

AMENDED IN SENATE JUNE 7, 1999
AMENDED IN ASSEMBLY APRIL 29, 1999
AMENDED IN ASSEMBLY MARCH 22, 1999

CALIFORNIA LEGISLATURE—1999–2000 REGULAR SESSION

ASSEMBLY BILL

No. 509

Introduced by Assembly Member Calderon

February 18, 1999

An act to add Section 116.5 to the Insurance Code, relating to automotive lubricant product warranties.

LEGISLATIVE COUNSEL'S DIGEST

AB 509, as amended, Calderon. Insurance: automotive lubricant product warranties.

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 an agreement promising repair or replacement of a motor vehicle or part thereof subsequent to a mechanical or electrical breakdown, where the repair or replacement is at either no cost or a reduced cost for the agreement holder, if the obligor is a manufacturer of motor vehicle lubricants, treatments, fluids, or additives, subject to certain specified conditions.

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 116.5 is added to the Insurance
2 Code, to read:

3 116.5. Notwithstanding Section 116, an agreement
4 promising repair or replacement of a motor vehicle or
5 part thereof subsequent to a mechanical or electrical
6 breakdown, where the repair or replacement is at either
7 no cost or a reduced cost for the agreement holder, shall
8 not constitute automobile insurance if the obligor is a
9 manufacturer of motor vehicle lubricants, treatments,
10 fluids, or additives, provided that all of the following
11 apply:

12 (a) The agreement covers only parts directly in
13 contact with the lubricant, treatment, fluid, or additive
14 that is manufactured by the obligor, or parts mechanically
15 connected to those parts.

16 (b) The obligor, either alone or with its parent
17 company, maintains a net worth of ~~one hundred million~~
18 ~~dollars (\$100,000,000)~~ *fifty million dollars (\$50,000,000)*
19 and has filed with the commissioner a copy of the obligor's
20 financial statement or the obligor's parent company's
21 financial statement. The financial statement shall be the
22 most recent Form 10-K filed with the Securities and
23 Exchange Commission within the last calendar year, or if
24 the obligor is not required to file its financial statements
25 with the Securities and Exchange Commission, a copy of
26 the obligor's audited financial statement, that shows a net
27 worth of the obligor or its parent company of at least ~~one~~
28 ~~hundred million dollars (\$100,000,000)~~ *fifty million*
29 *dollars (\$50,000,000)*. If the obligor's parent company's
30 Form 10-K or audited financial statements are filed to
31 meet the obligor's financial stability requirement, then
32 the parent company shall agree to guarantee the
33 obligations of the obligor relating to agreements of the
34 obligor in this state.

35 (c) No separately stated consideration is paid for the
36 agreement by the agreement holder.

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