

SB 697 Amendments20220301_16025396.pdf

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SB0697/833428/1

AMENDMENTS
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BY: Senator Beidle
(To be offered in the Finance Committee)

AMENDMENTS TO SENATE BILL 697
(First Reading File Bill)

AMENDMENT NO. 1

On page 1, in line 2, strike “**Insurance Reserves**” and substitute “**Policies of Insurance**”; in line 5, after “certain” insert “policies of”; in the same line, strike “reserves”; in the same line, strike “maintained with” and substitute “issued by”; in line 6, after “to” insert “policies of”; and in the same line, strike “reserves”.

AMENDMENT NO. 2

On page 3, in line 10, strike “The reserves shall” and substitute “**EACH POLICY OF INSURANCE USED TO SATISFY PARAGRAPH (1) OF THIS SUBSECTION MUST**”; and in the same line, strike “maintained with” and substitute “**ISSUED BY**”.

SB 697 Testimony20220301_16023076.pdf

Uploaded by: Pamela Beidle

Position: FAV

PAMELA G. BEIDLE
Legislative District 32
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Finance Committee

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THE SENATE OF MARYLAND
ANNAPOLIS, MARYLAND 21401

February 24, 2022

SB 697

Vehicle Laws – Mechanical Repair Contracts – Insurance Reserves

Good Afternoon Chair Kelley, Vice Chair Feldman and Members of the Committee:

Thank you for the opportunity to present SB 697, Mechanical Repair Contracts, Insurance Reserves. SB697 is a technical bill dealing primarily with the insurance requirement to sell mechanical repair contracts in the state. A mechanical repair contract is an optional product that a car owner can purchase to cover repairs and replacements if there is an operational or structural failure of the car.

The sale of mechanical repair contracts and the companies that sell them are regulated under the Transportation Article by the Maryland Insurance Administration, including a requirement that the company register with the MIA and provide proof that it carries a Comprehensive Liability Insurance Policy – called a "CLIP" for short -- to ensure that claims under the company's contracts in the state are paid as agreed.

This bill clarifies that there are two types of comprehensive liability policies that are allowed to be used. Both types protect consumers by making sure that their claims are paid as agreed.

The second thing this bill would do is allow the insurance policy to be issued by a risk retention group properly registered with the MIA in addition to an insurance company.

I have submitted one clarifying sponsor amendment that I am requesting be made to the bill.

Marta Harting is here to testify and provide additional information about the bill.

I urge the Committee to report SB 697 favorably with the sponsor amendment I have offered.

SCIC Testimony SB697 Favorable with Amendment .pdf

Uploaded by: Marta Harting

Position: FWA

SERVICE CONTRACT INDUSTRY COUNCIL

TESTIMONY IN SUPPORT OF SENATE BILL 697 (VEHICLE LAWS – MECHANICAL REPAIR CONTRACTS – INSURANCE RESERVES)

The Service Contract Industry Council (SCIC) is a national trade association that works with lawmakers across the country to develop fair and uniform regulation to protect consumers, and is an advocate for the regulation of the service contract industry. SCIC member companies, which include prominent manufacturers, insurers, retailers, providers and administrators of service contracts, collectively offer approximately 80 percent of all appliance, consumer electronics, home and vehicle service contracts sold in the U.S.

A mechanical repair contract is an optional product that a car owner may purchase to cover repairs and replacements if there is an operational or structural failure of the car. The sale of mechanical repair contracts is regulated under §15-311.2 of the Transportation Article, which includes the requirement a company that sells mechanical repair contracts (called an “obligor”) register with the Maryland Insurance Administration and provide proof that it carries insurance (a Commercial Liability Insurance Policy, also referred to as a “CLIP” for short) to back the payment of its obligations under the mechanical repair contracts it has in force.

SB 697 would clarify that two types of CLIPS may satisfy the insurance requirement: (1) a CLIP that pays all claims that the obligor has failed to pay in accordance with the contract and Maryland law (a default CLIP), and (2) a CLIP that pays all claims without a default by the obligor (a first dollar CLIP). Both types of CLIPs fully protect consumers and ensure that their claims will be paid in the same timely manner in accordance with the contract, and the MIA will still review to make sure the policy provides the required protection for consumers. Over 30 states allow both types of CLIPs to satisfy the insurance requirement.

SB 697 would also allow the CLIP to be issued by a risk retention group properly registered with the MIA in addition to an authorized insurer.

SCIC supports the clarifying amendment to SB697 offered by the Sponsor .

For additional information, please contact Marta Harting (mdharting@venable.com).