, as amended, would amend a provision in the Insurance Code that exempts the marketing and sale of service contracts from regulation by the Kansas Insurance Department (Department).

The bill would expand the definition of “service contract” to specify the term could also include additional provisions for incidental payment of indemnity under limited circumstances, including, but not limited to, towing, rental, and emergency road services.

The bill would further specify that “service contract” could include, but is not limited to, a contract that offers any one or more of the following services:

- Repair or replacement of tires or wheels on a motor vehicle damaged as a result of coming into contact with road hazards;
  - “Road hazard” would mean a hazard encountered while driving a motor vehicle, including, but not limited to, potholes, rocks, wood debris, metal parts, glass, plastics, curbs, or composite scraps;
- Removal of dents, dings, or creases on a motor vehicle that can be repaired using the process of paintless dent removal without affecting the

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\*Supplemental notes are prepared by the Legislative Research Department and do not express legislative intent. The supplemental note and fiscal note for this bill may be accessed on the Internet at <http://www.kslegislature.org>

existing paint finish and without replacing body panels, sanding, bonding, or painting; and

- Replacement of a motor vehicle key or key-fob in the event the key or key-fob becomes inoperable or is lost or stolen.

The bill would also make technical amendments.

## **Background**

The bill was introduced by the House Committee on Insurance. In the House Committee hearing, a representative from the Motor Vehicle Protection Products Association appeared in favor of the bill, stating the bill would clarify the definition of “service contract” specifically to identify certain limited service contracts currently excluded. The representative also provided comparative information on what other states have included under the definition of service contracts.

Written-only proponent testimony was submitted by the Kansas Automobile Dealers Association (Association). The Association stated the bill would bring Kansas service contract law more in line with the treatment of the industry throughout the rest of the country by expressly exempting certain products from regulation as insurance.

A representative from the Kansas Association of Property and Casualty Insurance Companies appeared as an opponent to the bill, stating the new language allows service contracts to cover services regularly provided by auto policies in Kansas. The representative indicated the language in the bill would allow service contracts to compete against insurance companies, which must follow the rules and regulations established for insurance companies.

The House Committee amendment deletes a provision that would have allowed service contracts to offer coverage

for the repair of chips or cracks in, or the replacement of, car windshields due to damage caused by road hazards.

According to the fiscal note prepared by the Division of the Budget on the bill, as introduced, the Department indicates it would have no fiscal effect on the agency since service contracts are exempt from regulation by the Department. For consumers, the expansion of the definition of "service contract" could affect the sale or marketing of the contracts; however, a fiscal effect cannot be estimated.