



WISCONSIN LEGISLATIVE COUNCIL ACT MEMO

2003 Wisconsin Act 302 [2003 Senate Bill 446]	Vehicle Protection Warranties
2003 Acts: www.legis.state.wi.us/2003/data/acts/	Act Memos: www.legis.state.wi.us/lc/act_memo/act_memo.htm

Prior to Act 302, all extra protection warranties fell under the definition of insurance and were regulated by the Office of the Commissioner of Insurance (OCI). Act 446 provides that the insurance provisions of the statutes do not apply to a vehicle protection product warranty and sets up a system to regulate such warranties

A vehicle protection product warranty is defined as a written representation, made to a warranty holder, that applies to a vehicle protection product (a device, system, or service installed on or applied to a vehicle that is designed to prevent loss or damage to the vehicle) and that asserts that the vehicle protection product will prevent specified loss or damage to the vehicle or the warrantor will pay the warranty holder specified incidental costs. Under the Act, if a person includes a warranty with a vehicle protection product, the warrantor must meet several requirements.

First, the warrantor must register with the Office of the Commissioner before he or she may operate as a warrantor or represent to the public that he or she is a warrantor. The commissioner may charge an annual fee not to exceed \$250 for processing and maintaining registration records. A warrantor must renew his or her registration annually. If the warrantor fails to renew his or her registration, the commissioner will suspend the warrantor's registration after 30 days. If the warrantor still fails to renew his or her registration one year after the renewal deadline, his or her registration will be terminated.

Second, the warrantor must meet one of two conditions of financial responsibility. Either the warrantor must have a net worth of, or ownership interests in the warrantor must total, at least \$50,000,000; or the warrantor must be insured under a warranty reimbursement insurance policy (insurance policy) that meets certain conditions. The conditions include the insurance policy issuer being authorized to do business in this state; the insurance policy stating that the policy issuer will pay all covered sums; the insurance policy stating that, if the warrantor does not provide payment due within 60 days after the warranty holder has filed proof of loss, the warranty holder may file directly with the

This memo provides a brief description of the Act. For more detailed information, consult the text of the law and related legislative documents.

insurance policy issuer for reimbursement; and the insurance policy containing specified cancellation provisions.

Third, the Act requires a warrantor to provide specific disclosures on each warranty. The disclosures include the identity of the warrantor, the seller and the warranty holder; the total purchase price and payment terms; the procedure for making a claim; the existence of any deductible amount; any conditions of substitution; and any terms and conditions governing the cancellation.

Fourth, the Act requires the warrantor to maintain accurate records of all warranty transactions. The records must be available to the commissioner and must include the following: copies of all warranties under which the warrantor is obligated; names and addresses of warranty holders; and dates, amounts, and descriptions of all receipts, claims, and expenditures related to the warrantor's warranties.

Fifth, the Act limits a warrantor's ability to cancel a warranty to certain limited, specified conditions. The conditions include circumstances in which the warranty holder fails to pay for the vehicle protection product, commits fraud, or breaches the warranty holder's duties under the warranty.

Finally, the Act provides enforcement provisions. If a warrantor violates a requirement under the vehicle protection product warranty provisions, the commissioner may enforce the requirement, issue orders, and protect warranty holders. A violator may be ordered to forfeit not more than \$500 per violation and not more than \$10,000 for all violations of a similar nature.

Effective Date; Initial Applicability: The Act first applies to warranted vehicle protection products and warranties that apply to vehicle protection products that are offered for sale on December 1, 2004.

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