

AMENDED IN SENATE MAY 21, 2002
AMENDED IN ASSEMBLY APRIL 16, 2002
AMENDED IN ASSEMBLY APRIL 8, 2002
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 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 warranty issued by a manufacturer or provider of vehicle protection products covering the theft or loss of 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 read:

3 116.6. (a) Notwithstanding Section 116, a warranty issued by
4 the warrantor of a vehicle protection product shall constitute an
5 express warranty, as defined in Section 1791.2 of the Civil Code,
6 and shall not constitute automobile insurance if the warrantor
7 complies with all of the following requirements:

8 (1) The warrantor maintains an insurance policy with an
9 admitted insurer providing coverage for 100 percent of the
10 warrantor’s obligations under the warranty. The insurance policy
11 shall allow the warrantyholder to make a direct claim for payment
12 from the insurer upon the failure of the warrantor to pay any
13 covered claim within 60 days after a complete proof-of-loss has
14 been filed with the party designated in the warranty.

15 (2) The warrantor does not use the words insurance, casualty,
16 surety, mutual, or any other words descriptive of the casualty,
17 insurance, or surety business or deceptively similar to the name or
18 description of any insurance company or casualty or surety
19 company in the vehicle protection product name or warranty.

20 (3) *The warranty providing vehicle replacement expenses has*
21 *been sold to a customer that is insured under a comprehensive*
22 *vehicle insurance policy for the vehicle covered by the warranty*
23 *agreement.*

24 (4) The warranty is in writing and includes all of the following:

25 (A) The incidental costs are included in the warranty and may
26 include, but are not limited to, expenses for a replacement vehicle,
27 temporary vehicle rental expenses, reimbursement for insurance
28 policy deductible, and registration fees and taxes on a replacement
29 vehicle or a fixed amount for such incidental costs.

30 (B) A statement that the warrantyholder shall be entitled to
31 make a direct claim against the insurer covering the obligations of
32 the warranty upon the failure of the warrantor to pay any covered
33 claim within 60 days after a complete proof-of-loss has been filed
34 with the party designated in the warranty.

35 (C) A disclosure stating clearly the name, address, and
36 telephone number of the insurer covering the obligations of the
37 warrantor.



1 (D) A toll-free telephone number established and operated by
2 the warrantor for the warrantyholder to call for questions about the
3 warranty or the procedures to file a claim.

4 (E) A statement that clearly indicates the terms of the warranty,
5 whether new or used cars are eligible for the vehicle protection
6 product, the method for calculating the benefits paid and provided
7 to the warrantyholder, and the procedure for filing a claim under
8 the warranty.

9 (F) A disclosure in 10-point type or larger that reads as follows:
10 “This agreement is a product warranty ~~an~~ *and* is not insurance. It
11 is not subject to state insurance laws but is subject to state law
12 concerning warranties.”

13 (b) For purposes of this section, the following definitions shall
14 apply:

15 (1) “Warrantor” means the manufacturer or provider of a
16 vehicle protection product who, under the terms of a vehicle
17 protection product warranty, is the contractual obligor to the
18 purchaser of a vehicle protection product.

19 (2)

20 (A) “Vehicle protection product” means a vehicle protection
21 device, system, or service that is installed on, or applied to, a
22 vehicle, is designed to deter the theft or loss of a vehicle from a
23 specific cause, and includes a written warranty that provides if the
24 product fails to deter the theft or loss of the vehicle, that the
25 warrantyholder shall be paid specified incidental costs by the
26 warrantor as a result of the failure of the device, system, or service
27 to perform pursuant to the terms of the warranty.

28 (B) For purposes of this section, “vehicle protection product”
29 shall also include alarm systems, window etch products, body part
30 marketing products, steering locks, pedal and ignition locks, fuel
31 and ignition kill switches, and electronic, radio, and satellite
32 tracking devices.

