

AMENDED IN ASSEMBLY MARCH 21, 2002

CALIFORNIA LEGISLATURE—2001–02 REGULAR SESSION

ASSEMBLY BILL

No. 2012

Introduced by Assembly Members Frommer and John Campbell

February 15, 2002

An act to ~~add Section 116.6 to~~ amend Section 116.5 of the Insurance Code, relating to insurance.

LEGISLATIVE COUNSEL'S DIGEST

AB 2012, as amended, Frommer. Insurance.

Existing law defines automobile insurance to include any warranty or guaranty that promises service, maintenance, parts replacement, repair, money, or any other indemnity in the event of loss or damage to a motor vehicle or any part thereof from any cause.

This bill would exclude from that definition a contract by a manufacturer or provider of vehicle protection products or services for covering loss or damage to a vehicle.

Vote: majority. Appropriation: no. Fiscal committee: no. State-mandated local program: no.

The people of the State of California do enact as follows:

1 ~~SECTION 1.—Section 116.6 is added to the Insurance Code, to~~
2 *SECTION 1. Section 116.5 of the Insurance Code is amended*
3 *to read:*
4 116.5. (a) Notwithstanding Section 116, ~~an~~ *the following*
5 *shall not constitute automobile insurance if all of the provisions of*
6 *subdivision (b) apply:*

1 (1) An agreement promising repair or replacement of a motor
2 vehicle or part thereof subsequent to a mechanical or electrical
3 breakdown, where the repair or replacement is at either no cost or
4 a reduced cost for the agreement holder, ~~shall not constitute~~
5 ~~automobile insurance~~ if the obligor is a manufacturer of motor
6 vehicle lubricants, treatments, fluids, or additives, ~~provided that~~
7 ~~all of the following apply:~~

8 ~~(a) The~~ *and the* agreement covers only parts directly in contact
9 with the lubricant, treatment, fluid, or additive that is
10 manufactured by the obligor, or parts mechanically connected to
11 those parts.

12 ~~(b)~~
13 (2) *An agreement by the manufacturer or provider of a vehicle*
14 *protection device, system, or service promising to pay specified*
15 *incidental costs as the result of the theft or loss of a vehicle*
16 *protected by a vehicle protection device, system, or service*
17 *designed to prevent theft or loss. However, the agreement shall*
18 *specify the incidental costs included in the agreement, and may*
19 *include, but is not limited to, expenses for a replacement vehicle,*
20 *temporary vehicle rental expenses, insurance policy deductible,*
21 *and registration fees and taxes on a replacement vehicle.*

22 (b) (1) No separately stated consideration is paid for the
23 agreement by the agreement holder.

24 ~~(c)~~
25 (2) The agreement is in writing and includes all of the
26 following:

27 ~~(1)~~
28 (A) A disclosure in 10-point type or larger that reads as follows:
29 “This agreement is a product warranty and is not insurance. It is
30 not subject to state insurance laws but is subject to state laws
31 concerning warranties. You must use the product as instructed in
32 order to receive the benefit of the warranty.”

33 ~~(2)~~
34 (B) A disclosure of the year in which the obligor began doing
35 business in this state.

36 ~~(3)~~
37 (C) A toll-free telephone number for the agreementholder to
38 call should there be a question or problem about the lubricant,
39 treatment, fluids, ~~or~~ additives, *product, service,* or the warranty
40 *agreement.*



1 read:

2 ~~116.6. Notwithstanding Section 116, a contract by a~~
3 ~~manufacturer or provider of vehicle protection products or~~
4 ~~services for covering loss or damage to a vehicle, including, but~~
5 ~~not limited to, expenses for a replacement vehicle, temporary~~
6 ~~vehicle rental expenses, and registration expenses for replacement~~
7 ~~vehicles, shall not constitute automobile insurance.~~

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