

LEGISLATURE OF NEBRASKA

ONE HUNDRED SECOND LEGISLATURE

SECOND SESSION

LEGISLATIVE BILL 1054

Final Reading

Introduced by McCoy, 39.

Read first time January 18, 2012

Committee: Banking, Commerce and Insurance

A BILL

1 FOR AN ACT relating to insurance; to amend sections 44-3521 and
2 44-3526, Reissue Revised Statutes of Nebraska; to define
3 and redefine terms; to change contract coverage under the
4 Motor Vehicle Service Contract Reimbursement Insurance
5 Act; and to repeal the original sections.

6 Be it enacted by the people of the State of Nebraska,

1 Section 1. Section 44-3521, Reissue Revised Statutes of
2 Nebraska, is amended to read:

3 44-3521 For purposes of the Motor Vehicle Service
4 Contract Reimbursement Insurance Act:

5 (1) Director means the Director of Insurance;

6 (2) Incidental costs means expenses specified in a motor
7 vehicle service contract that are incurred by the service contract
8 holder due to the failure of a vehicle protection product to perform
9 as provided in the contract. Incidental costs include, but are not
10 limited to, insurance policy deductibles, rental vehicle charges, the
11 difference between the actual value of the stolen vehicle at the time
12 of theft and the cost of a replacement vehicle, sales taxes,
13 registration fees, transaction fees, and mechanical inspection fees.
14 Incidental costs may be reimbursed in either a fixed amount specified
15 in the motor vehicle service contract or sales agreement or by use of
16 a formula itemizing specific incidental costs incurred by the service
17 contract holder;

18 ~~(2)~~(3) Mechanical breakdown insurance means a policy,
19 contract, or agreement that undertakes to perform or provide repair
20 or replacement service, or indemnification for such service, for the
21 operational or structural failure of a motor vehicle due to defect in
22 materials or workmanship or normal wear and tear and that is issued
23 by an insurance company authorized to do business in this state;

24 ~~(3)~~(4) Motor vehicle means any motor vehicle as defined
25 in section 60-339;

1 ~~(4)~~—(5)(a) Motor vehicle service contract means a
2 contract or agreement given for consideration over and above the
3 lease or purchase price of a motor vehicle that undertakes to perform
4 or provide repair or replacement service, or indemnification for such
5 service, for the operational or structural failure of a motor vehicle
6 due to defect in materials or workmanship or normal wear and tear but
7 does not include mechanical breakdown insurance. †

8 (b) Motor vehicle service contract also includes a
9 contract or agreement that is effective for a specified duration and
10 paid for by means other than the purchase of a motor vehicle to
11 perform any one or more of the following:

12 (i) The repair or replacement of tires or wheels on a
13 motor vehicle damaged as a result of coming into contact with road
14 hazards;

15 (ii) The removal of dents, dings, or creases on a motor
16 vehicle that can be repaired using the process of paintless dent
17 removal without affecting the existing paint finish and without
18 replacing vehicle body panels, sanding, bonding, or painting;

19 (iii) The repair of chips or cracks in or replacement of
20 motor vehicle windshields as a result of damage caused by road
21 hazards;

22 (iv) The replacement of a motor vehicle key or keyfob in
23 the event the key or keyfob becomes inoperable or is lost;

24 (v) The payment of specified incidental costs as the
25 result of a failure of a vehicle protection product to perform as

1 specified; and

2 (vi) Other products and services approved by the
3 director;

4 ~~(5)~~ (6) Motor vehicle service contract provider means a
5 person who issues, makes, provides, sells, or offers to sell a motor
6 vehicle service contract, except that motor vehicle service contract
7 provider does not include an insurer as defined in section 44-103;

8 ~~(6)~~ (7) Motor vehicle service contract reimbursement
9 insurance policy means a policy of insurance meeting the requirements
10 in section 44-3523 that provides coverage for all obligations and
11 liabilities incurred by a motor vehicle service contract provider
12 under the terms of motor vehicle service contracts issued by the
13 provider; ~~and~~

14 (8) Road hazards means hazards that are encountered
15 during normal driving conditions, including, but not limited to,
16 potholes, rocks, wood debris, metal parts, glass, plastic, curbs, or
17 composite scraps;

18 ~~(7)~~ (9) Service contract holder means a person who
19 purchases a motor vehicle service contract; ~~and -~~

20 (10)(a) Vehicle protection product means a vehicle
21 protection device, system, or service that:

22 (i) Is installed on or applied to a vehicle;

23 (ii) Is designed to prevent loss or damage to a vehicle
24 from a specific cause; and

25 (iii) Includes a written warranty.

1 (b) Vehicle protection product includes, but is not
2 limited to, chemical additives, alarm systems, body part marking
3 products, steering locks, window etch products, pedal and ignition
4 locks, fuel and ignition kill switches, and electronic, radio, and
5 satellite tracking devices.

6 Sec. 2. Section 44-3526, Reissue Revised Statutes of
7 Nebraska, is amended to read:

8 44-3526 The Motor Vehicle Service Contract Reimbursement
9 Insurance Act shall not apply to:

10 (1) Motor motor-vehicle service contracts (1)(a)-(a)(i)
11 issued by a motor vehicle manufacturer or importer for the motor
12 vehicles manufactured or imported by that manufacturer or importer
13 and (b)-(ii) sold by a franchised motor vehicle dealer licensed
14 pursuant to the Motor Vehicle Industry Regulation Act or (2)-(b)
15 issued and sold directly by a motor vehicle manufacturer or importer
16 licensed pursuant to the Motor Vehicle Industry Regulation Act for
17 the motor vehicles manufactured or imported by that manufacturer or
18 importer; or -

19 (2) Product warranties governed by the Magnuson-Moss
20 Warranty - Federal Trade Commission Improvement Act, 15 U.S.C. 2301
21 et seq., or to any other warranties, indemnity agreement, or
22 guarantees that are not provided incidental to the purchase of a
23 vehicle protection product.

24 Sec. 3. Original sections 44-3521 and 44-3526, Reissue
25 Revised Statutes of Nebraska, are repealed.