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February 25, 2022

To: The Honorable C.T. Wilson
Chair, Economic Matters Committee

From: Karen S. Straughn
Consumer Protection Division

Re: House Bill 926 – Vehicle Laws – Mechanical Repair Contracts – Insurance Reserves (SUPPORT)

The Consumer Protection Division of the Office of the Attorney General submits the following written testimony in support of House Bill 926 submitted by Delegate Kriselda Valderrama. The bill would require an insurance policy of an obligor under a mechanical repair contract to provide coverage for nonperformance and would permit the insurance reserves to be held by certain risk retention groups.

When purchasing a warranty or a service contract on a vehicle, it is anticipated that there will be a source of recovery in the event the vehicle fails or has mechanical difficulties. Unfortunately, many times the companies providing these services often wrongfully deny claims or are no longer in business when a consumer files a claim under the contract. This bill would ensure that there is insurance to enforce these contracts in those instances.

The Consumer Protection Division regularly receives complaints about warranties and service contracts. In some of these complaints we find the obligor is no longer operating, although the coverage has been paid for in full. In other cases the complaint concerns the obligor's denial of a claim the consumer believes should have been covered. This bill would protect consumers who find themselves in these situations and ensure that coverage will be provided in the event of a nonperforming warranty.

For these reasons, we ask that the Economic Matters Committee return a favorable report on this bill.

cc: The Honorable Kriselda Valderrama
Members, Economic Matters Committee

